



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 2007

* *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 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 (the "Board") hereto presents the unaudited results of the Company together with its subsidiaries (collectively the "Group") for the nine months ended 30 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review for the nine months ended 30 September 2007

For the nine months ended 30 September 2007, the Group recorded a turnover of approximately RMB16,356,000, comparing to a turnover of RMB10,726,000 for the same period in 2006. This shows an increase of 52%.

For the nine months ended 30 September 2007, the sales of medical products realized a revenue of RMB10,346,000, accounting for 63% of the total turnover for the period, with the remaining RMB6,010,000, or 37% of the total turnover earned from technology transfer and provision of technical services. In contrast, of the total turnover for the same period last year, RMB7,710,000 (or 72% of total turnover) was derived from the sale of medical products, and RMB3,016,000 (or 28% of total turnover) came from the income of technology transfer. Sales of the medical products has seen a steady increase of 34% from the level of last corresponding period, and the income from technology transfer and technical services has increased by 99%.

For the nine months ended 30 September 2007, the Group incurred cost of sales of approximately RMB7,696,000, maintaining same level as last year. The figure for the same period last year was RMB7,713,000. The new product Aminolevulinic Acid Hydrochloride (ALA) (鹽酸氨酮戊酸) has been launched to the market. More marketing costs have been spent on exploring new markets before and after the launch of ALA, resulting in a significantly increased distribution and marketing costs.

For the nine months ended 30 September 2007, operating loss of the Group was approximately RMB18,714,000, comparing to RMB18,346,000 for the same period last year.

A loss attributable to the shareholders of the Company of approximately RMB18,984,000 was recorded in the consolidated financial statements for the nine months ended 30 September 2007, whereas the loss attributable to shareholders of the Company RMB18,490,000 for the same period last year.

Business Review

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

In the area of R&D, 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. Application for clinical study has been submitted for the Photodynamic therapy drug Deuteporfin (多替泊芬) for the treatment of tumor.

With regard to patents, the Group has always been endeavoring in protecting the intellectual property rights of its innovative drugs and other R&D achievements. Within the period under review, the Group has applied for 1 invention patent, and has been granted 2 invention patents and 1 utility model patent.

In respect of commercialization, New Drug Certificate, New drug Registration Approval, and Certificate for GMP Certification have been granted to 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. Since its launch in June 2007, the product has attracted high level attention from dermatologists all over the country. The Company has selected 20 economically more developed provinces, such as Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu and Shandong, as the first Stage market developing area. 200 large-scale comprehensive hospitals and large-scale specialist dermal hospitals have been aimed as the target clients. Market exploitation of 70 target clients has been completed, and initial usage intentions have been reached with 40 targets. It's expected that market exploitation of 100 target clients will be accomplished by the end of 2007. The Company has won all the bids of the centralized tendering for drug purchases in many provinces that have just closed. Sales of the product has now been carried out gradually. At the same time, ALA has been awarded as the Shanghai High & New Technology Transformation Project.

Reconstruction of the production sites for Duxorubicin liposome (鹽酸多柔比星脂質體) has been completed. Approval to the drug by SFDA is being expected. Market exploitation for the product has been carried out.

Recombinant tissue type plasminogen activator (r-tPA), which the Group has transferred to an enterprise in Shandong in year 2002, was granted the new Drug Certificate and New Drug Registration Certificate in September 2007. The Group has received all the technology transfer income. It's expected that the product will be sold to the market in the new future. According to the technology transfer agreement, the Group is entitled to a certain percentage of income on sales.

Future prospects

Over the past years, 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 devote 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. The Group has successfully accomplished the transformation from pure a selling and R&D type to a combination of R&D and commercialization. The Group has established an integrated system, which is an organic combination of the various parts of the Group containing R&D, production, selling and marketing. 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 30 September 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 30 September 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, 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	30,636,286 (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	99.76%
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, 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 2007.

