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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 on Main Board: 1349)**

**(Stock code on GEM: 8231)**

**Financial Advisor to the Company**



**Guotai Junan Capital Limited**

**TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO  
THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

Reference is made to the announcement of the Company dated 19 March 2013 and the circular dated 12 April 2013 in relation to the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

On 13 September 2013, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in 340,000,000 H Shares, being all the H Shares in issue, on the Main Board by way of transfer of the listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 6 December 2013 for the H Shares to be listed on the Main Board and to be de-listed from GEM.

The Board confirms that all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and its H Shares as at the date of this announcement. The last day of dealings in the H Shares on GEM will be Friday, 13 December 2013. Dealings in the H Shares on the Main Board will commence at 9:00 a.m. on Monday, 16 December 2013. The H Shares will be traded on the Main Board under the new stock code “1349”.

## **TRANSFER OF LISTING OF THE H SHARES FROM GEM TO THE MAIN BOARD**

Reference is made to the announcement of the Company dated 19 March 2013 and the circular dated 12 April 2013 in relation to the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

On 13 September 2013, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in 340,000,000 H Shares, being all the H Shares in issue, on the Main Board by way of transfer of the listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 6 December 2013 for the H Shares to be listed on the Main Board and to be de-listed from GEM.

The Board confirms that all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and its H Shares as at the date of this announcement.

The Company shall submit a written report in respect of the Transfer of Listing to the CSRC within 15 working days upon listing of and commencement of dealings in the H Shares on the Main Board.

## **REASONS FOR THE TRANSFER OF LISTING**

The Company is a bio-pharmaceutical company that is principally engaged in the R&D, manufacture and commercialization of new drugs with patents or specific drugs, and provision of auxiliary service. The H Shares of the Company have been listed on GEM since August 2002.

The Directors believe that the listing of the H Shares on the Main Board will help to enhance the image of the Company and increase the liquidity and recognitions of the H Shares by attracting larger institutional and retail investors. The Directors consider that the listing of the H Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company. The Directors do not contemplate any material change in the nature of business activities of the Company immediately following completion of the Transfer of Listing. The Transfer of Listing will not involve any placing of H Shares or issuance of any new H Shares by the Company.

## DEALINGS IN THE H SHARES ON THE MAIN BOARD

The H Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 13 August 2002, the date on which the H Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the H Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the H Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the H Shares on GEM will be Friday, 13 December 2013. Dealings in the H Shares on the Main Board will commence at 9:00 a.m. on Monday, 16 December 2013.

The Transfer of Listing will have no effect on the existing share certificates in respect of the H Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purpose. There will be no exchange of the existing H Share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the trading currency and the share registrar of the H Shares in connection with the Transfer of Listing. H Shares will be traded under the new stock code “1349” following the Transfer of Listing. The board lot size of the H Shares will be changed from 4,000 H Shares to 1,000 H Shares with effect from 9:00 a.m. on Thursday, 2 January 2014. Reference is made to the announcement of the Company dated 6 December 2013 in respect of the change in board lot size of the H Shares.

## RELATIONSHIP WITH SHANGHAI PHARMACEUTICAL

### Principal Business of the Company

The Company is principally engaged in the R&D, manufacture and commercialization of new drugs with patents or specific drugs, including genetic engineering drugs, photodynamic therapy drugs and liposome drugs (nano-drugs). As of 31 December 2012, the major drugs of the Company under R&D and manufacture are as follows:

Technical Platform	Name of Drug	Indications
Genetic Engineering drugs	Recombinant human lymphotoxin $\alpha$ -derivatives (LT) <sup>(1)</sup>	Tumors
	High bio-activity recombinant human TNF receptor (Recombinant high affinity TNF receptor) <sup>(1)</sup>	Arthritis
Photodynamic therapy drugs	ALA	Condyloma acuminata
	Hemoporfin	Port wine stain
	Deuteroporphyrin <sup>(1)</sup>	Tumors
Liposome drugs (Nano-drugs)	Libod	Tumors
	Vincristine sulphate liposome (LVCR) <sup>(1)</sup>	Tumors

<sup>(1)</sup> These drugs are the Relevant Pharmaceutical developed under the Strategic Cooperation Agreement.

The Company entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical for the cooperation on innovative pharmaceutical R&D. Pursuant to the Strategic Cooperation Agreement, the Company and Shanghai Pharmaceutical will jointly share the risks of, and cooperate on, the R&D and commercialization of the Relevant Pharmaceutical. See the section headed “Independence from Shanghai Pharmaceutical - Strategic Cooperation Agreement” in this announcement for further details of the Strategic Cooperation Agreement.

The Company sells and distributes its products only through distribution agents. ALA and Libod are the two major products of the Company and together account for approximately 90% of the sales revenue generated by the Company during the Track Record Period. ALA is distributed through several distributors across different regions in the PRC which include Shanghai Pharmaceutical Distribution (as a distribution agent within Shanghai on a non-exclusive basis). Libod is distributed through NT Pharma as the sole distribution agent in the PRC.

### **Principal Business of Shanghai Pharmaceutical**

Shanghai Pharmaceutical is the single largest substantial shareholder of the Company and it owns 22.77% equity interest of the Company. According to the 2012 annual report of Shanghai Pharmaceutical, the scope of business of Shanghai Pharmaceutical includes: (i) R&D, manufacturing and sale of a broad range of pharmaceutical and healthcare products; (ii) pharmaceutical distribution and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers; and (iii) operation of a network of retail pharmacy stores.

Based on the 2012 annual report of Shanghai Pharmaceutical, revenue and net current assets of Shanghai Pharmaceutical as at 31 December 2012 were approximately RMB68,078 million and RMB16,704 million, respectively. For the year ended 31 December 2012, gross profit and net profit of Shanghai Pharmaceutical were RMB9,098 million and RMB2,461 million, respectively.

According to the prospectus of Shanghai Pharmaceutical dated 6 May 2011, its production capacity for the year ended 31 December 2010 is set forth as below:

<b>Product form</b>	<b>Year ended 31 December 2010 Annual design capacity<sup>(1)</sup></b>
Tablets	41.0
Capsules	3.6
Injections	1.7
Powder Injections	1.1
Active pharmaceutical ingredients	2,860.0

*Note:*

(1) In billions of units, or in the case of active pharmaceutical ingredients, in tons.

