

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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
SIGNING OF THE STRATEGIC COOPERATION AGREEMENT FOR
INNOVATIVE PHARMACEUTICALS RESEARCH AND
DEVELOPMENT
WITH SHANGHAI PHARMACEUTICAL**

The Board hereby announces that the Company has entered into a strategic cooperation agreement with Shanghai Pharmaceutical on 23 February 2011 for the cooperation on innovative pharmaceutical research and development. Both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. According to the terms of the Strategic Cooperation Agreement, the Company anticipated that during the three years ending 31 December 2013, the annual transaction amounts for the continuing connected transactions under the Strategic Cooperation Agreement will not exceed RMB 37,000,000, RMB 32,000,000 and RMB 40,000,000, respectively.

Shanghai Pharmaceutical is a Substantial Shareholder and Connected Person of the Company. The entering into of the Strategic Cooperation Agreement between the Company and Shanghai Pharmaceutical and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Since the relevant percentage ratio applicable to such continuing connected transactions calculated on a yearly basis exceeds 0.1% while all applicable percentage ratios are below 5%, such connected transactions are subject to the requirements of reporting and announcement under the GEM Listing Rules but is exempt from the requirement of approval by Independent Shareholders.

The Board hereby announces that the Company has entered into a strategic cooperation agreement with Shanghai Pharmaceutical on 23 February 2011 for the cooperation on innovative pharmaceutical research and development. Both parties will jointly share the risks

of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages.

Details of the Strategic Cooperation Agreement on Innovative Pharmaceutical Research and Development

Date:	23 February 2011
Parties:	The Company and Shanghai Pharmaceutical
Validity and Renewal:	<ul style="list-style-type: none"> ▪ The Strategic Cooperation Agreement shall become effective after it being signed by the respective authorized representatives of both parties and being chopped with the respective official chops, approved by the board of directors and the shareholders in general meetings of both parties (if applicable) and approved by or filed with the relevant authority(ies) (if applicable). The Strategic Cooperation Agreement is valid from the effective date until 31 December 2013. ▪ Upon the expiration of the Strategic Cooperation Agreement, if the research and development of Such Pharmaceuticals has not yet completed, both parties shall renew the Strategic Cooperation Agreement on the same terms, and the term for each renewal shall not exceed three (3) years. If the Company is not willing to renew the Strategic Cooperation Agreement, the rights of the Company thereunder will be terminated and all rights and interests pertaining to Such Pharmaceuticals shall be vested into Shanghai Pharmaceutical. If Shanghai Pharmaceutical is not willing to renew the Strategic Cooperation Agreement, the rights of Shanghai Pharmaceutical thereunder will be terminated, and all the rights and interests pertaining to Such Pharmaceuticals shall be vested into the Company.
Key Terms	<ul style="list-style-type: none"> ▪ Both parties agreed to cooperate, within the Region for Cooperation, on the research and development of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various stages; ▪ In respect of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement up to 31 December 2010, 80% of such expenses shall be borne by Shanghai Pharmaceutical in accordance with the agreed progress

	<p>of the projects;</p> <ul style="list-style-type: none">▪ After the signing of the Strategic Cooperation Agreement, the research and development expenses incurred from 1 January 2011 (inclusive) shall be borne by as to 20% by the Company and as to 80% by Shanghai Pharmaceutical;▪ The expenses incurred by the research and development expenses Each Pharmaceutical shall include direct commissioning for research and development fees, raw material fees, testing and processing fees, salaries of staff directly involved in the project, utilization fees of equipment directly relating to the research and development of Such Pharmaceuticals and appropriate management fees;▪ The Company agreed to share ownership jointly with Shanghai Pharmaceutical over the patents and the rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation and complete the change of registration for the relevant patents and patent application rights or jointly apply for patents from and including the day on which Shanghai Pharmaceutical pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement;▪ Intellectual property rights (unlimited by the Region for Cooperation) arising from the joint research and development after the entry of the Strategic Cooperation Agreement shall be shared by both parties. If any such intellectual property right is are eligible for the application for patents (unlimited by the Region for Cooperation), both parties shall have joint ownership over such patents and the rights to such patent application; if patent application is not available at the relevant time, both parties shall jointly own such new proprietary technology;▪ The ownership and interest of the Certificate of New Drugs relating to Such Pharmaceuticals shall be jointly owned by both parties. Each party shall be entitled to 50% of the revenue of Each Pharmaceutical within the Region for Cooperation. Details of the allocation of revenue shall be separately agreed between both parties through negotiations prior to the commencement of production and sales of Each Pharmaceutical.
--	--

