
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

- (1) CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION;**
- (2) CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL;**
- (3) RESTRICTED SHARE SCHEME – PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE SECOND GRANT;**
- (4) PROPOSED TRANSFER OF LISTING FROM GEM TO MAIN BOARD; AND**
- (5) PROPOSED CHANGES IN DIRECTORS AND SUPERVISORS**

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



Messis Capital Limited

A letter from the Board is set out on pages 6 to 27 of this circular. A letter from the Independent Board Committee is set out on pages 28 to 30 of this circular. A letter of advice from Messis Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 31 to 48 of this circular.

Notices convening the AGM, the Class Meeting of the holders of H Shares and the Class Meeting of the holders of Domestic Shares to be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m., 11:00 a.m. and 11:30 a.m., respectively, on Thursday, 30 May 2013 are set out on pages 55 to 65 of this circular.

Shareholders who intend to attend the AGM and the Class Meetings shall complete and return the reply slips in accordance with the instructions printed thereon on or before Thursday, 9 May 2013. Shareholders who intend to appoint a proxy to attend the AGM and the Class Meetings shall complete and return the enclosed proxy forms 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 (for the holders of H Shares), or to the office of the secretary to the Board of the Company at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC (for the holders of Domestic Shares) as soon as possible but in any event not later than 24 hours before the time fixed for holding the AGM and the Class Meetings or any adjournment thereof (as the case may be). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGM and the Class Meetings or any adjournment thereof should you so desire.

* For identification purpose only.

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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	28
LETTER OF ADVICE FROM MESSIS CAPITAL LIMITED	31
APPENDIX I – GENERAL INFORMATION	49
NOTICE OF 2012 ANNUAL GENERAL MEETING	55
NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES	60
NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES .	63

DEFINITIONS

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

“Adoption Date”	the date when the Company obtained the approval of the Restricted Share Scheme by the Shareholders at the annual general meeting and the respective class meeting(s) of the holders of H Shares and the holders of Domestic Shares on 29 June 2012
“AGM”	the annual general meeting of the Company to be convened and held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m. on Thursday, 30 May 2013 for the purpose of approving, among other things, (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; (iv) the proposed Transfer of Listing from GEM to Main Board; and (v) the proposed changes in Directors and Supervisors
“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Class Meeting(s)”	the respective class meeting(s) of the holders of H Shares and the holders of Domestic Shares to be convened and held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 11:00 a.m. and at 11:30 a.m., respectively, on Thursday, 30 May 2013 for the purposes of approving (i) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; and (ii) the proposed Transfer of Listing from GEM to Main Board
“Company”	上海復旦張江生物醫藥股份有限公司 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*, a joint stock limited company incorporated in the PRC, whose H shares are listed on the GEM
“connected person”	has the same meaning ascribed to it under the GEM Listing Rules
“Contractual Period”	the period from 19 March 2013 to 31 December 2015

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary domestic share(s) of nominal value of RMB0.10 each in the registered capital of the Company which are subscribed for in RMB
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Grant Price”	the price per Restricted Share for the grant of Restricted Shares awarded under the Restricted Share Scheme
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on the GEM and subscribed for and traded in HK\$
“Independent Board Committee”	an independent committee of Directors appointed to advise the Independent Shareholders in respect of (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; and (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme
“Independent Shareholders”	the Shareholders who are not required under the GEM Listing Rules to abstain from voting in favour of the resolution for approving (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; and (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme
“independent third party(ies)”	independent third party(ies) who is (are) not connected persons of the Company as defined in the GEM Listing Rules and is (are) independent of the Company and the connected persons of the Company
“Latest Practicable Date”	9 April 2013, being the latest practicable date for ascertaining certain information included herein before the printing of the circular

DEFINITIONS

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM, and for avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“promoter”	has the same meaning ascribed to it under the Rule 1.01 of the GEM Listing Rules
“R&D”	research and development
“Region for Cooperation”	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 Special Administrative Region, Macau Special Administrative Region and Taiwan)
“Restricted Share Scheme”	the restricted share incentive scheme adopted by the Company whereby awards of Domestic Shares may be made to the Scheme Participants pursuant to the Scheme Rules
“Restricted Shares”	the Domestic Shares to be granted under the Restricted Share Scheme and have the meanings defined in such term in the Restricted Share Scheme
“RMB”	renminbi, the lawful currency of the PRC
“Sales and Distribution Agreement”	the sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution on 19 March 2013 for the sale and distribution of the Company’s pharmaceutical products within Shanghai during the Contractual Period
“Scheme Participants”	certain Directors (other than independent non-executive Directors), senior management, mid-level management and main research staff of the Group and other key employees who are eligible for participation in the Restricted Share Scheme under the Scheme Rules

DEFINITIONS

“Scheme Rules”	the rules governing the operation of the Restricted Share Scheme
“Second Grant”	the one-off second grant of the Restricted Shares under the Restricted Share Scheme to the Scheme Participants
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Pharmaceutical”	上海市醫藥股份有限公司 Shanghai Pharmaceutical Co., Ltd.*, which is renamed as 上海醫藥集團股份有限公司 Shanghai Pharmaceuticals Holding Co., Ltd.*, a joint stock limited company incorporated in the PRC whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively, and a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the Latest Practicable Date
“Shanghai Pharmaceutical Distribution”	上海醫藥分銷控股有限公司 Shanghai Pharmaceutical Distribution Co., Ltd.*, a limited liability company established in the PRC on 26 April 2010 and a wholly-owned subsidiary of Shanghai Pharmaceutical
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development” or “Strategic Cooperation Agreement”	the strategic cooperation agreement for innovative pharmaceuticals research and development cooperation entered into between the Company and Shanghai Pharmaceutical on 19 March 2013, pursuant to which both parties will jointly share the risks of, and cooperate on, the research and development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are at various research stages
“substantial shareholder”	has the same meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
“Such Pharmaceuticals” or “Each Pharmaceutical”	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)”	the supervisor(s) of the Company

DEFINITIONS

“Supervisory Committee”	the supervisory committee of the Company
“Transfer of Listing”	the proposed transfer of listing of the H Shares from GEM to Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“%”	per cent.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Any discrepancy between totals and sums of individual amounts listed are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

* *For identification purposes 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 company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

Executive Director:

Mr. Wang Hai Bo

Mr. Su Yong

Mr. Zhao Da Jun

*Registered office and principal place of
business in the PRC:*

No. 308, Cailun Road,

Zhangjiang Hi-Tech Park

Pudong New Area, Shanghai, China

201210

Non-executive Director:

Ms. Fang Jing

Mr. Hao Hong Quan

Mr. Zhu Ke Qin

Ms. Ke Ying

Mr. Shen Bo

Principal place of business in Hong Kong:

15/F, The Bank of East Asia Building

10 Des Voeux Road Central

Hong Kong

Independent non-executive Director:

Mr. Pan Fei

Mr. Cheng Lin

Mr. Weng De Zhang

12 April 2013

To the Shareholders,

Dear Sir/Madam

- (1) CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION;**
- (2) CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL;**
- (3) RESTRICTED SHARE SCHEME – PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE SECOND GRANT;**
- (4) PROPOSED TRANSFER OF LISTING FROM GEM TO MAIN BOARD; AND**
- (5) PROPOSED CHANGES IN DIRECTORS AND SUPERVISORS**

I. INTRODUCTION

Reference is made to the announcements of the Company dated 19 March 2013 relating to: (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; (iii) the proposed grant of Restricted Shares to connected persons

* For identification purpose only.

LETTER FROM THE BOARD

under the Second Grant pursuant to the Restricted Share Scheme; (iv) the proposed Transfer of Listing from GEM to Main Board; and (v) the proposed changes in Directors and Supervisors.

The purpose of this circular is to provide you with, among other things, further information as is necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM and/or the Class Meetings.

II. CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION

The Board announces that the Company has entered into the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution on 19 March 2013 for the sales and distribution of the Company's pharmaceutical products with Shanghai Pharmaceutical Distribution within Shanghai during the Contractual Period. The Sales and Distribution Agreement replaced the former sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution dated 10 August 2010. The terms are substantially the same under both aforesaid agreements. Two Directors, namely Ms. Ke Ying and Mr. Shen Bo, who are in employment with Shanghai Pharmaceutical, have abstained from voting at the meeting of the Board convened for the purpose of approving the continuing connected transactions contemplated thereunder.

1. Details of the Sales and Distribution Agreement

- Date** : 19 March 2013
- Parties** : The Company, being the vendor
Shanghai Pharmaceutical Distribution, being the purchaser
- Subject** : The Company has agreed to authorize Shanghai Pharmaceutical Distribution to sell and distribute the pharmaceutical products of the Company within Shanghai during the Contractual Period. The sales and distribution services to be provided to the Company is on a non-exclusive basis with the terms of sales and distribution of each specific pharmaceutical product to be agreed in accordance with the principles set out in the Sales and Distribution Agreement.
- Prices** : (i) The Company and Shanghai Pharmaceutical Distribution agreed that the general pricing principle of the pharmaceutical products to be sold under the Sales and Distribution Agreement shall be determined with reference to the statutory selling price of a particular product and the provision of a reasonable profit margin to Shanghai Pharmaceutical Distribution for the sales and distribution services provided.

LETTER FROM THE BOARD

- (ii) The actual price may, subject to mutual agreement between the Company and Shanghai Pharmaceutical Distribution, be adjusted from time to time with reference to the actual sales volume of the product, the quality of sales services provided by Shanghai Pharmaceutical Distribution and the share of promotion cost between the Company and Shanghai Pharmaceutical Distribution.
- (iii) The selling price of the products of the Company to be sold under the Sales and Distribution Agreement shall be determined on an arm's length basis and shall be similar to and no less favorable than that available from an independent third party.

Term : Either party is entitled to give the other party prior written notice to terminate the Sales and Distribution Agreement and the term of the Sales and Distribution Agreement can be extended by mutual agreement.

Upon the approval by the Independent Shareholders and the competent authorities, the effective date of the Sales and Distribution Agreement will be traced back to the date of signing of such agreement by both parties.