The production capacity of Shanghai Pharmaceutical for the recent years is not disclosed in the annual reports of Shanghai Pharmaceutical.

## **Non-Competition Undertaking**

Notwithstanding the Directors believe that Shanghai Pharmaceutical does not compete with the Company, to clearly delineate the business operations of the Company from that of Shanghai Pharmaceutical and to avoid any possible future competition with the Company, Shanghai Pharmaceutical entered into the Non-Competition Undertaking on 9 March 2000, pursuant to which Shanghai Pharmaceutical undertakes to the Company that as long as it is a shareholder of the Company, it will:

- (i) not perform any R&D activities; and
- (ii) not make any new investments, which includes (a) not to make new investment in the production of pharmaceutical products or the facilities for the production of pharmaceutical products; and (b) endeavour to ensure that its existing investment (other than in the Company) does not and will not compete with the Company;

in so far as such R&D activities or investments fall within the scope of Competing Businesses.

To the best of the Directors' knowledge after due inquiry with Shanghai Pharmaceutical and based on the confirmation from the directors of Shanghai Pharmaceutical, Shanghai Pharmaceutical does not engage in R&D, production or marketing of identical or similar products that the Company is currently conducting or currently planning to conduct, and the Non-Competition Undertaking has been fully complied with by Shanghai Pharmaceutical since the Company's listing on GEM up to the date of this announcement.

Save for the Relevant Pharmaceutical under the Strategic Cooperation Agreement, Shanghai Pharmaceutical does not engage in the R&D of innovative pharmaceuticals which are similar or identical to the drugs which are the subjects of R&D by the Company. Save for the Relevant Pharmaceutical, Shanghai Pharmaceutical does not engage in the R&D and manufacture of genetic engineering drugs, photodynamic therapy drugs and liposome drugs (nano-drugs) which the Company is principally engaged in.

Shanghai Pharmaceutical is primarily engaged in the R&D, manufacture and sales of the pharmaceutical products which fall within the therapeutic areas which comprise (i) cardiovascular; (ii) systemic anti-infections; (iii) digestive system and immune-metabolism; (iv) neuropsychiatric; and (v) tumors. Save for the drugs under the therapeutic area of tumors, the Company is not engaged in the R&D, manufacture and sales of drugs which fall within the other four therapeutic areas. Although the Company and Shanghai Pharmaceutical are both engaged in tumors drugs, the Company and Shanghai Pharmaceutical are focused on different types of cancer.

In terms of distribution channel, the Company does not have its own distribution network and engages external distribution agents for distribution of its products whereas Shanghai Pharmaceutical mainly uses its own network for distribution of drugs. ALA and Libod are the two major products of the Company

and together account for approximately 90% of the sales revenue generated by the Company during the Track Record Period. ALA is distributed through several distributors across different regions in the PRC which include Shanghai Pharmaceutical Distribution (as a distribution agent within Shanghai on a non-exclusive basis). Libod is distributed through NT Pharma as the sole distribution agent in the PRC.

Despite Shanghai Pharmaceutical Distribution acts as a distribution agent of the Company for the distribution and sales of ALA, the Directors are of the view that there is no competition between the Company and Shanghai Pharmaceutical Distribution as the Company is focused on the R&D and manufacture of ALA whereas Shanghai Pharmaceutical Distribution is focused on the distribution of ALA.

In terms of target customers, save for the Relevant Pharmaceutical, given the indications of the pharmaceutical products supplied by the Company and Shanghai Pharmaceutical are different, there is no overlap between the target customers of the Company and Shanghai Pharmaceutical.

To the best of the Company's knowledge and based on the publicly available information, Shanghai Pharmaceutical will continue to focus on the five major therapeutic areas which it is currently engaged in as mentioned above. The Company will focus on liposome drugs (nano-drugs) for tumors and photodynamic therapy drugs for dermal diseases in the near future. In the event that the Company or Shanghai Pharmaceutical proposes any change in their respective business focuses, the Company and Shanghai Pharmaceutical will inform and discuss with each other such change as soon as practicable in order to ensure that there is no potential competition in the businesses of the Company and Shanghai Pharmaceutical.

### **Corporate Governance Measures to Manage Potential Conflicts of Interests**

Since the Non-Competition Undertaking was entered into by Shanghai Pharmaceutical in 2000, the Company has been adopting certain corporate governance measures to ensure compliance of the Non-Competition Undertaking by Shanghai Pharmaceutical. The existing corporate governance measures require the Company to regularly communicate with Shanghai Pharmaceutical and monitor the business activities of Shanghai Pharmaceutical.

The Company will, with immediate effect, enhance the effectiveness of its existing corporate governance measures by modifying the measures as follows:

- (i) The independent non-executive Directors will review, on an annual basis, the compliance with the Non-Competition Undertaking by Shanghai Pharmaceutical;
- (ii) Shanghai Pharmaceutical will provide the necessary information for the annual review by the independent non-executive Directors in relation to the compliance and enforcement of the Non-Competition Undertaking; and
- (iii) The Company will disclose, with basis, decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Undertaking in its annual reports.

## INDEPENDENCE FROM SHANGHAI PHARMACEUTICAL

### Strategic Cooperation Agreement

In view of the research and development experience of the Company accumulated throughout the previous years and the extensive experience of Shanghai Pharmaceutical in production, manufacturing and marketing and sales, the Company and Shanghai Pharmaceutical entered into the Strategic Cooperation Agreement for cooperation on the R&D and commercialization of the four pharmaceuticals owned by the Company and its subsidiaries which comprise (i) Recombinant human lymphotoxin  $\alpha$ -derivatives (LT), (ii) Vincristine sulfate liposome (LVCR), (iii) Deuteroporphyrin and (iv) High bio-activity recombinant human TNF receptor (Recombinant high affinity TNF receptor) (the “**Relevant Pharmaceutical**”). As at the date of this announcement, the Relevant Pharmaceutical is still in various research stages, and has yet to generate any revenue. The Relevant Pharmaceutical, if successfully developed, will not affect the sales of the Company’s existing products. Pursuant to the Strategic Cooperation Agreement, the Company and Shanghai Pharmaceutical will jointly share the risks of, and cooperate on, the R&D and commercialization of the Relevant Pharmaceutical. The key terms are set forth as follows:

- (i) The R&D expenses incurred by the Company relating to the Relevant Pharmaceutical are borne as to 20% by the Company and as to 80% by Shanghai Pharmaceutical;
- (ii) The ownership and interest of the certificate of the new drugs relating to the Relevant Pharmaceutical are jointly owned by the Company and Shanghai Pharmaceutical. Each of the Company and Shanghai Pharmaceutical is entitled to 50% of the revenue derived from products developed as a result of the cooperation arrangements under the Strategic Cooperation Agreement;
- (iii) The Company and Shanghai Pharmaceutical agree to share the ownership of the intellectual property rights arising from the joint R&D under the Strategic Cooperation Agreement; and
- (iv) Arrangements with respect to the manufacture and marketing of the Relevant Pharmaceutical shall be jointly determined by the Company and Shanghai Pharmaceutical based on the best interest of the Relevant Pharmaceutical.

The Directors consider that the Company would be able to fund the R&D projects under the Strategic Cooperation Agreement without obtaining the Reimbursement from Shanghai Pharmaceutical during the Track Record Period.

As at 31 December 2011, the net cash and cash equivalents after deduction of the Reimbursement of approximately RMB35 million received from Shanghai Pharmaceutical was approximately RMB75 million which was sufficient to cover the cost of RMB33 million incurred by the Company for the R&D of the Relevant Pharmaceutical in 2011. In addition, the Company obtained two banking facilities in an aggregate amount of approximately RMB26.7 million, of which RMB23 million could be used to fund the R&D projects under the Strategic Cooperation Agreement.

As at 31 December 2012, the net cash and cash equivalents after deduction of the Reimbursement of approximately RMB29 million received from Shanghai Pharmaceutical was approximately RMB129 million which was sufficient to cover the cost of RMB45 million incurred by the Company for the R&D of the Relevant Pharmaceutical in 2012. In addition, the Company obtained four banking facilities in an aggregate amount of approximately RMB93.5 million, of which RMB29 million could be used to fund the R&D projects under the Strategic Cooperation Agreement.

In 2013, the Company raised approximately RMB186.1 million by way of placement of its 142 million H Shares. Out of the proceeds of RMB186.1 million, approximately RMB84 million is intended to be used for the working capital of the Company, which is sufficient to cover the proposed Reimbursement in the sum of not exceeding RMB40 million that the Company expects to receive from Shanghai Pharmaceutical.

In light of the above, the Directors confirm that the Company has been and will continue to be able to provide funding for the R&D projects under the Strategic Cooperation Agreement even without the Reimbursement.

### **Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution**

The Company has been engaging Shanghai Pharmaceutical Distribution as its distribution agent since 10 August 2010 when the Company entered into a sales and distribution agreement with Shanghai Pharmaceutical Distribution. On 19 March 2013, in order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceutical Distribution, the Company entered into the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution for the sales and distribution of the Company's pharmaceutical products within Shanghai for the period between 19 March 2013 and 31 December 2015. The Sales and Distribution Agreement replaced the sales and distribution agreement dated 10 August 2010 and contains terms which are substantially the same as that of the sales and distribution agreement dated 10 August 2010. The Company and Shanghai Pharmaceutical estimated that the proposed annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ended 31 December 2015 are approximately RMB20 million, RMB31 million and RMB50 million, respectively.

The sales to Shanghai Pharmaceutical Distribution accounted for approximately 7%, 6%, 5% and 5% of the Company's total revenue for each of the three years ended 31 December 2012 and the six months ended 30 June 2013. The Directors estimate that the sales to Shanghai Pharmaceutical Distribution in each of 2013 and 2014 will not exceed 9% of the Company's total revenue for each of the corresponding years.

### **Operational Independence from Shanghai Pharmaceutical**

The Company considers that it has met the profit test requirement under Rule 8.05(1)(a) of the Main Board Listing Rules. Reference is made to the annual reports for each of the years ended 31 December 2010, 2011 and 2012. For the purposes of Rule 8.05(1)(a) of the Main Board Listing Rules, the Reimbursement received from Shanghai Pharmaceutical and the Company's sales to Shanghai Pharmaceutical Distribution should not be excluded from the net profits of the Company. However, for

illustrative purposes, if the Reimbursement received from Shanghai Pharmaceutical (after deduction of the related R&D expenses) and the Company's sales to Shanghai Pharmaceutical Distribution (after deduction of the cost of sales and other related expenses) were to be excluded from the net profits of the Company during the Track Record Period, the net profit in 2012 would be approximately RMB39.2 million (equivalent to approximately HK\$49.0 million) and its aggregate net profit for 2010 and 2011 would be approximately RMB24.3 million (equivalent to approximately HK\$30.4 million).

The Company considers that if the Reimbursement that it received from Shanghai Pharmaceutical was to be excluded from the net profits of the Company during the Track Record Period, the related R&D expenses in connection with the R&D of the Relevant Pharmaceutical, which were incurred in the same periods and attributable to the portion borne by Shanghai Pharmaceutical under the Strategic Cooperation Agreement, should also be deducted for calculation of the track record results. Such related R&D expenses include but are not limited to wages of the researchers, consumption of resources, testing and processing fees incurred by commissioned external agencies, clinical trial expenses, travel and accommodation expenses of researchers, conferences and training expenses and depreciation of equipment.

The Company believes that the synergy created between the Company and Shanghai Pharmaceutical under the Strategic Cooperation Agreement does not impair the Company's independence from Shanghai Pharmaceutical despite the additional financial resources provided by Shanghai Pharmaceutical for the following reasons:

- Shanghai Pharmaceutical only provides consideration (pursuant to the Strategic Cooperation Agreement and by way of Reimbursement to the Company) to obtain the rights to share the intellectual property rights arising from the joint R&D under the Strategic Cooperation Agreement and does not provide any non-financial assistance to the Company. The Company is solely responsible for providing the know-how and human resources needed for the R&D under the Strategic Cooperation Agreement; and
- The Directors consider that the Company has been and will continue to be able to provide funding for the R&D projects under the Strategic Cooperation Agreement even without the Reimbursement that was received or is to be received from Shanghai Pharmaceutical taking into account the sufficiency of its working capital and the availability of bank facilities. See the section headed "Independence from Shanghai Pharmaceutical – Strategic Cooperation Agreement" in this announcement for demonstration of the Company's ability to fund the R&D projects under the Strategic Cooperation Agreement.