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 third quarterly report for the nine months ended 30 September 2007 before proposing to the Board for approval.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	9,355	3,222	16,356	10,726
Cost of sales		(3,510)	(2,649)	(7,696)	(7,713)
Gross profit		5,845	573	8,660	3,013
Other income		1,189	398	2,895	2,316
Research and development costs		(2,755)	(1,651)	(10,564)	(11,347)
Distribution and marketing costs		(4,580)	(3,066)	(11,151)	(5,088)
Administrative expenses		(3,649)	(3,664)	(8,438)	(6,068)
Other operating expenses		(24)	(686)	(116)	(1,172)
Operating loss		(3,974)	(8,096)	(18,714)	(18,346)
Finance costs		(336)	—	(910)	—
Share of results of an associate		(186)	—	(499)	(679)
Loss before income tax		(4,496)	(8,096)	(20,123)	(19,025)
Income tax	3	—	—	—	(5)
Loss for the period		(4,496)	(8,096)	(20,123)	(19,030)
Attributable to:					
Shareholders of the Company		(3,842)	(7,938)	(18,984)	(18,490)
Minority interests		(654)	(158)	(1,139)	(540)
		(4,496)	(8,096)	(20,123)	(19,030)
Basic loss per share for loss attributable to the shareholders of the Company (RMB)	4	(0.0054)	(0.0112)	(0.0267)	(0.0260)

NOTES

1. Accounting policies and basis of preparation

The unaudited third quarterly financial information of the Group has been prepared in accordance with IAS 34. The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006.

The unaudited consolidated financial information include the financial information of the Company and its subsidiaries made up to 30 September. 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 recognised during the reporting period are as follows:

	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of medical products and the provision of related ancillary services	4,355	1,222	11,356	8,726
Technology transfer revenue	5,000	2,000	5,000	2,000
	<u>9,355</u>	<u>3,222</u>	<u>16,356</u>	<u>10,726</u>

3. Income tax

	Unaudited three months ended 30 September 2007		Unaudited nine months ended 30 September 2007	
	RMB'000	2006 RMB'000	RMB'000	2006 RMB'000
Income tax	—	—	—	(5)

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 Morgan-Tan and Ba Dian are recognized as domestic companies registered in Shanghai Pudong New Area, they are also entitled to the reduced income tax rate of 15%.

On 16 March 2007, a new PRC enterprise income tax law has been enacted which will be applicable to the Group. The new tax law which will be effective on 1 January 2008 reduces the standard income tax rate from 33% to 25% and changes the previous preferential tax treatments. Management is following up the new tax law and will only be able to assess its impact to the Group when the detailed implementation guideline becomes available.

4. Loss per share

The calculation of the basic loss per share for the three months ended 30 September 2007 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB3,842,000 (2006: loss attributable to shareholders of the Company of approximately RMB7,938,000) and the weighted average number of 710,000,000 shares during the three months ended 30 September 2007(2006: 710,000,000 shares).

The calculation of the basic loss per share for the nine months ended 30 September 2007 was based on the unaudited loss attributable to shareholders of the Company of approximately RMB18,984,000 (2006: loss attributable to shareholders of the Company of approximately RMB18,490,000) and the weighted average number of 710,000,000 shares during the nine months ended 30 September 2007(2006: 710,000,000 shares).

Diluted loss per share has not been calculated for the three months or nine months ended 30 September 2007 and 30 September 2006 as there were no dilutive potential ordinary shares during the periods then ended.

5. Dividend

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 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	—	—	—	—	(18,490)	(540)	(19,030)
Balance at 30 September 2006	<u>71,000</u>	<u>115,014</u>	<u>1,709</u>	<u>1,120</u>	<u>(86,769)</u>	<u>2,623</u>	<u>104,697</u>
Balance at 1 January 2007	71,000	115,014	2,829	—	(89,235)	2,089	101,697
Loss for the period	—	—	—	—	(18,984)	(1,139)	(20,123)
Balance at 30 September 2007	<u>71,000</u>	<u>115,014</u>	<u>2,829</u>	<u>—</u>	<u>(108,219)</u>	<u>950</u>	<u>81,574</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. 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. Hao Hong Quan (*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
 9 November 2007