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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)

PROPOSED ADOPTION OF RESTRICTED SHARE SCHEME

The Board announces that at a meeting of the Board on 11 April 2012, the Board resolved to adopt the Restricted Share Scheme to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the Directors, and key employees. The Company will seek Shareholders' authorization for, among other things, adoption of the Restricted Share Scheme. Pursuant to the Restricted Share Scheme, the Company will be authorized to issue not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme. Such number of Restricted Shares will represent not more than approximately 13.87% and 10% of the total issued Domestic Shares and the total issued Shares of the Company, respectively, as at the date of this announcement. Subject to compliance with the relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds or be issued directly by the Company to the Scheme Participants who subscribe with their own funds.

Pursuant to the Restricted Share Scheme, the Company will grant not more than 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants, which is 50% of the maximum number of Restricted Shares to be authorized by the Shareholders, or approximately 6.93% and 5% of the total issued Domestic Shares and the total issued Shares of the Company, respectively, as at the date of this announcement.

As the Scheme Participants of the Restricted Share Scheme will include the Directors (other than the independent non-executive Directors), the grant of Restricted Shares to the Directors under the Initial Grant will constitute connected transactions of the Company and any such grant is subject to approval by the independent Shareholders.

Shareholders' approval will be sought at the AGM and the Class Meetings to approve, among other things, (i) issue of not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme; (ii) the proposed adoption of the Restricted Share Scheme and authorization to the Board to implement the Restricted Share Scheme; (iii) authorization to the Board to conduct the Initial Grant of not more than 35,500,000 Restricted Shares as well as the grants of the remaining Restricted Shares, subject to the terms of the Restricted Share Scheme; and (iv) the approval of the grant of Restricted Shares under the Initial Grant to certain Directors (other than independent non-executive Directors), which resolution is subject to approval by the independent Shareholders at the AGM. In addition, the proposed adoption of the Scheme is subject to, among other things, the filing with and the obtaining of a no-objection letter from the CSRC.

The Restricted Share Scheme does not constitute a share option scheme pursuant to Chapter 23 of the GEM Listing Rules because the grant of the Restricted Shares does not carry with it any options over new Shares of the Company, and is a discretionary scheme of the Company.

A circular containing, among other things, details of the Restricted Share Scheme and the Initial Grant, a letter from the Independent Board Committee and a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders as soon as practicable.

PROPOSED ADOPTION OF RESTRICTED SHARE INCENTIVE SCHEME

The Board announces that at a meeting of the Board on 11 April 2012, the Board resolved to adopt the Restricted Share Scheme to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the Directors, and key employees. The Company will seek Shareholders authorization for, among other things, the Restricted Share Scheme. Pursuant to the Restricted Share Scheme, the Company will be authorized to issue not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme. Such number of Restricted Shares will represent not more than approximately 13.87% and 10% of the total issued Domestic Shares and the total issued Shares of the Company, respectively, as at the date of this announcement. Subject to compliance with the relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds or be issued directly by the Company to the Scheme Participants who subscribe with their own funds.

Subject to the approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants, which is 50% of the maximum number of Restricted Shares to be authorized by the Shareholders, or approximately 6.93% and 5% of the total issued Domestic Shares and the total issued Shares of the Company, respectively, as at the date of this announcement.

As the Scheme Participants of the Restricted Share Scheme will include the Directors (other than independent non-executive Directors), the grant of Restricted Shares to the Directors under the Initial Grant will constitute connected transactions of the Company and any such grant is subject to approval by the independent Shareholders.

The Restricted Share Scheme does not constitute a share option scheme pursuant to Chapter 23 of the GEM Listing Rules because the grant of the Restricted Shares does not carry with it any options over new Shares of the Company, and is a discretionary scheme of the Company.

1. SUMMARY OF THE SCHEME

(1) Purpose

The purpose of the Restricted Share Scheme is to reform the Company's remuneration system, to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the Directors, and key employees. It aims to balance the long term and short term objectives of the management and to support the realization of the Company's strategy and sustainable development. The Restricted Share Scheme also will serve to retain and attract valuable management and key business employees to foster the long development of the Company.