Furthermore, the Company considers that its business relationship with Shanghai Pharmaceutical Distribution would not impair its independence from Shanghai Pharmaceutical. The terms of the transactions under the Sales and Distribution Agreement are made on an arm's length basis and on normal commercial terms. Shanghai Pharmaceutical Distribution is only one of the many distributors of pharmaceutical products available in Shanghai. Should Shanghai Pharmaceutical Distribution cease to be a distributor of the Company, the Company will be able to find alternative distributors in the market with comparable service quality and distribution network offered by Shanghai Pharmaceutical Distribution. In

addition, the Company's sales to Shanghai Pharmaceutical Distribution does not account for a material portion of the Company's revenue and hence does not have a material adverse impact on the Company even if the business relationship between the Company and Shanghai Pharmaceutical Distribution terminates.

In light of the above, the Directors believe that the Company would be able to operate its business independently from Shanghai Pharmaceutical.

## REGULAR PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of publishing its quarterly financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

## PUBLIC FLOAT

The Directors confirm that approximately 29.19% of the total issued share capital of the Company which represents approximately 79.25% of the H Shares, is held by the public as at the close of trading on 5 December 2013. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

As of the date of this announcement, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

## FINANCIAL HIGHLIGHTS

The table below sets forth the selected information of the Group's consolidated statement of comprehensive income for the three years ended 31 December 2012 and the six months ended 30 June 2013:

	For the year ended 31 December			For the six months ended
	2010 (Audited) RMB'000	2011 (Audited) RMB'000	2012 (Audited) RMB'000	30 June 2013 (Unaudited) RMB'000
Turnover	92,390	133,890	232,527	156,933
Gross profit	73,690	110,856	208,970	144,660
Gross profit margin	79.8%	82.8%	89.9%	92.2%
Net profit attributable to the equity holders of the Company	3,681	30,826	53,159	27,904
Net profit margin	4.0%	23.0%	22.9%	17.8%

The Group's consolidated turnover for the year 2011 amounted to approximately RMB133.9 million, comparing to approximately RMB92.4 million for the year 2010, representing an increase of 45%. For the year 2011, cost of sales of the Group was approximately RMB23.0 million, while the corresponding figure for 2010 was RMB18.7 million. During the period from 2010 to 2011, the gross profit margin increased from 79.8% to 82.8%.

The Group's consolidated turnover for the year 2012 amounted to approximately RMB232.5 million, comparing to approximately RMB133.9 million for the year 2011, representing an increase of 74%. For the year 2012, cost of sales of the Group was approximately RMB23.6 million, while the corresponding figure for 2011 was approximately RMB23.0 million. During the period from 2011 to 2012, the gross profit margin increased from 82.8% to 89.9%. In addition, the Group sold certain photodynamic therapeutic equipment and diagnostic products with low margin in the year 2011, which reduced the gross profit margin as a whole.

The increase in gross profit margins during the Track Record Period was mainly due to the increase in the sales volume and the reduction in unit fixed costs of the Company's two major products, ALA and Libod. The reduction in unit fixed costs of ALA and Libod mainly benefits from economies of scale as well as the strict cost control measures that the Group executed.

The Company's net profit margin declined for the six months ended 30 June 2013. This is attributable to sales volume usually being higher in the second half of the year while expenses such as R&D costs and depreciation having remained relatively stable throughout the year. The Company's sales volume usually being higher in the second half of the year is mainly due to that the Company usually spends more time in negotiating sales terms with its customers and on budget planning in the first half of the year as compared to the second half of the year.

Please refer to the annual reports of the Company for the three years ended 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013 for details of the financial performance of the Group and the corresponding management discussion and analysis of the respective financial periods.

### **Main Drivers for the Turnover Growth**

The Company's turnover growth and net profit margin improvement during the Track Record Period was mainly due to the following reasons:

- the expansion of the marketing of the Company's major products, ALA and Libod, which together account for approximately 90% of the sales revenue of the Company;
- the increased market reputation of the Company, due to favourable market responses to the Company's products and the obtaining of grants and awards for a number of R&D and commercialization projects; and
- the uniqueness of the drug products manufactured by the Company including but not limited to ALA and Libod, which makes it difficult for the Company's competitors to imitate the Company's products.

## **Cost Control Measures**

The deduction in costs mainly benefits from the strict cost control measures that the Group executed. The strict cost control measures include:

- setting out a detailed budget which is approved by the Directors annually in order to estimate costs for the coming year;
- monitoring the actual costs and expenditures of its various departments and comparing with the budget on a monthly basis. The relevant departments will investigate any significant differences (if any) and take appropriate improvement measures;
- making continuous efforts to reduce product defect rate and abnormal wastage; and
- seeking long-term suppliers in order to guarantee the quality, price and stability of raw materials.

## **Trade Receivables**

The Company's trade receivable balances as at 31 December 2010, 2011 and 2012 were approximately RMB43.5 million, RMB58 million and RMB81 million, respectively. Excluding the notes receivable balances, the Company's accounts receivable balances as at 31 December 2010, 2011 and 2012 were approximately RMB37.8 million, RMB51.4 million and RMB58.8 million, respectively. The continued increase in the trade receivable balances was mainly due to the increase in sales revenue of ALA and Libod. The sales revenue of ALA increased by RMB34.8 million from 2010 to 2011 and RMB37 million from 2011 to 2012, respectively. The sales revenue of Libod increased by RMB7.9 million from 2010 to 2011 and RMB58.4 million from 2011 to 2012, respectively. The accounts receivable to sales ratios decreased from 41% in 2010 to 38% in 2011 and 25% in 2012, respectively. Considering the credit terms that the Company granted to its customers ranged from 30 to 120 days in 2010, 2011 and 2012, the Directors believe that the trade receivable balances for the past three years and the accounts receivable to sales ratio of 25% in 2012 are reasonable.

