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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)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL AGREEMENT OF THE RESEARCH
COOPERATION AGREEMENT FOR CD30-DM1 ANTIBODY-
DRUG CONJUGATE WITH SHANGHAI JIAOLIAN**

Reference is made to the announcement of the Company dated 18 July 2018, in relation to the fact that the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection, which was jointly developed by the Company and Shanghai Jiaolian, has obtained the clinical trial approval. The Company entered into the Research Cooperation Agreement with Shanghai Jiaolian on 5 June 2012, pursuant to which, both parties shall perform the responsibility for part of the research of Target Drug and bear the corresponding research expenses, respectively. As at the date of this announcement, there was no transaction or payment between both parties.

Given that the abovementioned injection has obtained the clinical trial approval, both parties intend to maintain further cooperation for the research and development of Target Drug. In order to regulate the funds arrangement and interests allocation between both parties for the development of Target Drug during the three years ending 31 December 2021, the Company entered into the Renewal Agreement with Shanghai Jiaolian on 14 March 2019.

As at the date of this announcement, Shanghai Jiaolian is a subsidiary of Shanghai Pharmaceuticals, which is a promoter and substantial Shareholder of the Company and therefore, Shanghai Jiaolian is a connected person of the Company under the Listing Rules. The transactions contemplated under the Renewal 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 highest applicable percentage ratio for the highest proposed annual cap for each of the three years ending 31 December 2021 for the continuing connected transactions contemplated under the Renewal Agreement exceeds 0.1% but is below 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 18 July 2018, in relation to the fact that the Recombinant Anti-CD30 Human-mouse Chimeric Monoclonal Antibody-MCC-DM1 Injection, which was jointly developed by the Company and Shanghai Jiaolian, has obtained the clinical trial approval. The Company entered into the Research Cooperation Agreement with Shanghai Jiaolian on 5 June 2012, pursuant to which, both parties shall perform the responsibility for part of the research of Target Drug and bear the corresponding research expenses, respectively. As at the date of this announcement, there was no transaction or payment between both parties.

Given that the abovementioned Target Drug has obtained the clinical trial approval, both parties intend to maintain further cooperation for the research and development of it. In order to regulate the funds arrangement and interests allocation between both parties for the development of Target Drug during the three years ending 31 December 2021, the Company entered into the Renewal Agreement with Shanghai Jiaolian on 14 March 2019.

THE RENEWAL AGREEMENT

Details of the Renewal Agreement are set out as follows:

Date:	14 March 2019
Parties:	The Company and Shanghai Jiaolian
Validity and Renewal:	The Renewal Agreement takes effect from 14 March 2019 until 31 December 2021.

Upon the expiration of the Renewal Agreement, if the research and development of Target Drug have not been completed, both parties could renew the Renewal Agreement pursuant to the principles therein, and the term for each renewal shall not exceed three (3) years. If the Company is not willing to renew the Renewal Agreement, the rights of the Company thereunder will be terminated and all rights and interests pertaining to Target Drug shall be vested into Shanghai Jiaolian. If Shanghai Jiaolian is not willing to renew the Renewal Agreement, the rights of Shanghai Jiaolian thereunder will be terminated, and all the rights and interests pertaining to Target Drug shall be vested into the Company.

Details of Cooperation: For the purpose of obtaining the new drug certificate and approval for drug production and registration, both parties will carry out research and development of Target Drug in accordance with the requirements of the prevailing administrative measures on drug registration.

Pricing Policy: The research and development expenses incurred on Target Drug during the period from the application for clinical trial to the obtaining of the new drug certificate shall be borne as to 50% by both parties, respectively.

The expenses incurred by the research and development of Target Drug shall include commissioning fees for research and development, raw material fees, testing and processing fees, salaries of staff directly involved in the project, utilization fees of equipment and venue rental fees directly relating to the research and development of Target Drug, registration fees, patent application and maintenance fees.