(2) Scope of Scheme Participants

The scope of Scheme Participants for the Scheme shall include Directors (other than the independent non-executive Directors), senior management, mid-level management and main research staff of the Group and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contribute directly to the overall business performance and sustainable development of the Group.

(3) Number of Restricted Shares under the Scheme

Pursuant to the Restricted Share Scheme, the Company will be authorized to issue not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme. Subject to compliance with the relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds or be issued directly by the Company to the Scheme Participants who subscribe with their own funds. The Board shall select the Scheme Participants and the number of Restricted Shares to be awarded.

Subject to approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants within one (1) years commencing from the Adoption Date, and the remaining not more 35,500,000 Restricted Shares will be granted within two (2) years commencing from the Adoption Date.

(4) Duration and Termination of the Scheme

The Restricted Share Scheme will be effective for a term of six (6) years commencing from the Adoption Date.

(5) Conditions for Grant and Grant Price

(a) Conditions for Grant

The Company may grant Restricted Shares to the Scheme Participants for purchase under the Restricted Share Scheme conditional upon fulfillment of the following conditions by the Company and the Scheme Participants:

- (i) fulfillment of the specified performance standards of the Company for the financial year preceding the grant; and
- (ii) achievement of a passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the grant.

(b) Grant Price

The grant price of the Restricted Shares to be granted to a Scheme Participant under the Restricted Share Scheme shall not be lower than 50% of the price for the latest transfer of the Domestic Shares of the Company. Based on the information available to the Company, on 8 February 2012, Shanghai Zhangjiang Hi-tech Park Development Co. Ltd. transferred a total of 105,915,096 Domestic Shares to two third parties at the price of RMB1.02 per Domestic Shares. The grant price of the Restricted Shares to be granted under the Initial Grant shall not be lower than RMB0.51 per Restricted Share.

(6) Initial Grant

(a) Quantity of the Initial Grant

Subject to approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the one-off Initial Grant to the Scheme Participants, which is 50% of the maximum number of Restricted Shares to be authorized by the Shareholders, or approximately 6.93% and 5% of the total issued Domestic Shares and the total issued Share of the Company, respectively, as at the date of this announcement. Subject to compliance with relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds for the purpose of the Initial Grant or to be issued directly by the Company to the Scheme Participants who subscribe with their own funds under the Initial Grant. The Board shall select the Scheme Participants and the number of Restricted Shares to be awarded under the Initial Grant. The grant of Restricted Shares under the Initial Grant to the Scheme Participants will be within one (1) year from the Adoption Date.

(b) Maximum Grant to a Scheme Participant

The number of Restricted Shares to be awarded to a Scheme Participant in the Initial Grant will be subject to the criteria specified in the Restricted Share Scheme. The number of Restricted Shares that may be awarded to any Scheme Participant in aggregation shall not exceed 10% of the total number of Restricted Shares in the Initial Grant.

(c) Grant Price of the Initial Grant

The Grant Price of the Restricted Shares to be granted to any Scheme Participant under the Initial Grant of the Restricted Share Scheme shall be not be lower than RMB0.51 per Restricted Share, which is calculated based on 50% of the price for the latest transfer of the Domestic Shares of the Company.

(d) Proposed to Grant Restricted Shares to the Directors under the Initial Grant

Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the independent Shareholders.

(7) Lock-up Period and Unlocking Period

(a) Lock-up Period

The Lock-up Period shall be for a period of one (1) year commencing from the Grant Date. During the Lock-up Period, the Restricted Shares granted to the Scheme Participants under the Restricted Share Scheme, including the dividends and distributions, if any, arising from the Restricted Shares, shall be locked up and shall not be transferred, or be used for guarantee, repayment of debt or any other rights.

(b) Unlocking Period

The Unlocking Period shall be for a period of three (3) years commencing from the expiry of the Lock-up Period. The Restricted Shares granted to a Scheme Participant under the Restricted Share Scheme shall be subject to the following unlocking arrangement:

Unlocking arrangement	Unlocking Period	Percentage of the total Restricted Shares granted to a Scheme Participant
First Unlocking Period	From the first trading day after 12 months from the Grant Date (i.e. the expiry date of the Lock-up Period) to the last trading day within 24 months from the Grant Date	30%
Second Unlocking Period	From the first trading day after 24 months from the Grant Date to the last trading day within 36 months from the Grant Date	25%
Third Unlocking Period	From the first trading day after 36 months from the Grant Date to the last trading day within 48 months from the Grant Date	45%

(c) Conditions for Unlocking

Unlocking of the Restricted Shares granted to a Scheme Participant under the Scheme shall be conditional upon fulfillment of the following by the Company and the Scheme Participants:

- (i) fulfillment of the specified performance standards of the Company for the financial year preceding the Unlocking Period; and
- (ii) achievement of passing grade (or better) on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the Unlocking Period.

