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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 limited company incorporated in the People's Republic of China)*

**(Stock code: 8231)**

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

**Financial Adviser**



**Mega Capital (Asia) Company Limited**

**Independent Financial Adviser**



**China Everbright Capital Limited**

On 26 February 2008, the Company and Qi Du entered into the Agreement pursuant to which the Company and Qi Du have agreed to jointly develop the Project on No.9 Plot, which comprises Southern Plot and Northern Plot. The Project is divided into the Southern Project and the Northern Project. The Southern Project refers to the development of the Southern Plot, which is currently owned by the Company. The Northern Project refers to the development of the Northern Plot, which is currently owned by Qi Du.

The subject matter of the Agreement refers to the construction of the Southern Project and the transfer of the interests therein as follows:-

Prior to the First Transfer, the Southern Project and the interests therein are owned by the Company. The Company is responsible for the supervision of the initial project development and construction of the Southern Project. Unless otherwise agreed and required to be paid by the Company, all fees incurred prior to the First Transfer will be paid by Qi Du until the completed project amount of the Southern Project reaches 25% of the aggregate investment amount (estimated to be RMB 14 million). When the completed project amount of the Southern Project reaches 25% of the aggregate investment amount of the Southern Project and subject to the fulfilment of First Transfer Conditions, the Southern Project and the interests therein (including the land use rights to the Southern Plot) will be transferred from the Company to Qi Du.

Immediately after the First Transfer, Qi Du will hold the Southern Project and the interests therein. Qi Du is responsible to complete construction of the Southern Project. Upon completion of the Southern Project and the fulfilment of the Second Transfer Conditions, a portion of the Southern Project and the interests therein will be transferred from Qi Du to the Company.

Qi Du is a connected person of the Company for the purpose of the GEM Listing Rules by virtue of the fact that it is wholly-owned by Zhanjiang Hi-Tech Park Co., a substantial shareholder of the Company holding approximately a 14.92% equity interest in the Company. Under the GEM Listing Rules, the entering into of the Agreement constitutes a discloseable and connected transaction of the Company under Chapters 19 and 20 of the GEM Listing Rules. The connected transaction constituted under the Agreement is subject to the approval of the Independent Shareholders at the EGM to be convened. Zhanjiang Hi-Tech Park Co. and its associates will abstain from voting for the resolution for approving the Agreement to be proposed at the EGM.

An Independent Board Committee will be appointed to advise the Independent Shareholders in respect of the terms of the Agreement. China Everbright Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Agreement, a letter from the Independent Board Committee and the opinion from China Everbright Capital, together with a notice convening the EGM to approve the Agreement will be despatched to the Shareholders as soon as practicable.

## **THE AGREEMENT**

On 26 February 2008, the Company and Qi Du entered into the Agreement pursuant to which the Company and Qi Du have agreed to jointly develop the Project on No.9 Plot, which comprises Southern Plot and Northern Plot. The Project is divided into the Southern Project and the Northern Project. The Southern Project refers to the development of the Southern Plot, which is currently owned by the Company. The Northern Project refers to the development of the Northern Plot, which is currently owned by Qi Du.

### **Introduction**

The subject matter of the Agreement refers to the construction of the Southern Project and the transfer of the interests therein as follows:-

Prior to the First Transfer, the Southern Project and the interests therein are owned by the Company. The Company is responsible for the initial project development and construction. Pursuant to the Agreement, the Company will supervise, direct and provide assistance in the design of construction plans, inviting tenders, purchase of major materials and equipment, construction work before the Company and Qi Du enter into the Construction-in-progress Transfer Agreement. Unless otherwise agreed and required to be paid by the Company, all fees incurred prior to the First Transfer will be paid by Qi Du until the completed project amount reaches 25% of the aggregate investment amount (estimated to be RMB 14 million). When the completed project amount of the Southern Project has reached 25% of the aggregate investment amount of the Southern Project and subject to the fulfilment of First Transfer Conditions, the Southern Project and the interests therein (including the land use rights to the Southern Plot) will be transferred from the Company to Qi Du. A qualified PRC auditor will be appointed by the relevant PRC property authority to confirm whether the completed project amount of the Southern Project has reached 25% of the aggregate investment amount.

Immediately after the First Transfer, Qi Du will hold the Southern Project and the interests therein. Qi Du is responsible to complete construction of the Southern Project. Upon completion of the Southern Project and the fulfilment of the Second Transfer Conditions, a portion of the Southern Project and the interests therein will be transferred from Qi Du to the Company.

