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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or 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 and the proxy forms and reply slips to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 1349)

- (1) SUPPLEMENTAL AGREEMENT TO THE STRATEGIC COOPERATION AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND DEVELOPMENT WITH SHANGHAI PHARMACEUTICALS;
  - (2) PROPOSED CHANGE OF SUPERVISOR;
  - (3) PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION IN RESPECT OF THE PROPOSED ISSUE OF A SHARES;
  - (4) PROPOSED EXTENSION OF THE AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE ISSUE OF A SHARES;
  - (5) PROPOSED AUTHORIZATION TO THE BOARD TO PURCHASE WEALTH MANAGEMENT PRODUCTS;
  - (6) PROPOSED ADOPTION OF THE INTERNAL RULES;
- AND
- (7) DISTRIBUTION OF FINAL DIVIDEND

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



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

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A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee in respect of the Supplemental Agreement and the proposed revised annual cap is set out on pages 22 to 23 of this circular. A letter of advice from Messis Capital Limited, the Independent Financial Advisor, in respect of the Supplemental Agreement and the proposed revised annual cap to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 36 of this circular.

The AGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of Domestic Shares will 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 Friday, 13 May 2016. Please refer to the notices convening the AGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of Domestic Shares dated 29 March 2016.

If you are eligible and intend to attend the AGM and the Class Meetings, please complete and return the reply slips in accordance with the instructions printed thereon on or before Friday, 22 April 2016. Shareholders who intend to appoint a proxy to attend the AGM and the Class Meetings shall complete and return the 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 Company Secretary 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 proxy forms will not preclude you from attending and voting in person at the AGM and the Class Meetings or any adjourned meeting in person should you so desire.

\* For identification purpose only

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## DEFINITIONS

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

“A Share(s)”	the ordinary share(s) with a nominal value of RMB0.10 each in the share capital of the Company to be allotted, issued and listed on the Shanghai Stock Exchange
“AGM”	the annual general meeting of the Company to be held at No. 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China at 10:00 a.m. on Friday, 13 May 2016
“Articles of Association”	the articles of association of the Company
“associate”	has the meaning ascribed to such term under the Listing Rules
“Board”	the board of Directors
“Class Meetings”	the Class Meeting of Holders of H Shares and the Class Meeting of Holders of Domestic Shares
“Class Meeting of Holders of Domestic Shares”	the class meeting of the holders of the Domestic Shares to be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC, at 11:30 a.m., on Friday, 13 May 2016
“Class Meeting of Holders of H Shares”	the class meeting of the holders of the H Shares to be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC, at 11:00 a.m., on Friday, 13 May 2016
“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 company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to such term under the Listing Rules
“CSRC”	China Securities Regulatory Committee (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary domestic share(s) with a nominal value of RMB0.10 each in the share capital of the Company which are subscribed for in RMB

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## DEFINITIONS

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“Each Pharmaceutical” or “Such Pharmaceuticals”	the relevant potential pharmaceuticals owned by the Group which are at various research stages, the corporation for the research and development on which the Company and Shanghai Pharmaceuticals of which was been agreed on by under the Strategic Cooperation Agreement
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign share(s) with a nominal value of RMB0.10 each in the share capital of the Company which are listed on the Stock Exchange and are subscribed for and traded in HK\$
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of Directors appointed to advise the Independent Shareholders in respect of the Supplemental Agreement and the proposed revised annual cap
“Independent Financial Adviser”	Messis Capital Limited, a licenced corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the proposed revised annual cap
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting on the resolution at the AGM for approving the Supplemental Agreement and the proposed revised annual cap
“Internal Rules”	the Rules of Procedures for General Meeting, the Rules of Procedures for Board Meeting, the Rules of Procedures for the Supervisory Committee, the Regulations for Information Disclosure, the Administrative Rules of Connected/ Related-party Transactions, the Administrative Rules of Use of Proceeds, the Regulations for Financing and External Guarantee, and the Administrative Rules of Major Decisions on Investment and Operation
“Issue of A Shares”	the proposed issue of not more than 27,000,000 A Shares with a nominal value of RMB0.10 each, which will be listed on the Shanghai Stock Exchange
“Latest Practicable Date”	7 April 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“PRC”	the Peoples Republic of China
“promoter”	has the meaning ascribed to such term under the Listing Rules
“Region for Cooperation”	the geographical scope within which the research and development, production and sales activities of such pharmaceuticals are conducted, i.e. in the PRC (including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“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 Pharmaceuticals”	上海醫藥集團股份有限公司 (Shanghai Pharmaceuticals Holding Co., Ltd.*), a joint stock limited company incorporated in the PRC whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively, and a promoter of the Company and a substantial shareholder holding approximately 22.77% of the total share capital of the Company as at the Latest Practicable Date
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	the strategic cooperation agreement for innovative pharmaceuticals research and development entered into between the Company and Shanghai Pharmaceuticals on 19 March 2013, pursuant to which both parties will jointly share the risks of, and cooperate on, the research and development and commercialization of the relevant potential pharmaceuticals owned by the Group which are at various research stages
“substantial shareholder”	has the meaning ascribed to such term under the Listing Rules

