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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)

CONTINUING CONNECTED TRANSACTIONS - STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL

The Board announces that the Company has entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical on 19 March 2013 for the cooperation on innovative pharmaceuticals research and development. Pursuant to the Strategic Cooperation Agreement, both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. The Strategic Cooperation Agreement will renew the former strategic cooperation agreement entered into between the Company and Shanghai Pharmaceutical dated 23 February 2011 upon its expiration on 31 December 2013.

Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company and therefore, is a connected person of the Company under the GEM Listing Rules. The Transactions under the Strategic Cooperation Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the GEM Listing Rules.

Since the applicable percentage ratios for the highest proposed annual cap for each of the three years ending 31 December 2016 for the Transactions under the Strategic Cooperation Agreement exceed 5%, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Shanghai Pharmaceutical and its associates are required to

abstain from voting on the resolution for approving the Transactions.

A circular containing, among other things, details of the Transactions, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Transactions, the recommendation of the Independent Board Committee regarding the Transactions to the Independent Shareholders and the notice of the AGM is expected to be dispatched to the Shareholders as soon as possible in accordance with the GEM Listing Rules.

The Board announces that the Company has entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical on 19 March 2013 for the cooperation on innovative pharmaceuticals research and development. Pursuant to the Strategic Cooperation Agreement, both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. The Strategic Cooperation Agreement will renew the former strategic cooperation agreement entered into between the Company and Shanghai Pharmaceutical dated 23 February 2011 upon its expiration on 31 December 2013. The terms are substantially the same under both abovementioned agreements.

STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT

Date : 19 March 2013

Parties : The Company and Shanghai Pharmaceutical

Validity and Renewal :

- The Strategic Cooperation Agreement will take effect from the expiration of the former strategic cooperation agreement on 31 December 2013 until 31 December 2016; and
- Upon the expiration of the Strategic Cooperation Agreement, if the research and development of Such Pharmaceuticals has not yet completed, both parties shall renew the Strategic Cooperation Agreement on the same terms, and the term for each renewal shall not exceed three (3) years. If the Company is not willing to renew the Strategic Cooperation Agreement, the rights of the Company thereunder will be terminated and all rights and interests pertaining to Such Pharmaceuticals shall be vested into Shanghai Pharmaceutical. If Shanghai Pharmaceutical is not willing to renew the Strategic Cooperation Agreement, the rights of Shanghai Pharmaceutical thereunder will be terminated, and all the rights and interests pertaining to Such Pharmaceuticals shall be vested into the

Company.

- Key Terms** :
- Both parties agreed to cooperate, within the Region for Cooperation, on the research and development of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various stages;
 - In respect of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement up to 31 December 2010, 80% of such expenses shall be borne by Shanghai Pharmaceutical in accordance with the agreed progress of the projects;
 - After the signing of the Strategic Cooperation Agreement, the research and development expenses incurred from 1 January 2014 (inclusive) shall be borne by as to 20% by the Company and as to 80% by Shanghai Pharmaceutical;
 - The expenses incurred by the research and development of Each Pharmaceutical shall include direct commissioning for research and development fees, raw material fees, testing and processing fees, salaries of staff directly involved in the project, utilization fees of equipment directly relating to the research and development of Such Pharmaceuticals and appropriate management fees;
 - The Company agreed to share ownership jointly with Shanghai Pharmaceutical over the patents and the rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation and complete the change of registration for the relevant patents and patent application rights or jointly apply for patents from and including the day on which Shanghai Pharmaceutical pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement;
 - Intellectual property rights (unlimited by the Region for Cooperation) arising from the joint research and development after the entry of the Strategic Cooperation Agreement shall be shared by both parties. If any such intellectual property right is eligible for the application for patents (unlimited by the Region for Cooperation), both parties shall have joint ownership over such patents and the rights to such patent application; if patent application is not available at the relevant time, both parties shall jointly own such new proprietary technology; and
 - The ownership and interest of the certificate of new drugs

relating to Such Pharmaceuticals shall be jointly owned by both parties. Each party shall be entitled to 50% of the revenue of Each Pharmaceutical within the Region for Cooperation. Details of the allocation of revenue shall be separately agreed between both parties through negotiations prior to the commencement of production and sales of Each Pharmaceutical.

Payment terms

- Shanghai Pharmaceutical shall make prepayments in the amount set out in the Strategic Cooperation Agreement within the first month from the effective day of the Strategic Cooperation Agreement and the second month of each subsequent calendar year, and any expenses that exceed the budget shall be referred to the management committee for its approval on an item-by-item basis. Settlement shall be made annually on the basis of the actual research and development expenses incurred in the relevant year and in the ratios agreed in the Strategic Cooperation Agreement after rectification by the management committee. Settlement is required to be completed within the first month of the following year, any excess amount will be refunded to, and any shortfall will be made up by, the parties or the balance of the prepayments may be carried forward to the next year; and
- The amount of payment to be made by Shanghai Pharmaceutical to the Company in respect of its share of the preliminary research and development expenses for Each Pharmaceutical shall be made by instalments in accordance with the agreed progress of the project, and the timing of such payment shall be determined by the Strategic Cooperation Agreement.