### **Interests to be transferred under the Agreement**

#### **(1) The First Transfer**

Pursuant to the Agreement, the Company agreed to transfer its ownership in the Southern Project to Qi Du as construction-in-progress at the initial stage of the Southern Project.

(2) The Second Transfer

Under the Agreement, Qi Du is responsible to complete construction of the Southern Project and transfer a portion of the Completed Properties to the Company upon completing construction of the Southern Project and after obtaining the relevant property ownership certificates. The Completed Properties will be used by the Company for research and development and establishment of small-scale production lines.

**Conditions Precedent for the First Transfer**

The First Transfer is subject to the satisfaction of the following conditions (the “**First Transfer Conditions**”):

- (1) the Company has obtained the land use rights of the Southern Portion, and has paid all land use rights transfer fees, related tax and legal fees;
- (2) the land use rights of the Southern Plot is duly registered and the land use rights certificate was obtained by the Company;
- (3) the Southern Project having obtained the planning permit on construction work and the construction plan of activities;
- (4) the Southern Project having obtained the permit for commencement of construction work;
- (5) the Southern Project having obtained the cadastral map issued by the land surveying department of the government at municipal, regional or provincial level; and
- (6) the completed project amount of the Southern Project has reached 25% of the aggregate investment amount of the Southern Project. The aggregate investment amount refers to all expenses incurred in the construction of the Southern Project, which includes construction costs, construction of infrastructure, installation and engineering fees. The aggregate investment amount does not include land use rights transfer fees, land use rights fees, demolition costs. The Company estimates that the 25% of the aggregate investment amount will be used in pre-construction work including but not limited to foundation-laying and site clearance, further details of which will be determined by the Company.

Upon satisfaction of the above conditions, the Company will enter into a Construction-in-progress Transfer Agreement with Qi Du pursuant to which the title (including the land use rights) of the Southern Plot and any properties thereon (including but not limited to the Properties Under Development) will be transferred to Qi Du.

If the requirements in relation to the transfer of the Southern Project as construction-in-progress laid down by the land and property bureau of the Shanghai municipal government is stricter than the above conditions precedent, the requirements of the land and property bureau of the Shanghai municipal government shall prevail. The 25% of aggregate investment amount mentioned above is also subject to the final approval by the relevant government bureau.

### **Consideration for the First Transfer**

The parties estimated that the consideration for the First Transfer will not exceed RMB27 million, which will be paid in cash by Qi Du to the Company within seven days after entering into the contract for transfer of the Southern Project as construction-in-progress.

The consideration for the First Transfer was estimated with reference to the following factors:

- (1) the valuation of the land use rights of the Southern Plot, which is estimated to be RMB12.075 million at RMB1,207.5 per square metre;
- (2) the projected value of the construction works carried out on the Southern Plot (including but not limited to the Properties Under Development, of approximately RMB14 million, which is estimated in accordance with the following project budget principles:
  - (i) government fees at the initial stage in the amount of approximately RMB1million;
  - (ii) water and electricity fees at the initial stage; and
  - (iii) site surveying fees, design fees, fee for reviewing construction drawings, fees prepaid and incurred in the construction process, materials and equipment purchase costs.

A valuation report will be issued by Jones Lang LaSalle Sallmanns Limited, an independent valuer in respect of the value of the land use rights of the Southern Plot. Jones Lang LaSalle Sallmanns Limited has valued the property interest by direct comparison approach.

The Company will not disburse fees to Qi Du for construction of the Southern Project. Any fees not mentioned above but are directly related for construction of the Southern Project will be determined on a mutually agreed basis by the Company and Qi Du.

The parties will engage a qualified PRC property valuer for assessing the value of the construction works carried out on the Southern Plot (including but not limited to the Properties Under Development). The value of the the construction works carried out on the Southern Plot will be determined at the higher of the appraised value or the estimated value based on the above project budget principles.

Qi Du shall provide the Company with all invoices and supporting documents for the expenses incurred in the construction of the Southern Project, such incurred expenses will be deducted from the value of the construction works carried out on the Southern Plot at the time of signing of the Construction-in-progress Transfer Agreement.

### **Conditions precedent of the Second Transfer**

The Second Transfer is conditional upon satisfaction of the following conditions precedent (the “**Second Transfer Conditions**”):

- (1) completion of the construction of the Southern Project;
- (2) completion of all building inspection procedures in respect of the Properties Under Development; and
- (3) Qi Du having obtained the property title certificate of the Southern Project.

Within 30 days upon receipt of the property title certificate of the Southern Project, Qi Du will enter into a property assignment agreement with the Company pursuant to which the title (including the land use rights) of the Completed Properties will be transferred to the Company.

The Second Transfer will not take place if the First Transfer cannot be completed.

