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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)

CONTINUING CONNECTED TRANSACTIONS - SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION

The Directors announce that as a result of the reorganization of Shanghai Pharmaceutical, the Company entered into the Sales and Distribution Agreement on 10 August 2010 for the sale and distribution of the Company's pharmaceutical products with Shanghai Pharmaceutical Distribution within Shanghai during the Contractual Period. Shanghai Pharmaceutical Distribution is newly established by Shanghai Pharmaceutical as its wholly-owned subsidiary to engage in the trading and distribution of pharmaceutical products. The Sales and Distribution Agreement replaced the former sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical in 2007. Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company.

Given that each of the applicable percentage ratios in respect of the annual caps of the Transactions in accordance with Rule 19.07 of the GEM Listing Rules exceeds 5%, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules. Shanghai Pharmaceutical and its associates are required to abstain from voting on the resolution for approving the Transactions.

Particulars of the Sales and Distribution Agreement are set out in the paragraph headed "Sales and Distribution Agreement" below.

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 EGM is expected to be dispatched to the Shareholders on or before 30 August 2010 in accordance with the GEM Listing Rules.

SALES AND DISTRIBUTION AGREEMENT

Date

10 August 2010

Parties

1. The Company
2. Shanghai Pharmaceutical Distribution, a newly-established and wholly-owned subsidiary of Shanghai Pharmaceutical (which is a promoter and substantial shareholder of the Company)

Particulars

As a result of the internal restructuring of Shanghai Pharmaceutical, Shanghai Pharmaceutical has newly established Shanghai Pharmaceutical Distribution as its wholly-owned subsidiary to engage in the trading and distribution of pharmaceutical products. Prior to entering into the Sales and Distribution Agreement, the Company engaged Shanghai Pharmaceutical to sell and distribute its pharmaceutical products. With the establishment of Shanghai Pharmaceutical Distribution, the Company entered the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution on 10 August 2010 to replace the former sales and distribution agreement entered into with Shanghai Pharmaceutical in 2007. The terms under the Sales and Distribution Agreement are substantially the same as the terms under the sales and distribution agreement entered into with Shanghai Pharmaceutical in 2007 except that the party to the continuing connected transactions has been changed from Shanghai Pharmaceutical to Shanghai Pharmaceutical Distribution. The former sales and distribution agreement expired on 31 December 2009 but was not renewed thereafter, pending for the reorganization of Shanghai Pharmaceutical. Shanghai Pharmaceutical Distribution was established on 26 April 2010.

Pursuant to the Sales and Distribution Agreement, 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. 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. The actual price may, subject to mutual agreement between the Company and Shanghai Pharmaceutical Distribution, be adjusted from time to time based on 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. 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. 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 and Distribution Agreement can be extended by mutual agreement.

CONNECTION BETWEEN THE PARTIES

Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company. It has a 19.66% equity interest in the Company as of the date of this announcement. Shanghai Pharmaceutical Distribution is a newly-established and a wholly-owned subsidiary of Shanghai Pharmaceutical and is a Connected Person of the Company for the purpose of the GEM Listing Rules. Accordingly, the Transactions constitute continuing connected transactions for the Company under the GEM Listing Rules.

ANNUAL CAPS AND ACTUAL TRANSACTION AMOUNTS FOR HISTORICAL TRANSACTIONS FROM 2007 TO 2009

For the three years ending 31 December 2009, the annual caps under the historical transactions were RMB8,000,000, RMB20,000,000 and RMB40,000,000 while the actual transaction amounts were RMB723,000, RMB2,435,000 and RMB386,000 respectively. The substantial excess of the historical annual caps over the actual transaction amounts was attributable to the over-estimation of the market performance for the sales of an innovative drug launched during this period, usage of which required to be complemented with medical equipments and complementary therapies. As a result, its market growth rate was lower than the rate originally estimated. The actual transaction amount for the year ended 2009 was lower than that of 2008, due to the distribution of the same innovative drug through a nation-wide distributor following an adjustment in the periodical arrangement of the marketing strategy.

ANNUAL CAP

The Parties estimated that the proposed annual caps under the Transactions for the three years ending 31 December 2012 are approximately RMB13,000,000, RMB40,000,000 and RMB80,000,000, respectively. The proposed annual caps under the Transactions are determined based on the Parties' estimation of the market conditions in Shanghai, as well as the increase in the number of pharmaceutical products to be distributed, which will increase from one product under the historical transactions to three products in 2010. The Parties further expect the number of types of pharmaceutical products to be distributed will be increased to four in 2012. The substantial increase in each of the annual caps for the years ending 2011 and 2012 from its immediate preceding year 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. There were sale and distribution transactions occurred between the Company and Shanghai Pharmaceutical for the first six months ended 30 June 2010 and the amount is less than 50,000. The low transaction volume is mainly due to the pending situation for the reorganization of Shanghai Pharmaceutical.

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.

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.

INFORMATION ON THE GROUP

The Group is principally engaged in the R&D of new drugs and related technologies. It is undergoing a gradual process of turning its R&D results into marketable pharmaceutical products. As such, the Group has hired some production and quality control staff and sales and marketing staff to develop and strengthen its production and sales capability.

INFORMATION ON SHANGHAI PHARMACEUTICAL DISTRIBUTION

As part of the reorganization of Shanghai Pharmaceutical, Shanghai Pharmaceutical Distribution is newly established by Shanghai Pharmaceutical on 26 April 2010 as its wholly-owned subsidiary to engage in the trading and distribution of pharmaceutical products. It has been established with an extensive sales network in the hospitals and drugstores in various regions of the PRC, particularly in Shanghai.

INFORMATION ON SHANGHAI PHARMACEUTICAL

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.

GEM LISTING RULES IMPLICATIONS

Given that each of the applicable percentage ratios in respect of the annual caps of the Transactions in accordance with Rule 19.07 of the GEM Listing Rules exceeds 5%, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under 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 EGM is expected to be dispatched to the Shareholders on or before 30 August 2010 in accordance with the GEM Listing Rules.

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 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
"Contractual Period"	means the period from 10 August 2010 to 31 December 2012
"Directors"	means the directors of the Company
"EGM"	means the extraordinary 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 Listing Rules and is (are) independent of the Company and the Connected Person 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 annual sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution on 10 August 2010 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
"Shanghai Pharmaceutical Distribution"	means 上海医药分销控股有限公司 Shanghai Pharmaceutical Distribution Co., Ltd.*, a newly-established limited liability company incorporated 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 between the Company and Shanghai Pharmaceutical Distribution under the Sales and Distribution Agreement entered into on 10 August 2010, 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 entered into in 2007
"%"	per cent.

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. 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
10 August 2010

** For identification purpose only.*

This announcement, for which the directors of the issuer 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 issuer. 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 document misleading.

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