2. Proposed annual caps and basis for the proposed annual caps

The historical amounts for the continuing connected transactions contemplated under the Sales and Distribution Agreement for three years ended 31 December 2012 were RMB6,417,000, RMB7,764,000 and RMB12,687,000 respectively, while the annual caps were RMB13,000,000, RMB40,000,000 and RMB80,000,000 respectively. The substantial excess of the historical annual caps over the actual transaction amounts was mainly attributable to the distribution of a drug through a sole agency following an adjustment in the periodical arrangement of the marketing strategy. As a result, its market growth rate was lower than the rate which was originally estimated.

The Company and Shanghai Pharmaceutical Distribution estimated that the proposed annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ending 31 December 2015 are approximately RMB20,000,000, RMB31,000,000 and RMB50,000,000, respectively. The proposed annual caps are determined with reference to both parties' estimation of the market conditions in Shanghai, as well as the increase in the number of pharmaceutical products to be distributed.

LETTER FROM THE BOARD

The Directors have taken into account the following principal factors in estimating the proposed annual caps above:

- (i) The sales of ALA amounted to a substantial proportion of the sales under the Sales and Distribution Agreement. The sales of ALA increased nearly 50% in the year ended 31 December 2012 as compared to the corresponding period in 2011. The Directors anticipate that the sales of ALA under the Sales and Distribution Agreement would continue to increase significantly in the three years ending 31 December 2015 after taking into account the historical amounts, the promotional/marketing activities and the improvement in the market recognition of such pharmaceutical product.
- (ii) Another product, namely Eyan which is distributed by Shanghai Pharmaceutical Distribution under the Sales and Distribution Agreement, was launched in the market in September 2010. The Directors anticipate that within 1 to 2 years after the launch of a new product, there normally would be a significant surge in sales if the new product is well received by the market, which is evidenced by the growth in the sales of ALA since its launch. The Directors therefore anticipate a significant growth in the sales of Eyan for the three years ending 31 December 2015.
- (iii) The Directors anticipate that in addition to ALA and Eyan, a new pharmaceutical product, namely Hemoporfin, will also be distributed by Shanghai Pharmaceutical Distribution under the Sales and Distribution Agreement. The Company has obtained the New Drug Certificate issued by the State Food and Drug Administration for Hemoporfin and expects to launch such pharmaceutical product in the market in 2014. Since Hemoporfin would have been launched in the market for approximately two years by the year 2015, the Directors therefore expect a significant growth in the sales of Hemoporfin for the two years ending 31 December 2015.

3. Reasons for and benefits of the continuing connected transactions contemplated under the Sales and Distribution Agreement

The Company would continue the continuing connected transactions contemplated under the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution in order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceutical Distribution. The terms of the continuing connected transactions contemplated under the Sales and Distribution Agreement are made on an arm's length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than the terms available from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the continuing connected transactions contemplated under the Sales and Distribution Agreement and the annual caps thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

4. General information

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

Shanghai Pharmaceutical is a joint stock limited company incorporated in the PRC, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively. Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the Latest Practicable Date.

Shanghai Pharmaceutical Distribution is a limited liability company established in the PRC on 26 April 2010 and a wholly-owned subsidiary of Shanghai Pharmaceutical. It is primarily engaged in the trading and distribution of pharmaceutical products and has an extensive sales network in the hospitals and drugstores in various regions of the PRC, particularly in Shanghai.

5. GEM Listing Rules implications

Shanghai Pharmaceutical Distribution is a wholly-owned subsidiary of Shanghai Pharmaceutical, which is a promoter and substantial shareholder of the Company. Shanghai Pharmaceutical Distribution is therefore a connected person of the Company under the GEM Listing Rules. The transactions contemplated under the Sales and Distribution Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the GEM Listing Rules.

Since the applicable percentage ratios for the highest proposed annual cap for each of the three years ending 31 December 2015 for the continuing connected transactions contemplated under the Sales and Distribution Agreement exceed 5%, the continuing connected transactions contemplated under the Sales and Distribution Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The relevant resolution will be put forward at the AGM for approval by the Independent Shareholders. Shanghai Pharmaceutical, which holds approximately 24.66% of the total share capital 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 Sales and Distribution Agreement and the continuing connected transactions contemplated thereunder. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 30 of this circular. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard. The letter from Messis Capital Limited is set out on pages 31 to 48 of this circular.

LETTER FROM THE BOARD

III. CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL

The Board announces that the Company has entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical on 19 March 2013 for the cooperation on innovative pharmaceuticals research and development. Pursuant to the Strategic Cooperation Agreement, both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. The Strategic Cooperation Agreement will renew the former strategic cooperation agreement entered into between the Company and Shanghai Pharmaceutical dated 23 February 2011 upon its expiration on 31 December 2013. The terms are substantially the same under both aforesaid agreements. Two Directors, namely Ms. Ke Ying and Mr. Shen Bo, who are in employment with Shanghai Pharmaceutical, have abstained from voting at the meeting of the Board convened for the purpose of approving the continuing connected transactions contemplated thereunder.

1. Details of the Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development

Date : 19 March 2013

Parties : The Company and Shanghai Pharmaceutical

Validity and Renewal :

- The Strategic Cooperation Agreement will take effect from the expiration of the former strategic cooperation agreement on 31 December 2013 until 31 December 2016.
- 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.

LETTER FROM THE BOARD

- 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 2014 (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 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.

LETTER FROM THE BOARD

- 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 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, and 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.
 - 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 instalments in accordance with the agreed progress of the project, and the timing of such payment shall be determined by the Strategic Cooperation Agreement.

LETTER FROM THE BOARD

2. Information of 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:

(i) *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.

(ii) *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 currently in the clinical trial Phase I.

(iii) *Deuteroporphyrin* (多替泊芬)

Deuteroporphyrin for injection is a photo dynamic therapy drug which has obtained approval for clinical study for use in tumor therapy and it is currently in the clinical trial Phase I.

(iv) *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 already completed pre-clinical study and made the application for clinical study.

3. Proposed annual caps and basis for the proposed annual caps

According to the terms of Strategic Cooperation Agreement, the Company anticipated that the annual caps for the continuing connected transactions contemplated under the Strategic Cooperation Agreement for the three years ending 31 December 2016 will be as follows:

	1 January 2014 to 31 December 2014 (RMB)	1 January 2015 to 31 December 2015 (RMB)	1 January 2016 to 31 December 2016 (RMB)
Proposed Annual Cap	33,000,000	31,000,000	20,000,000

LETTER FROM THE BOARD

The above annual caps for the continuing connected transactions contemplated under the Strategic Cooperation Agreement for the three years ending 31 December 2016 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 Strategic Cooperation Agreement, the details of which are set out as follows:

Table 1: The total expected research fees to be incurred for the three financial years ending 31 December 2016

	<i>Currency: RMB</i>		
	2014	2015	2016
Recombinant human lymphotoxin derivatives (LT) (重組人淋巴毒素α衍生物)	10,700,000	6,600,000	200,000
Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)	3,400,000	9,400,000	6,600,000
Deuteroporphyrin (多替泊芬)	12,060,000	5,740,000	2,000,000
Recombinant high affinity TNF receptor (重組高親和力TNF受體)	9,000,000	15,000,000	3,000,000
Aggregated total expected research fees for current year	35,160,000	36,740,000	11,800,000

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 2016

Currency: RMB

	2014	2015	2016
80% of the research and development expenses to be prepaid by Shanghai Pharmaceutical ^{note 1}	28,128,000	29,392,000	9,440,000
Preliminary fees of cooperation projects to be paid by Shanghai Pharmaceutical (payment made according to agreed progress) ^{note 2}	3,096,000	–	8,463,000
Total amount to be paid and prepaid by Shanghai Pharmaceutical for current year	31,224,000	29,392,000	17,903,000

Notes:

1. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the research and development expenses incurred commencing from 1 January 2014 (inclusive). These sums are calculated based on 80% of the estimated total amount of research fees to be incurred for the three years ending 31 December 2016 (see the total sums in Table 1).

2. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the preliminary research and development expenses incurred 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 RMB30.6 million has been paid in the first two years ending 31 December 2012, and approximately RMB20.3 million will be paid in the year 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 continuing connected transactions contemplated under the Strategic Cooperation Agreement, 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 benefit of the continuing connected transactions contemplated under the Strategic Cooperation Agreement

In view of the outstanding 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, as such research and development approaches more advanced stages, research and development expenses will continue to increase. Meanwhile, as there is a growing number of the Company's projects which are advancing into commercialization stage, investments in such commercialization will increase. Cooperation with Shanghai 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 interest of all Shareholders.

5. General information

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

Shanghai Pharmaceutical is a joint stock limited company incorporated in the PRC, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively. Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the Latest Practicable Date.

6. GEM Listing Rules implications

Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company and therefore, is a connected person of the Company under the GEM Listing Rules. The transactions under the Strategic Cooperation Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the GEM Listing Rules.

Since the applicable percentage ratios for the highest proposed annual cap for each of the three years ending 31 December 2016 for the continuing connected transactions contemplated under the Strategic Cooperation Agreement exceed 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

The relevant resolution will be put forward at the AGM for approval by the Independent Shareholders. Shanghai Pharmaceutical, which holds approximately 24.66% of the total share capital 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 contemplated thereunder. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 30 of this circular. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard. The letter from Messis Capital Limited is set out on pages 31 to 48 of this circular.

IV. RESTRICTED SHARE SCHEME – PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE SECOND GRANT

Reference is made to the announcement of the Company dated 11 April 2012 (the “**Announcement**”), the circular of the Company dated 14 May 2012 (the “**Circular**”) and the poll results announcement of the Company dated 29 June 2012 relating to the adoption of Restricted Share Scheme.

The Board announces that at a meeting of the Board on 19 March 2013, the Board resolved that pursuant to the Restricted Share Scheme, the Company would grant not more than 35,500,000 Restricted Shares in the Second Grant to the Scheme Participants at the grant price of RMB0.51 per Restricted Share within two (2) years commencing from the Adoption Date pursuant to the Restricted Share Scheme.

