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If you are in doubt as to any aspect of this circular or as to the action taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in 上海復旦張江生物醫藥股份有限公司 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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 limited company incorporated in the People's Republic of China)
(Stock code: 8231)

**CONTINUING CONNECTED TRANSACTIONS :
SIGNING OF THE STRATEGIC COOPERATION AGREEMENT FOR
INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT
WITH SHANGHAI PHARMACEUTICAL; AND
PROPOSED RE-ELECTION AND APPOINTMENTS OF DIRECTORS AND
SUPERVISORS**

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



Guotai Junan Capital Limited

A notice convening the AGM to be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China, at 10:00 a.m. on Friday, 27 May 2011 is set out on pages 36 to 40 of this circular.

A reply slip and a proxy form to be used at the AGM are also enclosed with this circular. If you are eligible and intend to attend the AGM, please complete and return the enclosed reply slip in accordance with the instructions printed thereon on or before Friday, 6 May 2011. Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the accompanying proxy form in accordance with the instructions printed thereon to the H share registrar of the Company, at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so desire.

* For identification purpose only.

8 April 2011

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM”	means the annual general meeting of the Company to be held at No. 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China at 10:00 a.m. on Friday, 27 May 2011
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	means the board of the directors of the Company
“Company”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company with limited liability incorporated in the PRC, whose H shares are listed on the GEM
“Connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	means the directors of the Company
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM
“Group”	means the Company and its subsidiaries
“Guotai Junan Capital”	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Strategic Cooperation Agreement and the continuing connected transaction thereunder
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“H Shares”	means the H shares of the Company, which has been listed on the GEM
“Independent Board Committee”	means the independent Board committee comprising all Independent Non-executive Directors, namely, Mr. Pan Fei, Mr. Cheng Lin and Mr. Weng De Zhang, appointed to advise the Independent Shareholders on the Strategic Cooperation Agreement and the continuing connected transaction thereunder pursuant to the requirements of the GEM Listing Rules

DEFINITIONS

“Independent Shareholders”	means the Shareholders who are not required to abstain from voting at the AGM in respect of the resolution for approving the Strategic Cooperation Agreement and the continuing connected transaction thereunder under the GEM Listing Rules
“Latest Practicable Date”	means 6 April 2011, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	means the People’s Republic of China
“Promoter”	has the meaning ascribed thereto under Rule 1.01 of the GEM Listing Rules
“Region for Cooperation”	means the geographical scope within which the research and development, production and sales activities of the pharmaceuticals are conducted, i.e. in the PRC (including Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Pharmaceutical”	Shanghai Pharmaceuticals Holding Co., Ltd.*, a joint stock limited company incorporated in the PRC (whose A shares are listed on the Shanghai Stock Exchange), and is the promoter and a Substantial Shareholder of the Company
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development” or “Strategic Cooperation Agreement”	means the strategic cooperation agreement for innovative pharmaceutical research and development cooperation entered into between the Company and Shanghai Pharmaceutical on 23 February 2011, pursuant to which both parties will jointly share the risks of, and cooperate on, the research and development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages
“subsidiary”	has the meaning ascribed to it under section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and “subsidiaries” shall be construed accordingly

DEFINITIONS

“Substantial Shareholder”	has the meaning ascribed thereto under Rule 1.01 of the GEM Listing Rules
“Such Pharmaceuticals” or “Each Pharmaceutical”	means the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages, the research and development on which the Company and Shanghai Pharmaceutical have agreed to cooperate under the Strategic Cooperation Agreement
“Supervisor(s)”	means the supervisors of the Company
“Supervisory Committee”	means the supervisory committee of the Company
“%”	means per cent

** For identification purpose only*

LETTER FROM THE BOARD



上海復旦張江生物醫藥股份有限公司
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock code: 8231)

Executive Directors

Mr. Wang Hai Bo (*Chairman*)
Mr. Su Yong
Mr. Zhao Da Jun

Non-executive Directors

Ms. Fang Jing
Mr. Zhou Jie
Mr. Guo Jun Yu
Mr. Hao Hong Quan
Mr. Zhu Ke Qin

Independent Non-executive Directors

Mr. Pan Fei
Mr. Cheng Lin
Mr. Weng De Zhang

Registered office and principal place of business in the PRC

No. 308, Cailun Road,
Zhangjiang Hi-Tech Park
Pudong New Area, Shanghai
China
201210

Principal place of business in Hong Kong

15/F, The Bank of East Asia Building,
10 Des Voeux Road Central
Hong Kong

8 April 2011

To the Shareholders,

Dear Sir/Madam

**CONTINUING CONNECTED TRANSACTIONS:
SIGNING OF THE STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE
PHARMACEUTICALS RESEARCH AND DEVELOPMENT
WITH SHANGHAI PHARMACEUTICAL; AND
PROPOSED RE-ELECTION AND APPOINTMENT OF DIRECTORS AND
SUPERVISORS**

I. INTRODUCTION

Reference is made to the announcement published by the Company on 23 February 2011 relating to the signing of the Strategic Cooperation Agreement with Shanghai Pharmaceutical and the relevant supplementary announcement published on 16 March 2011.

* *For identification purpose only*

LETTER FROM THE BOARD

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

Reference is also made to the announcement on proposed re-election and appointment of Directors and Supervisors published by the Company on 28 March 2011.

The purpose of this circular is to provide you with further information of the Strategic Cooperation Agreement and the continuing connected transactions thereunder, as well as the letter from the Independent Board Committee, the letter of advice from Guotai Junan Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and other information required under the GEM Listing Rules, and also to provide you details of the proposal in relation to the re-election and appointment of Directors and Supervisors, to enable you to make an informed decision to vote on the relevant resolutions at the AGM.

II. CONTINUING CONNECTED TRANSACTIONS: SIGNING OF THE STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL

1. Details of the Strategic Cooperation Agreement

- Date:** 23 February 2011
- Parties:** The Company and Shanghai Pharmaceutical
- Validity and Renewal:**
- The Strategic Cooperation Agreement shall become effective after it being signed by the respective authorized representatives of both parties and being chopped with the respective official chops, approved by the board of directors and the Shareholders in general meetings of both parties (if applicable) and approved by or filed with the relevant authority(ies) (if applicable). The Strategic Cooperation Agreement is valid from the effective date until 31 December 2013.

LETTER FROM THE BOARD

- Upon the expiration of the Strategic Cooperation Agreement, if the research and development of Such Pharmaceuticals has not yet completed, both parties shall renew the Strategic Cooperation Agreement on the same terms, and the term for each renewal shall not exceed three (3) years. If the Company is not willing to renew the Strategic Cooperation Agreement, the rights of the Company thereunder will be terminated and all rights and interests pertaining to Such Pharmaceuticals shall be vested into Shanghai Pharmaceutical. If Shanghai Pharmaceutical is not willing to renew the Strategic Cooperation Agreement, the rights of Shanghai Pharmaceutical thereunder will be terminated, and all the rights and interests pertaining to Such Pharmaceuticals shall be vested into the Company.