If the Company fails to fulfil the performance standards for unlocking the Restricted Shares, the locking-up period of the Restricted Shares of the Scheme Participants, which shall be unlocked in the corresponding period, will be extended to the next unlocking period and subject to the relevant unlocking requirements of next unlocking period; if the Company fails to fulfil the unlocking conditions of the third unlocking period, all the original locking-up Restricted Shares will automatically unlocked on the first trading date

after 50 months from the Grant Date as the unlocking date. If a Scheme Participant fails to fulfil performance appraisal for unlocking the Restricted Shares, the Company can repurchase the relevant Restricted Shares which failed to be unlocked at the Grant Price from the Scheme Participant.

(8) Lapse and Unlocking

(a) Lapse

The Scheme shall immediately lapse upon the occurrence of any of the following events in relation to the Company, and all Restricted Shares which are still subject to lock-up shall immediately lapse:

- (i) merger or split;
- (ii) the issue of a negative opinion or inability to provide an opinion by the auditors of the Company on the audited reports of the Company for the latest financial year; and
- (iii) imposition of administrative penalties by the CSRC due to serious violation of laws and regulations in the latest year.

Other than the above circumstances, the Scheme may lapse by special resolution(s) of the Shareholders in a general meeting or a class meeting.

All Restricted Shares granted to a Scheme Participant under the Scheme shall lapse upon the occurrence of any of the following events in relation to the Scheme Participant:

- (i) the Scheme Participant is prohibited from acting as a director and senior management member as stipulated in the PRC Company Law;
- (ii) resignation by the Scheme Participant out of his own initiative; and
- (iii) commission of acts by the Scheme Participant which amounts to breach of laws or regulations, leakage of the Company's confidential information or misconducts which are prejudicial to the Company's interests or reputation.

(b) Partial Unlocking

Upon the termination or cessation of employment of the Scheme Participant on any of the following grounds, the Restricted Shares which fall to be unlocked on the year of termination or cessation shall be unlocked and all remaining Restricted Shares which have been locked up shall lapse:

- (i) termination of employment by reason of layoff or cessation of employment upon expiry of the term of the employment contract;
- (ii) termination or cessation of employment with the consent of the Company; and
- (iii) the Scheme Participant no longer holds any position in the Company due to reasons as agreed by the Company.

(c) Complete Unlocking

All Restricted Shares granted to a Scheme Participant under the Scheme will be completely unlocked upon the occurrence of any one of the following events in relation to the Scheme Participant:

- (i) retirement upon reaching the statutory retirement age;
- (ii) death;
- (iii) loss of working capacity leading to termination of employment;
- (iv) the Scheme Participant becoming an independent non-executive Director, a supervisor of the Company or change(s) to the position of the Scheme Participant which affect his/her eligibility to participate in the Scheme.

(d) Purchase of Restricted Shares by the Company

All Restricted Shares granted to the Scheme Participant which have not been unlocked or are lapsed shall be purchased by the Company at the Grant Price upon the expiry of the Unlocking Period or on the lapse date of the Restricted Shares, and the relevant Scheme Participant shall give up all corresponding dividends thereof.

(9) Adjustments

The number of Restricted Shares granted to the Scheme Participants for purchase under the Scheme will be subject to adjustments in accordance with the adjustment mechanisms stated in the Scheme Rules following capitalization issue of Shares, bonus issues, share sub-divisions or share allotments.

2. GEM LISTING RULES IMPLICATIONS

The Restricted Share Scheme does not constitute a share option scheme pursuant to Chapter 23 of the GEM Listing Rules because the grant of the Restricted Shares does not carry with it any options over new Shares of the Company, and is a discretionary scheme of the Company.

