



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)

FIRST QUARTERLY REPORT

For the three months ended 31 March 2009

* *For identification purpose only*

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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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2009

For the three months ended 31 March 2009, the Group recognized a turnover of approximately RMB9,118,000, comparing to a turnover of RMB6,542,000 for the same period in 2008. This shows an increase of 39%.

For the three months ended 31 March 2009, RMB2,000,000 (or 22% of the total turnover) was derived from the income of technology transfer, and the rest of RMB7,118,000 (or 78% of the total turnover) came from the sale of medical products and provision of related ancillary services. In contrast, all the total turnover for the same period last year came from the sale of medical products and the provision of related ancillary services.

For the three months ended 31 March 2009, the Group incurred the cost of sales of approximately RMB2,796,000, comparing to RMB2,172,000 for the same period in 2008, representing an increase of 29%.

For the three months ended 31 March 2009, operating loss of the Group was approximately RMB6,335,000, comparing to RMB6,242,000 for the same period in 2008. Operating loss has increased by 1% from that of the corresponding period last year. Of the various costs and expenses presented before operating loss, research and development costs have increased by 47%, distribution and marketing costs have increased by 5%, and administrative expenses have decreased by 3%, respectively, comparing with those of the same period in 2008. Other income has increased by 102%, mainly because the Group has recognized more income from government grants on R&D projects during the period under review. Other operating expenses have increased significantly, mainly because the Group has disposed some available-for-sale investments, but it has little effect on the overall operation of the Group.

A loss attributable to the shareholders of the Company of approximately RMB6,581,000 was recorded in the unaudited consolidated income statement for the three months ended 31 March 2009, compared with RMB6,513,000 for the same period in 2008.

BUSINESS REVIEW

During the period under review, the Group has been making progress in the areas of R&D and commercialization pursuing the projected plans.

In the area of R&D, the Group has proceeded with the clinical studies of several projects that have been approved to enter clinical research. Duteroporphyrin (多替泊芬), a photodynamic new drug, and Vincristine Liposome Injection (長春新鹼脂質體注射劑), both for the treatment of tumors, were approved to enter into clinical study in February, 2009.

With regard to patents, the Group has always been endeavoring in protecting the intellectual property rights of its innovative drugs and R&D achievements. Within the period under review, the Group has applied for 4 invention patents, and has been granted 1 invention patent.

In respect of commercialization, since ALA (鹽酸氨酮戊酸), which is used for the treatment of dermal HPV infectious disease and proliferative disease as represented by Condyloma acuminata, has been launched for sale, it has attracted high level of attention from dermatologists all over the country. Sales revenue of the product has been increasing steadily.

Drug Registration of Doxorubicin Liposome Injection (鹽酸多柔比星脂質體注射劑), for the treatment of tumors, has been issued by SFDA. GMP recognition was in progress. The drug is planned to be launched in the second half of year 2009. The Company has signed a distribution agreement with Nanjing Medical Co., Ltd (Nanjing Medical) in April 2009, to offer the distribution rights of the product to Nanjing Medical for the coming five years. Nanjin Medical will make a payment of RMB20,000,000 to the Company as the consideration of the distribution rights.

Future prospects

The Group has accumulated extensive experiences in R&D, and has taken a leading position in the pharmaceutical industry in the PRC. In the future, the Group will continue devoting efforts to R&D on projects with proprietary intellectual property rights. In particular, drugs for the treatment of dermal diseases and tumors will be of the most importance.

In respect of commercialization, the Group has realized production and sales on diagnostic reagents, Down s Syndrome antenatal screening system, and ALA, which is used for the treatment of dermal diseases. Doxorubicin Lipsome Injection (鹽酸多柔比星脂質體注射劑), for the treatment of tumors, will be launched in the latter half of year 2009. The Group has successfully accomplished the transformation from pure R&D to a combination of R&D and commercialization, which combines the various parts of the Group containing R&D, production, selling and marketing into an integrated system. The Group will be able to progress to a better development stage.

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

As at 31 March 2009, 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 Shares held	Capacity	Type of interest	Percentage in the respective class of share capital	Percentage 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 31 March 2009, 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 Industrial Investment (Holdings) Co., Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
Shanghai Pharmaceutical Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26%	19.66%
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%
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)				
Fudan University	Domestic Shares	30,636,286 (L)	Beneficial Owner	Corporate	5.98%	4.31%

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 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 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%

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 three months ended 31 March 2009.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman, Mr. Weng De Zhang, who is the vice chairman, and Mr. Cheng Lin. Mr. Pan Fei holds a recognized professional qualification as prescribed by the GEM Listing Rules.

