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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 Transaction**  
**Capital Increase in Taizhou Pharmaceutical**

Reference is made to the announcement of the Company dated 4 January 2007. The Directors are pleased to announce that the Company, Taizhou Huasheng and Taizhou Huayuan entered into the Capital Increase Agreement on 16 April 2007, 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 respectively at a premium.

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

The transaction contemplated under the Capital Increase Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. In addition, since Taizhou Pharmaceutical is a major subsidiary of the Company and the transaction contemplated under the Capital Increase Agreement will lead to material dilution in the percentage equity interest of the Company in Taizhou Pharmaceutical, the transaction is subject to the approval of the Shareholders pursuant to Rule 17.39(2) of the GEM Listing Rules. A circular containing, among other things, details of the Capital Increase Agreement and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

The Directors noted the recent increase in trading volume and price of the H Shares and wish to state that they are not aware of any reasons for such movement except for the collaboration and licensing arrangement between Avexa and TD as disclosed in the announcement of the Company dated 16 April 2007, and the transaction contemplated under the Capital Increase Agreement. The Directors confirm that there are no negotiations or agreement relating to intended acquisitions or realisations which are discloseable under Chapter 19 of the GEM Listing Rules, neither is the Board aware of any other matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Trading in the H Shares was suspended at the request of the Company with effect from 9:32 a.m. on 18 April 2007, pending the release of this announcement. Application has been made to the Stock Exchange to resume trading from 9:30 a.m. on 19 April 2007.

Reference is made to the announcement of the Company dated 4 January 2007. The Directors are pleased to announce that the Company, Taizhou Huasheng and Taizhou Huayuan entered into the Capital Increase Agreement on 16 April 2007. Particulars of the Capital Increase Agreement are set out below.

## **CAPITAL INCREASE AGREEMENT**

### **Date**

16 April 2007

### **Parties**

1. The Company, the holding company of Taizhou Pharmaceutical
2. Taizhou Huasheng, an Independent Third Party
3. Taizhou Huayuan, an Independent Third Party

### **Particulars**

Pursuant to the Capital Increase Agreement, Taizhou Huasheng and Taizhou Huayuan have 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. The shareholding structure of Taizhou Pharmaceutical before and after the completion of the Capital Increase Agreement is as follows:

	<b>Amount of registered capital in Taizhou Pharmaceutical immediately before the completion of the Capital Increase Agreement (Approximate % of the registered capital in Taizhou Pharmaceutical)</b>	<b>Amount of registered capital in Taizhou Pharmaceutical immediately after the completion of the Capital Increase Agreement (Approximate % of the registered capital in Taizhou Pharmaceutical)</b>
The Company	RMB60,000,000 (100%)	RMB60,000,000 (90.9%)
Taizhou Huasheng	—	RMB5,000,000 (7.6%)
Taizhou Huayuan	—	RMB1,000,000 (1.5%)
Total	<u>RMB60,000,000 (100%)</u>	<u>RMB66,000,000 (100%)</u>

Taizhou Huasheng is a wholly-owned subsidiary of Huaxin Pharmaceutical, which is also holding 25% equity interest in Taizhou Huayuan. The remaining 75% equity interest of Taizhou Huayuan is held by an individual, who is also an Independent Third Party. The Company confirmed that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Taizhou Huasheng and Taizhou Huayuan and their respective ultimate beneficial owners, are Independent Third Parties.

## **Consideration**

The total consideration for the increase of registered capital of RMB6,000,000 under the Capital Increase Agreement is RMB30,000,000, which will be payable by Taizhou Huasheng and Taizhou Huayuan in cash in the following manner:

1. a total amount of RMB25,000,000 for the contribution of a registered capital of RMB5,000,000 will be paid by Taizhou Huasheng in two tranches: RMB15,000,000 will be paid within 15 days from the effective date of the Capital Increase Agreement and the remaining balance of RMB10,000,000 will be paid on or before 31 December 2007; and
2. a total amount of RMB5,000,000 for the contribution of a registered capital of RMB1,000,000 will be paid by Taizhou Huayuan within 15 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 a pharmaceutical technology of RMB40,000,000 which was injected into Taizhou Pharmaceutical by the Company at the date of incorporation of Taizhou Pharmaceutical, the estimated value of five other pharmaceutical technologies which was acquired from the Company by Taizhou Pharmaceutical and the expected return of Taizhou Pharmaceutical in the future.