The Company's notes receivable balances as at 31 December 2010, 2011 and 2012 were approximately RMB5.7 million (which accounted for 13% of the total receivable balance), RMB6.6 million (which accounted for 11% of the total receivable balance) and RMB22.2 million (which accounted for 27% of the total receivable balance), respectively. The notes receivables were bank endorsed and were considered as less risky in obtaining repayments from the customers. In addition, the percentages of overdue accounts receivable balances over the total accounts receivable balances for the years ended 31 December 2010, 2011 and 2012 were 10%, 4.28% and 3.65%, respectively. The percentages of written-off bad debts over the total accounts receivable balances for the years ended 31 December 2010, 2011 and 2012 were 0.02%, 0% and 0.78%, respectively. In light of the low percentages of the overdue receivables and the written-off bad debts, the Directors believe that the increase in the trade receivable balances does not have any material negative impact on the Company's liquidity.

## **NO MATERIAL CUSTOMER COMPLAINTS, PRODUCT RETURNS OR NON-COMPLIANCE**

During the Track Record Period and up to the date of this announcement, the Group has not (i) received any material customer complaints and product returns, (ii) participated in any recalls by the customers involving any products of the Group, either of which would have a material adverse effect on the business, financial condition and results of operations of the Group or (iii) been involved in any material non-compliances of the applicable laws and regulations.

## **CONSTRUCTION PROJECTS**

As of 30 September 2013, the Company has two properties under construction, namely, the industrial space next to its existing site and the Taizhou plant.

For the construction of the industrial space next to its existing site, the ground floor has been completed. The total estimated costs is RMB13 million and the amount incurred as of 30 September 2013 is RMB7.7 million. The construction is funded by the Company's internal resources. The space will be used for research and production after construction is completed.

Construction of the Taizhou plant is estimated to be completed at the end of 2013. The total estimated costs is RMB180 million (excluding the cost of land) and the amount incurred as of 30 September 2013 is RMB150 million. The construction is funded by the Company's internal resources as well as bank loans amounting to RMB50 million. The plant will be used for production after construction is completed.

## **WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES**

Rule 8.12 as applied by Rule 19A.15 of the Main Board Listing Rules provides that a PRC issuer applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Given that the headquarters and all the business operations of the Group are located in the PRC, the senior management team of the Group is and will continue to be based in the PRC. At present, all of the executive Directors ordinarily reside in the PRC. Accordingly, the Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Main Board Listing Rules. The Stock Exchange has granted the requested waiver to the Company on the condition that the Company would adopt the following arrangements to maintain an effective communication channel with the Stock Exchange:

- (a) the Company has two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Zhao Da Jun and Ms. Xue Yan. Both of the two authorised representatives have confirmed that they possess valid travel documents and

can readily travel to Hong Kong to meet with the Stock Exchange upon the request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile and e-mail, and are authorised to communicate on behalf of the Group with the Stock Exchange;

- (b) the authorised representatives have means of contacting all of the Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and the Directors, the Company has implemented a policy whereby (i) each Director will have to provide his office phone numbers, mobile phone numbers, residential phone numbers, facsimile numbers and e-mail addresses to the authorised representatives; (ii) in the event that an executive Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation to the authorised representatives; and (iii) all Directors will provide their respective mobile phone numbers, office phone numbers, facsimile numbers and e-mail addresses to the Stock Exchange;
- (c) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives, or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the Company's authorized representatives; and
- (d) each of the Directors who does not ordinarily reside in Hong Kong has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

## **BIOGRAPHICAL INFORMATION OF DIRECTORS AND SUPERVISORS**

The Company discloses below the biographical information of each current Director and Supervisor:

### **Executive Directors**

**Mr. Wang Hai Bo (王海波)**, aged 53, was appointed as an executive Director in November 1996. He is also the chairman of the Board and general manager of the Company. He founded the Company in November 1996. He was an associate professor at Fudan University from May 1995 to June 1996. He has published numerous articles, earning him awards such as the State Star Fire Grade III Award (國家星火三等獎), Education Committee Grade II Award (教委二等獎) and Technology Advancement Award of the Shanghai Province (上海市科技進步獎). He graduated from Fudan University with a bachelor's degree in Biology in July 1983 and master's degree in Biology in July 1986. He was the former chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600226).

Mr. Wang was entitled to a remuneration of RMB1,517,000 for the year 2012 including basic salaries, discretionary bonus and other retirement benefits and social security costs. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

As at the date of this announcement, Mr. Wang is interested in 57,886,430 Domestic Shares, representing approximately 6.27% of the total issued share capital of the Company.

**Mr. Su Yong (蘇勇)**, aged 49, was appointed as an executive Director in January 2002. He is also the deputy general manager of the Company. He joined the Company in April 1997. He has been working in the field of genetic engineering for over nine years. He was the chief engineer of Hangzhou Jiuyuan Gene Engineering Co., Ltd. from January 1994 to April 1997, during which he was responsible for managing the genetic engineering department. He graduated from Northwest Normal University with a bachelor's degree in Biology Science in July 1985, from Fudan University with a master's degree in Biochemistry in July 1993, and from Zhejiang University with a Ph.D. in Oncology in June 2000.

Mr. Su was entitled to a remuneration of RMB1,014,000 for the year 2012 including basic salaries, discretionary bonus and other retirement benefits and social security costs. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

As at the date of this announcement, Mr. Su is interested in 22,312,860 Domestic Shares, representing approximately 2.42% of the total issued share capital of the Company.

**Mr. Zhao Da Jun (趙大君)**, aged 43, was appointed as an executive Director in January 2002. He is also the deputy general manager, compliance officer and an authorized representative of the Company. He is a cofounder of the Company. From November 1996 to the present, he has taken up the posts of market distribution manager and assistant general manager in the Company. He was a teaching assistant at the law school of Fudan University from August 1995 to October 1996. He was awarded the National Education Committee on Technology Advancement Grade II Award (國家教委科技進步二等獎) in 1997. He graduated from Fudan University with a bachelor's degree in Biology in July 1992, a master's degree in Biology in July 1995, and from University of Hong Kong with a master's degree in Business Administration in November 2001.

Mr. Zhao was entitled to a remuneration of RMB985,000 for the year 2012 including basic salaries, discretionary bonus and other retirement benefits and social security costs. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

As at the date of this announcement, Mr. Zhao is interested in 19,260,710 Domestic Shares, representing approximately 2.09% of the total issued share capital of the Company.