Particulars of the Restricted Share Scheme could be found in the Announcement, the Circular and the Poll Results Announcement.

1. Proposed grant of Restricted Shares to connected persons under the Second Grant

Particulars of the Scheme Participants who are the connected persons of the Company under the Second Grant are set out as follows:

Names of Scheme Participants	Relationship with the Company	Numbers of Restricted Shares to be granted
Mr. Wang Hai Bo	executive Director	3,000,000
Mr. Su Yong	executive Director	2,000,000
Mr. Zhao Da Jun	executive Director	2,000,000
Ms. Zhang Manjuan	Supervisor	870,000
Mr. Zhou Ming	director of a subsidiary of the Company	800,000
Ms. Lu Rong	supervisor of a subsidiary of the Company	800,000

LETTER FROM THE BOARD

The Restricted Shares to be granted to the aforesaid connected persons under the Second Grant will be granted at the same Grant Price as other Scheme Participants. The Directors (other than the three executive Directors, i.e. Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun) are of the view that the Grant Price of RMB0.51 per Restricted Share is fair and reasonable because: (i) the Grant Price is no less or more favourable to the aforesaid connect persons under the Second Grant than to any other Scheme Participant; and (ii) such Grant Price will provide sufficient incentives to the aforesaid connected persons under the Second Grant to participate in the Restricted Share Scheme, considering the fact that the Domestic Shares are not listed on any domestic stock exchanges in the PRC.

Assuming that 35,500,000 Restricted Shares are to be issued to the aforesaid connected persons and other Scheme Participants who are not the connected persons of the Company under the Second Grant, particulars of the Second Grant (without taking into account the Restricted Shares to be issued under the Initial Grant pursuant to the Restricted Share Scheme) are set out as follows:

Name	Proposed grant of Restricted Shares under the Second Grant (Shares)	As a percentage of the total number of Restricted Shares under the Second Grant (%)	As a percentage of the total number of the Domestic Shares (%)	As a percentage of the total number of issued shares capital (%)
Mr. Wang Hai Bo	3,000,000	8.45	0.59	0.35
Mr. Su Yong	2,000,000	5.63	0.39	0.23
Mr. Zhao Da Jun	2,000,000	5.63	0.39	0.23
Ms. Zhang Manjuan	870,000	2.45	0.17	0.10
Mr. Zhou Ming	800,000	2.25	0.16	0.09
Ms. Lu Rong	800,000	2.25	0.16	0.09
Other Scheme Participants other than connected persons of the Company	<u>26,030,000</u>	<u>73.32</u>	<u>5.08</u>	<u>3.06</u>
Total	<u>35,500,000</u>	<u>100</u>	<u>6.93</u>	<u>4.17</u>

LETTER FROM THE BOARD

Assuming that 35,500,000 Restricted Shares are issued under the Second Grant, the changes in the shareholding of the aforesaid connected persons of the Company (without taking into account the Restricted Shares to be issued under the Initial Grant pursuant to the Restricted Share Scheme) will be as follows:

Name	Before the grant under the Second Grant		Immediately after the grant under the Second Grant	
	Number of Domestic Shares (Shares)	As a percentage of the total share capital (%)	Number of Domestic Shares (Shares)	As a percentage of the total share capital (%)
Mr. Wang Hai Bo	51,886,430	6.09	54,886,430	6.18
Mr. Su Yong	18,312,860	2.15	20,312,860	2.29
Mr. Zhao Da Jun	15,260,710	1.79	17,260,710	1.94
Ms. Zhang Manjuan	nil	nil	870,000	0.10
Mr. Zhou Ming	nil	nil	800,000	0.09
Ms. Lu Rong	nil	nil	800,000	0.09

2. Reasons for and benefits of the proposed grant of Restricted Shares to connected persons under the Second Grant

The reasons for the proposed grant of Restricted Shares to connected persons under the Second Grant are to reform the Company's remuneration system, to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including three executive Directors, Supervisor, director and supervisor of a subsidiary of the Company. It aims to balance the long term and short term objectives of the management and to support the realization of the Company's strategy and sustainable development. It also will serve to retain and attract valuable management and key business employees to foster the long development of the Company and its subsidiaries.

3. Authorization to the Board

The Board will seek the Shareholders' authorization to it at each of the AGM and the Class Meetings to deal with all the matters in relation to the Second Grant pursuant to the Restricted Share Scheme.

Upon the authorization to the Board by the Shareholders at the AGM and the Class Meetings, the Board will delegate such authorization (without any additional resolution or authorization) to the chairman of the Company or any executive Director to do all acts and things as he considers necessary or expedient or desirable in connection with the implementation of the Restricted Share Scheme, including but not limited to, approve and sign the relevant capital increase agreements, contracts and

LETTER FROM THE BOARD

other documents, amend the articles of association of the Company according to the result of the exercise of the Restricted Share Scheme, deal with the relevant approval, registration and filing procedures with the relevant domestic and overseas regulatory authorities and other matters in relation to the implementation of the Shareholders' approvals.

4. GEM Listing Rules implications

As the Scheme Participants of the Restricted Share Scheme under the Second Grant will include certain Directors, Supervisor, director and supervisor of a subsidiary of the Company, the grant of such Restricted Shares will constitute connected transactions of the Company and any such grant is subject to approval by the Independent Shareholders.

The relevant resolution will be put forward at the AGM and the Class Meetings for approval by the Independent Shareholders. Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun are executive Directors holding 51,886,430 Domestic Shares, 18,312,860 Domestic Shares and 15,260,710 Domestic Shares, respectively, as at the Latest Practicable Date. Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun have abstained from voting at the meeting of the Board convened for the purpose of approving the grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme. They and their associates will abstain from voting at the AGM on the resolution relating to the proposed grant of Restricted Shares to the aforesaid connected persons under the Second Grant.

The Independent Board Committee has advised the Independent Shareholders in relation to the proposed grant of Restricted Shares to connected persons under the Second Grant. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 30 of this circular. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard. The letter from Messis Capital Limited is set out on pages 31 to 48 of this circular.

V. PROPOSED TRANSFER OF LISTING FROM GEM TO MAIN BOARD

The Board is pleased to announce that it was resolved at the meeting of the Board held on 19 March 2013 that the Company plans to apply to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Main Board Listing Rules.

1. Background

In connection with the Transfer of Listing, the Company will propose to seek the approval of Shareholders in the AGM and the Class Meetings for, among other things, (i) the making of relevant applications to the Stock Exchange for the Transfer of Listing; (ii) the Transfer of Listing; (iii) the undergoing of the procedure for the filing with the CSRC; and (iv) to authorize the Directors to do such acts or things and to

LETTER FROM THE BOARD

take such steps as they consider necessary, desirable or expedient to carry out the above matters, including without limitation, obtaining all the necessary approval from the Stock Exchange and fulfilling the procedure for the filing with the CSRC.

2. Reasons for Transfer of Listing

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

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

3. Requirements under the PRC Regulations

According to the existing articles of association of the Company and the relevant PRC laws and regulations, Shareholders' approval is required for the Transfer of Listing and the Company's fulfilment of the procedure for the filing with the CSRC. Upon completion of the Transfer of Listing, the Company will conduct the filing with the CSRC for the Transfer of Listing.

4. Conditions for Transfer of Listing

The Transfer of Listing is subject to, among other things, the following conditions:

- (i) the passing of special resolutions by the Shareholders at the AGM to approve the Transfer of Listing and the Company's application to the Stock Exchange for the Transfer of Listing;
- (ii) the passing of special resolutions by the holders of Domestic Shares and the H Shares at the respective Class Meetings to approve the Transfer of Listing and the Company's application to the Stock Exchange for the Transfer of Listing;
- (iii) the Listing Committee granting approval for the listing of, and permission to deal in, the 340,000,000 H Shares in issue on the Main Board;

LETTER FROM THE BOARD

- (iv) all the other relevant consents required or in connection with the implementation of the Transfer of Listing having been obtained, and the fulfilment of all conditions which may be attached to such consents, if any; and
- (v) the fulfilment of the procedures for the filing with the CSRC.

The Company would like to emphasise that (i) the Transfer of Listing is only at a preliminary stage and that the definitive timetable for the Transfer of Listing has not yet been finalised; (ii) no application relating thereto has been made to the Stock Exchange; and (iii) there is no assurance that the Company will be able to obtain the relevant approvals for the Transfer of Listing from, among others, the Shareholders in the AGM and the Class Meetings and the Stock Exchange, and fulfil the procedure for the filing with the CSRC. Shareholders and potential investors should be aware that the Company may or may not proceed with the Transfer of Listing. Further, Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

VI. PROPOSED CHANGES IN DIRECTORS AND SUPERVISORS

1. Resignation of Directors and Supervisors

The Board announced on 19 March 2013 that (i) Mr. Hao Hong Quan (“**Mr. Hao**”) has tendered resignation as non-executive Director of the fourth session of the Board due to the change in the shareholder of the Company who has nominated him, and Mr. Zhu Ke Qin has tendered resignation as non-executive Director of the fourth session of the Board due to work reallocation arranged by his employer; and (ii) Mr. Zhu Zu Shun has tendered resignation as Supervisor of the fourth session of the Supervisory Committee due to the change in the shareholder of the Company who has nominated him, and Mr. Chen Meng Zhao (“**Mr. Chen**”) has tendered resignation as Supervisor of the fourth session of the Supervisory Committee due to work reallocation arranged by his employer. Such resignations have been accepted by the Board upon discussions and will become effective after the conclusion of the forthcoming AGM of the Company.

Each of Mr. Hao, Mr. Zhu Ke Qin, Mr. Zhu Zu Shun and Mr. Chen has confirmed that he does not have any disagreement with the Company and there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders of the Company or the Stock Exchange.

The Board hereby extends its appreciation for the contributions of Mr. Hao, Mr. Zhu Ke Qin, Mr. Zhu Zu Shun and Mr. Chen to the Company during their respective tenure of office.

