

**SHANGHAI FUDAN-ZHANGJIANG BIO-PHARMACEUTICAL COMPANY LTD :
NOTHING VENTURED, NOTHING GAINED**

The best way to describe Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Company Ltd is to label it as being a type of testing laboratory for certain drugs in the People's Republic of China (PRC).

The Company went public on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the speculative equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC, on the last day of July, raising the best part of \$HK200 million.

The Company has been designated with GEM Stock Code Number 8231, following the Placing of 198 million, 0.10 renminbi Shares at a Price of \$HK1.13 per share.

While it is claimed that the Company was established, in some form or another, in November 1996, it is clear, on reading the Placing Prospectus, that it only really got started in the past few years.

And, even then, it is questionable as to the quality of its earnings because, in the PRC, proper, it is quite common for PRC Government-controlled entities to dress up a company's Profit and Loss Account, using creative accounting practices, just prior to that company, going public on an HKSAR equity market, or where-ever else a public listing can be obtained with relative ease.

For the record, Page 61 of the Prospectus describes Shanghai Fudan-Zhangjiang Bio-Pharmaceutical in the following manner:

'The Company is a R&D company (R&D: Research and Development) that is principally engaged in R&D of categories I and II drugs and related technologies.

'During the Track Record Period (January 1, 2000 through to December 31, 2001), the Company, through its new drug screening and evaluation R&D platform, was engaged in the R&D of active compounds of Chinese medicine technologies to finance its R&D programs ...

'The Company focuses its research efforts on the discovery and development of category I bio-pharmaceutical drugs, which are new pharmaceutical products that have not been approved for sale globally, and category II bio-pharmaceutical drugs which are new pharmaceutical products that have not been approved for sale in the PRC but have been approved for sale overseas... '.

And there you have it.

This Company raised about \$HK203.70 million, net of expenses, for the following purposes (Pages 99 and 100 of the Placing Prospectus):

1. \$HK71.80 million for research and development and the commercialisation of genetic engineering drugs;
2. \$HK23.70 million for the purchase of production and quality control facilities;
3. \$HK32.00 million for research and development and commercialisation of photodynamic therapy drugs;
4. \$HK27.50 million for research and development and commercialisation of medical diagnostic products;

5. \$HK20.00 million for enhancement of the Company's capabilities on research and development and screening of new drugs; and,
6. \$HK10.20 million for General Working Capital requirements.

In respect of the Track Record Period of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical, the following is lifted from Page 141 of the Prospectus:

	Financial Year ended December 31	
	2000	2001
	All Figures are Denominated in Renminbi'000	
Turnover	17,655	27,909
Other Revenues	75	74
Total Turnover	17,730	27,983
Cost of Sales	(2,972)	(4,869)
Research and Development	(4,943)	(9,062)
Distribution Costs	(2,306)	(1,262)
Administrative Expenses	(3,920)	(5,718)
Other Operating Expenses	(111)	(1,435)
Total Expenses	(14,252)	(22,346)
Other Income	5,226	8,285
Operating Profit	8,704	13,922
Financing Costs	(118)	Nil
Profit before Taxation	8,586	13,922
Taxation	(1,575)	(2,166)
Profit after Taxation	7,011	11,756
Minority Interests	588	70
Profit Attributable to Shareholders	7,599	11,826

The 'Other Income', as stated in the above table, is explained at Page 148 of the Prospectus as being income from PRC Government grants, business tax rebates, and the realised sales of investments.

Without the 'Other Income', this Company would have made losses in both ... [CLICK TO ORDER FULL ARTICLE](#)

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