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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)*

**CONNECTED TRANSACTION**

**Establishment of 上海靶點藥物有限公司  
(Shanghai Ba Dian Medicine Co., Ltd.\*)**

**Joint Financial Advisers**



**Barits Securities (Hong Kong) Limited**



**Guotai Junan Capital Limited**

The Board wishes to announce that on 13 March 2003, the Company entered into the Agreement with SIBS, SIOC, Mr. Pei Gang, Mr. Ma Da Wei and Mr. Zhang Wen Bo to establish Shanghai Ba Dian, a limited liability company to be established in the PRC.

The registered capital of Shanghai Ba Dian will be RMB15 million (about HK\$14.02 million), which will be contributed as to RMB9.75 million, RMB1.365 million and RMB1.26 million by the Company, SIBS and SIOC respectively by way of cash and as to RMB0.585 million, RMB0.54 million and RMB1.5 million by Mr. Pei Gang, Mr. Ma Da Wei and Mr. Zhang Wen Bo respectively by way of their jointly owned intellectual property, "Fasidotril" (a new type of anti-high-blood-pressure medicine). Upon completion of the Agreement, Shanghai Ba Dian will be owned as to 65% by the Company, 9.1% by SIBS, 8.4% by SIOC, 3.9% by Mr. Pei Gang, 3.6% by Mr. Ma Da Wei and 10% by Mr. Zhang Wen Bo respectively.

Shanghai Ba Dian will be principally engaged in the development of biological and medical technology, the provision of related R & D services and the sale of Intermediary Products. The development of Shanghai Ba Dian is expected to benefit from the solid expertise, knowledge and background of the Company, SIBS and SIOC in the bio-pharmaceutical field.

In view that Mr. Pei Gang is an independent non-executive Director, he is a connected person of the Company. Accordingly, the entering into of the Agreement between the Company and Mr. Pei Gang constitutes a connected transaction of the Company. Given that the consideration payable by the Company under the Connected Transaction is less than the higher of HK\$10 million or 3% of the net tangible assets of the Company, pursuant to GEM Listing Rules 20.24, the Company is only required to disclose details of the Connected Transaction in this announcement and its annual report for 2003.

Mr. Pei Gang, an independent non-executive Director, will hold a 3.9% interest in Shanghai Ba Dian, which will become a subsidiary of the Company upon completion of the Agreement. Hence, pursuant to Rule 5.06(2) of the GEM Listing Rules, Mr. Pei Gang is not considered sufficiently independent to be an independent non-executive Director upon signing of the Agreement. Accordingly, Mr. Pei Gang resigned from the position of independent non-executive Director on the date of the Agreement. Accordingly, the Company does not comply with GEM Listing Rules 5.05 and 5.23 which require the board of directors of a company listed on GEM to have at least 2 independent non-executive directors and the majority of its audit committee be independent non-executive Directors

respectively. In such regard, the Company will apply to the Stock Exchange for a waiver from such requirement for one month and the Company will appoint at least one new independent non-executive Director on or before 13 April 2003. An announcement will be made in such regard.

### **The Agreement dated 13 March 2003**

Parties:

1. the Company;
2. SIBS;
3. SIOC;
4. Mr. Pei Gang;
5. Mr. Ma Da Wei; and
6. Mr. Zhang Wen Bo

Apart from Mr. Pei Gang, who is an independent non-executive Director, all parties to the Agreement are independent of and not connected with the promoters, directors, supervisors, chief executive, substantial shareholders or management shareholders of the Company or an associate of any of them.

The establishment of Shanghai Ba Dian shall be effective for a term of 30 years and each party shall be entitled to share the profits and losses of Shanghai Ba Dian in accordance with the ratio of their respective registered capitals.

Pursuant to the Agreement, the intellectual property of all technologies and results developed by Shanghai Ba Dian shall belong to Shanghai Ba Dian.

### **Conditions Precedent**

The Connected Transaction is conditional on the obtaining of all approvals in relation to the establishment of Shanghai Ba Dian from the relevant PRC government authorities.

In the event that the above condition is not fulfilled on or before 30 September 2003 (or such later date as the parties may otherwise agree), the Agreement shall lapse.