Payment Terms: Both parties shall pay the corresponding expenses incurred in their obligations pursuant to the work division under the Renewal Agreement. The shortfall (i.e. the difference between the corresponding expenses paid by each party and 50% of total expenses in the current year) shall be paid by the party who has borne lower expenses to the other party who has borne higher expenses within the first month from the effective day of the Renewal Agreement and within the second month for each of the subsequent calendar years.

Other Key Terms: Intellectual property rights of Target Drug during the period of the Research Cooperation Agreement shall be jointly shared by both parties. Relevant legal procedures of right transfer of intellectual property rights such as patents applied or obtained by the Company shall be completed within three months upon the execution of the Renewal Agreement.

Intellectual property rights (not subject to the Region for Cooperation) arising from the joint research and development after the execution of the Renewal Agreement shall be shared by both parties. If any such intellectual property right is eligible for the application for patents (not subject to 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 time being, both parties shall jointly own such new proprietary technology.

The ownership of and interest relating to the new drug certificate of Target Drug shall be jointly owned by both parties. Each party shall be entitled to 50% of the revenue of Target Drug within the Region for Cooperation. Details of the revenue allocation shall be separately agreed and determined between both parties through negotiations upon the expiration of the Renewal Agreement or prior to the commencement of production and sales of Target Drug.

Having considered that (i) the terms and conditions of the Renewal Agreement were entered into between the parties after arm-length negotiation; (ii) each party is entitled to 50% of the revenue of Target Drug within the Region for Cooperation; (iii) both parties shall share the ownership jointly over the patents and rights to patent application relating to Target Drug; and (iv) both parties shall share the intellectual property rights arising from the joint research and development after the execution of the Renewal Agreement, the Board is of the view that the arrangement of research and development expenses borne as to 50% by Shanghai Jiaolian and as to 50% by the Company was entered into on normal commercial terms or better, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ANNUAL CAPS

Proposed annual caps

According to the terms of the Renewal Agreement, the Company anticipated that the annual caps for the transactions contemplated under the Renewal Agreement (representing the maximum amounts payable under the Renewal Agreement by Shanghai Jiaolian to the Company for each year) for the three years ending 31 December 2021 will be as follows:

	14 March 2019 to 31 December 2019 (RMB)	1 January 2020 to 31 December 2020 (RMB)	1 January 2021 to 31 December 2021 (RMB)
Proposed Annual Cap	7,000,000	6,500,000	3,700,000

Basis for the proposed annual caps

The above annual caps for the transactions contemplated under the Renewal Agreement for the three years ending 31 December 2021 are determined with reference to the scheduled progress and budget of the research and development of Target Drug listed in the Renewal Agreement, the details of which are set out as follows:

Table 1: the total expected research and development expenses to be incurred and the maximum amounts payable by Shanghai Jiaolian to the Company for the three financial years ending 31 December 2021

	Year ended 31 December		
	2019	2020	2021
Budget of the research and development of Shanghai Jiaolian	2,727,900	1,818,600	0
Budget of the research and development of the Company	15,471,800	13,434,200	6,754,000
Total budget of the research and development for the current year	18,199,700	15,252,800	6,754,000
Proposed amount payable by Shanghai Jiaolian to the Company for the current year	6,372,000	5,807,800	3,377,000

Unit: RMB

The Directors (including independent non-executive Directors) are of the view that the terms and conditions of the Renewal Agreement have been entered into in the ordinary and usual business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the annual caps of the transactions contemplated under the Renewal Agreement are fair and reasonable.

INTERNAL CONTROL PROCEDURES

To ensure the Company's conformity with the pricing policy of the Renewal Agreement, the Company adopts a series of internal control policies during its daily operation. Such internal control policies are conducted and supervised by the internal audit and control department of the Company, the independent non-executive Directors and the external auditors of the Company:

- (1) The internal audit and control department of the Company monitors daily connected transactions of the Company and submits their review results together with the external auditors' report to the audit committee and independent non-executive Directors for their review and approval. The internal audit and control department of the Company supervises the connected transactions to ensure they were entered into: (i) in accordance with the pricing policies under the Renewal Agreement; (ii) in the ordinary and usual course of business of the Group; (iii) on normal commercial terms or better; and (iv) according to the Renewal Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- (2) The independent non-executive Directors have reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms or better, and according to the

Renewal Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report.

