

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

The Directors announce that the Company and Shanghai Pharmaceutical, a promoter and substantial shareholder of the Company, entered into the Sales and Distribution Agreement on 25 April 2007, pursuant to which the Company has agreed to authorise Shanghai Pharmaceutical to sell and distribute the pharmaceutical products of the Company within Shanghai during the Contractual Period. Given that each of the applicable percentage ratios (other than the profit and equity capital ratios) in respect of the annual caps of the Transactions in accordance with Rule 19.07 of the GEM Listing Rules exceeds 2.5%, 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 in favour of 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 SGM will be despatched to the Shareholders as soon as practicable.

SALES AND DISTRIBUTION AGREEMENT

Date

25 April 2007

Parties

1. The Company
2. Shanghai Pharmaceutical, a promoter and substantial shareholder of the Company

Particulars

Pursuant to the Sales and Distribution Agreement, the Company and Shanghai Pharmaceutical agreed that the Company has agreed to authorise Shanghai Pharmaceutical 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 products 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. The actual price may, subject to mutual agreement between the Company and Shanghai Pharmaceutical, be adjusted from time to time based on the actual sales volume of the product, the quality of sales services provided by Shanghai Pharmaceutical 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 Distribution Agreement can be extended by mutual agreement.

CONNECTION BETWEEN THE PARTIES

Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company. It is currently holding an equity interest of 19.66% in the Company, 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 CAP

The Parties estimated that the annual caps under the Transactions for the three years ended 31 December 2009 are approximately RMB8,000,000, RMB20,000,000 and RMB40,000,000. There has been no previous transaction of a similar nature between the Company and Shanghai Pharmaceutical. The annual caps under the Transactions are determined based on the Parties' estimates on the market conditions in Shanghai. The Parties estimated that the total sales amount in 2007 under the Sales and Distribution Agreement will be RMB8,000,000 with reference to the estimated sales volume of only one pharmaceutical product and its selling price. The Parties expected that the number of products to be sold will be increased to two and three in 2008 and 2009 respectively and that there will be a gradual increase in the sales volume of each of the products of the Company due to the promotional activities to be carried out by the Company and the increase in the market recognition of the products.

REASONS AND BENEFIT OF THE TRANSACTIONS

The Company entered into the Transactions because it would like to leverage the established and extensive sales network of Shanghai Pharmaceutical. 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.

The Sales and Distribution Agreement will be effective from the date of signing of the agreement by the Parties and upon the approval by the Independent Shareholders' approval.

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 recently 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

Shanghai Pharmaceutical is a joint stock limited company incorporated in the PRC, the A shares of which are listed on the Shanghai Stock Exchange. It is principally engaged in the trading of pharmaceutical products. Shanghai Pharmaceutical has established an extensive sales network in the hospitals and drugstores in various regions of the PRC, particularly in Shanghai.

GEM LISTING RULES IMPLICATIONS

Given that each of the applicable percentage ratios (other than the profit and equity capital ratios) in respect of the annual caps of the Transactions in accordance with Rule 19.07 of the GEM Listing Rules exceeds 2.5%, 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 in favour of 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 SGM will be distributed to the Shareholders as soon as practicable.

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 1 April 2007 to 31 December 2009
“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
“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
“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 on 25 April 2007
“SGM”	means the special general meeting to be held by the Company to approve the continuing connected transactions contemplated under the Sales and Distribution Agreement
“Shanghai Pharmaceutical”	means 上海市醫藥股份有限公司 Shanghai Pharmaceutical Co., Ltd.*, a joint stock limited company incorporated in the PRC and a promoter and substantial shareholder of the Company
“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 under the Sales and Distribution Agreement
“%”	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)
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. 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
27 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.