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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)

**Disclosable Transaction
Capital Increase in Taizhou Pharmaceutical**

The Directors are pleased to announce that the Company, Taizhou Huasheng, Taizhou Huayuan and Taizhou Huaxin entered into the Capital Increase Agreement on 12 August 2009, pursuant to which Taizhou Huaxin agreed to invest RMB100,000,000 to subscribe for RMB20,000,000 in the registered capital of Taizhou Pharmaceutical, representing 23.26% of the total equity interest as enlarged by the Capital Increase.

Particulars of the Capital Increase Agreement are set out in the paragraph headed "Capital Increase Agreement" below.

As the percentage ratios pursuant to the GEM Listing Rules applicable to the transaction contemplated under the Capital Increase Agreement exceed 5% but are less than 25%, the transaction contemplated under the Capital Increase Agreement constitutes a disclosable transaction under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements as set out in Rule 19.33 of the GEM Listing Rules.

The Directors are pleased to announce that the Company, Taizhou Huasheng, Taizhou Huayuan and Taizhou Huaxin entered into the Capital Increase Agreement on 12 August 2009 in respect of the capital injection by Taizhou Huaxin into Taizhou Pharmaceutical. Particulars of the Capital Increase Agreement are set out below.

CAPITAL INCREASE AGREEMENT

Date

12 August 2009

Parties

1. the Company, holding 90.91% equity interest of Taizhou Pharmaceutical prior to the Capital Increase
2. Taizhou Huasheng, a direct wholly-owned subsidiary of Taizhou Huaxin, holding 7.575% of the equity interest of Taizhou Pharmaceutical prior to the Capital Increase
3. Taizhou Huayuan, an indirect wholly-owned subsidiary of Taizhou Huaxin, holding 1.515% of the equity interest of Taizhou Pharmaceutical prior to the Capital Increase
4. Taizhou Huaxin, the holding company of Taizhou Huasheng and Taizhou Huayuan

Particulars

Pursuant to the Capital Increase Agreement, Taizhou Huaxin has agreed to invest RMB100,000,000 to subscribe for RMB20,000,000 registered capital in Taizhou Pharmaceutical, representing 23.26% of the equity interest of Taizhou Pharmaceutical as enlarged by the Capital Increase. The Capital Increase represents a premium of 500% of the value of the registered capital subscribed by Taizhou Huaxin in Taizhou Pharmaceutical.

The shareholding structure of Taizhou Pharmaceutical before and after the completion of the Capital Increase is as follows:

	Amount of registered capital in Taizhou Pharmaceutical immediately before completion of the Capital Increase (approximate % of the registered capital)	Amount of registered capital in Taizhou Pharmaceutical immediately after completion of the Capital Increase (approximate % of the registered capital)
The Company	RMB60,000,000 (90.91%)	RMB60,000,000 (69.77%)
Taizhou Huasheng	RMB5,000,000 (7.575%)	RMB5,000,000 (5.81%)
Taizhou Huayuan	RMB1,000,000 (1.515%)	RMB1,000,000 (1.16%)
Taizhou Huaxin	—	RMB20,000,000 (23.26%)
Total	RMB66,000,000 (100%)	RMB86,000,000 (100%)

Taizhou Huasheng is a wholly-owned subsidiary of Taizhou Huaxin. Taizhou Huasheng has 75% equity interest of Taizhou Huayuan and the remaining 25% equity interest is held by Taizhou Huaxin. Taizhou Huayuan is therefore an indirect wholly-owned subsidiary of Taizhou Huaxin. Taizhou Huaxin is a wholly state-owned limited liability company with its 100% equity interest held by Taizhou municipal government. The Company confirmed that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquires, Taizhou Huasheng, Taizhou Huayuan, Taizhou Huaxin and their respective ultimate beneficial owners are Independent Third Parties.

Consideration

The total consideration for the Capital Increase of registered capital of RMB20,000,000 is RMB100,000,000, which will be paid by Taizhou Huaxin in the following manner:

1. Taizhou Huaxin will transfer Taizhou Pharmaceutical the land use rights of two parcels of land at Taizhou Pharmaceutical High and New Technology Industry Area with a total site area of 68,617 sq. m. within 60 days from the effective date of the Capital Increase Agreement. The appraised value of the land use rights is RMB31,184,100 according to a Valuation Report dated 24 July 2009 issued by Jiangsu JinNingDa Real Estate Valuation and Consultation Co., Ltd.; and
2. The remaining amount of RMB68,815,900 will be paid by Taizhou Huaxin in cash within 60 days from the effective date of the Capital Increase Agreement.

The consideration under the Capital Increase Agreement was determined by the parties with reference to the asset value of pharmaceutical technologies of Taizhou Pharmaceutical and its expected return in the future.

The Capital Increase Agreement will be effective from the date of signing of the agreement by the respective parties and (where appropriate) upon the approval by the shareholders of the Company.

INFORMATION OF THE COMPANY

The Company is a R&D company that is principally engaged in the R&D of new drugs and related technologies.

INFORMATION OF TAIZHOU HUASHENG

Taizhou Huasheng is principally engaged in the business of industry investment. It is a limited liability company incorporated in Taizhou, Jiangsu Province, the PRC on 28 February 2007 with a registered capital of RMB200,000,000.