## Capital Contribution and the total investment amount

The registered capital and the total investment amount of Shanghai Ba Dian shall be RMB15 million (or about HK\$14.02 million). The breakdown of capital contribution by each party is set out as follows:

<b>Party</b>	<b>Amount of capital contribution</b> <i>(RMB in million)</i>	<b>Method of contribution</b>	<b>Shareholding</b>
The Company	9.750	Cash	65.0%
SIBS	1.365	Cash	9.1%
SIOC	1.260	Cash	8.4%
Mr. Pei Gang	0.585	Intellectual property	3.9%
Mr. Ma Da Wei	0.540	Intellectual property	3.6%
Mr. Zhang Wen Bo	1.500	Intellectual property	10.0%
<b>Total:</b>	<b>15.000</b>		<b>100.0%</b>

The intellectual property jointly owned by Mr. Pei Gang, Mr. Ma Da Wei and Mr. Zhang Wen Bo is Fasidotril, is a new type of anti-high-blood-pressure medicine. According to the valuation report prepared by an independent valuer, Fasidotril is valued at about RMB3.10 million (about HK\$2.90 million) as at 31 December 2002 by discounted cashflow methodology. Accordingly, the value of RMB2.625 million worth under the Agreement is at a discount to such valuation.

As stated in the third quarterly report of the Company, on 17 September, 2002, a pronouncement on the Classification of the in-vitro Diagnostic Reagents was issued by the State Drugs Administration (the “SDA”) of the PRC. This pronouncement stipulates the criteria for reagents to be classified as in-vitro diagnostic reagents and the standards and monitoring procedures for these reagents accordingly. Pursuant to this pronouncement, the Group’s HLA genotyping chips will be governed by this pronouncement.

According to the pronouncement, sales of HLA genotyping chips is permitted only after proper production certification is obtained. This pronouncement imposes significant influence over the manufacturing, selling and licensing of the HLA genotyping chips. Notwithstanding the above, the Group is committed to obtain such certification from the SDA. In the meantime, the original plan for trial production of the chips as described in the prospectus of the Company dated 31 July 2002 and negotiations with overseas agents will be slowed down.

Having considered the effect of the above pronouncement to the development of HLA genotyping chips, the Directors consider that it is in the interests of the Company and the Shareholders to reallocate part of the proceeds originally planned for R & D and commercialization of medical diagnostic products, the HLA genotyping chips, to finance the establishment and development of Shanghai Ba Dian. Upon the obtaining of certification from the SDA, the Company plans to finance the development of HLA genotyping chips by internally generated funds or bank borrowings. Given that the Company commenced discussion on the establishment of Shanghai Ba Dian after the date of prospectus, the prospectus has not set out details of the Connected Transaction.

In view that the Group will not change its plan and commitment to the development of HLA genotyping chips notwithstanding that the progress may slow down due to the time necessary to obtain the certification from the SDA, the Directors do not anticipate that the business development plans of the Group as stated in the Company's prospectus dated 31 July 2002 will be materially altered on completion of the Agreement or that the Agreement would result in any material change to the general character or nature of business of the Group falling within the meaning of Rule 17.25 of the GEM Listing Rules.

### **First right of refusal**

Pursuant to the Agreement, the obtaining of approval from over 50% Shareholders is a prerequisite for future transfer of the interest in Shanghai Ba Dian by any of the existing Shareholders to third parties. The existing Shareholders shall have the first right of refusal, under which in any future transfer of interest in Shanghai Ba Dian, the existing Shareholders shall have the priority to acquire the interest of Shanghai Ba Dian under the same consideration and conditions within 30 days from the date of notice of such transfer. In the event of any transfer of interest in Shanghai Ba Dian between Mr. Pei Gang and the Company, the Company will comply with all provisions of the GEM Listing Rules.

### **Information on Shanghai Ba Dian**

Shanghai Ba Dian will be principally engaged in the development of biological and medical technology, the provision of related R & D services and the sale of Intermediary Products. Its target is to establish a management and operation model for PRC's research and development of innovative medicines in the

PRC. It will also endeavour to speed up the development of innovative medicines with its own intellectual property rights. As advised by the Directors, Shanghai Ba Dian will undertake research contracts from overseas drug manufacturing companies and research institutes.