Key Terms:

- Both parties agreed to cooperate, within the Region for Cooperation, on the research and development of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various stages;
- In respect of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement up to 31 December 2010, 80% of such expenses shall be borne by Shanghai Pharmaceutical in accordance with the agreed progress of the projects;
- After the signing of the Strategic Cooperation Agreement, the research and development expenses incurred from 1 January 2011 (inclusive) shall be borne by as to 20% by the Company and as to 80% by Shanghai Pharmaceutical;
- The expenses incurred by the research and development expenses of Each Pharmaceutical shall include direct commissioning for research and development fees, raw material fees, testing and processing fees, salaries of staff directly involved in the project, utilization fees of equipment directly relating to the research and development of Such Pharmaceuticals and appropriate management fees;

LETTER FROM THE BOARD

- The Company agreed to share ownership jointly with Shanghai Pharmaceutical over the patents and the rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation and complete the change of registration for the relevant patents and patent application rights or jointly apply for patents from and including the day on which Shanghai Pharmaceutical pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement;
- Intellectual property rights (unlimited by the Region for Cooperation) arising from the joint research and development after the entry of the Strategic Cooperation Agreement shall be shared by both parties. If any such intellectual property right is eligible for the application for patents (unlimited by the Region for Cooperation), both parties shall have joint ownership over such patents and the rights to such patent application; if patent application is not available at the relevant time, both parties shall jointly own such new proprietary technology;
- The ownership and interest of the Certificate of New Drugs relating to Such Pharmaceuticals shall be jointly owned by both parties. Each party shall be entitled to 50% of the revenue of Each Pharmaceutical within the Region for Cooperation. Details of the allocation of revenue shall be separately agreed between both parties through negotiations prior to the commencement of production and sales of Each Pharmaceutical.

Payment terms:

- Shanghai Pharmaceutical shall make prepayments in the amount set out in the appendix to the Strategic Cooperation Agreement within the first month from the effective day of the Strategic Cooperation Agreement and the second month of each subsequent calendar year, any expenses that exceed the budget shall be referred to the management committee for its approval on an item-by-item basis. Settlement shall be made annually on the basis of the actual research and development expenses incurred in the relevant year and in the ratios agreed in the Strategic Cooperation Agreement after rectification by the management committee. Settlement is required to be completed within the first month of the following year, any excess amount will be refunded to, and any shortfall will be made up by, the parties or the balance of the prepayments may be carried forward to the next year;

LETTER FROM THE BOARD

- The amount of payment to be made by Shanghai Pharmaceutical to the Company in respect of its share of the preliminary research and development expenses for Each Pharmaceutical shall be made by installments in accordance with the agreed progress of the project, and the timing of such payment shall be determined by the Appendix to the Strategic Cooperation Agreement.

2. Information on the Relevant Pharmaceuticals

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

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

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

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

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

(3) *Duteroporphyrin* (多替泊芬)

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

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

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

LETTER FROM THE BOARD

3. Annual Caps for Continuing Connected Transactions under the Strategic Cooperation Agreement

(1) *Expected annual caps*

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

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

(2) *Bases for determination of the annual caps*

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

Table 1: The total expected research fees to be incurred for the three financial years ending 31 December 2013

	Currency: RMB		
	2011	2012	2013
Recombinant human lymphotoxin derivatives (LT) (重組人淋巴毒素 α 衍生物)	7,300,000	4,700,000	5,800,000
Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)	5,000,000	2,000,000	6,600,000
Deuteporfin (多替泊芬)	6,000,000	6,250,000	3,250,000
Recombinant high affinity TNF receptor (重組高親和力TNF受體)	6,000,000	6,000,000	6,000,000
Aggregated total expected research fees for current year	24,300,000	18,950,000	21,650,000

LETTER FROM THE BOARD

Table 2: Total amount of research and development expenses (including research and development expenses to be incurred and preliminary research and development expenses already incurred) received by the Company from Shanghai Pharmaceutical for the three years ending 31 December 2013

	Currency: RMB		
	2011	2012	2013
80% of the research and development expenses to be prepaid by Shanghai Pharmaceutical ^{note 1}	19,440,000	15,160,000	17,320,000
Preliminary fees of cooperation projects to be paid by Shanghai Pharmaceutical (payment made according to agreed progress) ^{note 2}	15,625,000 ^{note2}	14,974,500 ^{note2}	20,341,500 ^{note2}
Total amount to be paid and prepaid by Shanghai Pharmaceutical for current year	<u>35,065,000</u>	<u>30,134,500</u>	<u>37,661,500</u>

Notes:

1. According to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the research and development expenses incurred commencing from 1 January 2011 (inclusive). These sums are calculated based on 80% of the estimated total amount of research fees to be incurred for the three financial years ending 31 December 2013 (see the total sums in Table1).

2. According to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the preliminary research and development expenses incurred by the Company up to 31 December 2010. The total amount of preliminary research and development expenses incurred by the Company up to 31 December 2010 was RMB78.1 million. Shanghai Pharmaceutical has undertaken to be responsible for 80% at such expenses, or approximately RMB62.5 million, of which approximately RMB50.9 million will be paid in the first three years ending 31 December 2013, on the assumption that the projects will proceed as scheduled. The remaining RMB11.6 million will be paid to the Company in the three years ending 31 December 2016 subject to progress of the projects as scheduled.

When considering the relevant annual caps of the above continuing connected transactions, the Directors, after taking into account the fact that both parties may make adjustment to the future research expenses to be incurred by Such Pharmaceuticals according to the actual expenditure of Such Pharmaceuticals under the Strategic Cooperation Agreement, included an additional buffer to the aggregate amount payable by Shanghai Pharmaceutical to the Company as listed in the above table.

LETTER FROM THE BOARD

4. **Reasons for and Benefits of the Transactions**

In view of the well-known status of Shanghai Pharmaceutical in the pharmaceutical industry, its strong capabilities and extensive experience in production, manufacturing, marketing and sales, and the research and development experience of the Company accumulated throughout the previous years, both parties are willing to share the risk of, and cooperate on, the research and development and commercialization of Such Pharmaceuticals. Since the Company has quite a number of research and development projects, and 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 also increase. Cooperation with Shanghai Pharmaceutical on some projects will not only realize the value of the projects that are at different research and development stages, but will also secure funds for the effective commercialization development. This satisfies the development needs of the Company and is in the interests of all the Shareholders.

In the opinion of the Directors, the Strategic Cooperation Agreement is entered into after arm's length negotiations in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of the Strategic Cooperation Agreement and the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable and in the interests of the Company and all the Shareholders as a whole.

5. **Information on the Parties**

(1) *Information on the Group*

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

(2) *Information on Shanghai Pharmaceutical*

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

LETTER FROM THE BOARD

6. GEM Listing Rules Implications

Shanghai Pharmaceutical is a Substantial Shareholder and Connected Person of the Company. The entering into of the Strategic Cooperation Agreement between the Company and Shanghai Pharmaceutical and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As one or more of the percentage ratios (other than profit ratio) in respect of such continuing connected transactions, on an annual basis, is/are expected to exceed 5%, the entering into of Strategic Cooperation Agreement and the proposed annual caps for the continuing connected transactions thereunder are subject to Independent Shareholders' approval in addition to the reporting and announcement requirements under the GEM Listing Rules.

Save as Mr. Zhou Jie's employment with Shanghai Pharmaceutical as disclosed in the Appendix I to this circular, Shanghai Pharmaceutical has no other relationship with any controller of the Company.

The relevant resolution will be put forward at the AGM for approval by the Independent Shareholders. Shanghai Pharmaceutical, which holds 29.60% equity interest of the Company as at the Latest Practicable Date, and its associates will abstain from voting on such resolution at the AGM.