#### **Non-executive Directors**

**Ms. Fang Jing (方靖)**, aged 44, was appointed as a non-executive Director in January 2002. She is the financial controller of several subsidiaries of Shanghai Zhangjiang (Group) Co., Ltd. She was the former financial controller of the Company from November 1997 to 2002. She used to be the manager in investment department and property operation department of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. from 2002 to 2012. She graduated from Shanghai Finance College majoring in finance in 1990.

The Company is not required to pay any director's fee or emolument to Ms. Fang.

As at the date of this announcement, Ms. Fang is interested in 5,654,600 Domestic Shares, representing approximately 0.61% of the total issued share capital of the Company.

**Ms. Ke Ying (柯櫻)**, aged 45, was appointed as a non-executive Director in May 2012. She is a senior engineer. She is currently the deputy general manager of Research and Development Department of Shanghai Pharmaceutical Holding Co., Ltd. She has extensive management experience in R&D of drugs. She used to be the deputy manager of Shanghai Si Wei Pharmaceutical Technical Co., Ltd. (上海斯威醫藥化學技術有限公司) from 1999 to 2002, the project manager and assistant general manager of Shanghai Kaiman Bio-technology Co., Ltd. (上海凱曼生物技術有限公司) from 2002 to 2004, and the minister of Resource Department and the assistant principal of the Central Research Institute of Shanghai Pharmaceutical Holding Co., Ltd. from 2008 to 2010. She graduated from East China Normal University with a bachelor's degree in Chemistry in July 1990, and a master's degree in Fine Organic Synthesis in July 1993.

The Company is not required to pay any director's fee or emolument to Ms. Ke.

**Mr. Shen Bo (沈波)**, aged 40, was appointed as a non-executive Director in June 2012. He is a member of the Chinese Institute of Certified Public Accountants. He is the Chief Financial Officer and general manager of the financial department of Shanghai Pharmaceutical Holding Co., Ltd, and concurrently appointed as the Chairman of Shanghai Medical Instrument Co., Ltd., supervisor of Shanghai Pharmaceutical Distribution Co., Ltd., director of SPH Keyuan Xinhai Pharmaceutical Co., Ltd. and director of Changzhou Pharmaceutical Co., Ltd. He used to be the deputy manager of the financial department of Shanghai Jinling Co., Ltd. from 1996 to 2000, financial director of Shanghai Jinling Tai Ke IT Development Co., Ltd. from May 2000 to December 2000, Chief Financial Officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd. from January 2006 to November 2006 and general manager of the financial department of Shanghai Pharmaceutical (Group) Co., Ltd. from 2006 to 2010. He graduated from the Shanghai Institute of Construction Materials Industry with a bachelor's degree in Economics in July 1996, and from Chinese University of Hong Kong with a Master of Professional Accounting in December 2007.

The Company is not required to pay any director's fee or emolument to Mr. Shen.

**Ms. Yu Xiao Yang (余曉陽)**, aged 56, was appointed as a non-executive Director in May 2013. She has over 20 years of banking and investment experience. She is a Founding Partner of China New Enterprise Investment (CNEI) and was a founder of Victoria Capital Limited, a corporate finance advisory firm in 1998, and served as its Managing Partner. She was among the first mainland Chinese to embark on a professional career with major international financial institutions. She served at Paris Bank in Geneva, Dresdner Bank in Frankfurt, London and New York from 1980 to 1985, and Salomon Brothers in New York from 1987 to 1991, working in the areas of M&A and corporate finance. She graduated from International Management Institute (Geneva), predecessor of International Institute for Management Development, IMD with a master's degree in Business Administration in May 1982.

The Company is not required to pay any director's fee or emolument to Ms. Yu.

## **Independent Non-executive Directors**

**Mr. Pan Fei (潘飛)**, aged 57, was appointed as an independent non-executive Director in June 2003. He is a professor and vice dean of the accounting department at Shanghai University of Finance and Economics (上海財經大學). He is an associate member of the American Accounting Association. He has published numerous articles in various financial and economics publications in the PRC and has obtained several awards. He has established and developed many accounting courses for students of different levels since 1995. He graduated from Shanghai University of Finance and Economics with a bachelor's degree in Accounting in July 1983, a master's degree in Accounting in July 1991, and a Ph.D. in Management Accounting in January 1999.

Mr. Pan was entitled to a remuneration of RMB100,000 for the year 2012. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

**Mr. Cheng Lin (程霖)**, aged 50, was appointed as an independent non-executive Director in July 2002. He is currently a professor in Economics, and the Head of the Asia Economy Research Institute in Shanghai University of Finance and Economics. He has been a lecturer at Shanghai University of Finance and Economics since 1998. He has published numerous articles in various financial and economics publications in the PRC. He graduated from Shanghai University of Finance and Economics with a Ph.D. in Economics in July 1998.

Mr. Cheng was entitled to a remuneration of RMB100,000 for the year 2012. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

**Mr. Zhou Zhong Hui (周忠惠)**, aged 66, was appointed as an independent non-executive Director on 30 May 2013. He is a member of the International Advisory Committee of the China Securities Regulatory Commission, the Audit Regulation Committee of Chinese Institution of Certified Public Accountant and the managing director of China Appraisal Society. He used to be the Chief Accountant of the China Securities Regulatory Commission from 2007 to 2011, a Partner, the General Manager and Chief Accountant of PricewaterhouseCoopers Zhong Tian CPAs Limited Company from 1992 to 2007 and a professor of Shanghai University of Finance and Economics from 1980 to 1998. He has been an independent non-executive director of BesTV New Media Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600637) since 23 December 2011. He has been an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 601601) and the Stock Exchange (Stock Code: 02601) since 31 May 2013. He graduated from Shanghai University of Finance and Economics with a master's degree in Economics in November 1983, and a Ph.D. in Economics in January 1993.