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 first quarterly report for the three months ended 31 March 2009 before proposing to the Board for approval.

The Directors hereto present the unaudited consolidated first quarterly results of the Company together with its subsidiaries (collectively the Group) for the three months ended 31 March 2009.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 31 March	
		2009	2008
	<i>Note</i>	RMB'000	<i>RMB 000</i>
Turnover	2	9,118	6,542
Cost of sales		(2,796)	(2,172)
Gross profit		6,322	4,370
Other income		1,696	838
Research and development costs		(5,860)	(3,974)
Distribution and marketing costs		(4,637)	(4,396)
Administrative expenses		(2,942)	(3,031)
Other operating expenses		(914)	(49)
Operating loss		(6,335)	(6,242)
Finance costs		(676)	(341)
Share of results of and impairment charge on an associate		—	
Loss before income tax		(7,011)	(6,583)
Income tax	3	—	
Loss for the period		(7,011)	(6,583)
Attributable to:			
Shareholders of the Company		(6,581)	(6,513)
Minority interests		(430)	(70)
		(7,011)	(6,583)
Basic and diluted loss per share for loss attributable to the shareholders of the Company (RMB)	4	(0.0093)	(0.0092)

NOTES

1. Accounting policies and basis of preparation

The unaudited first quarterly financial information of the Group has been prepared in accordance with IAS 34. The accounting policies adopted in preparing the unaudited consolidated financial information for the three months ended 31 March 2009 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

The unaudited consolidated financial information includes the financial information of the Company and its subsidiaries made up to 31 March. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Turnover

The Group is principally engaged in research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC. Turnover recognized during the reporting period is as follows:

	Unaudited Three months ended 31 March	
	2009	2008
	RMB'000	RMB 000
Sales of medical products and the provision of related ancillary services	7,118	6,542
Technology transfer revenue	2,000	
	9,118	6,542

3. Income tax

	Unaudited	
	Three months	
	ended 31 March	
	2009	2008
	RMB'000	RMB 000
Income tax	—	

Under the Corporate Income Tax Law of the People's Republic of China, as the Company was certified as a New and High Technology Enterprise, it is entitled to a reduced income tax rate of 15%. The corporate income tax rate applicable to the subsidiaries are 25%.

4. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2009 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB6,581,000 (2008: loss attributable to shareholders of the Company of approximately RMB6,513,000) and the weighted average number of 710,000,000 shares during the three months ended 31 March 2009 (2008: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months ended 31 March 2009 and three months ended 31 March 2008 as there were no dilutive potential ordinary shares during the periods then ended.

5. Dividend

The Board of Directors does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: Nil).

6. Consolidated statement of changes in equity

	Unaudited					
	Attributable to shareholders of the Company				Minority interests	Total
	Share capital	Capital accumulation reserve	Statutory common reserve fund	Accumulated losses		
Balance at 1 January 2008	71,000	115,014	2,829	(118,785)	983	71,041
Capital contribution to a subsidiary by minority interests (a)		27,813			2,187	30,000
Loss for the period				(6,513)	(70)	(6,583)
Balance at 31 March 2008	<u>71,000</u>	<u>142,827</u>	<u>2,829</u>	<u>(125,298)</u>	<u>3,100</u>	<u>94,458</u>
Balance at 1 January 2009	71,000	141,945	2,829	(142,187)	2,296	75,883
Unrealised profit on available-for-sales investments		1,473			125	1,598
Loss for the period				(6,581)	(430)	(7,011)
Balance at 31 March 2009	<u>71,000</u>	<u>143,418</u>	<u>2,829</u>	<u>(148,768)</u>	<u>1,991</u>	<u>70,470</u>

- (a) Pursuant to a capital increase agreement, Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd. (Taizhou Pharmaceutical), a 100% subsidiary of the Company as of 31 December 2007, received RMB25,000,000 and RMB5,000,000 in March 2008 from two third party companies, Taizhou Huasheng Investment Development Company Limited and Taizhou Pharmaceutical Science Park Huayuan Investment Development Company Limited respectively as capital injection. Following these capital injections, the registered capital of Taizhou Pharmaceutical was increased from RMB60,000,000 to RMB66,000,000, and the Company's interest in Taizhou Pharmaceutical was reduced from 100% to 90.9%. After the completion of the registered capital increase, the Group recognized RMB 27,813,000 in the capital accumulation reserve.

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*)

Ms. Fang Jing (*Non-executive Director*)

Mr. Zhou Jie (*Non-executive Director*)

Mr. Guo Jun Yu (*Non-executive Director*)

Mr. Hao Hong Quan (*Non-executive Director*)

Mr. Zhu Ke Qin (*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

6 May 2009