Payment terms:	<ul style="list-style-type: none">▪ Shanghai Pharmaceutical shall make prepayments in the amount set out in the appendix to the Strategic Cooperation Agreement within the first month from the effective day of the Strategic Cooperation Agreement and the second month of each subsequent calendar year, any expenses that exceed the budget shall be referred to the management committee for its approval on an item-by-item basis. Settlement shall be made annually on the basis of the actual research and development expenses incurred in the relevant year and in the ratios agreed in the Strategic Cooperation Agreement after rectification by the management committee. Settlement is required to be completed within the first month of the following year, any excess amount will be refunded to, and any shortfall will be made up by, the parties or the balance of the prepayments may be carried forward to the next year;▪ The amount of payment to be made by Shanghai Pharmaceutical to the Company in respect of its share of the preliminary research and development expenses for Each Pharmaceutical shall be made by instalments in accordance with the agreed progress of the project, and the timing of such payment shall be determined by the Appendix to the Strategic Cooperation Agreement.
-----------------------	--

Information on the relevant pharmaceuticals

Information relating to the relevant pharmaceuticals for research and development cooperation under the Strategic Cooperation Agreement between the Company and Shanghai Pharmaceutical is set out as follows:

1. Recombinant human lymphotoxin α - derivatives (LT) (重組人淋巴毒素 α 衍生物)

This project is owned by Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd., a subsidiary of the Company. It is a genetic engineering drug for combined therapy of tumors and is currently in the clinical trial phase IIb.

2. Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)

LVCR is a liposome drug which has obtained clinical study approval from SFDA for use in tumor therapy and it is intended to commence clinical trial Phase I in the near future.

3. Deuteroporphyrin (多替泊芬)

Deuteroporphyrin for injection is a photo dynamic therapy drug which has obtained approval for clinical study for use in tumor therapy and it is intended to commence clinical study in the near future.

4. High bio-activity recombinant human TNF receptor (重組高親和力TNF受體)

This project is owned by Taizhou Fudan-Zhangjiang Pharmaceutical Co., Ltd., a subsidiary of the Company. It is a genetic engineering drug for use in arthritis therapy. It has completed pre-clinical study basically and is intended to make an application for clinical study in the near future.

Annual Caps

Expected annual caps

According to the terms of Strategic Cooperation Agreement, the Company anticipated that the annual caps for the continuing connected transactions under the Strategic Cooperation Agreement for the three years ending 31 December 2013 will be as follows:

	<i>1 January 2011 to 31 December 2011 (RMB)</i>	<i>1 January 2012 to 31 December 2012 (RMB)</i>	<i>1 January 2013 to 31 December 2013 (RMB)</i>
Expected Annual Cap	37,000,000	32,000,000	40,000,000

Reasons for the determination of annual caps

The above annual caps for the continuing connected transactions under the Strategic Cooperation Agreement for the three years ending 31 December 2013 are determined with reference to the scheduled progress and budget (including the amount of preliminary research and development expenses) of the research and development of Such Pharmaceuticals listed in the appendix to the Strategic Cooperation Agreement, the details are as follows:

Currency: RMB

	2011	2012	2013
Recombinant human lymphotoxin derivatives (LT) (重組人淋巴毒素 α 衍生物)	7,300,000	4,700,000	5,800,000
Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)	5,000,000	2,000,000	6,600,000
Deuteroporphyrin (多替泊芬)	6,000,000	6,250,000	3,250,000
Recombinant high affinity TNF receptor (重組高親和力 TNF 受體)	6,000,000	6,000,000	6,000,000
Aggregated total expected research fees for current year	24,300,000	18,950,000	21,650,000
80% of the prepaid by Shanghai Pharmaceutical ^{note 1}	19,440,000	15,160,000	17,320,000
Preliminary fees of cooperation projects paid by Shanghai Pharmaceutical (payment made according to agreed progress) ^{note 2}	15,625,000	14,974,500	20,341,500
Total amount paid and prepaid by Shanghai Pharmaceutical for current year ^{note 3}	<u>35,065,000</u>	<u>30,134,500</u>	<u>37,661,500</u>

Notes:

1. According to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the research and development expenses incurred since 1 January 2011 (inclusive). The amount is that payable by Shanghai Pharmaceutical to the Company for the three years ending 31 December 2013.
2. According to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the preliminary research and development expenses incurred up to 31 December 2010. The amount is that payable by Shanghai Pharmaceutical to the Company in accordance with the agreed progress of the projects for the three years ending 31 December 2013.
3. Under the Strategic Cooperation Agreement, the total amount to be paid by Shanghai Pharmaceutical to the Company each year (i.e. the expected annual total transaction amount for continuing connected transactions) for the three years ending 31 December 2013 comprises the fees in Note 1 and Note 2.

