



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 company incorporated in the People's Republic of China with limited liability)
(STOCK CODE: 8231)

FIRST QUARTERLY RESULTS REPORT
For the three months ended 31 March 2007

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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.

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 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the three months ended 31 March 2007

For the three months ended 31 March 2007, the Group recorded a turnover of approximately RMB3,515,000, whereas the figure for the same period in 2006 was RMB3,102,000.

All the turnover of the Group for the first quarter of 2007 was derived from the sale of medical diagnostic products and the provision of related ancillary services. In contrast, of the total turnover for the same period last year, RMB2,852,000 (or 92% of total turnover) came from the sales of medical diagnostic products, and RMB250,000 (or 8% of total turnover) came from the income of technology transfer.

Comparing to the same period last year, turnover of the Group for the first quarter of 2007 has increased by 13%, while the sale of medical diagnostic products has increased by 23%.

Cost of sales of the Group for the three months ended 31 March 2007 amounted to approximately RMB2,341,000, compared to RMB2,915,000 for the same period in 2006, with a reduction of 20%.

Operating loss of the Group within the period under review was approximately RMB6,250,000, comparing to RMB7,266,000 for the corresponding period last year. Operating loss has been reduced by 14%. Of the various costs and expenses presented before operating loss, research and development costs and other operating expenses decreased by 34% and 79% respectively, whereas distribution and marketing costs increased by 120%.

For the three months ended 31 March 2007, the Group recorded a loss attributable to shareholders of the Company of approximately RMB6,792,000, compared to a loss of approximately RMB7,474,000 for the same period in 2006.

Business Review

Within the period under review, the Group has made ideal progress in the areas of R&D and commercialization.

With regard to R&D, New Drug Certificate and New Drug Registration Approval have been granted to Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) for the treatment of Condyloma acuminata. Nifedipine (尼非韋羅) for the treatment of Aids has been approved to enter into clinical study. The Company made an announcement on 16 April 2007 regarding entering into collaboration and license agreement with an Australian company upon the overseas patent right of the project and the related technology, to enable an internationalized R&D on the project and its related technology. Depending on the progress of the research and the status of the accomplishment of the project, the subsidiary of the Company, Ba Dian, would be able to obtain a payment of up to US\$40,000,000 for the license and a certain proportion of patent fee after the drug is launched for sale.

In the area of commercialization, reconstruction of the production sites for the drugs ALA (鹽酸氨酮戊酸) and Duxorubicon liposome (鹽酸多柔比星脂質體) has been completed. Certificate for GMP Certification has been granted to ALA (鹽酸氨酮戊酸), and sales of the product to the market has commenced.

The Group established a wholly-owned subsidiary Taizhou Pharmaceutical (泰州藥業) in March 2007. Production lines will be constructed by stage based on the progress achieved in the development of the Company's products so that the subsidiary will gradually develop into a comprehensive production and manufacturing base integrating various production lines of the Company. The Company made an announcement on 18 April 2007 regarding a resolution of capital increase of RMB30,000,000 which is pending for approval by the AGM.

Future prospects

The Group has accumulated extensive experience 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 in R&D of projects with proprietary intellectual property rights. In particular, drugs for the treatment of dermal diseases and tumors will be of the most importance.

In the area of commercialization, the Group already has diagnostic reagents and Down's Syndrome antenatal screening system on production and sale, plus ALA (鹽酸氨酮戊酸) which is about to be launched for sale, the Group has completed the conversion from pure R&D to a combination of R&D and commercialization successfully. The Group has established a relatively comprehensive marketing and sales system, and has therefore owned an integrated function developed by an organic combination of R&D, product manufacturing, marketing and sales, which enables the Company stepping to a better development stage.