The Independent Board Committee has advised the Independent Shareholders in relation to the Strategic Cooperation Agreement and the continuing connected transactions thereunder. The letter from the Independent Board Committee to the Independent Shareholders is set out in this circular. Guotai Junan Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard. The letter from Guotai Junan Capital is also set out in this circular.

III. PROPOSED RE-ELECTION AND APPOINTMENTS OF DIRECTORS AND SUPERVISORS

Whereas the third session of the Board and the third session of the Supervisory Committee of the Company will expire at the conclusion of the forthcoming AGM, the 11th meeting of the third session of the Board held on 24 March 2011 has resolved to nominate each of the following persons as candidates for re-election as Directors or Supervisors of the fourth session of the Board and the Supervisory Committee, and to propose to appoint Mr. Ge Jian Qiu and Ms. Ke Yin as non-executive Directors of the fourth session of the Board in order to fill the vacancies left by the Directors who will retire at the conclusion of the AGM. Details of the proposal are set out below:

Proposed Executive Directors of the fourth session of the Board:

Mr. Wang Hai Bo, proposed to be re-elected upon the expiry of the term of office

Mr. Su Yong, proposed to be re-elected upon the expiry of the term of office

Mr. Zhao Da Jun, proposed to be re-elected upon the expiry of the term of office

LETTER FROM THE BOARD

Proposed Non-executive Directors of the fourth session of the Board:

Ms. Fang Jing, proposed to be re-elected upon the expiry of the term of office

Mr. Hao Hong Quan, proposed to be re-elected upon the expiry of the term of office

Mr. Zhu Ke Qin, proposed to be re-elected upon the expiry of the term of office

Mr. Ge Jian Qiu, proposed to be appointed

Ms. Ke Yin, proposed to be appointed

Proposed Independent Non-executive Directors of the fourth session of the Board:

Mr. Pan Fei, proposed to be re-elected upon the expiry of the term of office

Mr. Cheng Lin, proposed to be re-elected upon the expiry of the term of office

Mr. Weng De Zhang, proposed to be re-elected upon the expiry of the term of office

Proposed Supervisors of the fourth session of the Supervisory Committee:

Mr. Zhu Zu Shun, proposed to be re-elected upon the expiry of the term of office

Ms. Bao Qi, proposed to be re-elected upon the expiry of the term of office

Ms. Zhang Man Juan, proposed to be re-elected upon the expiry of the term of office

Mr. Guo Yi Cheng, proposed to be re-elected upon the expiry of the term of office

Mr. Xu Qing, proposed to be re-elected upon the expiry of the term of office

Biographies of the candidates for re-election or appointments as Directors or Supervisors are set out in the Appendix II to this circular. Mr. Zhou Jie and Mr. Guo Jun Yu, both Non-executive Directors of the third session of the Board, will retire at the conclusion of the AGM.

The resolutions relating to the proposed re-election of directors and supervisors will be put forward at the AGM for approval as ordinary resolutions.

Upon the proposed appointments (re-appointments) of these candidates as Directors or Supervisors being approved by the Shareholders, each of them will enter into a service contract with the Company. Their term of office as Directors or Supervisors will be from the date of being elected at the AGM, until the conclusion of the annual general meeting of the Company in or around June 2014 (except for re-election). The remuneration as Directors and supervisors will be determined based on the Company's remuneration policy for Directors and Supervisors and subject to the approval at the general meeting.

LETTER FROM THE BOARD

None of the candidates proposed to be re-elected or appointed as Directors or Supervisors has any interest, deemed interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). Save as disclosed in the Appendix II to this Circular, none of them held any other positions in the Company or any of its subsidiaries or any directorship in other listed public companies in the last three years, or has any relationship with any Directors, senior management and Substantial Shareholders of the Company.

There is no information relating to the candidates proposed to be re-elected or appointed as Directors or Supervisors that is required to be disclosed pursuant to Rule 17.50(2) (h) to (v) of the GEM Listing Rules. Save as disclosed above, there is no other matter in relation to the re-election or appointments of them that needs to be brought to the attention of the Shareholders.

IV. AGM

The notice convening the AGM to be held at 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China, at 10:00 a.m. on Friday, 27 May 2011 is set out at the end of this circular.

A reply slip and a proxy form to be used at the AGM is enclosed. If you are eligible and intend to attend the AGM, please complete and return the enclosed reply slip in accordance with the instructions printed thereon on or before Friday, 6 May 2011. Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible to the Company's H share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting in person should you so desire.

The register of H Shareholders of the Company will be temporarily closed from Wednesday, 27 April 2011 to Friday, 27 May 2011 (both days inclusive). During this period, no transfer of H Shares will be registered. Any holder of the H Shares, whose name appears on the Company's register of H Shareholders at the close of business hours on Tuesday, 26 April 2011 and has completed the registration procedures, is entitled to attend and vote at the AGM.

V. RECOMMENDATIONS

The Directors are of the view that the resolutions in relation to the Strategic Cooperation Agreement and the continuing connected transactions thereunder, and the proposed re-election and appointments of Directors and Supervisors are in the best interests of the Company and the Shareholders as a whole and accordingly recommend you to vote in favour of the said resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

According to the relevant laws of the PRC, connected Directors, Mr. Zhou Jie and Mr. Guo Jun Yu, have abstained from voting on the resolution in respect of the Strategic Cooperation Agreement and the continuing connected transactions contemplated thereunder at the relevant Board meeting.

VI. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular and the letter from Guotai Junan Capital to the Independent Board Committee and Independent Shareholders set out on pages 18 to 27 of this circular.

Your attention is also drawn to the general information set out in the Appendix I to this circular.

Yours faithfully,
For and on behalf of the Board
Wang Hai Bo
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



上海復旦張江生物醫藥股份有限公司
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock code: 8231)

8 April 2011

To the Independent Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
SIGNING OF THE STRATEGIC COOPERATION AGREEMENT FOR
INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT
WITH SHANGHAI PHARMACEUTICAL**

We refer to the circular of the Company dated 8 April 2011 (the “Circular”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed as the Independent Board Committee to advise you as to whether in our opinion, the terms and conditions of the Strategic Cooperation Agreement, details of which are set out in the letter from the Board, and the continuing connected transactions contemplated thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Guotai Junan Capital has been appointed by the Company as the independent financial adviser to advise us and the Independent Shareholders on the fairness and reasonableness of the terms and conditions of the Strategic Cooperation Agreement and the Continuing Connected Transactions thereunder. Details of the advice from Guotai Junan Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 18 to 27 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 15 and the additional information set out in the Appendix I to the Circular. .

Having considered the terms and conditions of the Strategic Cooperation Agreement and the continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice and recommendation of Guotai Junan Capital, we are of the view that the terms and conditions of the Strategic Cooperation Agreement are entered into after arm's length negotiation and on normal commercial terms, and the proposed annual caps for the continuing

** For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

connected transactions thereunder are fair and reasonable as far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution at the AGM so as to approve the Strategic Cooperation Agreement and the proposed annual caps for the continuing connected transactions thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Pan Fei, *Independent Non-executive Director*
Cheng Lin, *Independent Non-executive Director*
Weng De Zhang, *Independent Non-executive Director*

LETTER FROM GUOTAI JUNAN CAPITAL



27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

8 April 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SIGNING OF THE STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Strategic Cooperation Agreement and the proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 8 April 2011 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 23 February 2011, the Board made an announcement regarding the entering into of the Strategic Cooperation Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder. As set out in the Letter from the Board, the Company and Shanghai Pharmaceutical will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Group which are currently at various research stages.

