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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTERESTS AND CAPITAL INCREASE IN TARGET COMPANY

THE EQUITY TRANSFER AGREEMENT AND THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 25 March 2021, the Company entered into:

- (a) the Equity Transfer Agreement with Hong Kong WD and Angel Investors, under which the Company has conditionally agreed to acquire, and the Founding Shareholder has conditionally agreed to sell, the equity interests corresponding to the registered capital of USD2,765,490 in the Target Company. The Acquisition consideration was USD25,243,137 (equivalent to approximately RMB164,080,000, and the actual amount will be subject to the exchange rate on the date of payment); and
- (b) the Capital Increase Agreement with Target Company, Baifu Changzhou, GP Healthcare, Hong Kong WD and the Founders, under which the Company has conditionally agreed to subscribe for the new registered capital of USD1,380,526 in the Target Company at the consideration of RMB102,420,000. Meanwhile, GP Healthcare has conditionally agreed to subscribe for the new registered capital of USD336,714 in the Target Company at the consideration of RMB24,980,000.

In the above Acquisition and Capital Increase, it is estimated that the total capital contribution of the Company is about RMB 266,500,000 (actual amount will be subject to the exchange rate on the date of payment). Upon completion of the Acquisition and the Capital Increase, the Company will directly hold the registered capital of the Target Company in an amount of USD4,146,016, corresponding to 39.5663% of the equity interest of the Target Company.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As the highest applicable percentage ratio in relation to the Acquisition and the Capital Increase exceeds 5% but is less than 25%, the Acquisition and the Capital Increase constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition and the Capital Increase are subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 25 March 2021, the Company entered into:

- (a) the Equity Transfer Agreement with Hong Kong WD and Angel Investors, under which the Company has conditionally agreed to acquire, and the Founding Shareholder has conditionally agreed to sell, the equity interests corresponding to the registered capital of USD2,765,490 in the Target Company. The Acquisition consideration was USD25,243,137 (equivalent to approximately RMB164,080,000, the actual amount will be subject to the exchange rate on the date of payment); and
- (b) the Capital Increase Agreements with Target Company, Baifu Changzhou, GP Healthcare, Hong Kong WD and the Founders, under which the Company has conditionally agreed to subscribe for the new registered capital of USD1,380,526 in the Target Company at the consideration of RMB102,420,000. Meanwhile, GP Healthcare has conditionally agreed to subscribe for the new registered capital of USD336,714 in the Target Company at the consideration of RMB24,980,000.

In the above Acquisition and Capital Increase, it is estimated that the total capital contribution of the Company is about RMB 266,500,000 (actual amount will be subject to the exchange rate on the date of payment). Upon completion of the Acquisition and the Capital Increase, the Company will directly hold the registered capital of the Target Company in an amount of USD4,146,016, corresponding to 39.5663% of the equity interest of the Target Company.

THE EQUITY TRANSFER AGREEMENT

Date: 25 March 2021

Parties: (1) The Company;
(2) Hong Kong WD; and
(3) Angel Investors.

Content: According to the Equity Transfer Agreement, the Company has conditionally agreed to acquire, and Hong Kong WD has conditionally agreed to sell, the equity interests corresponding to the registered capital of USD2,765,490 in the Target Company (corresponding to 31.5644% equity interests of the Target Company as at the date of the announcement).

Consideration and completion conditions

The Acquisition consideration was USD25,243,137 (equivalent to approximately RMB164,080,000, the actual amount will be subject to the exchange rate on the date of payment) and the Company shall make a one-off payment according to the Equity Transfer Agreement. The Acquisition consideration will be paid in cash by the self-owned funds of the Company.

The Acquisition consideration was determined by taking into account the equity evaluation report issued by an independent evaluation institution using the income based approach (as at 31 December 2020, the value of 100% of equity interests of the Target Company was RMB 653,000,000, and the corresponding value of 31.5644% equity interests was RMB206,115,532), the financial situation, operation, development and growth prospects of the Target Company through arm's length negotiation.

The completion of the Acquisition is subject to the obtainment of all internal (including the board of directors) and external (including the general meeting of shareholders and relevant government agencies, if applicable) approvals required for the Equity Transfer Agreement and payment of the Acquisition consideration.