LETTER FROM THE BOARD

2. Proposed appointment of Directors and Supervisors

The Board also announced that it proposed to appoint (i) Ms. Yu Xiao Yang (“**Ms. Yu**”) as a non-executive Director of the fourth session of the Board; (ii) Mr. Zhou Zhong Hui (“**Mr. Zhou**”) as an independent non-executive Director of the fourth session of the Board; and (iii) Mr. Zhao Wen Bin (“**Mr. Zhao**”) and Mr. Li Ning Jian (“**Mr. Li**”) as Supervisors of the fourth session of the Supervisory Committee.

According to the articles of association of the Company, the proposed appointment of Directors and Supervisors are subject to approval by the Shareholders of the Company at the AGM. The relevant proposals will be put forward to the AGM for the Shareholders’ consideration and approval by way of ordinary resolutions.

Biographical details of the proposed Directors and Supervisors are as follows:

Ms. Yu Xiao Yang, 56, graduated from International Management Institute (Geneva), predecessor of International Institute for Management Development, IMD with a master’s degree in Business Administration. Ms. Yu is a founding partner of China New Enterprise Investment (CNEI) and has over 20 years of banking and investment experience. She was among the first mainland Chinese to embark on a professional career with major international financial institutions. She served at Paris Bank in Geneva, Dresdner Bank in Frankfurt, London and New York, and Salomon Brothers in New York.

Mr. Zhou Zhong Hui, 66, graduated from Shanghai University of Finance and Economics with a doctor’s degree in economics. He is a member of the International Advisory Committee of the China Securities Regulatory Commission, the Audit Regulation Committee of Chinese Institution of Certified Public Accountant and the managing director of China Appraisal Society. He used to be the Chief Accountant of the China Securities Regulatory Commission, the Senior Partner and General Manager and Director of accountant of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and the Professor of Shanghai University of Finance and Economics. He has been an independent director of BesTV New Media Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600637) since 23 December 2011.

Mr. Zhao Wen Bin, 39, graduated from Fudan University in 1998. He is currently the managing director of Shanghai Fudan Holdings Co., Ltd. He used to be deputy managing director of the Enterprise Incubation & Equity Management Office of Fudan University, the secretary of Fudan Charity Fund, deputy director of Student Service Union, deputy secretary of Fudan University Committee of the Communist Youth League, etc.

Mr. Li Ning Jian, 30, graduated from Nanjing University with a bachelor’s degree in economics and a bachelor’s degree in management, Hong Kong Baptist University with a master’s degree in science and University of Kent UK with a master’s degree in science. He has years of experience in venture capital and securities investment. He is currently the senior investment manager of Shanghai Pudong Science and Technology Investment Co., Ltd.

LETTER FROM THE BOARD

None of Ms. Yu, Mr. Zhou, Mr. Zhao and Mr. Li 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).

None of Ms. Yu, Mr. Zhou, Mr. Zhao and Mr. Li 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 Ms. Yu, Mr. Zhou, Mr. Zhao and Mr. Li 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 appointment of them that needs to be brought to the attention of the Shareholders.

Upon the appointment of Ms. Yu, Mr. Zhou, Mr. Zhao and Mr. Li being approved by the Shareholders of the Company, each of them will enter into a service contract with the Company. The terms of office of Ms. Yu, Mr. Zhou, Mr. Zhao and Mr. Li will be from the date of their being elected at the AGM until the date of the annual general meeting to be held around June 2014 (except for re-election). Their respective remunerations as non-executive Directors and Supervisors will be determined based on the Company's remuneration policy for Directors and Supervisors and subject to the approval by shareholders at a general meeting of the Company.

VII. AGM AND CLASS MEETINGS

The AGM will be convened for the Shareholders to consider, and if thought fit, pass the resolutions relating to, among others, (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; (iv) the proposed Transfer of Listing from GEM to Main Board; and (v) the proposed changes in Directors and Supervisors.

The respective Class Meetings will also be convened for the holders of H Shares and the holders of Domestic Shares, respectively, to consider, and if thought fit, pass the resolutions relating to (i) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; and (ii) the proposed Transfer of Listing from GEM to Main Board.

Three separate notices convening the AGM, the Class Meeting of the holders of H Shares and the Class Meeting of the holders of Domestic Shares to be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m., 11:00 a.m. and 11:30 a.m., respectively, on Thursday, 30 May 2013 are set out on pages 55 to 65 of this circular.

Reply slips and proxy forms to be used at the AGM and the Class Meetings are also enclosed with this circular. If you are eligible and intend to attend the AGM and the Class Meetings, please complete and return the enclosed reply slip(s) in accordance with the instructions printed thereon on or before Thursday, 9 May 2013. Shareholders who intend to

LETTER FROM THE BOARD

appoint a proxy to attend the AGM and the Class Meetings shall complete and return the accompanying proxy forms 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 (for the holders of H shares), or to the office of the secretary to the Board of the Company at No. 308, Cailun Road Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC (for the holders of Domestic Shares) as soon as possible but in any event not later than 24 hours before the time fixed for holding the AGM and the Class Meetings or any adjournment thereof (as the case may be). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGM and the Class Meetings or any adjournment thereof should you so desire.

The register of the holders of H Shares of the Company will be closed from Tuesday, 30 April 2013 to Thursday, 30 May 2013 (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 the holders of H Shares at the close of business hours on Monday, 29 April 2013 and has completed the registration procedures, is entitled to attend and vote at the AGM and the class meeting of the holders of H Shares.

The register of the holders of Domestic Shares of the Company will be closed from Tuesday, 30 April 2013 to Thursday, 30 May 2013 (both days inclusive). During this period, no transfer of the Domestic Shares of the Company will be registered. Any holder of the Domestic Shares, whose name appears on the Company's register of the holders of Domestic Shares at the close of business hours on Monday, 29 April 2013 and has completed the registration procedures, is entitled to attend and vote at the class meeting of the holders of Domestic Shares.

VIII. VOTING BY WAY OF POLL

In accordance with the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notices convening the AGM and the Class Meetings will be voted by poll.

IX. RECOMMENDATIONS

The Directors, including independent non-executive Directors, are of the view that the terms and conditions of (i) the Sales and Distribution Agreement; and (ii) 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 connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to approve (i) the Sales and Distribution Agreement; and (ii) the Strategic Cooperation Agreement, and the proposed annual caps for the continuing connected transactions contemplated thereunder to be proposed at the AGM.

The Directors, including independent non-executive Directors, are of the view that the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the

LETTER FROM THE BOARD

Shareholders to vote in favour of the relevant resolutions in relation to the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme to be proposed at each of the AGM and the Class Meetings.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28 to 30 of this circular and the letter of advice from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders set out on pages 31 to 48 of this circular.

The Directors, including independent non-executive Directors, are of the view that the proposed Transfer of Listing from GEM to Main Board are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution in relation to the proposed Transfer of Listing to be proposed at each of the AGM and the Class Meetings.

The Directors, including independent non-executive Directors, are of the view that the other resolutions set out in the notice of the AGM are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the other resolutions to be proposed at the AGM.

X. ADDITIONAL INFORMATION

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

Your 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 company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

12 April 2013

To the Independent Shareholders,

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION;
- (2) CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL; AND
- (3) RESTRICTED SHARE SCHEME – PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE SECOND GRANT

We refer to the circular dated 12 April 2013 issued by the Company (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.

I. (i) CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION; AND (ii) CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL

We have been appointed as the Independent Board Committee to advise you as to whether in our opinion, the terms and conditions of (i) the Sales and Distribution Agreement; and (ii) 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.

Messis Capital Limited 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 (i) the Sales and Distribution Agreement; and (ii) the Strategic Cooperation Agreement, and the continuing connected transactions

* For identification purpose only.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

contemplated thereunder. Details of the advice from Messis Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 31 to 48 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 27 and the additional information set out in the Appendix I to the Circular.

Having considered the terms and conditions of (i) the Sales and Distribution Agreement; and (ii) the Strategic Cooperation Agreement, and the continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice and recommendation of Messis Capital Limited, we are of the view that the terms and conditions of (i) the Sales and Distribution Agreement; and (ii) 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 connected transactions contemplated 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 (i) the Sales and Distribution Agreement; and (ii) the Strategic Cooperation Agreement, and the proposed annual caps for the continuing connected transactions contemplated thereunder.

II. RESTRICTED SHARE SCHEME – PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE SECOND GRANT

Pursuant to Chapter 20 of the GEM Listing Rules, the grant and issue of Restricted Shares to the Scheme Participants who are directors or supervisors of the Company or its subsidiaries constitute connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements of the GEM Listing Rules.

We have been appointed to constitute the Independent Board Committee to make a recommendation to the Independent Shareholders as to whether, in our view, the grant of Restricted Shares to connected persons under the Second Grant pursuant to the terms of the Restricted Share Scheme, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Messis Capital Limited has been appointed as an Independent Financial Adviser to advise us and the Independent Shareholders as to whether the grant of Restricted Shares to connected persons under the Second Grant pursuant to the terms of the Restricted Share Scheme, is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Details of the advice from Messis Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 31 to 48 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 27 and the additional information set out in the Appendix I to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information set out in the letter from the Board, and the principal factors, reasons and recommendation set out in the letter from the Independent Financial Adviser, we are of the opinion that the grant of Restricted Shares to connected persons under the Second Grant pursuant to the terms of the Restricted Share Scheme, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to approve the grant of Restricted Shares to connected persons under the Second Grant pursuant to the terms of the Restricted Share Scheme at the AGM.

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 MESSIS CAPITAL

The following is the text of a letter from Messis in connection with the advice to the Independent Board Committee and the Independent Shareholders on (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement; (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement; and (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; which has been prepared for the purpose of inclusion in this circular:



大有融資有限公司
MESSIS CAPITAL LIMITED

12 April 2013

*To the Independent Board Committee and
the Independent Shareholders of the Company*

Dear Sirs/Madams,

- (1) CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICAL DISTRIBUTION;**
- (2) CONTINUING CONNECTED TRANSACTIONS – STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICAL;**
- (3) RESTRICTED SHARE SCHEME – PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE SECOND GRANT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of whether each of (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement (the “Sales and Distribution Transactions”); (ii) the continuing connected transactions contemplated under the Strategic Cooperation Agreement (the “Strategic Cooperation Transactions”); (iii) the proposed grant of Restricted Shares to connected persons under the Second Grant pursuant to the Restricted Share Scheme; is in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular of the Company dated 12 April 2013 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the announcements of the Company dated 19 March 2013 relating to the connected transactions, including (i) the Sales and Distribution Transactions; (ii) the Strategic Cooperation Transactions; and (iii) the Second Grant, (the “Connected Transactions”).

