



上海復旦張江生物醫藥股份有限公司
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8231)

THIRD QUARTERLY RESULTS REPORT
For the nine months ended 30 September 2005

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This report, for which the directors (the “Directors”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board of Directors is pleased to present the unaudited results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2005

For the nine months ended 30 September 2005, the Group recorded a turnover of approximately RMB16,385,000, which is an increase of 75% as compared with the same period in 2004. RMB7,355,000 (or 45% of total turnover) was from the sales of medical diagnostic products and the provision of related auxiliary services. This represents a 42% increase from the sales of medical diagnostic products of the corresponding period last year. The remaining RMB9,030,000 (or 55% of total turnover) came from technology transfer and transfer of technical services. This represents an increase of 115% for the same item as compared with the corresponding period last year.

For the nine months ended 30 September 2005, cost of sales of the Group was approximately RMB8,155,000, an increase of 25% from the same period last year. With the strict application of the GMP standard, the Group has increased the expenditure on product quality control, while at the same time efficiently maintained the various production expenses within a reasonable range. This resulted in a much lower increase of cost of sales than that of turnover. Therefore, the gross profit margin has risen to 50% from last comparative period’s 31%.

For the review period, operating loss of the Group was approximately RMB11,300,000. This is contrasted with the operating loss of RMB14,503,000 for the Group for the same period last year. The loss dropped by 22% comparatively. The operating loss is due to a number of research and development (“R&D”) projects entering into the clinical trial stages during the year, the launch of a new product calling for an active market entry strategy, more investment into human and financial resources, which led to increased research and development costs, distribution costs and other operating expenses. In addition, the increase in other operating expenses included the book value of exchange loss due to the appreciation of the RMB. It is noted that administrative expenses decreased as compared to the corresponding period last year.

The Group recorded a loss attributable to shareholders of approximately RMB9,977,000 for the nine months ended 30 September 2005, whereas the loss attributable to shareholders for the same period last year was RMB13,409,000.

BUSINESS REVIEW

During the period under review, the Group has made satisfactory progress in the areas of R&D, technological transfer and commercialization.

In respect of R&D, application has been made to the State Food and Drug Administration (“SFDA”) for the clinical research approval in respect of a new drug Nifeviroc (尼非韋羅) for the treatment of AIDS. Three other products, namely Light Sugar for the treatment of diabetes, Recombinant Human Tumor Necrosis Receptor Fc Fusion Protein Etanercept (重組人腫瘤壞死因子受體 — Fc融合蛋白) for the treatment of arthritis, and Hemporfin (海姆泊芬), a photodynamic therapy drug for the treatment of port wine stain, have been approved by the SFDA to enter into clinical research. The clinical testing of ALA (5-氨基酮戊酸鹽) for the treatment of acute condyloma (尖銳濕疣) has been essentially completed and the new drug certificate will be applied for soon.

In respect of technology transfer, the Group has been actively exploring overseas markets. Following the successful transfer of the overseas rights of a technology to a company in Taiwan, the Group managed to transfer the Mainland rights of the same technology to a company in the PRC for a consideration of RMB17,000,000 in February 2005, while retaining a certain proportion of the sales revenue of the product. The Group has strategically transferred the Mainland rights and overseas rights of the R&D project to different companies, which assisted the Group to obtain the greatest benefit from the project.

In respect of patents, the Group has always endeavored to protect its intellectual property rights of its innovative drugs and other R&D achievements. During the period under review, the Group has applied for 6 invention patents, one of which was a Cooperation Treaty (PCT) patent.

In respect of commercialization, the Group has devoted its efforts on marketing the series of medical diagnostic products, and has acquired the Medical Device Registration Certificates for 31 medical diagnostic products within the period under review.. The Group currently has a total of 44 Medical Device Registration Certificates. The Group is currently fully engaged in the development of the market for a Down’s Syndrome antenatal screening system.

PROSPECTS

The clinical testing of the new photodynamic drug ALA (5-氨基酮戊酸鹽) for the treatment of acute condyloma has been essentially completed and the new drug certificate will be applied for soon. Application has been made for the production of Doxorubicin Liposome (脂質體阿霉素) for the treatment of tumor. These two products will be put into production next year, and the Group is currently revamping the manufacturing site for the two products, in order to facilitate GMP certification and market sales. It is anticipated that the production of these two products will generate considerable revenue to the Group.