INFORMATION ON THE RELEVANT PHARMACEUTICALS

Information relating to the relevant pharmaceuticals for research and development cooperation under the Strategic Cooperation Agreement between the Company and Shanghai Pharmaceutical is set out as follows:

1. *Recombinant human lymphotoxin α - derivatives (LT)* (重組人淋巴毒素 α 衍生物)

This project is owned by Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd., a subsidiary of the Company. It is a genetic engineering drug for combined therapy of tumors and is currently in the clinical trial phase IIb.

2. *Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)*

LVCR is a liposome drug which has obtained clinical study approval from SFDA for use in tumor therapy and it is currently in the clinical trial Phase I.

3. *Deuteroporphyrin (多替泊芬)*

Deuteroporphyrin for injection is a photo dynamic therapy drug which has obtained approval for clinical study for use in tumor therapy and it is currently in the clinical trial Phase I.

4. *High bio-activity recombinant human TNF receptor (重組高親和力TNF受體)*

This project is owned by Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd., a subsidiary of the Company. It is a genetic engineering drug for use in arthritis therapy. It has already completed pre-clinical study and made the application for clinical study.

PROPOSED ANNUAL CAPS AND BASIS FOR THE PROPOSED ANNUAL CAPS

According to the terms of Strategic Cooperation Agreement, the Company anticipated that the annual caps for the Transactions under the Strategic Cooperation Agreement for the three years ending 31 December 2016 will be as follows:

	<i>1 January 2014 to 31 December 2014 (RMB)</i>	<i>1 January 2015 to 31 December 2015 (RMB)</i>	<i>1 January 2016 to 31 December 2016 (RMB)</i>
Proposed Annual Cap	33,000,000	31,000,000	20,000,000

The above annual caps for the Transactions under the Strategic Cooperation Agreement for the three years ending 31 December 2016 are determined with reference to the scheduled progress and budget (including the amount of preliminary research and development expenses) of the research and development of Such Pharmaceuticals listed in the Strategic Cooperation Agreement, the details of which are set out as follows:

Table 1: the total expected research fees to be incurred for the three financial years ending 31 December 2016

	<i>Currency: RMB</i>		
	2014	2015	2016
Recombinant human lymphotoxin derivatives (LT) (重組人淋巴毒素α 衍生物)	10,700,000	6,600,000	200,000
Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)	3,400,000	9,400,000	6,600,000
Deuteroporphyrin (多替泊芬)	12,060,000	5,740,000	2,000,000
Recombinant high affinity TNF receptor (重組高親和力TNF 受體)	9,000,000	15,000,000	3,000,000
Aggregated total expected research fees for current year	35,160,000	36,740,000	11,800,000

Table 2: total amount of research and development expenses (including research and development expenses to be incurred and preliminary research and development expenses already incurred) received by the Company from Shanghai Pharmaceutical for the three years ending 31 December 2016

	<i>Currency: RMB</i>		
	2014	2015	2016
80% of the research and development expenses to be prepaid by Shanghai Pharmaceutical ^{note 1}	28,128,000	29,392,000	9,440,000
Preliminary fees of cooperation projects to be paid by Shanghai Pharmaceutical (payment made according to agreed progress) ^{note 2}	3,096,000	-	8,463,000
Total amount to be paid and prepaid by Shanghai Pharmaceutical for current year	<u>31,224,000</u>	<u>29,392,000</u>	<u>17,903,000</u>

Notes:

1. *Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the research and development expenses incurred commencing from 1 January 2014 (inclusive). These sums are calculated based on 80% of the estimated total amount of research fees to be incurred for the three years ending 31 December 2016 (see the total sums in Table 1).*
2. *Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the preliminary research and development expenses incurred up to 31 December 2010. The total amount of preliminary research and development expenses incurred by the Company up to 31 December 2010 was RMB78.1 million. Shanghai Pharmaceutical has undertaken to be responsible for 80% at such expenses, or approximately RMB62.5 million, of which approximately RMB30.6 million has been paid in the first two years ending 31 December 2012, and approximately RMB20.3 million will be paid in the year ending 31 December 2013 on the assumption that the projects will proceed as scheduled. The remaining RMB11.6 million will be paid to the Company in the three years ending 31 December 2016 subject to progress of the projects as scheduled.*

When considering the relevant annual caps of the above Transactions, the Directors, after taking into account the fact that both parties may make adjustment to the future research expenses to be incurred by Such Pharmaceuticals according to the actual expenditure of Such Pharmaceuticals under the Strategic Cooperation Agreement, included an additional buffer to the aggregate amount payable by Shanghai Pharmaceutical to the Company as listed in the above table.