When considering the relevant annual caps of the above continuing connected transactions, the Directors, after taking into account the fact that both parties may make adjustment to the future research expenses to be incurred by Such Pharmaceuticals according to the actual expenditure

of Such Pharmaceuticals under the Strategic Cooperation Agreement, make an additional buffer to the aggregate amount payable by Shanghai Pharmaceutical to the Company as listed in the above table.

Reasons and benefits for entering into the Strategic Cooperation Agreement

In view of the outstanding status of Shanghai Pharmaceutical in the pharmaceutical industry, its strong capabilities and extensive experience in production, manufacturing, marketing and sales, and the research and development experience of the Company accumulated throughout the previous years, both parties are willing to share the risk of, and cooperate on, the research and development and commercialization of Such Pharmaceuticals. Since the Company has quite a number of research and development projects, as such research and development approaches more advanced stages, research and development expenses will continue to increase. Meanwhile, as there is a growing number of the Company's projects which are advancing into commercialization stage, investments in such commercialization will increase. Cooperation with Shanghai Pharmaceutical on some projects will not only realize the value of the projects that are at different research and development stages, but will also secure funds for the effective commercialization development. This satisfies the development needs of the Company and is in the interest of all Shareholders.

In the opinion of the Directors (including independent non-executive Directors), the Strategic Cooperation Agreement is made during the ordinary course of business on ordinary commercial terms determined after arm's length negotiations, the terms of the Strategic Cooperation Agreement and the annual caps of the continuing connected transactions contemplated therein are fair and reasonable and in the interest of the Company and all the Shareholders.

Under the relevant laws of the PRC, connected directors, Mr. Zhou Jie and Mr. Guo Jun Yu, have abstained from voting on the resolution regarding the Strategic Cooperation Agreement and the annual limit of the continuing connected transactions contemplated thereunder at the Board meeting.

About the Group

The Group is principally engaged in the research and development of new drugs and relevant technologies and the transformation of its research and development results into saleable medical products. The Group has successfully completed transformation its business from pure research and development into research, development and commercialization, thereby creating a comprehensive system that integrated various segments such as research and development, product manufacturing and marketing and sales.

About Shanghai Pharmaceutical

Shanghai Pharmaceutical is a company with limited liability incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange. Shanghai Pharmaceutical intends to apply for listing of its shares on the main board of the Stock Exchange. Shanghai Pharmaceutical is the Promoter and a Substantial Shareholder of the Company.

Implications of the GEM Listing Rules

Shanghai Pharmaceutical is a Substantial Shareholder and Connected Person of the Company. The entering into of the Strategic Cooperation Agreement between the Company and Shanghai Pharmaceutical and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Since the relevant annual percentage ratio applicable to such continuing connected transactions exceeds 0.1% while all applicable percentage ratios are below 5%, such connected transactions are subject to the requirements of reporting, announcement and approval by Independent Shareholders under the GEM Listing Rules but is exempt from the requirement of approval by Independent Shareholders.

Definitions

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

“Board”	the board of the directors of the Company
“Company”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company with limited liability incorporated in the PRC, whose H shares are listed on the Growth Enterprise Market
“Connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	the directors of the Company
“Growth Enterprise Market”	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
“Independent Shareholders”	shareholders not required to abstain from voting on the relevant resolutions under the GEM Listing Rules
“PRC”	the People’s Republic of China
“Promoter”	has the meaning ascribed thereto under Rule 1.01 of the Growth Enterprise Market Listing Rules

“Region for Cooperation”	the geographical scope within which the research and development, production and sales activities of the pharmaceuticals are conducted, i.e. in the PRC (including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan)
“RMB”	Renmibi, the lawful currency of the PRC
“Shanghai Pharmaceutical”	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 is the promoter and a substantial shareholder of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development” or “Strategic Cooperation Agreement”	the strategic cooperation agreement for innovative pharmaceutical research and development cooperation entered into between the Company and Shanghai Pharmaceutical on 23 February 2011, pursuant to which both parties will jointly share the risks of, and cooperate on, the research and development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages
“Substantial Shareholder”	has the meaning ascribed thereto under Rule 1.01 of the GEM Listing Rules
“Such Pharmaceuticals” or “Each Pharmaceutical”	the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages, the research and development on which the Company and Shanghai Pharmaceutical have agreed to cooperate under the Strategic Cooperation Agreement
“%”	Per cent

By Order of the Board
Wang HaiBo
Chairman

As at the date thereof, 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

23 February 2011

** 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 on the “Latest Company Announcements” page for at least 7 days from the date of its posting.