As the Scheme Participants of the Restricted Share Scheme will include the Directors (other than independent non-executive Directors), the grant of Restricted Shares to the Directors under the Initial Grant will constitute connected transactions of the Company and any such grants are subject to approval by the independent Shareholders.

Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the independent Shareholders.

The independent Directors are of the view that the proposed grants to the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. AGM AND CLASS MEETINGS

Shareholders' approval will be sought at the AGM and the Class Meetings to approve, among other things, (i) issue of not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme; (ii) the proposed adoption of the Restricted Share Scheme and authorization to the Board to implement the Restricted Share Scheme; (iii) authorization to the Board to conduct the Initial Grant of not more than 35,500,000 Restricted Shares as well as the grants of the remaining Restricted Shares, subject to the terms of the Restricted Share Scheme; and (iv) the approval of the grant of Restricted Shares under the Initial Grant to the Directors, which resolution is subject to approval by the independent Shareholders at the AGM.

In addition, the proposed adoption of the Restricted Share Scheme is subject to, among other things, the filing with and the obtaining of a no-objection letter from the CSRC.

A circular containing, among other things, details of the Restricted Share Scheme and the Initial Grant, a letter from the Independent Board Committee and a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Adoption Date”	the date on which the Scheme is approved and adopted, subject to the filling with and the obtaining of no-objection letter from the CSRC after the approval of the Shareholders at the AGM and the Class Meetings;
“AGM”	the annual general meeting of the holders of Domestic Shares and the holders of H Shares of the Company to be convened and held for the purpose of approving, among other things, the proposed Restricted Share Scheme;
“Board”	the board of Directors of the Company;
“China” or “PRC”	the People’s Republic of China;
“Class Meetings”	the respective class meetings of the holders of H Shares and the holders of Domestic Shares to be convened and held for the purposes of approving the proposed adoption of the Restricted Share Scheme;
“Company”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*(上海復旦張江生物醫藥股份有限公司), a company with limited liability incorporated in the PRC, whose H shares are listed on the GEM;
“connected transaction(s)”	has the same meaning ascribed thereto under the GEM Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	domestic share(s) of nominal value of RMB0.10 each in the ordinary share capital of the Company which are subscribed for in RMB;
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Grant Date”	the date, which must be a trading day, on which the Restricted Shares are formally granted to a Scheme Participant by the Board pursuant to the Restricted Share Scheme;
“Grant Price”	the price per Restricted Share for the grant of the Restricted Shares awarded under the Restricted Share Scheme;
“Group”	the Company and its subsidiaries;

“H Share(s)”	overseas listed foreign invested share(s) of nominal value of RMB0.10 each in the ordinary share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in Hong Kong dollar;
“Initial Grant”	the one-off initial grant of the Restricted Shares under the Restricted Share Scheme to the Scheme Participants;
“Lock-up Period”	the period during which transfer of the Restricted Shares granted to the Scheme Participants under the Restricted Share Scheme is prohibited;
“Restricted Shares”	the Domestic Shares to be granted under the Scheme and has the meanings ascribed to such term in the Restricted Share Scheme;
“Restricted Share Scheme” or “Scheme”	the restricted share incentive scheme to be adopted by the Company at the AGM and the Class Meetings whereby awards of Domestic Shares may be made to the Scheme Participants pursuant to the Scheme Rules;
“RMB”	Renminbi, the lawful currency of China;
“Scheme Participants”	certain Directors (other than independent non-executive Directors), senior management, mid-level management and main research staff of the Group and other key employees who are eligible for participation in the Scheme under the Scheme Rules;
“Scheme Rules”	the rules governing the operation of the Scheme;
“Share(s)”	Domestic Share(s) and H Share(s);
“Shareholders”	the holders of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Unlocking Period”	the period during which the Restricted Shares granted to the Scheme Participants under the Scheme may be conditionally transferred.

By order of the Board
Wang Hai Bo
Chairman

As at the date of this announcement, 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. Hao Hong Quan (*Non-executive Director*)
Mr. Zhu Ke Qin (*Non-executive Director*)
Mr. Ge Jian Qiu (*Non-executive Director*)
Ms. Ke Ying (*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

11 April 2012

* *For identification purpose only.*

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