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## DEFINITIONS

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“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Supplemental Agreement”	the supplemental agreement to the Strategic Cooperation Agreement entered into on 18 March 2016 between the Company and Shanghai Pharmaceuticals to revise the annual cap for 2016 for the continuing connected transactions contemplated thereunder
“Transactions”	the continuing connected transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement
“%”	per cent.

\* *For identification purpose only*

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LETTER FROM THE BOARD

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上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 1349)

*Executive Directors:*

Mr. Wang Hai Bo (Chairman)

Mr. Su Yong

Mr. Zhao Da Jun

*Non-executive Directors:*

Ms. Ke Ying

Mr. Shen Bo

Ms. Yu Xiao Yang

*Independent Non-executive Directors:*

Mr. Zhou Zhong Hui

Mr. Lam Yiu Kin

Mr. Xu Qing

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

No. 308, Cailun Road

Zhangjiang Hi-Tech Park

Pudong New Area, Shanghai

China

201210

*Principal place of business  
in Hong Kong:*

19/F, Three Exchange Square

8 Connaught Place Central

Hong Kong

13 April 2016

*To the Shareholders*

Dear Sir or Madam,

- (1) SUPPLEMENTAL AGREEMENT TO THE STRATEGIC COOPERATION  
AGREEMENT FOR INNOVATIVE PHARMACEUTICALS RESEARCH AND  
DEVELOPMENT WITH SHANGHAI PHARMACEUTICALS;  
(2) PROPOSED CHANGE OF SUPERVISOR;  
(3) PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE  
RESOLUTION IN RESPECT OF THE PROPOSED ISSUE OF A SHARES;  
(4) PROPOSED EXTENSION OF THE AUTHORIZATION TO THE BOARD TO  
DEAL WITH MATTERS RELATING TO THE ISSUE OF A SHARES;  
(5) PROPOSED AUTHORIZATION TO THE BOARD TO PURCHASE  
WEALTH MANAGEMENT PRODUCTS;  
(6) PROPOSED ADOPTION OF THE INTERNAL RULES;  
AND  
(7) DISTRIBUTION OF FINAL DIVIDEND**

\* For identification purpose only

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## LETTER FROM THE BOARD

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### I. INTRODUCTION

The purpose of this circular is, among other things, to provide you with more information in respect of: (i) the Supplemental Agreement with Shanghai Pharmaceuticals and the proposed revised annual cap for 2016; (ii) the proposed change of Supervisor; (iii) the proposed extension of the validity period of the resolution in respect of the proposed Issue of A Shares; (iv) the proposed extension of the authorization to the board to deal with matters relating to the Issue of A Shares; (v) the proposed authorization to the Board to purchase wealth management products; (vi) the proposed adoption of the Internal Rules; and (vii) the distribution of final dividend, to enable you to make an informed decision on whether to vote for or against the relevant resolutions at the AGM and/or the Class Meetings.

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

Reference is made to the announcement of the Company dated 19 March 2013 and the circular of the Company dated 12 April 2013 in relation to, among other things, the Strategic Cooperation Agreement and the transactions thereunder, and the announcement of the Company dated 18 March 2016 in relation to the Supplemental Agreement to the Strategic Cooperation Agreement for innovative pharmaceuticals research and development with Shanghai Pharmaceuticals and the proposed revised annual cap for 2016.