LETTER FROM MESSIS CAPITAL

An Independent Board Committee of the Company has been formed to advise the Independent Shareholders on the Connected Transactions.

In formulating our opinion, we have relied on the accuracy of statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and which the Directors consider to be complete and relevant, and have assumed that the statements made were true, accurate and complete at the time they were made and continue to be true on the date of the Circular. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Company are true at the time they were made and will continue to be true at the date of the despatch of the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation on each of the Connected Transactions. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Company. Pursuant to the GEM Listing Rules, we have taken reasonable steps to satisfy ourselves which include the following:

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the Connected Transactions, including but not limited to, announcements of the Company dated 11 April 2012 and 19 March 2013, the circular of the Company dated 14 May 2012, the Board Letter, the Sales and Distribution Agreement, the Strategic Cooperation Agreement, the Restricted Share Scheme and the annual reports of the Company for the year ended 31 December 2011 and 2012;
- (b) reviewed the background of and the reasons for the Connected Transactions;
- (c) reviewed the fairness and reasonableness of the Connected Transactions; and
- (d) confirmed that no third party expert opinion being relevant to the Connected Transactions.

LETTER FROM MESSIS CAPITAL

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of whether each of the Connected Transactions is in the interests of the Company and the Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, we have considered the individual factors and reasons in relation to each of the Connected Transactions set out below:

I. THE SALES AND DISTRIBUTION TRANSACTIONS

The Board announces that the Company has entered into the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution on 19 March 2013 for the sales and distribution of the Company's pharmaceutical products with Shanghai Pharmaceutical Distribution within Shanghai during the Contractual Period. The Sales and Distribution Agreement replaced the former sales and distribution agreement entered into between the Company and Shanghai Pharmaceutical Distribution dated 10 August 2010. The terms are substantially the same under both aforesaid agreements.

General information

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

Shanghai Pharmaceutical is a joint stock limited company incorporated in the PRC, the A shares of which are listed on the Shanghai Stock Exchange. Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the Latest Practicable Date.

Shanghai Pharmaceutical Distribution is a limited liability company established in the PRC on 26 April 2010 and a wholly-owned subsidiary of Shanghai Pharmaceutical. It is primarily engaged in the trading and distribution of pharmaceutical products and has an extensive sales network in the hospitals and drugstores in various regions of the PRC, particularly in Shanghai.

Reasons for the Sales and Distribution Agreement Transactions

The Company would continue the continuing connected transactions contemplated under the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution in order to leverage the established and extensive sales and distribution network of Shanghai Pharmaceutical Distribution. The Directors are of the view that the terms of the continuing connected transactions contemplated under the Sales and Distribution Agreement and the annual caps thereof are fair and reasonable, in the interest of the Company and the Shareholders as a whole and the terms of the continuing connected transactions contemplated under the Sales and Distribution Agreement are made on an arm's

LETTER FROM MESSIS CAPITAL

length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than the terms available from independent third parties.

Given that (i) the Company is principally engaged in the R&D manufacture while Shanghai Pharmaceutical Distribution is primarily engaged in the trading and distribution of pharmaceutical product which are mutual complementary; and (ii) under the Sales and Distribution Agreement with Shanghai Pharmaceutical Distribution, the Company can continue to utilize the established and extensive sales and distribution network of Shanghai Pharmaceutical Distribution, we are of the view that to continue the continuing connected transactions contemplated under the Sales and Distribution Agreement is in the interests of the Company and the Shareholders as a whole and within the ordinary course of businesses of the Company.

Details of the Sales and Distribution Agreement

- Date** : 19 March 2013
- Parties** : The Company, being the vendor
Shanghai Pharmaceutical Distribution, being the purchaser
- Subject** : The Company has agreed to authorise Shanghai Pharmaceutical Distribution to sell and distribute the pharmaceutical products of the Company within Shanghai during the Contractual Period. The sales and distribution services to be provided to the Company is on a non-exclusive basis with the terms of sales and distribution of each specific pharmaceutical product to be agreed in accordance with the principles set out in the Sales and Distribution Agreement.
- Prices** : (i) The Company and Shanghai Pharmaceutical Distribution agreed that the general pricing principle of the pharmaceutical products to be sold under the Sales and Distribution Agreement shall be determined with reference to the statutory selling price of a particular product and the provision of a reasonable profit margin to Shanghai Pharmaceutical Distribution for the sales and distribution services provided.

LETTER FROM MESSIS CAPITAL

- (ii) The actual price may, subject to mutual agreement between the Company and Shanghai Pharmaceutical Distribution, be adjusted from time to time with reference to the actual sales volume of the product, the quality of sales services provided by Shanghai Pharmaceutical Distribution and the share of promotion cost between the Company and Shanghai Pharmaceutical Distribution.
- (iii) The selling price of the products of the Company to be sold under the Sales and Distribution Agreement shall be determined on an arm's length basis and shall be similar to and no less favourable than that available from an independent third party.

Term : Either party is entitled to give the other party prior written notice to terminate the Sales and Distribution Agreement and the term of the Sales and Distribution Agreement can be extended by mutual agreement.

Upon the approval by the Independent Shareholders and the competent authorities, the effective date of the Sales and Distribution Agreement will be traced back to the date of signing of such agreement by both parties.

We have reviewed the internal records of the products of the Company sold both to the Shanghai Pharmaceutical Distribution and the independent third parties. We note that the selling prices of the products of the Company sold under to the Shanghai Pharmaceutical Distribution were similar to and no less favourable than that available from an independent third party for the orders with similar ordered quantity. Having considered that (i) the selling price of the products of the Company to be sold under the Sales and Distribution Agreement shall be similar to that available to an independent third party; and (ii) the sales and distribution services to be provided to the Company is on a non-exclusive basis, we are of the view that the pricing of the pharmaceutical products to be sold under the Sales and Distribution Agreement is fair and reasonable, so far as the Independent Shareholders are concerned.

In addition to the terms including basis of pricing and the proposed annual caps for the three years ending 31 December 2015, we have also reviewed other terms of the Sales and Distribution Agreement. There is no extra-ordinary terms, including any less favourable terms to the Company, being noted in the Sales and Distribution Agreement. Accordingly, we are of the view that the entering into the Sales and Distribution Agreement is on normal commercial terms.

LETTER FROM MESSIS CAPITAL

Proposed annual caps and basis for the proposed annual caps

The historical amounts for the continuing connected transactions contemplated under the Sales and Distribution Agreement for three years ended 31 December 2012 were RMB6,417,000, RMB7,764,000 and RMB12,687,000 respectively, while the annual caps were RMB13,000,000, RMB40,000,000 and RMB80,000,000 respectively. The substantial excess of the historical annual caps over the actual transaction amounts was mainly attributable to the distribution of a drug through a sole agency following an adjustment in the periodical arrangement of the marketing strategy. As a result, its market growth rate was lower than the rate which was originally estimated.

The Company and Shanghai Pharmaceutical Distribution estimated that the proposed annual caps for the continuing connected transactions contemplated under the Sales and Distribution Agreement for the three years ending 31 December 2015 are approximately RMB20,000,000, RMB31,000,000 and RMB50,000,000, respectively. The proposed annual caps are determined with reference to both parties' estimation of the market conditions in Shanghai, as well as the increase in the number of pharmaceutical products to be distributed.

The Directors have taken into account the following principal factors in estimating the proposed annual caps above:

- (i) The sales of ALA amounted to a substantial proportion of the sales under the Sales and Distribution Agreement. The sales of ALA has increased significantly in the year ended 31 December 2012 as compared to the corresponding period in 2011. The Directors anticipate that the sales of ALA under the Sales and Distribution Agreement would increase significantly in the three years ending 31 December 2015 after taking into account the historical amounts, the promotional/marketing activities and the improvement in the market recognition of such pharmaceutical product.
- (ii) Another product, namely Eyan which is distributed by Shanghai Pharmaceutical Distribution under the Sales and Distribution Agreement, was launched in the market in September 2010. The Directors anticipate that within 1 to 2 years after the launch of a new product, there normally would be a significant surge in sales if the new product is well received by the market, which is evidenced by the growth in sales of ALA since its launch. The Directors therefore anticipate a significant growth in the sales of Eyan for the three years ending 31 December 2015.
- (iii) The Directors anticipate that in addition to ALA and Eyan, a new pharmaceutical product, namely Hemoporfin, will also be distributed by Shanghai Pharmaceutical Distribution under the Sales and Distribution Agreement. The Company has obtained the New Drug Certificate issued by the State Food and Drug Administration for Hemoporfin and expects

LETTER FROM MESSIS CAPITAL

to launch such pharmaceutical product in the market in 2014. Since Hemoporfin would have been launched in the market for approximately two years by the year 2015, the Directors therefore expect a significant growth in the sales of Hemoporfin for the two years ending 31 December 2015.

We have reviewed the internal projections of both the existing pharmaceutical products and the new pharmaceutical products of the Company under the Shanghai Pharmaceutical Distribution Agreement for the Sales and Distribution Transactions in addition to the above factors. We note that the projections are arrived after detailed analysis and reasonable assumptions as stated above. Having considered each of the annual caps above have been determined by reference to (i) the growth trend of the historical amounts for the Sales and Distribution Transactions; (ii) both parties' estimation of the market conditions in Shanghai, as well as the increase in the number of pharmaceutical products to be distributed; (iii) the promotional/marketing activities, the launch of new pharmaceutical products by the Company, and the improvement in the market recognition of the Company's pharmaceutical products, we consider that the proposed annual caps for the Sales and Distribution Transactions for the three years ending 31 December 2015 are adequate and fair and reasonable in the interest of the Independent Shareholders and the Company as a whole are concerned.