As set out in the supplementary announcement of the Company dated 16 March 2011 and the Letter from the Board, Shanghai Pharmaceutical is a Substantial Shareholder and Connected Person of the Company and therefore the entering into of the Strategic Cooperation Agreement between the Company and Shanghai Pharmaceutical and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As the relevant percentage ratios applicable to such continuing connected transactions with reference to the proposed annual caps are more than 5%, such continuing connected transactions are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Shanghai Pharmaceutical and its associates will abstain from voting in respect of the relevant resolution at AGM.

LETTER FROM GUOTAI JUNAN CAPITAL

The Independent Board Committee has been established to advise the Independent Shareholders in relation to (i) the entering into of the Strategic Cooperation Agreement; (ii) the continuing connected transactions; and (iii) the proposed annual caps. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in those regards.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and its management. We have assumed that all such statements, information, opinions and representations were true, accurate and complete at the time when they were made and given and continue to be so up to and including the date of the AGM. We have also assumed that all statements of belief, opinions and representations made by the Board in the Circular were reasonably made after due and careful enquiries. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and its management or to believe that material information has been withheld or omitted from the information provided to us. We have also been advised by the Company and believe that no material facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have reviewed certain published information including but not limited to, the announcements of the Company dated 23 February 2011 and 16 March 2011 in relation to the entering into of the Strategic Cooperation Agreement, the annual reports of the Company for the years ended 31 December 2008, 2009 and 2010, and the annual report of Shanghai Pharmaceutical for the year ended 31 December 2010. We have also visited the website of the State Food and Drug Administration of the PRC to understand the relevant regulations of carrying on a pharmaceutical manufacturing business in the PRC. In addition, we have discussed with the management of the Company on the background of and reasons for entering into the Strategic Cooperation Agreement, the factors of determining the proposed annual caps, the management's view on the ongoing research and development and commercialization process of new drugs and the Company's future funding requirements. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the businesses and affairs, financial conditions and future prospects of the Company or any of its subsidiaries.

Our recommendations contained herein are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, opinions and representations made available to us as of the Latest Practicable Date. Our recommendations do not in any manner address the Company's own decision to proceed with the Strategic Cooperation Agreement and the transactions contemplated thereunder. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the recommendation expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

LETTER FROM GUOTAI JUNAN CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Strategic Cooperation Agreement

The Group is principally engaged in the research, development and selling of self-developed bio-pharmaceutical know-how, carrying out contracted research for customers, manufacturing and selling of medical products and the provision of related ancillary services in the PRC. As stated in the annual report of the Company for the year ended 31 December 2010, the Group is currently undergoing the process of conversion of its business from pure research and development into research, development and commercialization. The Group's core position would be research and development of drugs with patents and commercialization of drugs specifically for the PRC market.

Shanghai Pharmaceutical is a company with limited liability incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange. Shanghai Pharmaceutical and its subsidiaries (collectively, the “**Shanghai Pharmaceutical Group**”) is principally engaged in new medicine development, production, marketing and sales of a variety of pharmaceutical products and it is the Promoter and a Substantial Shareholder of the Company. As stated in the annual report of Shanghai Pharmaceutical for the year ended 31 December 2010, with its recognized brand name nationwide, the large scale production capability and an extensive distribution network, Shanghai Pharmaceutical Group is one of the largest pharmaceutical manufacturing companies in the PRC and recorded turnover and net profit attributable to the shareholders of approximately RMB37,411 million and RMB1,368 million, respectively, for the year ended 31 December 2010. The net asset value of Shanghai Pharmaceutical Group as at 31 December 2010 was approximately RMB9,134 million.

The pharmaceutical industry in the PRC is highly regulated. The manufacturing and distribution of pharmaceutical products are under the supervisory authority of the State Food and Drug Administration of the PRC. According to the Law on the Administration of Pharmaceuticals of the PRC (中華人民共和國藥品管理法) and its implementation regulations (中華人民共和國藥品管理法實施條例), as a pre-requisite for carrying on a pharmaceutical manufacturing business in the PRC, all pharmaceutical companies are required to obtain from the various government authorities certain permits and licenses for each of the pharmaceutical products before production and/or sale of such product can commence. Based on the past experience of the management of the Company, the period from research and development, clinical trial to commercialization of new drugs can span over 10 years. Although the Group has successfully developed and brought to market certain pharmaceutical products since its establishment, we are advised by the management of the Company that there can be no assurance that the research and development activities will always result in commercially viable products despite spending over years of efforts and incurring significant amounts of research and development expenses and risks of failure are inevitably inherent in the research and development process.

From the Company's annual reports for the years ended 31 December 2008, 2009 and 2010, the research and development expense was one of the major costs of the Group and was approximately RMB23.8 million, RMB22.1 million and RMB16.0 million, representing approximately 25.8%, 35.7%

LETTER FROM GUOTAI JUNAN CAPITAL

and 50.0% of the turnover of the Group for each of the three years ended 31 December 2010, respectively. The Group has just recorded a profit attributable to shareholders of approximately RMB3.7 million for the year ended 31 December 2010, after recording losses attributable to shareholders of RMB7.3 million and RMB23.4 million for the years ended 31 December 2008 and 2009, respectively. According to the annual report for the year ended 31 December 2010, the Group had outstanding loans of approximately RMB73.0 million and the Group's gearing ratio, which is calculated by dividing the Group's total liabilities by its capital and reserves attributable to shareholders, was 0.97 as at 31 December 2010.

As stated in the Letter from the Board, the aggregated research and development expenses to be incurred by Such Pharmaceuticals under the Strategic Cooperation Agreement for the three years ending 31 December 2013 are estimated to be approximately RMB24.3 million, RMB19.0 million and RMB21.7 million respectively. We are further advised by the management of the Company that the research and development of Such Pharmaceuticals are currently at different stages and will take a number of years before commercialization may commence. In addition, we understand from the management of the Company that there are always uncertainties and risks of failure during the research and development process and there is no assurance that Such Pharmaceuticals will be successfully developed and brought to market ultimately. We have also been advised by the management of the Company that considering the specific nature and application of Each Pharmaceutical and the inherent difficulties and uncertainties in estimating the future sales volume and amount of Each Pharmaceutical, they are unable to obtain any direct market comparables or fair market value with reliable assumptions and reasonable accuracy for Such Pharmaceuticals.

Further to our discussion with the management of the Company, we understand that the Group has quite a number of on-going research and development projects, which is expected to result in continuous increase of research and development expenses as such projects approach to more advanced stages. We also understand from the management of the Company that as there is a growing number of the Group's projects which are advancing into commercialization stage, investments in relation to such commercialization is also expected to increase over the next few years and will become major cash outflows of the Group. According to the annual report for the year ended 31 December 2010, the Group had cash and cash equivalents of approximately RMB90.3 million as at 31 December 2010. Therefore, taking into account the current financial conditions of the Group and the substantial amount of research and development expenses to be incurred during the Group's ordinary course of business, we believe that the Group's ongoing research and development activities as well as its future success depend largely on its ability to maintain sufficient capital to fund all the research and development, clinical trial and commercialization processes of new drugs. Moreover, in view of the market position of Shanghai Pharmaceutical in the PRC pharmaceutical industry and its extensive experience in production, manufacturing, marketing and sales of pharmaceuticals in the PRC, the entering into of the Strategic Cooperation Agreement would also allow the Group to leverage on the pharmaceutical production capability and distribution networks of Shanghai Pharmaceutical Group to facilitate commercialization development of Such Pharmaceuticals.