#### 1. Strategic Cooperation Agreement

On 19 March 2013, the Company entered into the Strategic Cooperation Agreement with Shanghai Pharmaceuticals for the cooperation on innovative pharmaceuticals research and development for the three years ending 31 December 2016. Pursuant to the Strategic Cooperation Agreement, both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. Details of the Strategic Cooperation Agreement are set out as follows:

<b>Date:</b>	19 March 2013
<b>Parties:</b>	The Company and Shanghai Pharmaceuticals
<b>Validity and Renewal:</b>	The Strategic Cooperation Agreement took effect from 31 December 2013 and will expire on 31 December 2016.



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## LETTER FROM THE BOARD

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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 Pharmaceuticals. If Shanghai Pharmaceuticals is not willing to renew the Strategic Cooperation Agreement, the rights of Shanghai Pharmaceuticals thereunder will be terminated, and all the rights and interests pertaining to Such Pharmaceuticals shall be vested into the Company.

**Pricing Policy:** 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 Pharmaceuticals 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 Pharmaceuticals.

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.

**Payment Terms:** Shanghai Pharmaceuticals 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.

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## LETTER FROM THE BOARD

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The amount of payment to be made by Shanghai Pharmaceuticals 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.

**Other Key  
Terms:**

The Company agreed to share ownership jointly with Shanghai Pharmaceuticals 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 Pharmaceuticals pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement.

Intellectual property rights (unlimited by the Region for Cooperation) arising from the joint research and development after the entry of the Strategic Cooperation Agreement shall be shared by both parties. If any such intellectual property right is eligible for the application for patents (unlimited by the Region for Cooperation), both parties shall have joint ownership over such patents and the rights to such patent application; if patent application is not available at the relevant time, both parties shall jointly own such new proprietary technology.

The ownership and interest of the certificate of new drugs relating to Such Pharmaceuticals shall be jointly owned by both parties. Each party shall be entitled to 50% of the revenue of Each Pharmaceutical within the Region for Cooperation. Details of the allocation of revenue shall be separately agreed between both parties through negotiations prior to the commencement of production and sales of Each Pharmaceutical.

Having considered that (i) the terms and conditions of the Strategic Cooperation Agreement were entered into after arm-length negotiation between the parties; (ii) each party is entitled to 50% of the revenue of the Each Pharmaceutical within the Region for Cooperation; (iii) the parties share ownership jointly over the patents and rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation; and (iv) the parties share the intellectual property rights arising from the joint research and development after the entry of the Strategic Cooperation Agreement, the Directors are of the view that the allocation of the research and development expenses as to 80% by Shanghai Pharmaceuticals and as to 20% by the Company was entered into on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Strategic Cooperation Agreement and the existing annual caps for the three years ending 31 December 2016 have been approved by Independent Shareholders at the annual general meeting of the Company on 30 May 2013.

### **2. Internal Control Procedures**

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

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

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

### **3. Supplemental Agreement**

Based on the internal estimation on the research and development expenses to be paid in 2016, the Directors are of the view that the existing annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement will not be sufficient for the Company's prospective requirements due to the adjustment to the research schedule for the relevant pharmaceuticals under the Strategic Cooperation Agreement.

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## LETTER FROM THE BOARD

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

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

#### 4. Historical Figures

80% of the actual amounts of research and development expenses incurred and the actual amounts paid by Shanghai Pharmaceuticals to the Company under the Strategic Cooperation Agreement in each of the two years ended 31 December 2014 and 2015 are set out below:

*Currency: RMB*

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2015</b>
80% of actual amounts of research and development expenses incurred	29,512,929	19,507,548
Actual amounts paid by Shanghai Pharmaceuticals to the Company	29,893,000	15,612,000

#### 5. Basis for the Proposed Revised Annual Cap

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

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## LETTER FROM THE BOARD

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

Currency: RMB

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

Notes:

1. A phase II clinical trial of this project has been completed. The Group will formulate a new research plan according to the trial result. Since the new research plan has not been finalized, the Company anticipates that the scheduled research and development expenses payable by Shanghai Pharmaceuticals for this project will not be incurred in 2016.
2. The Group cautiously decided to transfer this project to an independent third party pharmaceutical company in consideration of its future prospect, production conditions, payback period, etc. As such, the Company anticipates that the scheduled research and development expenses payable by Shanghai Pharmaceuticals for this project will not be incurred in 2016.
3. The clinical trial phase for such pharmaceutical needs to cost long time to complete, which is divided into several stages for implementation. As the earlier stage of the clinical trial phase of such pharmaceutical took more time than the original estimation, the subsequent stage was delayed to take place in 2016 correspondingly. Therefore, the expenses for the subsequent stage of the clinical trial phase of such pharmaceutical which were originally scheduled to be incurred and paid in 2014 and 2015 will be incurred and paid in 2016. Based on the above, the annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement will be increased by the Company accordingly.