Mr. Zhou is entitled to a remuneration of RMB100,000 per annum. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

**Mr. Lam Yiu Kin (林耀堅)**, aged 58, was appointed as an independent non-executive Director on 9 October 2013. He is a fellow member of the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England & Wales (ICAEW), the Institute of Chartered Accountants in Australia (ICAA), and Hong Kong Institute of Certified Public Accountants (HKICPA). He is presently an Adjunct Professor in the School of Accounting and Finance of the Hong Kong Polytechnic University, and a committee member of the Hong Kong Management Association. Mr. Lam has extensive experiences in accounting, auditing and business consulting. He was a member of the Listing Committee of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, a member of the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003 and a partner with PricewaterhouseCoopers Hong Kong from 1993 to 2013. He graduated from Hong Kong Polytechnic University with a higher diploma in June 1975.

Mr. Lam is entitled to a remuneration of RMB100,000 per annum. The emolument is determined by the remuneration committee of the Board with reference to his experience, qualification, duties, responsibilities and expected time commitment to the Company's affairs, as well as the prevailing market standards.

### **Supervisors**

The supervisors are responsible for supervising the board of directors and its members, general manager, deputy general manager, financial controller and other senior managers to prevent power abuse and to prevent violation of the rights of shareholders, the Company and the Company's employees.

**Ms. Zhang Man Juan (張嫚娟)**, aged 49, was appointed as a supervisor representing employees in June 2005. She is currently the Manager of the Finance Department of the Company. She has been engaged in finance and accounting work for many years. She used to be a deputy chief of the finance department of Shanghai Huaihai Medical Factory. She graduated from China Broadcast & Television University in Finance and Accounting.

The Company is not required to pay any supervisor's fee or emolument to Ms. Zhang.

As at the date of this announcement, Ms. Zhang Man Juan is interested in 870,000 Domestic Shares, representing approximately 0.09% of the total issued share capital of the Company.

**Mr. Guo Yi Cheng (郭奕誠)**, aged 67, was re-appointed as an independent supervisor in May 2008. He had been appointed as a supervisor between June 2005 and June 2006. He used to be the head of Teaching and Research Section of Shanghai Mechanical and Electrical Party School, deputy head of Economy Department of Shanghai Municipality Government Research Office, deputy general manager of Shanghai Pharmaceutical Co., Ltd., and the Director and Deputy General Manager of General Technology Group Pharmaceutical Holding Limited. He graduated from Economic Management College of China Central Party School and holds a researcher's qualification from Shanghai Academy of Social Sciences.

The remuneration of Mr. Guo as a Supervisor was RMB75,000 for the year 2012, which is determined by arm's length negotiation between Mr. Guo and the Company with reference to prevailing market conditions.

**Mr. Xu Qing (許青)**, aged 49, was appointed as an independent supervisor in May 2008. He is currently the deputy director of the Oncology Department of Tongji University Medical School, deputy director of Tumor Institute of Tongji University Medical School, and director, deputy chief physician, and deputy professor of Tumor Internal Medicine Department of the Tenth People's Hospital affiliated to Tongji University. He used to serve as a deputy director, a deputy chief physician, and a deputy professor of the Tumor Internal Medicine Department of Chang Zheng Hospital of The Second Military Medical University. He has been engaged in the fundamental and clinical research on tumor for a long time. He has published over 20 articles in medical journals both domestic and abroad. He graduated from The Second Military Medical University with a Ph.D. degree. He did his postdoctoral research in the H.Lee. Moffitt Tumor Centre of University of South Florida as a visiting scholar.

The remuneration of Mr. Xu as a Supervisor was RMB75,000 for the year 2012, which is determined by arm's length negotiation between Mr. Xu and the Company with reference to prevailing market conditions.

**Mr. Zhao Wen Bin (趙文斌)**, aged 39, was appointed as an independent supervisor on 30 May 2013. He is currently the managing director of Shanghai Fudan Holdings Co., Ltd. He used to be deputy managing director of the Enterprise Incubation & Equity Management Office of Fudan University, the secretary of Fudan Charity Fund, deputy director of Student Service Union, deputy secretary of Fudan University Committee of the Communist Youth League, etc. He graduated from Fudan University in 1998.

The Company is not required to pay any supervisor's fee or emolument to Mr. Zhao.

**Mr. Li Ning Jian (李寧健)**, aged 30, was appointed as an independent supervisor on 30 May 2013. He has years of experience in venture capital and securities investment. He is currently the senior investment manager of Shanghai Pudong Science and Technology Investment Co., Ltd. He graduated from Nanjing University with a bachelor's degree in Economics and a bachelor's degree in Management. He also holds a master's degree in Science from the Hong Kong Baptist University, and a master's degree in Science from the University of Kent, United Kingdom.

The Company is not required to pay any supervisor's fee or emolument to Mr. Li.

To the knowledge of the Directors and save as disclosed above, none of the current Directors or Supervisors (i) holds any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) holds any position with the Company or its subsidiaries; (iii) has interest in Shares within the meaning of Part XV of the SFO as at the date of this announcement; and (iv) has relationship with other current Directors, senior management of the Company or substantial Shareholders.

To the knowledge of the Directors and save as disclosed above, there is no information required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Main Board Listing Rules in relation to the aforementioned current Directors and Supervisors and there are no other matters that needed to be brought to the attention of the Shareholders.

As at the date of this announcement, so far as the Directors are aware, none of the Directors or their respective associates is considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, the business of the Group, other than those business in which such Directors have been appointed to represent the interests of the Company and/or other members of the Group.

### **Senior Management**

**Mr. Li Jun (李軍)**, aged 45, joined the Company in November 1996. He is a deputy general manager of the Company. He has been responsible for several research projects of the State Natural Science Fund, and has published numerous articles. He is a certified pharmacist. He was a teaching assistant and lecturer at Fudan University from August 1993 to November 1996, during which he also served as deputy chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd. and was involved in the research and manufacture of three new drugs. He graduated from Fudan University with a master's degree in Biology in July 1993. Mr. Li Jun has not held any directorships in listed public companies in the past three years.

As at the date of this announcement, Mr. Li Jun is interested in 7,215,260 Domestic Shares, representing approximately 0.78% of the total issued share capital of the Company.

**Mr. Yang Xiao Lin (楊小林)**, aged 51, joined the Company in January 2006. He is a deputy general manager of the Company. He has participated in and been in charge of several M&A projects for pharmaceutical companies. He has also been responsible for marketing and selling prescribed and OTC medicine in many sectors, and has obtained good results. He used to be the Marketing Director of Fosun Pharmaceutical Group from December 2001 to January 2005, and General Manager of Zhejiang Kanglaite Pharmaceutical Co., Ltd. from January 2005 to January 2006. He graduated from Chinese Academy of Social Sciences with an MBA degree in 1999. Mr. Yang Xiao Lin has not held any directorships in listed public companies in the past three years.

