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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:1349)

SUPPLEMENTAL AGREEMENT TO THE STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICALS

Reference is made to the announcement of the Company dated 19 March 2013 and the circular of the Company dated 12 April 2013 in relation to, among other things, the Strategic Cooperation Agreement and the Transactions thereunder.

On 18 March 2016, the Company entered into the Supplemental Agreement with Shanghai Pharmaceuticals to revise the existing annual cap for 2016 under the Strategic Cooperation Agreement from RMB20,000,000 to RMB34,000,000. The effectiveness of the Supplemental Agreement is subject to the approval of the Independent Shareholders at the AGM. Other than the above change, all existing terms and conditions for the Strategic Cooperation Agreement have remained unchanged.

Shanghai Pharmaceuticals is a promoter of the Company and a substantial Shareholder and therefore is a connected person of the Company under the Listing Rules. The Transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios for the proposed revised annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement exceed 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements

under Chapter 14A of the Listing Rules. Shanghai Pharmaceuticals and its associates are required to abstain from voting on the resolution at the AGM for approving the Supplemental Agreement and the proposed revised annual cap. Saved as mentioned above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the Transactions and therefore will be required to abstain from voting on the relevant resolution at the AGM.

The Directors have established the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Shareholders in relation to the Supplemental Agreement and the proposed revised annual cap. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing, among other things,

- (i) details of the Supplemental Agreement and the proposed revised annual cap;
- (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Supplemental Agreement and the proposed revised annual cap; and
- (iii) the recommendation of the Independent Board Committee regarding the Supplemental Agreement and the proposed revised annual cap to the Independent Shareholders

is expected to be despatched to the Shareholders in accordance with the Listing Rules on or before 12 April 2016.

SUPPLEMENTAL AGREEMENT

Reference is made to the announcement of the Company dated 19 March 2013 and the circular of the Company dated 12 April 2013 in relation to, among other things, the Strategic Cooperation Agreement and the Transactions thereunder.

On 19 March 2013, the Company entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical for the cooperation on innovative pharmaceuticals research and development for the three years ending 31 December 2016. Pursuant to the Strategic Cooperation Agreement, 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.

Based on the internal estimation on the research and development expenses to be paid in 2016, the Directors are of the view that the existing annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement will not be sufficient for the

Company's prospective requirements due to the adjustment to the research schedule for the relevant pharmaceuticals under the Strategic Cooperation Agreement.

On 18 March 2016, the Company entered into the Supplemental Agreement with Shanghai Pharmaceuticals to revise the existing annual cap for 2016 under the Strategic Cooperation Agreement from RMB20,000,000 to RMB34,000,000. The effectiveness of the Supplemental Agreement is subject to the approval of the Independent Shareholders at the AGM. Other than the above change, all existing terms and conditions for the Strategic Cooperation Agreement have remained unchanged.

The Company will ensure that the existing annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement will not be exceeded before obtaining the Independent Shareholders' approval, as required under Rule 14A.36 of the Listing Rules.

BASIS FOR THE PROPOSED REVISED ANNUAL CAP

The proposed revised annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement is determined with reference to the adjusted scheduled progress and budget (including the amount of preliminary research and development expenses) of the research and development of Such Pharmaceuticals listed in the Strategic Cooperation Agreement, the details of which are set out as follows:

Table 1: the total expected research and development expenses to be incurred in 2016

	Currency: RMB	
	Original Estimation	New Estimation
Recombinant human lymphotoxin α- derivatives (LT) (重組人淋巴毒素α衍生物)	200,000	0 ^{Note 1}
Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)	6,600,000	0 ^{Note 2}
Deuteroporphyrin (多替泊芬)	2,000,000	13,592,000 ^{Note 3}
Recombinant high affinity TNF receptor (重組高親和力TNF受體)	3,000,000	16,041,000 ^{Note 3}
Aggregated total expected research fees to be incurred in 2016	11,800,000	29,633,000

Notes:

1. *A phase II clinical trial of this project has been completed. The Group will formulate a new research plan according to the trial result. Since the new research plan has not been finalised, the Company anticipates that the scheduled research and development expenses payable by Shanghai Pharmaceuticals for this project will not be incurred in 2016.*
2. *The Group cautiously decided to transfer this project to a third party pharmaceutical company in consideration of its future prospect, production conditions, payback period, etc. As such, the Company anticipates that the scheduled research and development expenses payable by Shanghai Pharmaceuticals for this project will not be incurred in 2016.*
3. *The increase in the expected research and development expenses to be incurred in 2016 for this pharmaceutical is because the expenses for such pharmaceutical which are originally scheduled to be paid in 2014 and 2015 will be paid in 2016 due to the adjustment to the research schedule.*

Table 2: the total amount of research and development expenses (including research and development expenses to be incurred and preliminary research and development expenses already incurred) to be received by the Company from Shanghai Pharmaceuticals in 2016

	Currency: RMB	
	Original Estimation	New Estimation
80% of the research and development expenses to be prepaid by Shanghai Pharmaceuticals	9,440,000	23,706,000 ^{Note 4}
Preliminary fees of cooperation projects to be paid by Shanghai Pharmaceuticals (payment made according to agreed progress)	8,463,000	7,421,000 ^{Note 5}
Total amount to be paid and prepaid by Shanghai Pharmaceuticals in 2016	17,903,000	31,127,000

Notes:

4. *Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall bear 80% of the research and development expenses to be incurred in 2016. The sum total is calculated based on 80% of the newly estimated total amount of expenses to be incurred for the year 2016 (see the sum total in Table 1).*

5. *Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall bear 80% of the preliminary research and development expenses incurred up to 31 December 2010. According to the scheduled progress of projects, approximately RMB7.42 million will be paid in the year ending 31 December 2016 on the assumption that High bio-activity recombinant human TNF receptor (重組高親和力TNF受體) proceeds as scheduled. And approximately RMB4.58 million will be paid in the year ending 31 December 2019 on the assumption that Deuteroporphyrin (多替泊芬) proceeds as scheduled.*

When determining the proposed revised annual cap for 2016, the Directors, after taking into account the fact that both parties may make adjustment to the future research expenses to be incurred according to the actual expenditure of research and development of Such Pharmaceuticals, included an additional buffer to the aggregate amount payable by Shanghai Pharmaceuticals to the Company as listed in the above table.