Taking into consideration of the above factors as a whole, we concur with the management of the Company that cooperation with Shanghai Pharmaceutical on the research and development and commercialization of Such Pharmaceuticals will enable the Group to mitigate risks associated with the development process before commercialization and retain its funds for other new drugs development.

LETTER FROM GUOTAI JUNAN CAPITAL

2. Expected financial effects of the continuing connected transactions

As advised by the management of the Company, the aggregated amount of the preliminary research and development expenses incurred by the Company in relation to Such Pharmaceuticals up to 31 December 2010 was approximately RMB78.1 million (the “**Aggregated Preliminary Research and Development Expenses**”), which was expensed as incurred in previous years. According to the Strategic Cooperation Agreement, Shanghai Pharmaceutical will be responsible for (i) 80% of the Aggregated Preliminary Research and Development Expenses (80% of approximately RMB63.7 million out of the aforesaid RMB78.1 million (i.e., approximately RMB50.9 million) will be paid by Shanghai Pharmaceutical to the Company during the three years ending 31 December 2013 and 80% of the remaining RMB14.4 million (i.e., approximately RMB11.6 million) out of the aforesaid RMB78.1 million will be dealt with during the three years ending 31 December 2016 upon the renewal of the Strategic Cooperation Agreement, which is subject to further agreement between the Company and Shanghai Pharmaceutical as well as the reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules); and (ii) 80% of the research and development expenses incurred and to be incurred in relation to Such Pharmaceuticals commencing from 1 January 2011 (inclusive). As advised by the management of the Company, the research and development expenses incurred by the Company in relation to Such Pharmaceuticals will continue to be expensed as incurred after the entering into of the Strategic Cooperation Agreement. On the other hand, the payments to be made by Shanghai Pharmaceutical to the Company in respect of its share of the research and development expenses for Such Pharmaceuticals under the Strategic Cooperation Agreement are expected to be regarded as other income. Considering the Group’s profit attributable to shareholders of approximately RMB3.7 million for the year ended 31 December 2010, the entering into of the Strategic Cooperation Agreement and the payments to be received from Shanghai Pharmaceutical therefore is expected to have a material positive impact on the financial performance of the Group for the three years ending 31 December 2013.

As set out in the Letter from the Board, the Company is expected to receive approximately RMB35.1 million, RMB30.1 million and RMB37.7 million respectively for each of the three years ending 31 December 2013 from Shanghai Pharmaceutical in respect of its share of research and development expenses for Such Pharmaceuticals under the Strategic Cooperation Agreement. Based on the Group’s net assets value and cash and cash equivalents of approximately RMB168.7 million and RMB90.3 million, respectively, as at 31 December 2010, the entering into of the Strategic Cooperation Agreement and the payments to be received from Shanghai Pharmaceutical therefore is expected to have material positive impact on the net assets value and working capital of the Group for the three years ending 31 December 2013.

LETTER FROM GUOTAI JUNAN CAPITAL

3. Principal terms of the Strategic Cooperation Agreement

Pursuant to the Strategic Cooperation Agreement, the Group and Shanghai Pharmaceutical will jointly share the risks of, and cooperate on, the research, development and commercialization of the Such Pharmaceuticals owned by the Group which are currently at various research stages. The principal terms of the Strategic Cooperation Agreement are as follows:

Validity and Renewal:

- The Strategic Cooperation Agreement shall become effective after it being signed by the respective authorized representatives of both parties and being chopped with the respective official chops, approved by the board of directors and the Shareholders in general meetings of both parties (if applicable) and approved by or filed with the relevant authority(ies) (if applicable). The Strategic Cooperation Agreement is valid from the effective date until 31 December 2013.
- Upon the expiration of the Strategic Cooperation Agreement, if the research and development of Such Pharmaceuticals has not yet completed, both parties shall renew the Strategic Cooperation Agreement on the same terms, and the term for each renewal shall not exceed three (3) years. If the Company is not willing to renew the Strategic Cooperation Agreement, the rights of the Company thereunder will be terminated and all rights and interests pertaining to Such Pharmaceuticals shall be vested into Shanghai Pharmaceutical. If Shanghai Pharmaceutical is not willing to renew the Strategic Cooperation Agreement, the rights of Shanghai Pharmaceutical thereunder will be terminated, and all the rights and interests pertaining to Such Pharmaceuticals shall be vested into the Company.

Key Terms:

- Both parties agreed to cooperate, within the Region for Cooperation, on the research and development of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various stages;
- In respect of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement up to 31 December 2010, 80% of such expenses shall be borne by Shanghai Pharmaceutical in accordance with the agreed progress of the projects;
- After the signing of the Strategic Cooperation Agreement, the research and development expenses incurred from 1 January 2011 (inclusive) shall be borne by as to 20% by the Company and as to 80% by Shanghai Pharmaceutical;

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- The expenses incurred by the research and development expenses of Each Pharmaceutical shall include direct commissioning for research and development fees, raw material fees, testing and processing fees, salaries of staff directly involved in the project, utilization fees of equipment directly relating to the research and development of Such Pharmaceuticals and appropriate management fees;
- The Company agreed to share ownership jointly with Shanghai Pharmaceutical over the patents and the rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation and complete the change of registration for the relevant patents and patent application rights or jointly apply for patents from and including the day on which Shanghai Pharmaceutical pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement;
- Intellectual property rights (unlimited by the Region for Cooperation) arising from the joint research and development after the entry of the Strategic Cooperation Agreement shall be shared by both parties. If any such intellectual property right is eligible for the application for patents (unlimited by the Region for Cooperation), both parties shall have joint ownership over such patents and the rights to such patent application; if patent application is not available at the relevant time, both parties shall jointly own such new proprietary technology;
- The ownership and interest of the Certificate of New Drugs relating to Such Pharmaceuticals shall be jointly owned by both parties. Each party shall be entitled to 50% of the revenue of Each Pharmaceutical within the Region for Cooperation. Details of the allocation of revenue shall be separately agreed between both parties through negotiations prior to the commencement of production and sales of Each Pharmaceutical.

Payment terms:

- Shanghai Pharmaceutical shall make prepayments in the amount set out in the appendix to the Strategic Cooperation Agreement within the first month from the effective day of the Strategic Cooperation Agreement and the second month of each subsequent calendar year, any expenses that exceed the budget shall be referred to the management committee for its approval on an item-by-item basis. Settlement shall be made

LETTER FROM GUOTAI JUNAN CAPITAL

annually on the basis of the actual research and development expenses incurred in the relevant year and in the ratios agreed in the Strategic Cooperation Agreement after rectification by the management committee. Settlement is required to be completed within the first month of the following year, any excess amount will be refunded to, and any shortfall will be made up by, the parties or the balance of the prepayments may be carried forward to the next year;

- The amount of payment to be made by Shanghai Pharmaceutical to the Company in respect of its share of the preliminary research and development expenses for Each Pharmaceutical shall be made by installments in accordance with the agreed progress of the project, and the timing of such payment shall be determined by the Appendix to the Strategic Cooperation Agreement.