Shanghai Ba Dian will focus on 2 major research fields: chemokine-based receptor drugs design and selection (趨化因子受體藥物) and small particle drugs design and its integrated platform construction (小分子藥物設計及合成平台建設). The research objective of the first research field is to develop a medicine which could cure AIDS and other immunity related diseases. The research team headed by Mr. Pei Gang, who will hold a 3.9% interest of Shanghai Ba Dian and has been the head of SIBS, has been the pioneer of related R&D in the PRC and has discovered the principle of anti-HIV infection function practiced by the substance, “TCS”, found in Chinese medicine. Having Mr. Pei Gang as a shareholder of Shanghai Ba Dian will assist Shanghai Ba Dian in the R&D and further development of anti-HIV infection function as mentioned above. With technical supports from SIOC and Mr. Ma Da Wei, the second research field will be practiced through cooperation with foreign companies by mean of: (i) contract research, whereby Shanghai Ba Dian will provide medicine-integration related technical services; and (ii) co-research, whereby Shanghai Ba Dian will take charge of compound integration parts of the drug development process. Cooperation of Shanghai Ba Dian with domestic companies in the PRC will be through the research of elementary drugs and Intermediary Products integrations on behalf of drug manufacturers.

The board of directors of Shanghai Ba Dian will comprise 5 directors. In respect of the founding board of directors, 3 directors will be appointed by the Company and the remaining 2 will each be appointed by SIBS and SIOC respectively. The board of directors will be re-appointed by election undertaken in each Shareholders’ Meetings held thereafter. The first chairman of Shanghai Ba Dian will be appointed by the Company and thereafter, the position of chairman will be elected by the board of directors. Apart from the resignation of Mr. Pei Gang and the appointment of at least one independent non-executive Director, there is no change in the board of Directors solely as a result of the Connected Transaction.

Pursuant to the Agreement, the Company, SIBS and SIOC are entitled to assist Shanghai Ba Dian in recruiting managerial and technical staff, participating in application for approval and registration for business license, and providing business development and technology consultation supports, whilst Mr. Pei Gang, Mr. Ma Da Wei and Mr. Zhang Wen Bo are entitled to provide any possible supports to Shanghai Ba Dian in respect of operation and management issues.

## **Reasons for the establishment of Shanghai Ba Dian**

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

Given the renowned backgrounds and strong research results of the Company, SIBS and SIOC in the medical research field and the professional knowledge of Mr. Pei Gang, Mr. Ma Da Wei and Mr. Zhang Wen Bo, the Directors believe that Shanghai Ba Dian will be able to leverage the technology platform of the Company, to enhance the Group's capability on the R&D of new drugs and to provide the Group with research products which are capable of being commercialised.

## **Information on the parties to the Agreement**

SIBS was founded in July 1999 on the foundation of all the biological institutions of CAS in Shanghai area. SIBS is engaged in the principal research of life science and biotechnology development in the PRC, particularly in the area of population and human health sciences. The major research directions involve functional genomics and proteomics, structure and functional analysis of macromolecules, molecular mechanism of cell functions, brain functions and diseases, novel drug research and development, molecular mechanism of plant physiology processes, molecular ecology of plants, insects and microorganisms, biotechnology innovation and interdisciplinary studies.

SIOC was established in 1950 as a result of the merger of the Institute of Chemistry of former Academia Sinica, the Institute of Chemistry and the Institute of Materia Medica of Ex-Peiping Academy of Sciences. Its main research areas include bioorganic chemistry, natural products chemistry, organometallic chemistry, organofluorine chemistry, heteroatom chemistry, materials science, synthetic organic chemistry, physical organic chemistry, computer chemistry, analytic chemistry.

Mr. Pei Gang is a member of Chinese Academy of Sciences and the director of SIBC, and he presently conducts research in cell signal redirection and control mechanism. He graduated from Shenyang Pharmaceutical Sciences University with a master degree in 1981, and studied in Belgium for pharmaceutical science during 1985 and in Sweden for clinical pharmacy during 1986 respectively. In 1991, he was awarded a Ph.D. in Biochemistry and Biophysics from the University of Northern Carolina in the United States, and after that he pursued his post-doctorate research in 杜克大學. He returned to the PRC in 1995, and was a researcher with the Shanghai Cell Biology Research Laboratory of Chinese Academy of Sciences between 1995 and 2000. He was

appointed as an independent non-executive Director of the Company in February 2001. Throughout the years, Mr. Pei Gang has outputted more than 60 research papers published in globally recognized academic journals and he owns 2 patents for his inventions. He received the “Outstanding Young Academics Award” in 1997 and the “Ho Leung Ho Li Biological Science Award” in 1999 respectively.