### **Consideration for the Second Transfer**

Consideration for the transfer of the Completed Properties under the Second Transfer will be calculated with reference to the project budgetary costs estimated by the Company or the ascertained building cost per square metre of the Completed Properties (inclusive of land cost, which is determined by the prevailing market value of the subject land at the assignment of the construction-in-progress of the Southern Project). An independent consultant will be appointed to ascertain the construction costs of the Completed Properties after completion of the construction works of the Completed Properties.

The parties estimated that building costs of about 4,000 square metres of the Completed Properties will not exceed RMB14 million (including cost of basement of RMB2 million).

Consideration for the transfer of the Completed Properties under the Second Transfer will be adjusted in the following scenarios:

Scenario 1: the Completed Properties have a total gross floor area of more than 4,200 square metres

The gross floor area of the Completed Properties which exceeds 4,200 square metres will be calculated at a rate of 90% of the market value of a similar property. If the parties do not arrive at a consensus agreement on the price of the excess floor area, it will be calculated at 200% of the construction costs of the Southern Project (inclusive of land costs).

Scenario 2: the Completed Properties have a total gross floor area of less than 3,800 square metres

The gross floor area of the Completed Properties which is below 3,800 square metres will be calculated at the market value per square metre of a similar property. In addition, Qi Du is subject to a penalty charge of 20% on the value of the agreement for assignment of the Completed Properties and any damages arising from such breach of contract.

The specifications of the Completed Properties are subject to changes to a limited extent and therefore the actual gross floor area of the Completed Properties cannot be determined at this stage. As such, both of the Company and Qi Du have agreed on the adjustment mechanism as set out in Scenarios 1 and 2 above.

The consideration for the Second Transfer will be paid in cash by the Company to Qi Du upon entering into the contract for transfer of the the Completed Properties or at a time mutually agreed by both parties. Besides utilizing the proceeds received from the First Transfer, the Company will utilize its internal resources to pay for the consideration for the Second Transfer.

## **COMPLETION**

The respective completions for the First Transfer and the Second Transfer shall be effected upon satisfaction of their respective conditions precedents.

## **REASONS FOR THE AGREEMENT AND BENEFITS EXPECTED TO ACCRUE TO THE COMPANY**

The Company is principally engaged in the research and development, manufacture and sales of new drugs and provision of auxiliary services. The Company focuses its efforts on the discovery and development of new bio-pharmaceutical drugs or products that have not been approved for sale globally or in the PRC.

Qi Du is a limited liability company established in the People's Republic of China with a registered capital of RMB10 million. Qi Du, being a property construction/development project company, is wholly-owned by Zhangjiang Hi-Tech Park Co. Zhangjiang Hi-Tech Park Co. is principally engaged in property construction/property development in the PRC and has more than ten years of experience in property construction/property development in the PRC.

Under the First Transfer, Qi Du is required to pay a consideration of not more than RMB27 million, which consists of approximately RMB12 million for the value of the Southern Plot and approximately RMB14 million for the value of the construction works carried out on the Southern Plot prior to the First Transfer (representing approximately 25% of the aggregate investment amount to be contributed by Qi Du prior to the First Transfer). The parties agreed that the price of the Southern Plot will be approximately RMB1,200 per square metres, amounting to a total of approximately RMB12 million. Such a price has been reached with reference to the local market value and the value set out in the valuation report prepared by Jones Lang LaSalle Sallmanns Limited, an independent valuer. The value of the construction works carried out on the Southern Plot is estimated by the parties in accordance with the project budget principles set out above.

Under the Second Transfer, the Company is required to pay approximately RMB14 million (subject to adjustment) for the building costs of the Completed Properties and the corresponding land use right.

As a result of the completion of the Agreement, the Company will in fact have sold a piece of land in the gross site area of 10,000 square metres at a fair market value of approximately RMB12 million and bought the ownership right in a property in the gross floor area of approximately 4,000 square metres and the corresponding land use right for approximately RMB14 million, which represents only the construction costs (including the cost of the corresponding land use right). However, the Directors are of the view that the market value of the Completed Properties will substantially exceed RMB14 million, the amount which the Company will have paid to Qi Du for the building costs of the Completed Properties and the corresponding land use right. This view has been formed on the basis that the market value of a property of similar size in the same district of Shanghai for industrial use is substantially higher than RMB14 million. Moreover, the Company is not required to contribute any cash for the Southern Project (except fees as otherwise agreed and required to be paid by the Company) such that the Company can utilize its cash for other business development purposes.