We are advised by the management of the Company that the Group has not undertaken any cooperation agreements with very similar terms in the past. Nonetheless, we have reviewed, on a sample basis, certain cooperation agreements (the “**Independent Cooperation Agreements**”) between the Group and several independent pharmaceutical companies and research institutions (the “**Independent Pharmaceutical Companies**”) provided by the Company, pursuant to which the Group transferred its 100% ownership over the pharmaceutical know-how to those Independent Pharmaceutical Companies and is entitled to receive a percentage ranging from 2% to 6% of the future sales revenue upon commercialization of the pharmaceutical products for a number of years after the transfer. We are of the view that the entering into of the Strategic Cooperation Agreement with Shanghai Pharmaceutical actually shares similar nature with the Independent Cooperation Agreements in the sense that under the Strategic Cooperation Agreement, Shanghai Pharmaceutical will bear 80% of the research and development expenses of Such Pharmaceuticals while the Independent Pharmaceutical Companies in the Independent Cooperation Agreements borne 100% of the research and development expenses.

However, taking into account that the Group only needs to bear 20% of the research and development expenses incurred by Each Pharmaceutical but is entitled to a relatively higher proportion of 50% ownership over the pharmaceutical know-how and to receive 50% of the revenue of Each Pharmaceutical upon commercialization, we consider that the principal terms under the Strategic Cooperation Agreement, which taken as a whole and in a material respect, are no less favourable to the Company than terms with independent third parties.

As set out in the Key Terms above, the Company agreed to share ownership jointly with Shanghai Pharmaceutical over the patents and the rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation and complete the change of registration for the relevant patents and patent application rights or jointly apply for patents from and including the day on which Shanghai Pharmaceutical pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement. As advised by the management of the Company, the Group has applied for 6 invention patents and obtained 2 invention patents relating to Such Pharmaceuticals. According to the annual report for the year ended 31 December 2010, the Group has currently applied for 57 invention patents in aggregate, and obtained 22 invention patents by the end of year 2010.

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Based on the above, we concur with the management's view that the entering into of the Strategic Cooperation Agreement and the continuing connected transactions contemplated thereunder are on normal commercial terms and are fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

4. The proposed annual caps

As stated in the Letter from the Board, the proposed annual caps for the continuing connected transactions under the Strategic Cooperation Agreement for the three years ending 31 December 2013 are determined with reference to the scheduled progress and budget (including the amount of preliminary research and development expenses incurred) of the research and development of Such Pharmaceuticals under the Strategic Cooperation Agreement. According to the terms of Strategic Cooperation Agreement, the Company anticipated that the annual caps for the continuing connected transactions for the three years ending 31 December 2013 will be RMB37 million, RMB32 million and RMB40 million.

We have reviewed and discussed with the management of the Company the following factors which the Company has taken into account in determining the proposed annual caps:

- (i) the relevant historical and Aggregated Preliminary Research and Development Expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement up to 31 December 2010;
- (ii) the agreed timeline for the historical and Aggregated Preliminary Research and Development Expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement up to 31 December 2010 to be borne by Shanghai Pharmaceutical in accordance with the agreed progress of the projects;
- (iii) the estimated annual research and development expenses to be incurred by the Company on Such Pharmaceuticals commencing from 1 January 2011 (inclusive) with reference to the scheduled progress and budget of the research and development of Such Pharmaceuticals under the Strategic Cooperation Agreement;
- (iv) the composition of the research and development expenses of Such Pharmaceuticals (which includes direct commissioning for research and development fees, raw material fees, testing and processing fees, salaries of staff directly involved in the project, utilization fees of equipment directly relating to the research and development of Such Pharmaceuticals and appropriate management fees);
- (v) an additional buffer of around 5% to the aggregate amount payable by Shanghai Pharmaceutical to the Company to take into account the fact that both parties may make adjustment to the future research expenses to be incurred by Such Pharmaceuticals according to the actual expenditure of Such Pharmaceuticals under the Strategic Cooperation Agreement, which is arrived from the management's experience of comparing the past budgeted research and development expenses with the actual expenditure.

In view of the above factors, we concur with the Directors that the proposed annual caps are fair and reasonable.

LETTER FROM GUOTAI JUNAN CAPITAL

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, in particular,

- (i) the principal businesses of the Group and Shanghai Pharmaceutical Group and the nature of the continuing connected transactions under the Strategic Cooperation Agreement;
- (ii) the opportunity for the Group to mitigate risks associated with the development process of Such Pharmaceuticals before commercialization given their lack of direct market comparables or fair market value with reliable assumptions and reasonable accuracy;
- (iii) the opportunity to retain its funds for the research, development and commercialization of other new drugs;
- (iv) the expected positive impacts on the Group's financial performance, net assets value and working capital;
- (v) the Group only needs to bear 20% of the research and development expenses incurred by Each Pharmaceutical but is entitled to 50% of ownership over the pharmaceutical know-how and 50% of the revenue of Each Pharmaceutical upon commercialization; and
- (vi) the basis of determination of the proposed annual caps,

We concur with the Directors' view that the Strategic Cooperation Agreement is entered into after arm's length negotiations and in the ordinary and usual course of business of the Company, on normal commercial terms, and the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution at the AGM thereby approving the Strategic Cooperation Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Executive Director /
Deputy General Manager

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this document misleading.

2. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. DISCLOSURE OF INTERESTS

(1) Directors', chief executive's and Supervisors' interest in the shares of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, Supervisors and the chief executive of the Company and their respective associates had any interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules.

Name of Directors	Class of Shares	Number of Shares held	Capacity	Type of interest	Percentage in the respective class of share capital (%)	Percentage in total share capital of the Company (%)
Wang Hai Bo	Domestic Shares	51,886,430 (L)	Beneficial owner	Personal	10.13	7.31
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58	2.58
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98	2.15
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10	0.80

Note: The letter "L" stands for long position.

(2) Interest and/or short position of persons (other than the Directors, Supervisors or the chief executive of the Company) in the shares of the Company which is discloseable under Divisions 2 and 3 of the SFO

So far as to the knowledge of the Directors, Supervisors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors, Supervisors or the chief executive of the Company) had or deemed to have interests and/or short positions in the shares or underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of share capital (%)	Percentage in total share capital (%)
Shanghai Industrial Investment (Holdings) Co. Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26	29.60
	H Shares	70,564,000 (L)			35.64	
Shanghai Pharmaceutical Holding Co. Ltd.	Domestic Shares	139,578,560 (L)	Beneficial Owner	Corporate	27.26	29.60
	H Shares	70,564,000 (L)			35.64	
China General Technology (Group) Holding, Limited	Domestic Shares	130,977,816 (L)	Beneficial Owner	Corporate	25.58	18.45
Shanghai Zhangjiang (Group) Co. Ltd	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69	14.92
Shanghai Zhangjiang Hi-Tech Park Development Co. Ltd.	Domestic Shares	105,915,096 (L)	Beneficial Owner	Corporate	20.69	14.92
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.98	4.31
Shanghai Fudan Asset Operating Limited (上海復旦資產經營有限公司)	Domestic Shares	30,636,286 (L)	Beneficial Owner	Corporate	5.98	4.31

Note 1: The letter "L" stands for long position

(3) Directors' and Supervisors' other employment

As at the Latest Practicable Date, the following Directors were in the employment of those companies which hold interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Positions held in specific companies
Fang Jing	general manager of the investment division of Shanghai Zhangjiang Hi-Tech Park Development Co. Ltd.
Zhou Jie	chairman of the supervisory committee of Shanghai Pharmaceutical Holding Co. Ltd., and executive director of Shanghai Industrial Investment (Holdings) Co. Ltd.
Zhu Ke Qin	employee of Fudan University

4. COMPETING INTEREST

As at the Latest Practicable Date, Neither the Directors, nor their respective associates had any interest in a business which competes or may compete with the business of the Group.