**Mr. Gan Yi Min (甘益民)**, aged 51, joined the Company in 2010. He is a deputy general manager of the Company. He used to be the general manager of Haini Pharmaceutical Co., Ltd. (Shanghai) from 2003 to 2009, responsible for completion of construction of production workshops, laboratories and workstations, recruitment of staff and managers, and establishing a performance evaluation system. He was the production manager of Xi'an Janssen Pharmaceutical Co., Ltd. from 1995 to 2003 responsible for organizing and implementing a number of medium and large technological transformation projects. He obtained a bachelor's degree in Industrial Automation from Xian Technology University in December 1990, an MBA from Xi'an Jiaotong University in December 2001, an EMBA from Antwerp University (Belgium) in October 2002, and a master's degree in Pharma Engineering from Beijing Chemical Engineering University in December 2006. Mr. Gan Yi Min has not held any directorships in listed public companies in the past three years.

## **Company Secretary**

**Ms. Xue Yan (薛燕)**, aged 32, was appointed as company secretary in August 2010. She is also the Chief Financial Officer and an authorized representative of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, and a member of the Chinese Institute of Certified Public Accountants. She is qualified as a Certified Internal Auditor. She has extensive professional experience in accounting as well as experience in corporate compliance. She graduated from Shanghai University of Finance & Economics with a bachelor's degree in International Accounting.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for viewing on the Company's website ([www.fd-zj.com](http://www.fd-zj.com)) and on the website of the Stock Exchange (<http://www.hkgem.com>):

- (a) the articles of association of the Company;
- (b) the Directors' report and annual report of the Group for the year ended 31 December 2010, 2011 and 2012;
- (c) the interim report of the Group for the six months ended 30 June 2013;
- (d) the circular of the Company dated 12 April 2013 in relation to (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; (iv) the proposed Transfer of Listing from GEM to Main Board; and (v) the proposed changes in Directors and Supervisors;
- (e) the circular of the Company dated 14 May 2012 in relation to (i) the proposed Specific Mandate to issue New H Shares; (ii) the proposed adoption of Restricted Share Scheme; and (iii) the proposed changes in Director and Supervisor;
- (f) a copy of each of the announcements and other corporate communications made by the Company before the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## DEFINITIONS

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

“ALA”	ALA, 艾拉®
“Board”	the board of Directors
“Company”	上海復旦張江生物醫藥股份有限公司 Shanghai FudanZhangjiang Bio-Pharmaceutical Co., Ltd.*, a joint stock limited company incorporated in the PRC, whose H shares are listed on the GEM
“Competing Businesses”	R&D, production or marketing of identical or similar products that the Company is currently conducting or currently planning to conduct
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CSRC”	China Securities Regulatory Commission ( 中國證券監督管理委員會 )
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary domestic share(s) of nominal value of RMB0.10 each in the registered 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
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on the GEM and subscribed for and traded in Hong Kong dollars
“Libod”	Libod®, 里葆多®

“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM, and for avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NT Pharma”	泰凌醫藥(江蘇)有限公司 NT Pharma (Jiangsu) Company Limited*, a subsidiary of China NT Pharma Group Company Limited, an independent third party
“Non-competition Undertaking”	a non-competition undertaking dated 9 March 2000 given by Shanghai Pharmaceutical in favour of the Company
“Placing”	the placing of 142 million new H Shares pursuant to the placing agreement dated 16 January 2013 between the Company and Guotai Junan Securities (Hong Kong) Limited. The Placing was completed on 4 February 2013
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“R&D”	research and development
“Reimbursement”	the reimbursement of 80% of the Company's research and development expenses incurred on specific projects under the Strategic Cooperation Agreement to be paid by Shanghai Pharmaceutical to the Company
“Relevant Pharmaceutical”	the four pharmaceuticals owned by the Company and its subsidiaries which comprise: (i) Recombinant human lymphotoxin $\alpha$ -derivatives (LT); (ii) Vincristine sulfate liposome (LVCR); (iii) Deuteroporphyrin; and (iv) High bio-activity recombinant human TNF receptor (Recombinant high affinity TNF receptor)
“RMB”	renminbi yuan, the lawful currency of the PRC
“Sales and Distribution Agreement”	the sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution on 19 March 2013 for the sale and distribution of the Company’s pharmaceutical products within Shanghai during the period from 19 March 2013 to 31 December 2015

“Strategic Cooperation Agreement”	the strategic cooperation agreement for innovative pharmaceuticals research and development cooperation entered into between the Company and Shanghai Pharmaceutical on 23 February 2011 and renewed on 19 March 2013 on the same terms, 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
“Shanghai Pharmaceutical”	上海市醫藥股份有限公司 Shanghai Pharmaceutical Co., Ltd.*, which is renamed as 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 H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and a promoter and substantial shareholder of the Company holding approximately 22.77% of the total share capital of the Company as at the date of this announcement
“Shanghai Pharmaceutical Distribution”	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 on 26 April 2010 and a wholly-owned subsidiary of Shanghai Pharmaceutical
“Share(s)”	Domestic Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Track Record Period”	the period comprising the three years ended 31 December 2012 and the six months ended 30 June 2013
“Transfer of Listing”	the proposed transfer of listing of the H Shares from GEM to Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“%”	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. Fang Jing (*Non-executive Director*)

Ms. Ke Ying (*Non-executive Director*)

Mr. Shen Bo (*Non-executive Director*)

Ms. Yu Xiao Yang (*Non-executive Director*)

Mr. Pan Fei (*Independent non-executive Director*)

Mr. Cheng Lin (*Independent non-executive Director*)

Mr. Zhou Zhong Hui (*Independent non-executive Director*)

Mr. Lam Yiu Kin (*Independent non-executive Director*)

Shanghai, the PRC

6 December 2013

The exchange rate adopted in this announcement for illustration purposes only is HK\$1.00 = RMB0.80.

\* *For identification purpose only*

*This announcement, for which the Directors 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 Company. 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 announcement 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.*