THE CAPITAL INCREASE AGREEMENT

Date: 25 March 2021

Parties: (1) The Company;
(2) the Target Company;
(3) Hong Kong WD;
(4) Baifu Changzhou;
(5) GP Healthcare; and
(6) The Founders.

Content: According to the Capital Increase Agreement, the Company has conditionally agreed to subscribe for the new registered capital of USD1,380,526 in the Target Company at the consideration of RMB102,420,000. Meanwhile, GP Healthcare has conditionally agreed to subscribe for the new registered capital of USD336,714 in the Target Company at the consideration of RMB24,980,000. All the contribution of the Capital Increase in excess of the newly increased registered capital will be converted into the capital reserve of the Target Company.

Upon completion of the Acquisition and the Capital Increase, the Company will directly hold the registered capital of the Target Company in an amount of USD4,146,016, corresponding to 39.5663% of the equity interests of the Target Company in total.

Consideration and completion conditions

The consideration of the Capital Increase is RMB102,420,000, which shall be transferred into a designated account of the Target Company within 10 business days upon completion of the Capital Increase. The consideration of the Capital Increase will be paid in cash by self-owned funds of the Company.

The consideration of the Capital Increase was determined by taking into account the equity evaluation report issued by an independent evaluation institution using the income based approach (as at 31 December 2020, the value of 100% of equity interests of the Target Company was RMB 653,000,000), the financial situation, operation, development and growth prospects of the Target Company through arm's length negotiation.

The completion of the Capital Increase is subject to the obtainment of all internal (including the board of directors) and external (including the general meeting of shareholders and relevant government agencies, if applicable) approval required for the Capital Increase Agreement and the payment of the Capital Increase consideration.

Priority of Transfer and Sale of Products

All R&D projects / product pipelines of the Target Company included in the scope of due diligence evaluation under the Capital Increase Agreement shall be manufactured in the production bases of the Company. After the completion of the Capital Increase, without the prior written consent of the Company, the Target Company shall not transfer any of its current R&D projects / product pipelines. Subject to the above agreement and under the same conditions, the Company has the priority right in the transfer of all R&D projects / product pipelines of the Target Company at present and after completion of the Capital Increase. In addition, under the same conditions, the Company has the priority right to sell all products of the Target Company in the PRC and abroad after they are launched into the market.

Directors and supervisors of the Target Company

After the completion of the Acquisition and the Capital Increase, the board of directors of the Target Company will include six directors, among which Hong Kong WD has the right to appoint three directors. The Company, GP Healthcare and Baifu Changzhou have the right to appoint one director respectively. The chairman of the board of directors will be appointed by Hong Kong WD and the Founders. The Target Company does not have a board of supervisors, but will have a supervisor appointed by the Company.

Each director of the Target Company is entitled to one vote in the voting process. In case of the same number of affirmative and negative votes, the chairman of the Target Company will have the right to make the final decision on the relevant issues.

Project progress commitments

Hong Kong WD and the Founders undertook that the Target Company will simultaneously complete the following project progress:

(a) No later than 31 December 2023, Project WD-1603 and Project WD-1804 as stipulated in the Capital Increase Agreement will complete key phase II clinical trials in the PRC or the United States, and enter into phase III clinical trial status;

(b) No later than 31 December 2023, for any generic drug project of the Target Company, the ANDA will be submitted to the State Drug Administration of the PRC or the Food and Drugs Administration of the United States. Alternatively, for any generic drug project of the Target Company, the Target Company enters into a formal external license/transfer agreement (the license/transfer consideration shall be recognized by the investors) with other third parties (such third parties shall not be the related parties of the Target Company, Hong Kong WD or the Founders), and obtain the corresponding license/transfer income no later than 31 December 2023.

If the Target Company fails to fulfill any of the above project progress commitments, the Company, GP Healthcare and Baifu Changzhou have the right to require Hong Kong WD, or require the Founders to cause Hong Kong WD to transfer or adjust its shareholding ratio in the Target Company. If the Target Company completes the transfer of overseas rights related to any of its R&D project by 31 December 2023, and the transfer consideration of a single project is higher than or equal to USD300 million or the total transfer consideration of two projects is higher than or equal to USD400 million, the commitments stated in (a) and (b) above may be exempted and the technical team of the Target Company shall be rewarded accordingly.