5. DIRECTORS' AND SUPERVISORS' INTEREST IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and Supervisors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors and Supervisors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2010, the date of which the latest published audited consolidated financial statements of the Group were made up.

No contract or arrangement subsisted as at the Latest Practicable Date, in which any of the Directors or Supervisors was materially interested and which was significant in relation to the business of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

- (1) The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
Guotai Junan Capital	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO

- (2) As at the Latest Practicable Date, the expert mentioned in paragraph (1) above did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.
- (3) The expert has on 8 April 2011 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 8 April 2011 and reference to its name in the form and context in which they appear.
- (4) As at the Latest Practicable Date, the expert had no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. GENERAL

- (1) The registered office of the Company is situated at No.308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, 201210, China.
- (2) The principal address of the Company in Hong Kong is 15/F, The bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong.
- (3) The Company's H share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) Mr. Zhao Da Jun is the compliance officer of the Company. He graduated from Fudan University with a master's degree in Biology. He also holds a master's degree in Business Administration from the University of Hong Kong.
- (5) Ms. Xue Yan is the company secretary and an authorized representative of the Company. She is a member of Hong Kong Institute of Certified Public Accountants (HKICPA), the Association for Chartered Certified Accountants (ACCA) and Chinese Institute of certified Public Accountants (CICPA).
- (6) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 15/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong during normal business hours for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (1) the Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development;
- (2) the letter from the Independent Board Committee, as set out in this circular;
- (3) the letter from Guotai Junan Capital, as set out in this circular; and
- (4) the written consent issued by Guotai Junan Capital referred to in paragraph 7(3) above.

APPENDIX II BIOGRAPHIES OF CANDIDATES FOR RE-ELECTION OR APPOINTMENTS AS DIRECTORS OR SUPERVISORS

Wang Hai Bo, aged 50, is an executive Director, the chairman of the Board and general manager of the Company. He founded the Company in November 1996. He graduated from Fudan University with a master's degree in biology and was an associate professor there. 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) to Technology Advancement Award of the Shanghai Province (上海市科技進步獎). He was the former chief technology officer of Zhejiang Shenghua Biok Biology Co. Ltd., a listed company in the PRC. He was appointed as an executive Director in November 1996.

Su Yong, aged 47, is an executive Director and deputy general manager of the Company. He joined the Company in April 1997. He graduated from Zhejiang University with a Ph.D. in Oncology and from Fudan University with a master's degree in Biochemistry. 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. He was appointed as an executive Director in January 2002.

Zhao Da Jun, aged 40, is an executive Director, deputy general manager, compliance officer and an authorized representative of the Company. He is a cofounder of the Company. He graduated from Fudan University with a master's degree in biology. He also holds a master's degree in Business Administration from the University of Hong Kong. He has been 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 was appointed as an executive Director in January 2002.

Fang Jing, aged 41, is the general manager of Investment Management Department of ZJ Hi-tech Park Co. She graduated from Shanghai Finance College majoring in finance. She was the former financial controller of the Company. She was appointed as a non-executive Director in January 2002.

Hao Hong Quan, aged 54, Senior International Business Specialist, graduated from Renmin University of China with a master's degree in investment analysis, is the Vice General Manager of Genertec Pharmaceutical Holding, Ltd. He worked previously as the Vice General Manager of JXPR Compressor Co. Ltd, chairing Vice General Manager of CNTIC Development Co. Ltd, chairing Vice General Manager of Genertec Industrial Co. Ltd, Vice General Manager of China National Technical Import & Export Corporation (CNTIC), and Vice General Manager of Assets Management Department of China General Technology (Group) Holding, Ltd (Genertec). He was appointed as a non-executive Director in June 2007.

Zhu Ke Qin, aged 59, is a fellow researcher and senior engineer. He is currently the director of Enterprise Management Center of Shanghai Education Committee. He used to be the Assistant to President of Fudan University, a member of the University Council, the General Manager of Fudan Asset Management Co., Ltd, and the General Manager of Fudan Enterprise Development Co., Ltd. He has won the Top Award of State Scientific and Technology Progress, the Second Prize of Shanghai Scientific and Technology Progress, and the Magnolia Prize of Shanghai Educational Committee. He was appointed as a non-executive Director in May 2008.

Ge Jian Qiu, aged 41, graduated from East China University of Political Science and Law with bachelor's degree in international economic law and the Law School of the Columbia University with master's degree in law. He is currently the Vice President of Shanghai Pharmaceutical Holding Co.,

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Ltd. He used to be the board secretary and assistant general manager of Shanghai Industrial United Holdings Co., Ltd.; a partner of the Grandall Legal Group; senior vice president in the Shanghai representative office of BNP Paribas; executive director and principal of the Shanghai representative office of UBS AG. ; the assistant president of Shanghai Pharmaceutical (Group) Co., Ltd. and the board secretary of Shanghai Pharmaceutical Holding Co., Ltd.

Ke Yin, aged 43, is a senior engineer. She graduated from East China Normal University with master's degree in Organic Chemistry. She is currently the Deputy General Manager of Research and Development Department of Shanghai Pharmaceutical Holding Co., Ltd. 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); 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), the minister of Resource Department and the assistant principal of the Central Research Institute of Shanghai Pharmaceutical Holding Co., Ltd. She has extensive management experience in R&D of drugs.

Pan Fei, aged 55, is a professor at Shanghai University of Finance and Economics (上海財經大學). He graduated from Shanghai University of Finance and Economics with a doctorate degree in Accounting. He is an associate member of the American Lecture of Certified Public Accountants. He has published numerous articles in various financial and economics publications in the PRC and has got several awards. He was appointed as an independent non-executive Director in June 2003.

Cheng Lin, aged 48, is a professor in Shanghai University of Finance and Economics. He holds doctorate degree in economics from Shanghai University of Finance and Economics (上海財經大學). He has published numerous articles in various financial and economics publications in the PRC. He was appointed as an independent non-executive Director in July 2002.

Weng De Zhang, aged 48, is the President of a Sub-branch of Industrial Bank Co., Ltd. He graduated from Remin University of China (中國人民大學) and obtained a master's degree in business administration from Asia International Open University (Macau). He was the chief accountant of the Planning and Finance division of the Shanghai Electricity College. Later, he became an assistant director of audit and the financial controller of the Shanghai Electricity Hi-Tech United Company. He was appointed as an independent non-executive Director in June 2003.