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## LETTER FROM THE BOARD

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

*Currency: RMB*

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

*Notes:*

4. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall bear 80% of the research and development expenses to be incurred in 2016. The sum total is calculated based on 80% of the newly estimated total amount of expenses to be incurred for the year 2016 (see the sum total in Table 1).
5. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall pay the preliminary fees of cooperation projects for the research and development of Such Pharmaceuticals, which mean 80% of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of Strategic Cooperation Agreement up to 31 December 2010. According to the original schedule, Shanghai Pharmaceuticals should pay the preliminary fees at the amount of RMB8,463,000 upon completion of phase III clinical trial of recombinant human lymphotoxin  $\alpha$ -derivatives (LT), which was originally expected to take place in 2016. The research and development of such pharmaceutical has been suspended by the Company and therefore Shanghai Pharmaceuticals is not obligated to pay such amount in 2016 as originally scheduled. According to the scheduled progress of projects, approximately RMB7.42 million will be paid in the year ending 31 December 2016 on the assumption that phase I clinical trial of High bio-activity recombinant human TNF receptor (重組高親和力TNF受體) is completed in 2016 as scheduled. And the remaining of approximately RMB4.58 million will be paid in the year ending 31 December 2019 on the assumption that phase II clinical trial of Deuteroporphyrin (多替泊芬) is completed in 2019 as scheduled.

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

The Directors (including the independent non-executive Directors, whose opinion on the matter is formed after taking into account the advice of the Independent Financial Adviser in this regard) are of the view that the terms and conditions of the Supplemental

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## LETTER FROM THE BOARD

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Agreement are entered into on normal commercial terms, in the interests of the Company and its Shareholders as a whole and fair and reasonable, and the proposed revised annual cap for 2016 for the Transactions are fair and reasonable.

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

### **6. Reasons for and Benefit of the Transactions**

In view of the outstanding status of Shanghai Pharmaceuticals in the pharmaceutical industry, its strong capabilities and extensive experience in production, manufacturing, marketing and sales, and the research and development experience of the Company accumulated throughout the previous years, both parties are willing to share the risk of, and cooperate on, the research and development and commercialization of Such Pharmaceuticals. Since the Company has quite a number of research and development projects, as such research and development approaches more advanced stages, research and development expenses will continue to increase. Meanwhile, as there is a growing number of the Company's projects which are advancing into commercialization stage, investments in such commercialization will increase. Cooperation with Shanghai Pharmaceuticals on some projects will not only realize the value of the projects that are at different research and development stages, but will also secure funds for the effective commercialization development. This satisfies the development needs of the Company and is in the interests of the Company and its Shareholders as a whole.

### **7. Listing Rules Implications**

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

Since the highest applicable percentage ratios for the proposed revised annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement as amended by the Supplemental Agreement exceed 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shanghai Pharmaceuticals and its associates, holding approximately 22.77% of the total share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolution at the AGM for approving the Supplemental Agreement and the proposed revised annual cap. Saved as mentioned above, to the best of the Directors'

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## LETTER FROM THE BOARD

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knowledge, information and belief, no other Shareholder has any material interest in the Transactions and therefore will be required to abstain from voting on the relevant resolution at the AGM.

The Independent Board Committee has been established and has advised the Independent Shareholders in relation to the Supplemental Agreement and the proposed revised annual cap. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 22 to 23 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 24 to 36 of this circular.

### **8. General Information**

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

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

### **III. PROPOSED CHANGE OF SUPERVISOR**

Reference is made to the announcement of the Company dated 18 March 2016 in relation to the proposed change of Supervisor.

#### **1. Resignation of Supervisor**

On 18 March 2016, the Company announced that Mr. Li Ning Jian (“**Mr. Li**”) would cease to hold the position as a Shareholder representative Supervisor of the fifth session of the Supervisory Committee with effect from the conclusion of the AGM because the Company will adjust the composition of the Supervisory Committee to increase the number of independent Supervisors.