Shareholding structure of the Target Company before and after the Acquisition and the Capital Increase

Name of shareholder	Shareholding structure before the Acquisition and the Capital Increase		Equity structure after the Acquisition and the Capital Increase	
	Registered capital	Shareholding ratio	Registered capital	Shareholding ratio
Hong Kong WD	800.0000	91.3093%	456.0000	43.5170%
Baifu Changzhou	76.1426	8.6907%	76.1426	7.2664%
The Company	-	-	414.6016	39.5663%
GP Healthcare	-	-	101.1224	9.6503%
Total	876.1426	100.0000%	1,047.8666	100.0000%

GENERAL INFORMATION

The Company

The Company is a bio-pharmaceutical company that is principally engaged in the innovative research and development, production and manufacture and sales of bio drugs.

The Target Company

The Target Company is an innovative drug R&D company registered in the PRC and founded by a senior entrepreneurial team in the United States. It is committed to the development of new drug products with international leading level, independent intellectual property rights and global patents that meet the clinical needs and combine with medical equipment. It adopts the rapid and synchronous application in the United States, Europe and the PRC as the basic strategy, and develops high-value and high-end generic drug industrialization platform. As of the date of this announcement, the research projects of the Target Company are based on five technical platforms, focusing on 505(b)(2) core products with high technical barriers, and the fields of nervous system, cardiovascular system and immune system. Compared with innovative new drugs, the probability of successful R&D of 505(b)(2) and generic drugs is higher, and thus the operating risk of the Target Company is lower than that of innovative new drugs R&D enterprises. At the same time, the selected pipeline variety of the Target Company is for Parkinson's disease, which has huge unmet clinical needs, and it is very difficult to obtain the approval of new target and new molecular entity drugs in this field. The 505(b)(2) application projects are one of the preferred ways to obtain new varieties to participate in the market competition.

According to the audited consolidated financial statements of the Target Company for the year ended 31 December 2020 prepared in accordance with the Chinese Accounting Standards for Business Enterprises, the total assets of the Target Company as of 31 December 2020 were RMB33,486,924, total liabilities was RMB1,611,309, net asset value was RMB 31,875,615, and the net loss was RMB17,130,333 (the unaudited net loss for the year ended 31 December 2019 was RMB18,891,685).

Hong Kong WD

Hong Kong WD is an investment company registered in Hong Kong which engaged in equity investment and management business. DONG LIANG CHANG, WEI XIAOXIANG, WONG PUI and NG TIT holds 28.50%, 28.50%, 37.84% and 5.16% of the its equity interests, respectively. The ultimate beneficial owner of Hong Kong WD is the Founders, who have rich experience in new drug R&D and investment management in the pharmaceutical industry.

GP Healthcare

GP Healthcare is a limited partnership incorporated in the PRC, and is mainly engaged in equity investment and investment management. The executive partner of GP Healthcare is Shanghai GP Medicare and Health Equity Investment Fund Management Co., Ltd., (上海金浦醫療健康股權投資基金管理有限公司) which is mainly engaged in equity investment management and industrial investment, and holds 0.05% of the interests of GP Healthcare. Based on the information provided by GP Healthcare, the controlling shareholder of Shanghai GP Medical and Health Equity Investment Fund Management Co., Ltd. is GP Industrial Investment Fund Management Co., Ltd., (金浦產業投資基金管理有限公司) which has no controlling shareholder or actual controller.

Baifu Changzhou

Baifu Changzhou is a limited partnership registered in the PRC, mainly engaged in venture capital and industrial investment. The executive partner of Baifu Changzhou is Shanghai Bai'ao Fortune Medical Investment Management Co., Ltd., which holds 1.13% of the shares of Baifu Changzhou and is mainly engaged in investment management. The ultimate beneficial owner of Shanghai Bai'ao Fortune Medicare Investment Management Co., Ltd. is Qian Feng. As at the date of this announcement, the Company holds 22.54% interests of Baifu Changzhou.