The Directors (excluding the independent non-executive Directors, whose opinion on the matter will be set forth in the circular by reference to the advice of the Independent Financial Adviser in this regard) are of the view that the terms and conditions of the Supplemental Agreement are entered into on normal commercial terms, in the interests of the Company and its Shareholders as a whole and fair and reasonable, and the proposed revised annual cap for 2016 for the Transactions are fair and reasonable.

Ms. Ke Ying and Mr. Shen Bo, the Directors, have abstained from voting on the Board resolution approving the Supplemental Agreement since they hold senior positions at Shanghai Pharmaceuticals. Save as mentioned above, no other Director has a material interest in the Transactions and hence no other Director has abstained from voting on such Board resolution.

REASONS FOR AND BENEFIT OF THE TRANSACTIONS

In view of the outstanding status of Shanghai Pharmaceuticals 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 Pharmaceuticals 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 interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Shanghai Pharmaceuticals is a promoter of the Company and a substantial Shareholder and therefore is a connected person of the Company under the Listing Rules. The Transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the Listing Rules.

Since the applicable percentage ratios for the proposed revised annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement exceed 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Shanghai Pharmaceuticals and its associates are required to abstain from voting on the resolution at the AGM for approving the Supplemental Agreement and the proposed revised annual cap. Saved as mentioned above, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the Transactions and therefore will be required to abstain from voting on the relevant resolution at the AGM.

The Directors have established the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Shareholders in relation to the Supplemental Agreement and the proposed revised annual cap. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing, among other things,

- (i) details of the Supplemental Agreement and the proposed revised annual cap;
- (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Supplemental Agreement and the proposed revised annual cap; and
- (iii) the recommendation of the Independent Board Committee regarding the Supplemental Agreement and the proposed revised annual cap to the Independent Shareholders

is expected to be despatched to the Shareholders in accordance with the Listing Rules on or before 12 April 2016.

GENERAL INFORMATION

The Company is a bio-pharmaceutical company that is principally engaged in the research and development, manufacture and sales of new drugs with patents or specific drugs, and the provision of auxiliary service.

Shanghai Pharmaceuticals is a joint stock limited company incorporated in the PRC, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange respectively. Shanghai Pharmaceuticals is principally engaged in research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products; pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and operation of a network of retail pharmacy stores.

DEFINITIONS

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

"AGM"	means the forthcoming annual general meeting to be held by the Company, among other things, to approve the Supplemental Agreement and proposed revised annual cap
"associate"	has the same meaning ascribed to it under the Listing Rules
"Board"	means the board of Directors
"Company"	means 上海復旦張江生物醫藥股份有限公司 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*, a joint stock limited company incorporated in the PRC, whose H shares are listed on the Main Board
"connected person"	has the same meaning ascribed to it under the Listing Rules
"Directors"	means the directors of the Company
"Group"	means the Company and its subsidiaries
"Independent Board Committee"	means an independent committee of Directors appointed to advise the Independent Shareholders in respect of the Supplemental Agreement and proposed revised annual cap

“Independent Financial Adviser”	Messis Capital Limited, a licenced corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the proposed revised annual cap
"Independent Shareholders"	means the Shareholders who are not required to abstain from voting on the resolution at the AGM for approving the Supplemental Agreement and proposed revised annual cap under the Listing Rules
" Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means the Main Board of the Stock Exchange
"PRC"	means the People's Republic of China
"promoter"	has the same meaning ascribed to it under the Rule 1.01 of the Listing Rules
"RMB"	means renminbi, the lawful currency of the PRC
"Shanghai Pharmaceuticals"	means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 A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange respectively, and a promoter of the Company and a substantial Shareholder holding approximately 22.77% of the total share capital of the Company as at the date of this announcement
"Shareholders"	means the shareholders of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	means the strategic cooperation agreement for innovative pharmaceuticals research and development cooperation entered into between the Company and Shanghai Pharmaceuticals on 19 March 2013, 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 same meaning ascribed to it under Rule 1.01 of the Listing Rules
"Such Pharmaceuticals"	the relevant potential pharmaceuticals owned by the Group which are at various research stages, the research and development on which the Company and Shanghai Pharmaceuticals have agreed to cooperate under the Strategic Cooperation Agreement
"Supplemental Agreement"	means the supplemental agreement to the Strategic Cooperation Agreement entered into between the Company and Shanghai Pharmaceuticals to revise the annual cap for 2016 for the continuing connected transactions contemplated thereunder
"Transactions"	means the continuing connected transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement
"%"	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. Ke Ying (Non-executive Director)
Mr. Shen Bo (Non-executive Director)
Ms. Yu Xiao Yang (Non-executive Director)
Mr. Zhou Zhong Hui (Independent Non-executive Director)
Mr. Lam Yiu Kin (Independent Non-executive Director)
Mr. Xu Qing (Independent Non-executive Director)

Shanghai, the PRC

18 March 2016

** For identification purpose only*