INFORMATION OF TAIZHOU HUAYUAN

Taizhou Huayuan is principally engaged in the business of external investment, development and operation of real estate, etc. It is a limited liability company incorporated in Taizhou, Jiangsu Province, the PRC on 20 March 2006 with a registered capital of RMB20,000,000.

INFORMATION OF TAIZHOU HUAXIN

Taizhou Huaxin is principally engaged in the business of real property development, investment and real property and mechanical equipment leasing. It is a limited liability company incorporated in Taizhou, Jiangsu Province, the PRC on 28 December 2005 with a registered capital of RMB888,511,554.

INFORMATION OF TAIZHOU PHARMACEUTICAL

Taizhou Pharmaceutical was established on 13 March 2007 with a registered capital of RMB60,000,000 as a wholly-owned subsidiary of the Company. The registered capital of RMB60,000,000 was contributed by the Company as to RMB40,000,000 by intangible assets and as to RMB20,000,000 by cash.

On 16 April 2007, the Company, Taizhou Huasheng and Taizhou Huayuan entered into the First Capital Increase Agreement, pursuant to which Taizhou Huasheng and Taizhou Huayuan agreed to subscribe the registered capital of RMB5,000,000 and RMB1,000,000 of Taizhou Pharmaceutical at RMB25,000,000 and RMB5,000,000 respectively, representing a premium of 500% of the value of the registered capital. Upon completion of the transaction, the registered capital of Taizhou Pharmaceutical was increased to RMB66,000,000, which was held as to 90.91% by the Company, as to 7.575% by Taizhou Huasheng and as to 1.515% by Taizhou Huayuan.

Taizhou Pharmaceutical will be engaged in the business of R&D, production and sales of drugs and related technologies. It will set up its own production lines by stages according to the Company's process of product development and will gradually develop into a full-functional production and manufacturing base of the Company with a number of production lines. The net asset value of Taizhou Pharmaceutical as at 31 December 2008 was approximately RMB74,910,000. Taizhou Pharmaceutical is in the progress of project R&D and incurred a cumulative loss of RMB14,240,000 by the end of 2008. Upon completion of the transaction contemplated under the Capital Increase Agreement, Taizhou Pharmaceutical will continue to be a subsidiary of the Company.

REASONS AND BENEFITS OF THE CAPITAL INCREASE AGREEMENT

The intangible assets that the Company invested in Taizhou Pharmaceutical are some of the pharmaceutical projects under R&D, the continuing development of which requires a large amount of funding. The capital increase under the Capital Increase Agreement can provide financial support to these projects.

The Directors consider that the terms of Capital Increase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Prior to the Capital Increase, Taizhou Huasheng and Taizhou Huayuan, which in aggregate hold 9.09% of the equity interest of Taizhou Pharmaceutical, are Independent Third Parties. As the relevant applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the consideration payable under the Capital Increase Agreement are more than 5% but less than 25%, the Capital Increase contemplated under the Capital Increase Agreement is classified as a disclosable transaction under Rule 19.08 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements as set out in Rule 19.33 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	means the board of Directors
“Capital Increase”	means the proposed investment of RMB100,000,000 by Taizhou Huaxin to subscribe for RMB20,000,000 registered capital in Taizhou Pharmaceutical, the proposed terms of the capital increase are more particularly set out in the Capital Increase Agreement
“Capital Increase Agreement”	means the Capital Increase Agreement dated 12 August 2009 entered into among the Company, Taizhou Huasheng, Taizhou Huayuan and Taizhou Huaxin for the Capital Increase by Taizhou Huaxin in Taizhou Pharmaceutical
“Company”	means Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司), a joint stock limited company incorporated in the PRC, whose H shares are listed on the GEM
“Directors”	means the directors of the Company

“First Capital Increase Agreement”	means the First Capital Increase Agreement entered into among the Company, Taizhou Huasheng and Taizhou Huayuan on 16 April 2007
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM
“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
“PRC”	means the People’s Republic of China
“R&D”	means research and development
“RMB”	means renminbi, the lawful currency of the PRC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Taizhou Huasheng”	means Taizhou Huasheng Investment Development Company Limited* (泰州華盛投資開發有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Taizhou Huaxin
“Taizhou Huaxin”	means Taizhou Huaxin Pharmaceutical Investment Co., Ltd.* (泰州華信藥業投資有限公司), a limited liability company incorporated in the PRC and the holding company of Taizhou Huasheng and Taizhou Huayuan

“Taizhou Huayuan”

means Taizhou Pharmaceutical Science Park Huayuan Investment Development Company Limited* (泰州醫藥科技園華源投資發展有限公司), a limited liability company incorporated in the PRC, the equity interest of which is held as to 25% directly by Taizhou Huaxin and as to 75% by Taizhou Huasheng, which is a wholly-owned subsidiary of Taizhou Huaxin

“Taizhou Pharmaceutical”

means Taizhou Fudan-Zhangjiang Pharmaceutical Company Limited (泰州復旦張江藥業有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company, which prior to the Capital Increase is owned as to 90.91% by the Company, as to 7.575% by Taizhou Huasheng and as to the remaining 1.515% by Taizhou Huayuan

“%”

percent

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. Zhou Jie (*Non-executive Director*)
Mr. Guo Jun Yu (*Non-executive Director*)
Mr. Hao Hong Quan (*Non-executive Director*)
Mr. Zhu Ke Qin (*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

12 August 2009

** 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.

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