Upon completion of the Acquisition and the Capital Increase, GP Healthcare and Baifu Changzhou will hold less than 10% of the equity interests of the Target Company.

Except as disclosed in this announcement, the Directors, after making all reasonable inquiries, to the best of their knowledge and belief, each of the parties and their ultimate beneficial owners mentioned above is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFIT OF THE ACQUISITION AND THE CAPITAL INCREASE

The projects under research of the Target Company has the first-mover advantages of in relevant fields in the PRC., As the projects under research of the Target Company are still in the R&D stage and has not yet proceed to the industrialization stage, the Target Company recorded net loss. However, the Company values its R&D potential and the value of its projects under research, and believe that the Acquisition and the Capital Increase will expand the clinical application fields of the Company's products under research, further accelerate the R&D process of new drugs in progress, and promote the listing of such products. The Acquisition and the Capital Increase are in line with the development trend of the industry and the development strategy of the Company. The Acquisition and the Capital Increase will expand the of business fields and enrich product pipelines of the Company, and will improve the future marketing capacity and brand awareness of new drugs of the Company, so as to enhance the long-term profitability and comprehensive competitiveness of

the Company, which are beneficial to the Company's sustainable development in medium and long term and brings value to the investors.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition and the Capital Increase are made on an arm's length basis in the ordinary and usual course of business of the Company on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in relation to the Acquisition and Capital Increase exceeds 5% but is less than 25%, the Acquisition and Capital Increase constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition and Capital Increase are subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the Acquisition and Capital Increase, no Director is required to abstain from voting on the Board resolution approving the Acquisition and Capital Increase.

The completion of the Acquisition and the Capital Increase is subject to the satisfaction and/or waiver (where applicable) of completion condition under the Equity Transfer Agreements and the Capital Increase Agreement respectively, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	acquisition of 31.5644% of equity interests of the Target Company by the Company pursuant to the Equity Transfer Agreement
“ANDA”	Abbreviated New Drug Application
“Angel Investors”	WONG, PUI and NG, TIT
“A Shares”	the ordinary share(s) with a nominal value of RMB0.1 each in the share capital of the Company which are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, and are subscribed for and traded in RMB

“Baifu Changzhou”	Baifu (Changzhou) Healthcare and Medical Investment Center (Limited Partnership) (百富（常州）健康醫療投資中心（有限合夥）)
“Board”	the board of directors of the Company
“Capital Increase”	subscription of USD1,380,526 new registered capital of the Target Company by the Company and subscription of USD336,714 new registered capital of the Target Company by GP Healthcare pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	The capital increase agreement entered into among the Company, Hong Kong WD, Baifu Changzhou, the Target Company, GP Healthcare and the Founders on 25 March 2021, pursuant to which the Company has conditionally agreed to subscribe for the new registered capital of USD1,380,526 in the Target Company, and GP Healthcare has conditionally agreed to subscribe for the new registered capital of USD336,714 in the Target Company at the consideration of RMB24,980,000.
“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 company incorporated in the PRC with A Shares listed on STAR Market of Shanghai Stock Exchange and H Shares listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	Equity Transfer agreement entered into among the Company , Hong Kong WD and the Angel Investors on 25 March 2021, pursuant to which the Company has conditionally agreed to acquire, and Hong Kong WD has conditionally agreed to sell, the equity interests corresponding to the registered capital of USD2,765,490 in the Target Company
“Founders”	DONG, LIANG CHANG and WEI, XIAOXIONG
“Group”	the Company and/or its subsidiaries
“H Shares”	the ordinary share(s) with a nominal value of RMB0.1 each in the share capital of the Company which are listed on the Stock Exchange, and are subscribed for and traded in HKD
“Hong Kong WD”	Hong Kong WD Pharmaceutical Co., Limited

“GP Healthcare”	Shanghai GP Healthcare Phase III Equity Investment Partnership (Limited Partnership) (上海金浦健康三期股權投資基金合夥企業（有限合夥）)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of The PRC, for the purpose of this announcement, excluding the regions of Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Handu Pharmaceutical Technology Co., Limited
“%”	percent

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

25 March 2021

** For identification purpose only*