In respect of commercialization, the Group already has diagnostic reagents, HLA genetic chips, Down’s Syndrome antenatal screening system in production and sales. With the new photodynamic drug ALA (5-氨基酮戊酸鹽) and Doxorubicin Liposome (脂質體阿霉素) which will be approved for production in the near future, the Group will transform its business from pure R&D to a combination of R&D and commercialization, which will lead the Group to a better development stage.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, chief executive (the "Chief Executive") or supervisors (the "Supervisors") of the Company nor their spouses or children under the age of 18 was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 September 2005.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 September 2005, the interests (including interests in shares and / or short positions) of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares or debentures of the Company and its associated corporations, if any, (a) as notified to the Company and the Stock Exchange pursuant to: Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); (b) as recorded in the register maintained by the Company under Section 352 of the SFO; or (c) as required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Class of shares	Number of Domestic shares held	Capacity	Type of interest	Percentage holding in Domestic shares	Percentage of holding in total share capital
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13%	7.31%
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58%	2.58%
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98%	2.15%
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10%	0.80%

Note: The letter "L" stands for long position.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2005, the persons other than a director, chief executive or supervisor of the Company who have interests and / or short positions in the shares or underlying shares of the Company subject to disclosure under Divisions 2 and 3 of Part XV of the SFO are listed as follows (the interests in shares and short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executive and Supervisors):

Name of substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage in total share capital
Shanghai Pharmaceutical (Group) Corporation	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	19.66%
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co. Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Corp.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,288 (L)	Beneficial Owner	Corporate	5.98%	4.31%
Shanghai Industrial Investment (Holdings) Co., Ltd.	H Shares	70,564,000 (L)	Interest of controlled corporation	Corporate	35.64%	9.94%
S.I. Pharmaceutical Holdings Ltd.	H Shares	65,856,000 (L)	Beneficial Owner	Corporate	33.26%	9.28%
SIIC Medical Science and Technology (Group) Limited	H Shares	4,708,000 (L)	Beneficial Owner	Corporate	2.38%	0.66%

COMPETING INTERESTS

Save as disclosed in the following table, none of the Directors, the management shareholders of the Company and their respective associates had any interest in a business which competes or may compete with the businesses of the Group.

Shanghai Pharmaceutical Co., Ltd.

Investee company	Nature of business	Shareholding interests
Shanghai Tongyong Pharmaceutical Co., Ltd. (上海通用藥業股份有限公司)	Drug manufacturing	40%
Ningbo Asia-Pacific Bio-technology Co., Ltd. (寧波亞太生物技術有限公司)	Drug manufacturing	89%
Shanghai Qingping Pharmaceutical Co., Ltd. (上海青平藥業有限公司)	Drug manufacturing	39%
Shanghai Hefeng Pharmaceutical Co., Ltd. (上海禾豐製藥有限公司)	Drug manufacturing	50%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達製藥有限公司)	Drug manufacturing	70%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏製藥有限公司)	Drug manufacturing	100%
Shanghai Huashi Pharmaceutical Hi-Tech Industrial Development Co., Ltd. (上海華氏醫藥高科技實業發展有限公司)	R&D of drugs	100%

China General Technology (Group) Holding, Ltd.

Investee company	Nature of business	Shareholding interests
Hainan Tongmeng Pharmaceutical Co., Ltd. (海南同盟藥業有限公司)	Drug manufacturing	49%
Hainan Sanyang Pharmaceutical Co., Ltd. (海南三洋藥業有限公司)	Drug manufacturing	80.55%

Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.

Investee company	Nature of business	Shareholding interests
Meilian Biotechnology Company (美聯生物技術公司)	R&D of genetic pattern	49.47%

DETAILS OF OPTIONS GRANTED BY THE COMPANY

On 23 June 2002, the Company adopted a share option scheme (the “Share Option Scheme”) under which the executive Directors or full-time employees of the Company or its subsidiaries or any of their respective associates may be granted options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at the date of this report, no option has been granted or agreed to be granted to any executive director or full-time employee of the Company or its subsidiaries or any of their respective associates under the Share Option Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the nine months ended 30 September 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal control of the Company and its subsidiaries. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman, Mr. Weng De Zhang and Mr. Cheng Lin.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company, including a review of the third quarterly report for the nine months ended 30 September 2005.

