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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:1349)

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 18 March 2016 for the sales and distribution of the Company's pharmaceutical products by Shanghai Pharmaceutical Distribution within Shanghai during the Contractual Period. The Sales and Distribution Agreement renewed the Former Sales and Distribution Agreement entered into between the Company and Shanghai Pharmaceutical Distribution dated 19 March 2013.

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

Since the applicable percentage ratios for the highest proposed annual cap for each of the three years ending 31 December 2018 for the Transactions under the Sales and Distribution Agreement are more than 0.1% but less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but exempt from

the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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SALES AND DISTRIBUTION AGREEMENT

- Date** : 18 March 2016
- 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 upon in accordance with the principles set out in the Former Sales and Distribution Agreement.
- Pricing policy** : The price of the pharmaceutical products to be sold by the Company to Shanghai Pharmaceutical Distribution shall be determined with reference to the government-prescribed price of a particular pharmaceutical product as prescribed by the local statutory pricing authorities (for instance, the local price bureau) which will be adjusted by a reasonable profit margin of Shanghai Pharmaceutical Distribution for provision of sales and distribution services.

The abovementioned reasonable profit margin of Shanghai Pharmaceutical Distribution shall be determined with reference to (i) the profit margin of a comparable quantity of the similar products sold to at least two independent third parties by the Company at the same period; and (ii) the profit margin of a comparable quantity of the similar products sold to Shanghai Pharmaceutical Distribution by the Company in past transactions.

Term : The term of the Sales and Distribution Agreement should commence on 1 January 2016 and expire on 31 December 2018.

PROPOSED ANNUAL CAPS AND BASIS FOR THE PROPOSED ANNUAL CAPS

The historical amounts for the continuing connected transactions conducted under the Former Sales and Distribution Agreement for the three years ended 31 December 2015 were RMB 13,869,000, RMB 17,575,000 and RMB 12,303,000, respectively, while the annual caps were RMB 20,000,000, RMB 31,000,000 and RMB 50,000,000, respectively.

The Parties estimated that the proposed annual caps of the Transactions for the three years ending 31 December 2018 are approximately RMB 20,000,000, RMB 22,000,000 and RMB 24,000,000, respectively. The proposed annual caps of the Transactions are determined with reference to (i) historical amounts transacted under the Former Sales and Distribution Agreement; and (ii) the estimated increase in the amount of pharmaceutical products to be sold or distributed due to the future market conditions in Shanghai.

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 Directors (including the independent non-executive Directors) are of the view that 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 also of the view that the terms of the Transactions and the proposed annual caps thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Since the applicable percentage ratios for the highest proposed annual cap for each of the three years ending 31 December 2018 for the Transactions under the Sales and Distribution Agreement are more than 0.1% but less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Ms. Ke Ying and Mr. Shen Bo, the Directors, have abstained from voting on the Board resolution approving the Sales and Distribution Agreement since they hold senior positions at Shanghai Pharmaceuticals. Save as mentioned above, no other Director has a material interest in the Transactions and hence no other Director has abstained from voting on such Board resolution.

GENERAL INFORMATION

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

Shanghai Pharmaceuticals is a joint stock limited company incorporated in the PRC, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange respectively. Shanghai Pharmaceuticals is principally engaged in research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products; pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and operation of a network of retail pharmacy stores.

Shanghai Pharmaceutical Distribution is a limited liability company established in the PRC and a wholly-owned subsidiary of Shanghai Pharmaceuticals. 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:

"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 Main Board
"connected person"	has the same meaning ascribed to it under the Listing Rules
"Contractual Period"	means the period from 1 January 2016 to 31 December 2018
"Directors"	means the directors of the Company
"Former 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 continuing connected transactions contemplated thereunder for the three years ended 31 December 2015, details of which were set out in the circular of the Company dated 12 April 2013
"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 persons of the Company
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means the Main Board of the Stock Exchange
"Party(ies)"	means the party(ies) to the Sales and Distribution Agreement, i.e., the Company and/or 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 Listing Rules
"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 18 March 2016 for the sale and distribution of the Company's pharmaceutical products within Shanghai during the Contractual Period
"Shanghai Pharmaceutical"	means 上海醫藥集團股份有限公司 Shanghai Pharmaceuticals Holding Co., Ltd.*, a joint stock limited company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange and H shares are listed on the Stock Exchange, and a promoter of the Company and a substantial Shareholder holding approximately 22.77% 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 and a wholly-owned subsidiary of Shanghai Pharmaceuticals
"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 Listing Rules
"Transactions"	means the continuing connected transactions under the Sales and Distribution Agreement entered into between the Company and Shanghai Pharmaceutical Distribution on 18 March 2016
"%"	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. Ke Ying (Non-executive Director)

Mr. Shen Bo (Non-executive Director)

Ms. Yu Xiao Yang (Non-executive Director)

Mr. Zhou Zhong Hui (Independent Non-executive Director)

Mr. Lam Yiu Kin (Independent Non-executive Director)

Mr. Xu Qing (Independent Non-executive Director)

Shanghai, the PRC

18 March 2016

** For identification purpose only*