The Completed Properties will be used by the Company for research and development and establishment of small-scale production lines. The Directors believe that the relevant experience of Zhangjiang Hi-Tech Park Co. in property construction/property development together with its status as a co-developer of the Project can facilitate the implementation of the Project on a unified development basis.

The Directors, including the independent non-executive Directors, believe that the transaction under the Agreement is on normal commercial terms, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

Qi Du is a connected person of the Company for the purpose of the GEM Listing Rules by virtue of the fact that it is wholly-owned by Zhangjiang Hi-Tech Park Co., a substantial shareholder of the Company holding approximately a 14.92% equity interest in the Company. Under the GEM Listing Rules, the entering into of the Agreement constitutes a discloseable and connected transaction of the Company under Chapters 19 and 20 of the GEM Listing Rules. The connected transaction constituted under the Agreement is subject to the approval of the Independent Shareholders at the EGM to be convened. Zhangjiang Hi-Tech Park Co. and its associates will abstain from voting for the resolution for approving the Agreement to be proposed at the EGM.

An Independent Board Committee will be appointed to advise the Independent Shareholders in respect of the terms of the Agreement. China Everbright Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Agreement, a letter from the Independent Board Committee and the opinion from China Everbright Capital, together with a notice convening the EGM to approve the Agreement will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

**“Agreement”** the cooperation framework agreement dated 26 February 2008 between the Company and Qi Du for development of the Project

**“Board”** the board of directors of the Company

<b>“China Everbright Capital”</b>	China Everbright Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement
<b>“Company”</b>	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 PRC whose H shares are listed on The Stock Exchange of Hong Kong Limited
<b>“Completed Properties”</b>	the Properties Under Development which are in completion
<b>“Construction-in-progress Transfer Agreement”</b>	the agreement to be entered into by the Company and Qi Du to effect the First Transfer
<b>“Directors”</b>	the directors of the Company
<b>“EGM”</b>	the extraordinary general meeting to be held for approval of the Agreement
<b>“First Transfer”</b>	the transfer of ownership in the Southern Project from the Company to Qi Du as construction-in-progress at the initial stage of the Project
<b>“First Transfer Conditions”</b>	the conditions precedent which have to be fulfilled before completion of the First Transfer
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
<b>“Independent Board Committee”</b>	a committee of the Board established for the purpose of considering the Agreement, comprising the independent non-executive Directors who are independent of the Agreement
<b>“Independent Shareholders”</b>	Shareholders other than Zhangjiang Hi-Tech Park Co. and its associates, who are not involved in, or interested in the Agreement

<b>“Northern Plot”</b>	the northern portion of the land of approximately 12,190 square metres of No. 9 Plot, the land use rights of which is owned by Qi Du
<b>“Northern Project”</b>	ownership of the land use rights and project development rights of the Northern Plot
<b>“No. 9 Plot”</b>	the piece of land, which comprises the Northern Plot and the Southern Plot, being situated in the Shanghai Zhangjiang Hi-Tech Park, bounded on the south side by the Cailun Road, on the east side by the Faladi Road and on the north side by the Libin Road.
<b>“PRC”</b>	the People’s Republic of China
<b>“Project”</b>	the Shanghai Zhangjiang Hi-Tech Park Project, which is constituted by the development of the Southern Project and the Northern Project
<b>“Properties Under Development”</b>	the building with a gross floor area of approximately 4,000 square metres, which is to be constructed on the Southern Plot and built by Qi Du in accordance with the design and construction specifications of the Company, which forms part of the properties to be constructed in the Southern Project
<b>“Qi Du”</b>	上海奇都科技發展有限公司 Shanghai Qi Du Sci & Tech Development Co. Ltd.*, a limited liability company established in the PRC
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Second Transfer”</b>	the transfer of the Completed Properties about 4,000 square metres from Qi Du to the Company upon completing construction of the Southern Project and after obtaining the relevant property ownership certificates
<b>“Second Transfer Conditions”</b>	the conditions precedent which have to be fulfilled before completion of the Second Transfer
<b>“Shareholder(s)”</b>	holders of the shares of the Company
<b>“Southern Plot”</b>	the southern portion of the land of approximately 10,000 square metres of No. 9 Plot, the land use rights of which is owned by the Company

**“Southern Project”** ownership of the land use rights and project development rights of the Southern Plot

**“Zhangjiang Hi-Tech Park Co.”** 上海市張江高科技園區開發股份有限公司 Shanghai Zhangjiang Hi Tech Park Development Co., Ltd.\*, a substantial shareholder of the Company holding approximately a 14.92% equity interest in the Company

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)  
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

7 March 2008

*\* For identification purpose only.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website for at least 7 days from the date of its posting.*