REASONS FOR AND BENEFIT OF THE TRANSACTIONS

In view of the outstanding status of Shanghai Pharmaceutical in the pharmaceutical industry, its strong capabilities and extensive experience in production, manufacturing, marketing and sales, and the research and development experience of the Company accumulated throughout the previous years, both parties are willing to share the risk of, and cooperate on, the research and development and commercialization of Such Pharmaceuticals. Since the Company has quite a number of research and development projects, as such research and development approaches more advanced stages, research and development expenses will continue to increase. Meanwhile, as there is a growing number of the Company's projects which are advancing into commercialization stage, investments in such commercialization will increase. Cooperation with Shanghai Pharmaceutical on some projects will not only realize the value of the projects that are at different research and development stages, but will also secure funds for the effective commercialization development. This satisfies the development needs of the Company and is in the interest of all Shareholders.

GEM LISTING RULES IMPLICATIONS

Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company and therefore, is a connected person of the Company under the GEM Listing Rules. The Transactions under the Strategic Cooperation Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the GEM Listing Rules.

Since the applicable percentage ratios for the highest proposed annual cap for each of the three years ending 31 December 2016 for the Transactions under the Strategic Cooperation Agreement exceed 5%, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Shanghai Pharmaceutical and its associates are required to abstain from voting on the resolution for approving the Transactions.

The Directors have appointed the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Transactions. An independent financial adviser will also be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Transactions.

A circular containing, among other things, details of the Transactions, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Transactions, the recommendation of the Independent Board Committee regarding the Transactions to the Independent Shareholders and the notice of the AGM is expected to be dispatched to the Shareholders as soon as possible in accordance with the GEM Listing Rules.

GENERAL INFORMATION

The Company is a bio-pharmaceutical company that is principally engaged in the R&D manufacture and sales of new drugs with patents or specific drugs, and provision of auxiliary service.

Shanghai Pharmaceutical is a joint stock limited company incorporated in the PRC, the A shares of which are listed on the Shanghai Stock Exchange. Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the date of this announcement.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

"AGM"	means the annual general meeting to be held by the Company, among other things, to approve the continuing connected transactions contemplated under the Strategic Cooperation Agreement
"associate"	has the same meaning ascribed to it under the GEM Listing Rules
"Board"	means the board of Directors
"Company"	means 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 PRC, whose H shares are listed on the GEM
"connected person"	has the same meaning ascribed to it under the GEM Listing Rules
"Directors"	means the directors of the Company
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on the GEM
"Group"	means the Company and its subsidiaries
"Independent Board Committee"	means an independent committee of Directors appointed to advise the Independent Shareholders in respect of the Transactions
"Independent Shareholders"	means the Shareholders who are not required to abstain from voting in favour of the resolution for approving the Transactions under the GEM Listing Rules
"PRC"	means the People's Republic of China
"promoter"	has the same meaning ascribed to it under the Rule 1.01 of the GEM Listing Rules
"R&D"	means research and development
"Region for Cooperation"	the geographical scope within which the research and development, production and sales activities of the pharmaceuticals are conducted, i.e. in the PRC (including Hong Kong Special Administrative Region, Macau Special

	Administrative Region and Taiwan)
"RMB"	means renminbi, the lawful currency of the PRC
"Shanghai Pharmaceutical"	means 上海市醫藥股份有限公司 Shanghai Pharmaceutical Co., Ltd.*, which is renamed as 上海醫藥集團股份有限公司 Shanghai Pharmaceutical Holding Co., Ltd.*, a joint stock limited company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange, and a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the date of this announcement
"Shareholders"	means the shareholders of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development" or "Strategic Cooperation Agreement"	the strategic cooperation agreement for innovative pharmaceuticals research and development cooperation entered into between the Company and Shanghai Pharmaceutical on 23 February 2011, pursuant to which both parties will jointly share the risks of, and cooperate on, the research and development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages
"substantial shareholder"	has the same meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
"Such Pharmaceuticals" or "Each Pharmaceutical"	the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages, the research and development on which the Company and Shanghai Pharmaceutical have agreed to cooperate under the Strategic Cooperation Agreement
"Transactions"	means the continuing connected transactions under the Strategic Cooperation Agreement entered into between the Company and Shanghai Pharmaceutical on 19 March 2013, the terms of which are substantially the same as the continuing connected transactions between the Company and Shanghai Pharmaceutical under the former strategic cooperation agreement dated 23 February 2011
"%"	per cent.

By Order of the Board
Wang Hai Bo
Chairman

As at the date on the publication 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)
Ms. Ke Ying (Non-executive Director)
Mr. Shen Bo (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

19 March 2013

** For identification purpose only*

This announcement, for which the Directors 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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