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

## **INFORMATION ON THE GROUP**

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

## **INFORMATION ON 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 RMB100,000,000.

## **INFORMATION ON 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 ON TAIZHOU PHARMACEUTICAL**

Taizhou Pharmaceutical was incorporated 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. Taizhou Pharmaceutical will be engaged in the business of R&D, production and sales of drugs and medical equipment 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 book value of Taizhou Pharmaceutical as at its date of incorporation was approximately RMB60,000,000. The Directors confirm that Taizhou Pharmaceutical has not generated any profit or loss since its incorporation on 13 March 2007.

## **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 Group and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

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 transaction contemplated under the Capital Increase Agreement is classified as a discloseable transaction under Rule 19.08 of the GEM Listing Rules.

In addition, since Taizhou Pharmaceutical is a major subsidiary of the Company and the transaction contemplated under the Capital Increase Agreement will lead to material dilution in the percentage equity interest of the Company in Taizhou Pharmaceutical, the transaction is subject to the approval of the Shareholders pursuant to Rule 17.39(2) of the GEM Listing Rules. No Shareholder is required to abstain from voting at the SGM on the resolution approving the transaction under the Capital Increase Agreement under the GEM Listing Rules.

A circular containing, among other things, details of the Capital Increase Agreement and the notice of the SGM will be distributed to the Shareholders as soon as practicable.

The Directors noted the recent increase in trading volume and price of the H Shares and wish to state that they are not aware of any reasons for such movement except for the collaboration and licensing arrangement between Avexa and TD as disclosed in the announcement of the Company dated 16 April 2007, and the transaction contemplated under the Capital Increase Agreement. The Directors confirm that there are no negotiations or agreement relating to

intended acquisitions or realisations which are discloseable under Chapter 19 of the GEM Listing Rules, neither is the Board aware of any other matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Trading in the H Shares was suspended at the request of the Company with effect from 9:32 a.m. on 18 April 2007, pending the release of this announcement. Application has been made to the Stock Exchange to resume trading from 9:30 a.m. on 19 April 2007.

## DEFINITIONS

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

“Avexa”	means Avexa Limited, a company incorporated in Australia and an Independent Third Party
“Board”	means the board of Directors
“Capital Increase Agreement”	means the Capital Increase Agreement entered into among the Company, Taizhou Huasheng and Taizhou Huayuan on 16 April 2007
“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
“Directors”	means the directors of the Company
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM
“H Shares”	means H shares of the Company, which has been listed on the GEM
“Huaxin Pharmaceutical”	means 華信藥業投資有限公司 Huaxin Pharmaceutical Investment Co. Ltd.*, a limited liability company incorporated in the PRC and an Independent Third Party
“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 person of the Company
“RMB”	means renminbi, the lawful currency of the PRC
“PRC”	means the People’s Republic of China

“R&D”	means research and development
“SGM”	means the special general meeting to be held by the Company to approve the transaction contemplated under the Capital Increase Agreement
“Shareholders”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Taizhou Huasheng”	means 泰州華盛投資開發有限公司 Taizhou Huasheng Investment Development Company Limited*, a limited liability company incorporated in the PRC and an Independent Third Party
“Taizhou Huayuan”	means 泰州醫藥科技園華源投資發展有限公司 Taizhou Pharmaceutical Science Park Huayuan Investment Development Company Limited*, a limited liability company incorporated in the PRC and an Independent Third Party
“Taizhou Pharmaceutical”	means 泰州復旦張江藥業有限公司 Taizhou Fudan-Zhangjiang Pharmaceutical Company Limited, a limited liability company incorporated in the PRC and a subsidiary of the Company
“TD”	means 上海靶點藥物有限公司 Shanghai TargetDrug Co. Ltd. or Shanghai Ba Dian Medicine Co., Ltd., a 65% non-wholly owned subsidiary of the Company
“%”	per cent.

By order of the Board  
**Wang Hai Bo**  
*Chairman*

As at the date of this announcement, the board of Directors 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 Yi (non-executive director)  
Mr. Zhou Mai (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

18 April 2007

\* *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 aspects 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 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.*