Mr. Ma Da Wei is currently a researcher of SIOC and the officer of the National Organic Science Focus Laboratory of SIOC, and mainly concentrated on the research focus areas of organic integration and pharmaceutical chemistry. He graduated from Shendong University in 1984 and granted with a doctorate degree from SIOC in 1989. For the 4 years from 1990 onwards, he conducted post-doctorate research in 匹茲堡大學 and Mayo Clinic in the United States and was back to SIOC in 1994. During these years, he has finished nearly 80 papers being posted on various academic journals of international vitality and has attained 2 patents from the United States. He has discovered a small particle regulator, within which a compound has been commercialised by 2 foreign companies, Tocris and Alexis, and to be sold in the market. Mr. Ma Da Wei has been granted several awards, including the “National Natural Science Award, second runner-up”, “Chinese Academy of Sciences Natural Science Award, first class” and “Outstanding Young Academics Award”.

Mr. Zhang Wen Bo is currently enrolling in a doctorate degree programme, nevertheless he has already posted 10 papers on several foreign academic journals. He graduated from the Biochemistry Faculty of the Fudan University with a bachelor’s degree in 1997. During the 5 years thereafter until present, he has been studying in the Cell Biochemistry Research Institute under Chinese Academy of Sciences, and has been working in Mr. Pei Gang’s laboratory for a 5-year master and doctorate joint degree. Within his study, he was sent by Mr. Pei Gang to the Louisville University in the United States to participate in the HIV coreceptors research for the period from July 2000 to October 2001.

## **General**

The Directors (including the independent non-executive Directors) consider that the terms of the Connected Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In view that Mr. Pei Gang is an independent non-executive Director, Mr. Pei Gang is a connected person of the Company. Accordingly, the entering into of the Agreement between the Company and Mr. Pei Gang constitutes a connected



transaction of the Company. Given that the consideration payable by the Company under the Connected Transaction is less than the higher of HK\$10 million or 3% of the net tangible assets of the Company, pursuant to GEM Listing Rules 20.24, the Company is only required to disclose details of the Connected Transaction in this announcement and its annual report for 2003.

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## **Definitions**

In this announcement, the following expressions have the meanings set out below unless the content require otherwise.

“Agreement”	the agreement dated 13 March 2003 between the Company, SIBS, SIOC, Mr. Pei Gang, Mr. Ma Da Wei and Mr. Zhang Wen Bo in relation to the establishment of Shanghai Ba Dian
“AIDS”	an acronym for Acquired Immunodeficiency Syndrome, which refers to disease due to infection with the HIV
“Board”	the board of Directors
“chemokine”	a protein involved in inflammation, cancer, and infectious diseases that acts as a lure, which may lure cancer cells and help determine the sites to which cancer cells spread

“Company”	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 and whose H Shares are listed on GEM
“Connected Transaction”	the establishment of Shanghai Ba Dian pursuant to the Agreement
“Directors”	the directors (including independent non-executive directors) of the Company
“Domestic Shares”	the domestic shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HIV”	an acronym for Human Immunodeficiency Virus
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intermediary Products”	intermediary substances formed in the course of chemical reactions that will undergo further reactions
“PRC”	the People’s Republic of China
“R&D”	research and development
“SGM”	if necessary, the special general meeting of the Company to be convened for the purpose of approving, among other things (if any), the transactions contemplated under the Agreement
“Shanghai Ba Dian”	上海靶點藥物有限公司 (Shanghai Ba Dian Medicine Co., Ltd.*), a limited liability company to be established in the PRC pursuant to the Agreement
“Shareholders”	holders of Domestic Shares and of H Shares

“SIBS”	中國科學院上海生命科學研究院 (Shanghai Institute of Biological Sciences under Chinese Academy of Sciences)
“SIOC”	中國科學院上海有機化學研究所 (Shanghai Institute of Organic Chemistry under Chinese Academy of Sciences)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd**  
**Wang Hai Bo**  
*Chairman*

Shanghai, the PRC, 17 March 2003

*\* For identification purposes only*

*In this announcement, unless otherwise indicated, the exchange rate at HK\$1.00 = RMB1.07 has been used for the purpose of illustration only and it does not constitute a representation that any amount has been or could have been or may be exchanged at such exchange rate.*

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