Zhu Zu Shun, aged 43, graduated from Tianjin University of Finance and Economics with a Master's degree. He has many years' experience engaging in finance and audit. He used to be the deputy general manager of the Audit Division of China National Machinery Imp. & Exp. Corp and the general manager of the Audit Division of China General Technology (Group) Holding, Ltd. He is currently the general manager of China General Technology (Group) Pharmaceuticals Holding, Ltd. He was appointed as a Supervisor representing shareholders in June 2006.

Bao Qi, aged 35, graduated from Fudan University and obtained a Bachelor's degree in law. She used to work in several law firms, and has several year's experience in legal affairs. Now, she is the Chief Legal Officer of Shanghai Pudong Science and Technology Investment Co. Ltd. She was appointed as a Supervisor representing shareholders in June 2009.

APPENDIX II BIOGRAPHIES OF CANDIDATES FOR RE-ELECTION OR APPOINTMENTS AS DIRECTORS OR SUPERVISORS

Zhang Man Juan, aged 47, graduated from China Broadcast & Television University in finance and accounting. She used to be a deputy chief of the finance department of Shanghai Huaihai Medical Factory. She is currently the Manager of the Finance Department of the Company. She was appointed as a Supervisor representing employees in June 2005.

Guo Yi Cheng, aged 65, graduated from Economic Management College of China Central Party School. He holds a researcher's qualification of Shanghai Academy of Social Sciences. He used to be 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 had been appointed as a supervisor between June 2005 and June 2006. He was re-appointed as an Independent Supervisor in May 2008.

Xu Qing, aged 47, graduated from The Second Military Medical University and obtained a Ph.D degree. He did his postdoctoral research in H.Lee.Moffitt Tumor Center of University of South Florida as a visiting scholar. 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 is currently the deputy director of 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's been engaged in the fundamental and clinical research on tumor for a long term. He has published over 20 articles on medical journals from domestic and abroad. He was appointed as an Independent Supervisor in May 2008.

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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 limited company incorporated in the People's Republic of China)
(Stock code: 8231)

NOTICE OF 2010 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2010 Annual General Meeting (the “AGM”) of 上海復旦張江生物醫藥股份有限公司 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (the “**Company**”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China at 10:00 a.m. on Friday, 27 May 2011 for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS:

1. To consider and approve the report of the Directors for the year 2010.
2. To consider and approve the report of the Supervisory Committee for the year 2010.
3. To consider and approve the audited financial statements and auditors' report for the year 2010.
4. To consider and approve the profit distribution plan of the Company for the year 2010.
5. To consider and approve the appointment of auditors (domestic and overseas) and authorize the Board to fix their remunerations for the year 2011.
6. To consider and approve the proposal in relation to remuneration of the Directors and Supervisors of the Company for the year 2011, and to authorize the Board to implement the proposal.
7. To consider and approve the appointments of members of the fourth session of the Board and the fourth session of the Supervisory Committee of the Company.

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8. To consider and approve the entering into of the strategic cooperation agreement for innovative pharmaceuticals research and development (the “**Strategic Cooperation Agreement**”) with Shanghai Pharmaceuticals Holding Co., Ltd. and the annual caps for the three financial years ending 31 December 2013 for the Continuing Connected Transactions contemplated thereunder:

“**THAT**

- (i) the entering into of the Strategic Cooperation Agreement dated 23 February 2011 between the Company and Shanghai Pharmaceuticals Holding Co., Ltd., a copy of which has been produced to the AGM for the purpose of identification, and the annual caps for the three financial years ending 31 December 2013 for the Continuing Connected Transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (ii) that any one of the directors of the Company be and is hereby authorized to do, approve and transact all such acts and things as the director may in his/her discretion consider necessary or desirable in connection therewith.”

AS A SPECIAL RESOLUTION:

9. To consider and approve the granting of a general mandate to the Board to issue the shares of the Company:

“**THAT:**

- (1) there be granted to the Board of Directors of the Company an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company (whether domestic shares and/or H shares) and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
 - (a) such mandate shall not extend beyond the Relevant Period save that the Board of the Company may make or grant offers, agreements or options during the Relevant Period which might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate nominal amount of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board of the Company otherwise than pursuant to the share option scheme adopted by the Company for the grant or issue of shares of the Company, shall not exceed:
 - (i) 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue; and / or
 - (ii) 20 per cent of the aggregate nominal amount of H Shares of the Company in issue,in each case as at the date of this Resolution; and
 - (c) the Board of Directors will only exercise its power under such mandate in accordance with the Company Law of the PRC and the Rules Governing the Listing of Securities

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on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;

(d) For the purposes of this Resolution:

“**Domestic Shares**” means the domestic invested shares in the share capital of the Company, with a nominal value of RMB0.10 each, which are subscribed for by PRC investors and held in RMB;

“**H Shares**” means the overseas-listed foreign invested shares in the share capital of the Company, with a nominal value of RMB0.10 each, which are held and traded in Hong Kong dollars;

“**Relevant Period**” means the period from the date of passing this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this Resolution; or
- (ii) the expiry date of the 12-month period following the passing of this Resolution; or
- (iii) the passing of a special resolution of the Company in general meeting revoking or varying the authority set out in this Resolution.

(2) Provided that the Board resolves to issue shares pursuant to paragraph (1) of this Resolution, authorized the Board:

- (a) to approve, enter into, procure to enter into and engage in all documents, agreements and matters which it deems to be in connection with the issue of such new shares, including but not limited to the time and place for such issue, to make all necessary applications to the relevant authorities, to enter into underwriting agreement (or any other agreements);
- (b) to determine the use of proceeds and to make necessary filings and registration with the PRC, Hong Kong and other relevant authorities;

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- (c) to make amendments to the Articles of Association as deemed appropriate for the increase of the Company's registered capital and to reflect the new share capital structure of the Company under the intended allotment and issue of the Shares of the Company pursuant to the resolution under paragraph (1) of this resolution.”

By order of the Board
Wang Hai Bo
Chairman

Shanghai, the PRC
8 April 2011

** For identification purpose only*

Notes:

1. The register of the H shareholders of the Company will be closed from Wednesday, 27 April 2011 to Friday, 27 May 2011 (both days inclusive). During this period, no transfer of the H shares of the Company will be registered. Any holder of the H shares of the Company whose name appears on the Company's register of H shareholders at the close of business hours on Tuesday, 26 April 2011 and has completed the registration procedures, is entitled to attend and vote at the AGM.

Address of the Company's H share registrar, Computershare Hong Kong Investor Services Limited is as follows:

Shops 1712-1716,
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

2. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and to vote in his/her stead. A proxy need not be a shareholder of the Company.
3. Where there are joint holders of any share in the issued share capital of the Company ("Share"), any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under

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which it is signed, and a notarially certified copy of such power of attorney, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time fixed for holding the meeting or any adjourned meeting as the case may be.

5. The resolutions as set out above are required to be determined by way of poll under the GEM Listing Rules.
6. Any shareholder of the Company entitled to attend the AGM is requested to complete and deliver the reply slip for attendance to the Secretary to the Board of the Company on or before Friday, 6 May 2011.

Details of the Office of the Secretary to the Board of the Company are as follows:

No. 308, Cailun Road
Zhangjiang Hi-Tech Park
Pudong New Area,
Shanghai, China
Post Code: 201210
Tel : 86-21- 5855 3628
Fax : 86-21- 5855 3893