II. THE STRATEGIC COOPERATION TRANSACTIONS

The Board announces that the Company has entered into the Strategic Cooperation Agreement with Shanghai Pharmaceutical on 19 March 2013 for the cooperation on innovative pharmaceuticals research and development. Pursuant to the Strategic Cooperation Agreement, both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. The Strategic Cooperation Agreement will renew the former strategic cooperation agreement entered into between the Company and Shanghai Pharmaceutical dated 23 February 2011 upon its expiration on 31 December 2013. The terms are substantially the same under both aforesaid agreements.

General information

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

Shanghai Pharmaceutical is a joint stock limited company incorporated in the PRC, the A shares of which are listed on the Shanghai Stock Exchange. Shanghai Pharmaceutical is a promoter and substantial shareholder of the Company holding approximately 24.66% of the total share capital of the Company as at the Latest Practicable Date.

LETTER FROM MESSIS CAPITAL

Reasons for the Strategic Cooperation Transactions

In view of the outstanding status of Shanghai Pharmaceutical in the pharmaceutical industry, its capabilities and experience in production, manufacturing, marketing and sales, and the research and development experience of the Company, 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 a number of research and development projects, as such research and development approaches more advanced stages, research and development expenses will increase. Meanwhile, as there is a growing number of the Company's projects which are advancing into commercialization stage, investments in such commercialization will increase.

Given that (i) the mutual complementary relationship between Shanghai Pharmaceutical's capabilities and experience in production, manufacturing, marketing and sales and the Company's development experience; and (ii) the Company has been cooperating with Shanghai Pharmaceutical on some projects to (a) realize the value of the projects that are at different research and development stages; (b) secure funds for the effective commercialization development; and (c) satisfy the development needs of the Company, we are of the view that the Sales and Distribution Transactions are within the ordinary course of businesses of the Company and the benefits set out above are in the interests of the Company and the Shareholders as a whole.

Details of the Strategic Cooperation Agreement

- Date** : 19 March 2013
- Parties** : The Company and Shanghai Pharmaceutical
- Validity and Renewal** :
- The Strategic Cooperation Agreement will take effect from the expiration of the former strategic cooperation agreement on 31 December 2013 until 31 December 2016.
 - 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.

LETTER FROM MESSIS CAPITAL

- 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 2014 (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 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.

LETTER FROM MESSIS CAPITAL

- 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 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, and 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.
 - 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 instalments in accordance with the agreed progress of the project, and the timing of such payment shall be determined by the Strategic Cooperation Agreement.

LETTER FROM MESSIS CAPITAL

In addition to the key terms of the Strategic Cooperation Agreement, including research and development expenses sharing terms, we have also reviewed other terms of the Strategic Cooperation Agreement. There is no extra-ordinary terms, including any less favourable terms to the Company, in the Strategic Cooperation Agreement being noted. Accordingly, we are of the view that the entering into the Strategic Cooperation Agreement is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

1. Information of 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 under the sub-section of “Information of the relevant pharmaceuticals” in the Board Letter.

2. Proposed annual caps and basis for the proposed annual caps

According to the terms of Strategic Cooperation Agreement, the Company anticipated that the annual caps for the continuing connected transactions contemplated under the Strategic Cooperation Agreement for the three years ending 31 December 2016 will be as follows:

	1 January 2014 to 31 December 2014 (RMB)	1 January 2015 to 31 December 2015 (RMB)	1 January 2016 to 31 December 2016 (RMB)
Proposed Annual Cap	33,000,000	31,000,000	20,000,000

LETTER FROM MESSIS CAPITAL

The above annual caps for the continuing connected transactions contemplated under the Strategic Cooperation Agreement for the three years ending 31 December 2016 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 Strategic Cooperation Agreement, the details of which are set out as follows:

Table 1: the total expected research fees to be incurred for the three financial years ending 31 December 2016

	<i>Currency: RMB</i>		
	2014	2015	2016
Recombinant human lymphotoxin derivatives (LT) (重組人淋巴毒素α衍生物)	10,700,000	6,600,000	200,000
Vincristine sulfate liposome (LVCR) (硫酸長春新城脂質體)	3,400,000	9,400,000	6,600,000
Deuteroporphyrin (多替泊芬)	12,060,000	5,740,000	2,000,000
Recombinant high affinity TNF receptor (重組高親和力TNF受體)	9,000,000	15,000,000	3,000,000
Aggregated total expected research fees for current year	35,160,000	36,740,000	11,800,000

LETTER FROM MESSIS CAPITAL

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 2016

Currency: RMB

	2014	2015	2016
80% of the research and development expenses to be prepaid by Shanghai Pharmaceutical ^{note 1}	28,128,000	29,392,000	9,440,000
Preliminary fees of cooperation projects to be paid by Shanghai Pharmaceutical (payment made according to agreed progress) ^{note 2}	3,096,000	–	8,463,000
Total amount to be paid and prepaid by Shanghai Pharmaceutical for current year	31,224,000	29,392,000	17,903,000

Notes:

1. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the research and development expenses incurred commencing from 1 January 2014 (inclusive). These sums are calculated based on 80% of the estimated total amount of research fees to be incurred for the three years ending 31 December 2016 (see the total sums in Table 1).

2. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceutical shall be responsible for 80% of the preliminary research and development expenses incurred 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 RMB30.6 million has been paid in the first two years ending 31 December 2012, and approximately RMB20.3 million will be paid in the year 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 continuing connected transactions contemplated under the Strategic Cooperation Agreement, 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 MESSIS CAPITAL

We have reviewed the internal records and correspondences between the Company and Shanghai Pharmaceutical in relation to the three years projections for the Strategic Cooperation Transactions, including both the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of the Strategic Cooperation Agreement and the projected research and development expenses after the signing of the Strategic Cooperation Agreement. We note that the projections are arrived after detailed analysis and reasonable estimation between the Company and Shanghai Pharmaceutical. Having considered each of the annual caps above have been determined by reference to (i) the potential 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; and (ii) additional buffer to the aggregate amount payable by Shanghai Pharmaceutical to the Company; we consider that the proposed annual caps for the Strategic Cooperation Transactions for the three years ending 31 December 2016 are adequate and fair and reasonable so far as the interest of the Independent Shareholders and the Company as a whole are concerned.

III. THE SECOND GRANT

Reference is made to the announcement of the Company dated 11 April 2012 (the “**Announcement**”), the circular of the Company dated 14 May 2012 (the “**Circular**”) and the poll results announcement of the Company dated 29 June 2012 relating to the adoption of Restricted Share Scheme.

The Board announces that at a meeting of the Board on 19 March 2013, the Board resolved that pursuant to the Restricted Share Scheme, the Company would grant not more than 35,500,000 Restricted Shares in the Second Grant to the Scheme Participants at the grant price of RMB0.51 per Restricted Share within two (2) years commencing from the Adoption Date.

Particulars of the Restricted Share Scheme could be found in the Announcement, the Circular and the Poll Results Announcement.

LETTER FROM MESSIS CAPITAL

Proposed grant of Restricted Shares to connected persons under the Second Grant

Particulars of the Scheme Participants who are the connected persons of the Company under the Second Grant are set out as follows:

Names of Scheme Participants	Relationship with the Company	Numbers of Restricted Shares to be granted
Mr. Wang Hai Bo	executive Director	3,000,000
Mr. Su Yong	executive Director	2,000,000
Mr. Zhao Da Jun	executive Director	2,000,000
Ms. Zhang Manjuan	Supervisor	870,000
Mr. Zhou Ming	Director of a subsidiary of the Company	800,000
Ms. Lu Rong	Supervisor of a subsidiary of the Company	800,000

Reasons for and benefits of the proposed grant of Restricted Shares to connected persons under the Second Grant

The reasons for the proposed grant of Restricted Shares to connected persons under the Second Grant are to reform the Company's remuneration system, to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the executive Directors, Supervisor, director and supervisor of a subsidiary of the Company. It aims to balance the long term and short term objectives of the management and to support the realization of the Company's strategy and sustainable development. It also will serve to retain and attract valuable management and key business employees to foster the long development of the Company and its subsidiaries.

As the Scheme Participants of the Restricted Share Scheme under the Second Grant will include certain Directors, Supervisor, director and supervisor of a subsidiary of the Company, the grant of such Restricted Shares will constitute connected transactions of the Company and any such grant is subject to approval by the Independent Shareholders.

The Restricted Shares to be granted to the aforesaid connected persons under the Second Grant will be granted at the same Grant Price as other Scheme Participants. The Directors are of the view that the Grant Price of RMB0.51 per Restricted Share is fair and reasonable because: (i) the Grant Price is no less or more favourable to the aforesaid connect persons under the Second Grant than to any other Scheme Participant; and (ii) such Grant Price will provide sufficient incentives to the aforesaid connected persons under the Second Grant to participate in the Restricted Share Scheme, considering the fact that the Domestic Shares are not listed on any domestic stock exchanges in the PRC.