- (3) The external auditors of the Company will also conduct an annual review on the pricing policies and annual caps of the Renewal Agreement, and provide confirmation in the Company's annual report.

The Directors are of the view that the above internal control procedures can ensure that the transactions contemplated under the Renewal Agreement will be conducted on normal commercial terms or better, and will not be prejudicial to the interests of the Company and the Shareholders.

The Board confirmed that the highest applicable percentage ratio with respect to the transaction amounts under the Renewal Agreement during the period from 1 January 2019 to the date of this announcement is below 0.1%.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Shanghai Jiaolian is principally engaged in the development of small molecule drugs and antibody-drug conjugates and has extensive experience and a professional team in the field of connected parts of Target Drug. The Company has rich experience, relevant equipment and a professional team in the field of antibody-drug of Target Drug. The Company cooperates with Shanghai Jiaolian with an aim to obtain the new drug certificate and approval for drug production and registration, so as to carry out research and development of Target Drug, which is conducive to procuring the subsequent clinical research and the implementation of industrialization of Target Drug and promoting the development of gene technology platform projects of the Company, and therefore will generate positive impacts to the production and operation of the Company, which is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Jiaolian is a subsidiary of Shanghai Pharmaceuticals, which is a promoter and substantial Shareholder of the Company and therefore, Shanghai Jiaolian is a connected person of the Company under the Listing Rules. The transactions contemplated under the Renewal 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 highest applicable percentage ratio for the highest proposed annual cap for each of the three years ending 31 December 2021 for the continuing connected transactions contemplated under the Renewal Agreement exceeds 0.1% but is below 5%, such transactions are subject to the reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Shen Bo, the Director, currently holds director position in Shanghai Pharmaceuticals, he has abstained from voting on the resolution at the Board meeting for approving the Renewal Agreement. Save as the mentioned above, none of other Directors has any material interests in the transactions and none of them has abstained from voting on the relevant Board resolution.

GENERAL INFORMATION

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

Shanghai Jiaolian is a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of Shanghai Pharmaceuticals as at the date of this announcement, and it is principally engaged in the development of small molecule drugs and antibody-drug conjugates.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	上海復旦張江生物醫藥股份有限公司 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*, a joint stock limited company incorporated in the PRC, whose H shares are listed on the Main Board
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“PRC”	the People’s Republic of China

“promoter”	has the same meaning ascribed to it under the Rule 1.01 of the Listing Rules
“Region for Cooperation”	the geographical scope within which the research and development, production and sales activities of Target Drug are conducted, i.e. in the PRC (including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan)
“Renewal Agreement”	the renewal agreement of the Research Cooperation Agreement for CD30-DM1 Antibody-drug Conjugate entered into between the Company and Shanghai Jiaolian on 14 March 2019
“RMB”	renminbi, the lawful currency of the PRC
“Shanghai Pharmaceuticals”	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 are listed on the Shanghai Stock Exchange and H shares are listed on the Stock Exchange, and a promoter and substantial Shareholder of the Company holding approximately 22.77% of the total issued share capital of the Company as at the date of this announcement
“Shanghai Jiaolian”	上海交聯藥物研發有限公司 Shanghai Jiaolian Drug Development Co., Ltd., being a wholly-owned subsidiary of Shanghai Pharmaceuticals on 3 December 2013
“Shareholder(s)”	the shareholders of the Company
“Research Cooperation Agreement”	the research cooperation agreement for CD30-DM1 Antibody-drug Conjugate entered into between the Company and Shanghai Jiaolian on 5 June 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the same meaning ascribed to it under Rule 1.01 of the Listing Rules

“Target Drug” CD30-DM1 Antibody-drug Conjugate, the research and development on which the Company and Shanghai Jiaolian have agreed to cooperate under the Research Cooperation Agreement and Renewal 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)
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)
Mr. Yang Chun Bao (Independent Non-executive Director)

Shanghai, the PRC

14 March 2019

* *For identification purpose only*