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

As at 31 March 2007, 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 31 March 2007, 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 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 a 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 a 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	30,636,286 (L)	Beneficial Owner	Corporate	5.98%	4.31%
Shanghai Industrial Investment (Holdings) Co., Ltd.	H Shares	70,564,000 (L)	Interest of a 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%
Cheng Ken Yi	H Shares	13,848,000 (L)	Interest of a controlled corporation	Individual	6.99%	1.95%
Legitimate Assets Limited	H Shares	13,848,000 (L)	Beneficial Owner	Corporate	6.99%	1.95%

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 Yatai 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. (上海禾豐制藥有限公司)	Drug manufacturing	50%
Shanghai Fuda Pharmaceutical Co., Ltd. (上海福達制藥有限公司)	Drug manufacturing	70%
Shanghai Huashi Pharmaceutical Co., Ltd. (上海華氏制藥有限公司)	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%

PURCHASE, SALE OR REDEMPTION OF SHARES

Apart from the placing of H Shares of the Company on the GEM, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period from 13 August 2002 (date of listing of the Company's shares on the GEM) to 31 March 2007.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Pan Fei, who is the chairman of the audit committee, Mr. Weng De Zhang and Mr. Cheng Lin.

The audit committee has reviewed the accounting principles and practices adopted by the Group, and has discussed internal control and financial reporting issues with the management of the Company. The audit committee made discussions on the first quarterly results report for the three months ended 31 March 2007 before proposing to the Board for approval.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Three months	
		ended 31 March	
		2007	2006
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Turnover	2	3,515	3,102
Cost of sales		(2,341)	(2,915)
Gross profit		1,174	187
Other income		1,156	660
Research and development costs		(3,433)	(5,181)
Distribution and marketing costs		(2,654)	(1,205)
Administrative expenses		(2,439)	(1,466)
Other operating expenses		(54)	(261)
Operating loss		(6,250)	(7,266)
Finance costs		(356)	—
Share of results of an associate		(496)	(421)
Loss before income tax		(7,102)	(7,687)
Income tax	3	—	—
Loss for the period		(7,102)	(7,687)
Attributable to:			
Shareholders of the Company		(6,792)	(7,474)
Minority interests		(310)	(213)
		(7,102)	(7,687)
Basic loss per share for loss attributable to the shareholders of the Company (RMB)	4	(0.0096)	(0.0105)

NOTES:

1. Accounting policies and basis of preparation

The unaudited first quarterly financial statements have been prepared in accordance with IAS 34. The accounting policies adopted in preparing the unaudited consolidated income statement for the three months ended 31 March 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

The unaudited consolidated income statement includes the income statements 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 knowhow, carrying out contracted research for clients, and manufacturing and selling of diagnostic products and provision of related ancillary services in the PRC. Turnover recognized for the period under review are as follows:

	Unaudited Three months ended 31 March	
	2007	2006
	RMB'000	RMB'000
Sales of diagnostic products and the provision of related ancillary services	3,515	2,852
Technology transfer income	—	250
	3,515	3,102

3. Income tax

	Unaudited	
	Three months	
	ended 31 March	
	2007	2006
	RMB'000	RMB'000
Income tax	—	—
	<u> </u>	<u> </u>

The Company and its subsidiaries 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 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 and its subsidiaries are subject to income tax at a rate of 15%.

4. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2007 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB6,792,000 (2006: loss of approximately RMB7,474,000) and the weighted average number of 710,000,000 shares during the three months ended 31 March 2007 (2006: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months ended 31 March 2007 and 31 March 2006 as there were no dilutive potential ordinary shares during those periods then ended.

5. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

6. Consolidated statement of changes in equity

	Unaudited					Minority interests	Total
	Attributable to shareholders of the Company						
	Share Capital	Capital accumulation reserve	Statutory common reserve fund	Statutory common welfare fund	Accumulated losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2006	71,000	115,014	1,709	1,120	(68,279)	3,163	123,727
Loss for the period	—	—	—	—	(7,474)	(213)	(7,687)
Balance at 31 March 2006	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(75,753)</u>	<u>2,950</u>	<u>116,040</u>
Balance at 1 January 2007	71,000	115,014	2,829	—	(89,235)	2,089	101,697
Loss for the period	—	—	—	—	(6,792)	(310)	(7,102)
Balance at 31 March 2007	<u>71,000</u>	<u>115,014</u>	<u>2,829</u>	<u>-</u>	<u>(96,027)</u>	<u>1,779</u>	<u>94,595</u>

By Order of the Board
Wang Hai Bo
Chairman

As at the date on 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. Jiang Guo Xing (Non-executive Director)
 Ms. Fang Jing (Non-executive Director)
 Mr. Zhou Jie (Non-executive Director)
 Mr. Guo Jun Yu (Non-executive Director)
 Mr. Zhou Mai (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 May 2007

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