LETTER FROM MESSIS CAPITAL

Assuming that 35,500,000 Restricted Shares are to be issued to the aforesaid connected persons and other Scheme Participants who are not the connected persons of the Company under the Second Grant, particulars of the Second Grant (without taking into account the Restricted Shares to be issued under the Initial Grant pursuant to the Restricted Share Scheme) are set out as follows:

Name	Proposed grant of Restricted Shares under the Second Grant <i>(Shares)</i>	As a percentage of the total number of Restricted Shares under the Second Grant <i>(%)</i>	As a percentage of the total number of the Domestic Shares <i>(%)</i>	As a percentage of the total number of issued shares capital <i>(%)</i>
Mr. Wang Hai Bo	3,000,000	8.45	0.59	0.35
Mr. Su Yong	2,000,000	5.63	0.39	0.23
Mr. Zhao Da Jun	2,000,000	5.63	0.39	0.23
Ms. Zhang Manjuan	870,000	2.45	0.17	0.10
Mr. Zhou Ming	800,000	2.25	0.16	0.09
Ms. Lu Rong	800,000	2.25	0.16	0.09
Other Scheme Participants other than connected persons of the Company	<u>26,030,000</u>	<u>73.32</u>	<u>5.08</u>	<u>3.06</u>
Total	<u>35,500,000</u>	<u>100</u>	<u>6.93</u>	<u>4.17</u>

LETTER FROM MESSIS CAPITAL

Assuming that 35,500,000 Restricted Shares are issued under the Second Grant, the changes in the shareholding of the aforesaid connected persons of the Company (without taking into account the Restricted Shares to be issued under the Initial Grant pursuant to the Restricted Share Scheme) will be as follows:

Name	Before the grant under the Second Grant		Immediately after the grant under the Second Grant	
	Number of Domestic Shares (Shares)	As a percentage of the total share capital (%)	Number of Domestic Shares (Shares)	As a percentage of the total share capital (%)
Mr. Wang Hai Bo	51,886,430	6.09	54,886,430	6.18
Mr. Su Yong	18,312,860	2.15	20,312,860	2.29
Mr. Zhao Da Jun	15,260,710	1.79	17,260,710	1.94
Ms. Zhang Manjuan	nil	nil	870,000	0.10
Mr. Zhou Ming	nil	nil	800,000	0.09
Ms. Lu Rong	nil	nil	800,000	0.09

Having considered that (i) the grant of the Second Grant to the Directors will provide incentives to the aforesaid connected persons to work for the Company; (ii) the total number of Initial Grant to the Directors will be only approximately 1.09% of the total issue Shares of the Company as at the Latest Practicable Date; and (iii) the Grant Price is no less or more favourable to the aforesaid connect persons under the Second Grant than to any other Scheme Participant, we consider the potential dilution to shareholding of the Independent Shareholders in relation to the Second Grant to the Directors is in the interest of the Company and the Shareholders and fair and reasonable.

RECOMMENDATION

Having considered the terms and conditions of the Sales and Distribution Agreement and the Strategic Cooperation Agreement, and the continuing connected transactions contemplated thereunder, we are of the view that the terms and conditions of the Sales and Distribution Agreement; and the Strategic Cooperation Agreement are entered on normal commercial terms, in the interests of the Company and its Shareholders as a whole and fair and reasonable so far as the Independent Shareholders are concerned, and the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve (i) the Sales and Distribution Agreement; and (ii) the Strategic Cooperation Agreement, and the proposed annual caps for the continuing connected transactions contemplated thereunder to be proposed at the AGM.

LETTER FROM MESSIS CAPITAL

Having considered the information set out in the letter from the Board and the principal factors and reasons, we are of the view that the grant of Restricted Shares to connected persons under the Second Grant pursuant to the terms of the Restricted Share Scheme, is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to approve the grant of Restricted Shares to connected persons under the Second Grant pursuant to the terms of the Restricted Share Scheme at the AGM.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Michael Leung
Executive Director

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 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. DISCLOSURE OF INTERESTS

(a) Directors', chief executive's and supervisors' interest in shares of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executives 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	6.09
Su Yong	Domestic Shares	18,312,860 (L)	Beneficial owner	Personal	3.58	2.15
Zhao Da Jun	Domestic Shares	15,260,710 (L)	Beneficial owner	Personal	2.98	1.79
Fang Jing	Domestic Shares	5,654,600 (L)	Beneficial owner	Personal	1.10	0.66

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

(b) Interest and/or short position of entities (other than the Directors, Supervisors or chief executives of the Company) in the Shares which is discloseable under Divisions 2 and 3 of the SFO

So far as to the knowledge of the Directors, as at the Latest Practicable Date, the following Shareholders (other than the Directors, Supervisors or chief executives of the Company) had 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 substantial 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 of the Company (%)
Shanghai Industrial Investment (Holdings) Co. Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	24.66%
	H Shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceutical Holding Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial owner	Corporate	27.26%	24.66%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	Domestic Shares	130,977,816 (L)	Beneficial owner	Corporate	25.58%	15.37%
Shanghai Zhangjiang (Group) Co., Ltd.	Domestic Shares	105,915,096 (L)	Interest of controlled corporation	Corporate	20.69%	12.43%
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	Domestic Shares	105,915,096 (L)	Beneficial owner	Corporate	20.69%	12.43%
Shum Ning	H Shares	34,000,000 (L)	Beneficial owner	Personal	10.00%	3.99%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.98%	3.60%

Name of substantial 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 of the Company (%)
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%	3.60%
Boxin China Growth Fund I LP	H Shares	27,000,000 (L)	Investment Manager	Corporate	7.94%	3.17%
Liu Yang	H Shares	17,000,000 (L)	Interest of controlled corporation	Personal	5.00%	2.00%
Atlantis Capital Holdings Limited	H Shares	17,000,000 (L)	Beneficial owner	Corporate	5.00%	2.00%

Note 1: The letter “L” stands for long position.

Note 2: As at the Latest Practicable Date, Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. has sold its entire interest in the Company to third parties, but the transfer and registration procedures have not yet been completed.

4. COMPETING INTEREST

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

5. DIRECTORS' INTEREST IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors 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' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors 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 2012, the date of which the latest published audited consolidated financial statements of the Group were made up.

No contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

7. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualifications
Messis Capital Limited	a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, the expert mentioned in paragraph (a) 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.
- (c) The expert has on 12 April 2013 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 12 April 2013 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by MESSIS Capital Limited are given as of the date of this circular for incorporation herein.
- (e) The expert has 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 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at No.308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, 201210, the PRC.
- (b) The principal place of business of the Company in Hong Kong is 15/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong.
- (c) 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.
- (d) 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.
- (e) 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).
- (f) The English text of this circular shall prevail over the Chinese text.

10. 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 on any weekday (except for public holidays) up to the date which is 14 days from the date of the circular:

- (a) the Sales and Distribution Agreement dated 19 March 2013;
- (b) the Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development dated 19 March 2013;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 28 to 30 of this circular;

- (d) the letter of advice issued by Messis Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 48 of this circular; and
- (e) the written consent of Messis Capital Limited referred to in paragraph 7(c) above.

NOTICE OF 2012 ANNUAL GENERAL MEETING



上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

NOTICE OF 2012 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2012 annual general meeting (the “AGM”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “Company”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m. on Thursday, 30 May 2013 for the purpose of considering and, if thought fit, passing the following resolutions (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 12 April 2013):

AS ORDINARY RESOLUTIONS:

1. To consider and approve the report of the Board for the year 2012.
2. To consider and approve the report of the Supervisory Committee for the year 2012.
3. To consider and approve the audited financial statements and the auditors' report for the year 2012.
4. To consider and approve the proposal in relation to non-distribution of final dividend of the Company for the year 2012.
5. To consider and approve the appointment of auditors (domestic and overseas) and authorize the Board to fix their remunerations for the year 2013.
6. To consider and approve the proposal in relation to remuneration of the Directors and Supervisors of the Company for the year 2013, and to authorize the Board to implement the proposal.

NOTICE OF 2012 ANNUAL GENERAL MEETING

7. To consider and approve the entering into of the sales and distribution agreement (the “**Sales and Distribution Agreement**”) with Shanghai Pharmaceutical Distribution Co., Ltd. and the annual caps for the three financial years ending 31 December 2015 for the continuing connected transactions contemplated thereunder:

“**THAT**

- (1) the entering into of the Sales and Distribution Agreement dated 19 March 2013 between the Company and Shanghai Pharmaceutical Distribution 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 2015 for the continuing connected transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (2) 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.”
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 2016 for the continuing connected transactions contemplated thereunder:

“**THAT**

- (1) the entering into of the Strategic Cooperation Agreement dated 19 March 2013 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 2016 for the continuing connected transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (2) 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.”
9. To consider and approve the appointment of Ms. Yu Xiao Yang as a non-executive Director.
10. To consider and approve the appointment of Mr. Zhou Zhong Hui as an independent non-executive Director.
11. To consider and approve the appointment of Mr. Zhao Wen Bin as a Supervisor.
12. To consider and approve the appointment of Mr. Li Ning Jian as a Supervisor.

NOTICE OF 2012 ANNUAL GENERAL MEETING

AS SPECIAL RESOLUTIONS:

13. To consider and, if thought fit, pass the following resolution:

“THAT:

- (1) the Board be and is hereby authorized to conduct the Second Grant of not more than 35,500,000 Restricted Shares within two (2) years commencing from the Adoption Date pursuant to the Restricted Share Scheme;
- (2) under the Second Grant, the grants of Restricted Shares to three executive Directors, a Supervisor, a director of a subsidiary of the Company and a supervisor of a subsidiary of the Company at the grant price of RMB0.51 per Restricted Share, that is, 3,000,000 Restricted Shares to Mr. Wang Hai Bo, 2,000,000 Restricted Shares to Mr. Su Yong, 2,000,000 Restricted Shares to Mr. Zhao Da Jun, 870,000 Restricted Shares to Ms. Zhang Manjuan, 800,000 Restricted Shares to Mr. Zhou Ming and 800,000 Restricted Shares to Ms. Lu Rong be and are hereby approved; and
- (3) the Board be and is hereby authorized to do all acts and things as they consider necessary or expedient or desirable in connection with the implementation of the Restricted Share Scheme, including but not limited to, approve and sign the relevant capital increase agreements, contracts and other documents, amend the articles of association of the Company according to the result of the exercise of the Restricted Share Scheme, deal with the relevant approval, registration and filing procedures with the relevant domestic and overseas regulatory authorities and other matters in relation to the implementation of the Shareholders’ approvals.”

14. To consider and, if thought fit, pass the following resolution:

“THAT:

- (1) conditional upon the conditions (as set out in the paragraph headed “Conditions for Transfer of Listing” in the Circular), the proposed transfer of listing (the “**Transfer of Listing**”) of the H Shares from the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to the main board (the “**Main Board**”) of the Stock Exchange, be and is hereby approved, confirmed and ratified in all aspects;
- (2) the Board be and is hereby authorized to do all such acts or things and to take all such steps and execute any documents (and where applicable, to affix the seal of the Company) as it considers necessary, desirable or expedient to effect and implement the Transfer of Listing, including but not limited to:
 - (a) determining the timetable thereof;

NOTICE OF 2012 ANNUAL GENERAL MEETING

- (b) making any applications and submissions to the Stock Exchange for the Transfer of Listing;
- (c) filing with China Securities Regulatory Commission in respect of the Transfer of Listing;
- (d) entering into any documents/agreements (including but not limited to any agreements for the engagement of the financial or legal advisers);
- (e) amend the articles of association of the Company upon the completion of the Transfer of Listings, deal with the relevant approval, registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders' approvals; and
- (f) executing (with or without amendments) all other documents, submitting for approval or filing any such or related documents, taking all other steps and action as the Board in its opinion considers necessary, desirable or expedient to implement the Transfer of Listing and the transactions contemplated thereunder."