CONSOLIDATED RESULTS

	<i>Note</i>	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
		2005 <i>RMB'000</i>	2004 <i>RMB'000</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Turnover		9,925	2,467	16,385	9,382
Cost of sales		<u>(2,466)</u>	<u>(1,574)</u>	<u>(8,155)</u>	<u>(6,520)</u>
Gross profit		7,459	893	8,230	2,862
Other income		1,398	1,679	3,839	4,911
Research and development costs		(4,307)	(3,940)	(12,158)	(11,685)
Distribution costs		(1,563)	(662)	(4,053)	(1,718)
Administrative expenses		(2,713)	(3,778)	(6,203)	(8,342)
Other operating expenses		<u>(801)</u>	<u>(80)</u>	<u>(955)</u>	<u>(531)</u>
Operating loss		(527)	(5,888)	(11,300)	(14,503)
Share of results of associate before taxation		<u>104</u>	<u>(496)</u>	<u>(694)</u>	<u>(1,579)</u>
Loss before taxation		(423)	(6,384)	(11,994)	(16,082)
Taxation	2	<u>(123)</u>	<u>769</u>	<u>986</u>	<u>1,868</u>
Loss after taxation		(546)	(5,615)	(11,008)	(14,214)
Minority interests		<u>348</u>	<u>345</u>	<u>1,031</u>	<u>805</u>
Loss attributable to shareholders		<u>(198)</u>	<u>(5,270)</u>	<u>(9,977)</u>	<u>(13,409)</u>
Basic loss per share (RMB)	3	<u>(0.0003)</u>	<u>(0.0074)</u>	<u>(0.0141)</u>	<u>(0.0189)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies and basis of preparation

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group's financial information included in the accountants' report as set out in the prospectus used on 31 July 2002 in connection with the placing of shares of the Company on the GEM. The unaudited consolidated results are prepared in accordance with International Financial Reporting Standards.

The unaudited results have been prepared on a consolidated basis which includes the financial statements of the Company and its subsidiaries. A subsidiary is an entity in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Taxation

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax (charge)/credit	<u>(123)</u>	<u>769</u>	<u>986</u>	<u>1,868</u>

The Company, its subsidiaries and associate are subject to the Income Tax Law of the PRC and the normal income tax rate applicable is 33%. As the Company is recognized as a New and High Technology Enterprise, and is operating and registered in the State Level New and High Technology Development Zone, it is entitled to a reduced Income Tax rate of 15%. As the subsidiaries and associate are recognized as domestic companies registered in Shanghai Pudong New Area, they are also entitled to the reduced Income Tax rate of 15%. Accordingly, the Company, its subsidiaries and associate are subject to Income Tax at a rate of 15%.

3. Loss per share

The calculation of the loss per share for the three months ended 30 September 2005 and 30 September 2004 were based on the unaudited loss attributable to shareholders of approximately RMB198,000 (three months ended 30 September 2004: unaudited loss attributable to shareholders of approximately RMB5,270,000) and total shares in issue of 710,000,000 shares (three months ended 30 September 2004: 710,000,000 shares) during the three months ended 30 September 2005.

The calculation of the loss per share for the nine months ended 30 September 2005 and 30 September 2004 were based on the unaudited loss attributable to shareholders of approximately RMB9,977,000 (nine months ended 30 September 2004: unaudited loss attributable to shareholders of approximately RMB13,409,000) and total shares in issue of 710,000,000 shares (nine months ended 30 September 2004: 710,000,000 shares) during the nine months ended 30 September 2005.

4. Dividend

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (2004: Nil).

5. Shareholders' fund

	Share capital RMB'000	Capital accumulation reserve RMB'000	Unaudited Statutory common reserve fund RMB'000	Statutory common welfare fund RMB'000	Retained earnings/ (Accumulated loss) RMB'000	Total RMB'000
Balance at						
1 January 2004	71,000	115,014	1,709	1,120	(14,293)	174,550
Loss for the period	—	—	—	—	(13,409)	(13,409)
Balance at						
30 September 2004	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(27,702)</u>	<u>161,141</u>
Balance at						
1 January 2005	71,000	115,014	1,709	1,120	(39,194)	149,649
Loss for the period	—	—	—	—	(9,977)	(9,977)
Balance at						
30 September 2005	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(49,171)</u>	<u>139,672</u>

By Order of the Board
Wang Hai Bo
Chairman

As at the date of the publication of this report, the Board comprises:

Mr. Wang Hai Bo (Executive Director)
Mr. Su Yong (Executive Director)
Mr. Zhao Da Jun (Executive Director)
Mr. Lou Yi (Non-executive Director)
Ms. Fang Jing (Non-executive Director)
Mr. Jiang Guo Xing (Non-executive Director)
Mr. Zhou Jie (Non-executive Director)
Mr. Guo Jun Yi (Non-executive Director)
Mr. Pan Fei (Independent non-executive Director)
Mr. Cheng Lin (Independent non-executive Director)
Mr. Weng De Zhang (Independent non-executive Director)

Shanghai, the PRC
10 November, 2005

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* For identification purpose only