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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 - SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION**

The Board announces that the Company has entered into the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution on 19 March 2013 for the sales and distribution of the Company's pharmaceutical products with Shanghai Pharmaceutical Distribution within Shanghai during the Contractual Period. The Sales and Distribution Agreement replaced the former sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution dated 10 August 2010.

Shanghai Pharmaceutical Distribution is a wholly-owned subsidiary of Shanghai Pharmaceutical, which is a promoter and substantial shareholder of the Company. Shanghai Pharmaceutical Distribution is therefore a connected person of the Company under the GEM Listing Rules.

The Transactions under the Sales and Distribution 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 2015 for the Transactions under the Sales and Distribution 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 Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution on 19 March 2013 for the sales and distribution of the Company's pharmaceutical products with Shanghai Pharmaceutical Distribution within Shanghai during the Contractual Period. The Sales and Distribution Agreement replaced the former sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution dated 10 August 2010. The terms are substantially the same under both abovementioned agreements.

#### **SALES AND DISTRIBUTION AGREEMENT**

**Date** : 19 March 2013

**Parties** : The Company, being the vendor

Shanghai Pharmaceutical Distribution, being the purchaser

**Subject** : The Company has agreed to authorise Shanghai Pharmaceutical Distribution to sell and distribute the pharmaceutical products of the Company within Shanghai during the Contractual Period. The sales and distribution services to be provided to the Company is on a non-exclusive basis with the terms of sales and distribution of each specific pharmaceutical product to be agreed in accordance with the principles set out in the Sales and Distribution Agreement.

**Prices** : (i) The Parties agreed that the general pricing principle of the pharmaceutical products to be sold under the Sales and Distribution Agreement shall be determined with reference to the statutory selling price of a particular product and the provision of a reasonable profit margin to Shanghai Pharmaceutical Distribution for the sales and distribution services provided.

- (ii) The actual price may, subject to mutual agreement between the Company and Shanghai Pharmaceutical Distribution, be adjusted from time to time with reference to the actual sales volume of the product, the quality of sales services provided by Shanghai Pharmaceutical Distribution and the share of promotion cost between both Parties.
- (iii) The selling price of the products of the Company to be sold under Sales and Distribution Agreement shall be similar to that available to an independent third party.

**Term** : Either Party is entitled to give the other Party prior written notice to terminate the Sales and Distribution Agreement and the term of the Sales or Distribution Agreement can be extended by mutual agreement.

Upon the approval by the Independent Shareholders and the competent authorities, the effective date of the Sales and Distribution Agreement will be traced back to the date of signing of the agreement by the Parties.

## **PROPOSED ANNUAL CAPS AND BASIS FOR THE PROPOSED ANNUAL CAPS**

The historical amounts for the continuing connected transactions conducted under the Sales and Distribution Agreement for three years ended 31 December 2012 were RMB6,417,000, RMB7,764,000 and RMB12,687,000 respectively, while the annual caps were RMB13,000,000, RMB40,000,000 and RMB80,000,000 respectively. The substantial excess of the historical annual caps over the actual transaction amounts was mainly attributable to the distribution of a drug through a sole agency following an adjustment in the periodical arrangement of the marketing strategy. As a result, its market growth rate was lower than the rate originally estimated.

The Parties estimated that the proposed annual caps under the Transactions for the three years ending 31 December 2015 are approximately RMB20,000,000, RMB31,000,000 and RMB50,000,000, respectively. The proposed annual caps under the Transactions are determined with reference to the Parties' estimation of the market conditions in Shanghai, as well as the increase in the number of pharmaceutical products to be distributed. The substantial increase in the annual cap for the year ending 31 December 2015 from its immediate preceding years are estimated after taking into account the promotional/marketing activities, the launch of new pharmaceutical products by the

Company, and the improvement in the market recognition of the Company's pharmaceutical products.

## **REASONS FOR AND BENEFIT OF THE TRANSACTIONS**

The Company would continue the Transactions with Shanghai Pharmaceutical Distribution in order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceutical Distribution. The terms of the Transactions are made on an arm's length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than the terms available from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions and the annual caps thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

Shanghai Pharmaceutical Distribution is a wholly-owned subsidiary of Shanghai Pharmaceutical, which is a promoter and substantial shareholder of the Company. Shanghai Pharmaceutical Distribution is therefore a connected person of the Company under the GEM Listing Rules.

The Transactions under the Sales and Distribution 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 2015 for the Transactions under the Sales and Distribution 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.

Shanghai Pharmaceutical Distribution is a limited liability company established in the PRC on 26 April 2010 and a wholly-owned subsidiary of Shanghai Pharmaceutical. It is primarily engaged in the trading and distribution of pharmaceutical products and has an extensive sales network in the hospitals and drugstores in various regions of the PRC, particularly in Shanghai.

## **DEFINITIONS**

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

"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 FudanZhangjiang 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
"Contractual Period"	means the period from 19 March 2013 to 31 December 2015
"Directors"	means the directors of the Company

"AGM"	means the annual general meeting to be held by the Company, among other things, to approve the continuing connected transactions contemplated under the Sales and Distribution Agreement
"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
"independent third party(ies)"	means independent third party(ies) who is (are) not connected persons of the Company as defined in the GEM Listing Rules and is (are) independent of the Company and the connected persons of the Company
"Parties"	means the Company and Shanghai Pharmaceutical Distribution
"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
"RMB"	means renminbi, the lawful currency of the PRC
"Sales and Distribution Agreement"	means the sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution on 19 March 2013 for the sale and distribution of the Company's pharmaceutical products within Shanghai during the Contractual Period
"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

"Shanghai Pharmaceutical Distribution"	means 上海醫藥分銷控股有限公司 Shanghai Pharmaceutical Distribution Co., Ltd.*, a limited liability company established in the PRC on 26 April 2010 and a wholly-owned subsidiary of Shanghai Pharmaceutical
"Shareholders"	means the shareholders of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the same meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
"Transactions"	means the continuing connected transactions under the Sales and Distribution Agreement entered into between the Company and Shanghai Pharmaceutical Distribution 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 sales and distribution agreement dated 10 August 2010
"%"	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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