By order of the Board
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*
Wang Hai Bo
Chairman

Shanghai, the PRC
12 April 2013

* *For identification purposes only*

Notes:

1. The register of the holders of H Shares of the Company will be closed from Tuesday, 30 April 2013 to Thursday, 30 May 2013 (both days inclusive). During this period, no transfer of the H Shares of the Company will be registered. Any holder of H Shares of the Company whose name appears on the Company's register of holders of H Shares at the close of business hours on Monday, 29 April 2013 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.

NOTICE OF 2012 ANNUAL GENERAL MEETING

3. Where there are joint holders of any Share in the issued share capital of the Company, any one of such persons may vote at the meeting, either in person 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 which it is signed, and a notarially certified copy of such power of attorney, must be deposited with 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 (for holders of H Shares), or with the office of the secretary to the Board of the Company, at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC (for holders of Domestic Shares), not later 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 on or before Thursday, 9 May 2013.

For holders of Domestic Shares

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

For holders of H Shares

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

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES



上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that a class meeting of the holders of H shares (the “**H Shareholders Class Meeting**”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “**Company**”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 11:00 a.m. (or after the conclusion or adjournment of the AGM) on Thursday, 30 May 2013 for the purpose of considering and, if thought fit, passing the following special resolutions (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 12 April 2013):

1. To consider and, if thought fit, pass the following resolution:

“THAT:

- (1) the Board be and is hereby authorized to conduct the Second Grant of not more than 35,500,000 Restricted Shares within two (2) years commencing from the Adoption Date pursuant to the Restricted Share Scheme;
- (2) under the Second Grant, the grants of Restricted Shares to three executive Directors, a Supervisor, a director of a subsidiary of the Company and a supervisor of a subsidiary of the Company at the grant price of RMB0.51 per Restricted Share, that is, 3,000,000 Restricted Shares to Mr. Wang Hai Bo, 2,000,000 Restricted Shares to Mr. Su Yong, 2,000,000 Restricted Shares to Mr. Zhao Da Jun, 870,000 Restricted Shares to Ms. Zhang Manjuan, 800,000 Restricted Shares to Mr. Zhou Ming and 800,000 Restricted Shares to Ms. Lu Rong be and are hereby approved; and
- (3) the Board be and is hereby authorized to do all acts and things as they consider necessary or expedient or desirable in connection with the implementation of the Restricted Share Scheme, including but not limited to, approve and sign the relevant capital increase agreements, contracts and other documents, amend the articles of association of the Company according to the result of the exercise of the Restricted Share Scheme, deal with the relevant approval, registration and filing procedures with the relevant domestic and overseas regulatory authorities and other matters in relation to the implementation of the Shareholders’ approvals.”

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

2. To consider and, if thought fit, pass the following resolution:

“THAT:

- (1) conditional upon the conditions (as set out in the paragraph headed “Conditions for Transfer of Listing” in the Circular), the proposed transfer of listing (the **“Transfer of Listing”**) of the H Shares from the Growth Enterprise Market (the **“GEM”**) of The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) to the main board (the **“Main Board”**) of the Stock Exchange, be and is hereby approved, confirmed and ratified in all aspects;
- (2) the Board be and is hereby authorized to do all such acts or things and to take all such steps and execute any documents (and where applicable, to affix the seal of the Company) as it considers necessary, desirable or expedient to effect and implement the Transfer of Listing, including but not limited to:
 - (a) determining the timetable thereof;
 - (b) making any applications and submissions to the Stock Exchange for the Transfer of Listing;
 - (c) filing with China Securities Regulatory Commission in respect of the Transfer of Listing;
 - (d) entering into any documents/agreements (including but not limited to any agreements for the engagement of the financial or legal advisers);
 - (e) amend the articles of association of the Company upon the completion of the Transfer of Listings, deal with the relevant approval, registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders’ approvals; and
 - (f) executing (with or without amendments) all other documents, submitting for approval or filing any such or related documents, taking all other steps and action as the Board in its opinion considers necessary, desirable or expedient to implement the Transfer of Listing and the transactions contemplated thereunder.”

By order of the Board
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*
Wang Hai Bo
Chairman

Shanghai, the PRC
12 April 2013

* *For identification purposes only*

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

Notes:

1. The register of the holders of H Shares of the Company will be closed from Tuesday, 30 April 2013 to Thursday, 30 May 2013 (both days inclusive). During this period, no transfer of the H Shares of the Company will be registered. Any holder of H Shares of the Company whose name appears on the Company's register of holders of H Shares at the close of business hours on Monday, 29 April 2013 and has completed the registration procedures, is entitled to attend and vote at the H Shareholders Class Meeting.

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 holders of H Shares 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, 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 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 later 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 holders of H Shares of the Company entitled to attend the H Shareholders Class Meeting is requested to complete and deliver the reply slip for attendance to the H Share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, on or before Thursday, 9 May 2013.



上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 8231)

NOTICE OF CLASS MEETING
OF THE HOLDERS OF DOMESTIC SHARES

NOTICE IS HEREBY GIVEN that a class meeting of the holders of Domestic Shares (the “**Domestic Shareholders Class Meeting**”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “**Company**”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 11:30 a.m. (or after any adjournment of the class meeting of holders of H shares of the Company) on Thursday, 30 May 2013 for the purpose of considering and, if thought fit, passing the following special resolutions (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 12 April 2013):

1. To consider and, if thought fit, pass the following resolution:

“**THAT:**

- (1) the Board be and is hereby authorized to conduct the Second Grant of not more than 35,500,000 Restricted Shares within two (2) years commencing from the Adoption Date pursuant to the Restricted Share Scheme;
- (2) under the Second Grant, the grants of Restricted Shares to three executive Directors, a Supervisor, a director of a subsidiary of the Company and a supervisor of a subsidiary of the Company at the grant price of RMB0.51 per Restricted Share, that is, 3,000,000 Restricted Shares to Mr. Wang Hai Bo, 2,000,000 Restricted Shares to Mr. Su Yong, 2,000,000 Restricted Shares to Mr. Zhao Da Jun, 870,000 Restricted Shares to Ms. Zhang Manjuan, 800,000 Restricted Shares to Mr. Zhou Ming and 800,000 Restricted Shares to Ms. Lu Rong be and are hereby approved; and
- (3) the Board be and is hereby authorized to do all acts and things as they consider necessary or expedient or desirable in connection with the implementation of the Restricted Share Scheme, including but not limited to, approve and sign the relevant capital increase agreements, contracts and other documents, amend the articles of association of the Company according to the result of the exercise of the Restricted Share Scheme, deal with the relevant approval, registration and filing procedures with the relevant domestic and overseas regulatory authorities and other matters in relation to the implementation of the Shareholders’ approvals.”

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

2. To consider and, if thought fit, pass the following resolution:

“THAT:

- (1) conditional upon the conditions (as set out in the paragraph headed “Conditions for Transfer of Listing” in the Circular), the proposed transfer of listing (the “**Transfer of Listing**”) of the H Shares from the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to the main board (the “**Main Board**”) of the Stock Exchange, be and is hereby approved, confirmed and ratified in all aspects;
- (2) the Board be and is hereby authorized to do all such acts or things and to take all such steps and execute any documents (and where applicable, to affix the seal of the Company) as it considers necessary, desirable or expedient to effect and implement the Transfer of Listing, including but not limited to:
 - (a) determining the timetable thereof;
 - (b) making any applications and submissions to the Stock Exchange for the Transfer of Listing;
 - (c) filing with China Securities Regulatory Commission in respect of the Transfer of Listing;
 - (d) entering into any documents/agreements (including but not limited to any agreements for the engagement of the financial or legal advisers);
 - (e) amend the articles of association of the Company upon the completion of the Transfer of Listings, deal with the relevant approval, registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders’ approvals; and
 - (f) executing (with or without amendments) all other documents, submitting for approval or filing any such or related documents, taking all other steps and action as the Board in its opinion considers necessary, desirable or expedient to implement the Transfer of Listing and the transactions contemplated thereunder.”

By order of the Board
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*
Wang Hai Bo
Chairman

Shanghai, the PRC
12 April 2013

* *For identification purposes only*

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

Notes:

1. The register of the holders of Domestic Shares of the Company will be closed from Tuesday, 30 April 2013 to Thursday, 30 May 2013 (both days inclusive). During this period, no transfer of the Domestic Shares of the Company will be registered. Any holder of the Domestic Shares of the Company whose name appears on the Company's register of holders of Domestic Shares at the close of business hours on Monday, 29 April 2013 and has completed the registration procedures, is entitled to attend and vote at the Domestic Shareholders Class Meeting.
2. Any holders of Domestic Shares 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, 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 which it is signed, and a notarially certified copy of such power of attorney, must be delivered to the office of the secretary to the Board of the Company not later than 24 hours before the time fixed for holding the meeting or any adjourned meeting as the case may be.
5. Details of the office of the secretary to the Board of the Company are as follows:

Zhangjiang Hi-Tech Park
Pudong New Area
Shanghai, the PRC
Post Code: 201210
Tel: 86-21-5855 3628
Fax: 86-21-5855 3893
6. The resolutions as set out above are required to be determined by way of poll under the GEM Listing Rules.
7. Any holders of Domestic Shares of the Company entitled to attend the Domestic Shareholders Class Meeting is requested to complete and deliver the reply slip for attendance to the secretary to the Board of the Company (see note (5) above for its address) on or before Thursday, 9 May 2013.