Mr. Li 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 or the Stock Exchange.

The Company hereby extends its appreciation for the contributions of Mr. Li to the Company during his tenure of office.



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## LETTER FROM THE BOARD

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### 2. Proposed appointment of Supervisor

On 18 March 2016, the Supervisory Committee also announces that it proposes to appoint Mr. Liu Xiao Long (“**Mr. Liu**”) as an independent Supervisor of the fifth session of the Supervisory Committee.

According to the Articles of Association, the proposed appointment of an independent Supervisor is subject to approval by the Shareholders at the AGM. The relevant proposals will be put forward to the AGM for the Shareholders’ consideration and approval by way of ordinary resolution.

Biographical details of the proposed independent Supervisor are as follows:

**Mr. Liu Xiao Long**, aged 59. He is the chairman of the board and the chief executive officer of Jiuyou Capital Co., Ltd. (上海久有股權投資基金管理有限公司). He worked as the general manager of Shanghai Wai Gao Qiao Free Trade Zone New Development Co., Ltd. (上海市外高橋保稅區新發展有限公司), the chairman of the board of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司) (a company listed on the Shanghai Stock Exchange whose stock code is 600895) and the deputy director of Shanghai Zhangjiang Hi-Tech Park management committee. He was also a member of the standing committee of Shanghai Association for Science and Technology. He graduated from Shanghai Jiao Tong University mechatronics branch campus with a bachelor degree.

Upon the proposed appointment of Supervisor being approved by the Shareholders, Mr. Liu will enter into a service contract with the Company. His term of office as an independent Supervisor will be from the date on which he is elected at the AGM, until the conclusion of the annual general meeting of the Company to be held in or around June 2017 (except for re-election). The remuneration as an independent Supervisor will be determined by the Board according to the authorization to be granted by the Shareholders at the AGM and in accordance with the Company’s remuneration policy for an independent Supervisor.

As at the Latest Practicable Date, saved as disclosed above, Mr. Liu does not: (i) hold any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) hold any position with the Company or its subsidiaries; (iii) have 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; and (iv) have any relationship with other current Directors, senior management or substantial Shareholders of the Company.

There is no information required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules in relation to the proposed appointment of Mr. Liu and there is no other matter in this regard that needs to be brought to the attention of the Shareholders.

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## LETTER FROM THE BOARD

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### **IV. PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION IN RESPECT OF THE PROPOSED ISSUE OF A SHARES AND PROPOSED EXTENSION OF THE AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE ISSUE OF A SHARES**

#### **1. Background**

Reference is made to the circular of the Company dated 24 June 2015 and the poll result announcement of the Company dated 11 August 2015 in relation to, among other things, (i) the proposed Issue of A Shares and (ii) the proposal on authorization to the Board to deal with matters relating to the Issue of A Shares.

As disclosed in the circular of the Company dated 24 June 2015, the Company proposed to apply to the relevant regulatory authorities in the PRC for the allotment and issue of not more than 27,000,000 A Shares with a nominal value of RMB0.10 each to the qualified investors subject to market consultation and investors who maintain securities account with the Shanghai Stock Exchange (excluding those in respect of which subscription has been prohibited by laws and regulations), and apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares. The Issue of A Shares will be carried out by the Company pursuant to a specific mandate granted at the Company's general meeting. The original resolutions on (i) the proposed Issue of A Shares and (ii) the proposal on authorization to the Board to deal with matters relating to the Issue of A Shares were considered and approved at the extraordinary general meeting, the class meeting of holders of Domestic Shares and the class meeting of holders of H Shares of the Company held on 11 August 2015.

The Directors consider that the Issue of A Shares will enhance the corporate image of the Company, further broaden the Company's funding channels and increase the Company's working capital and recognitions of capital market by attracting large institutional and medium and small investors. The Directors also believe that the Issue of A Shares will be beneficial to the Company's business growth, financing flexibility and business development, and be beneficial to obtain more financial resources and improve the competitiveness of the Company, and be beneficial to the long term development of the Company. The Directors consider that the Issue of A Shares is in the interests of the Company and the Shareholders as a whole.

#### **2. Proposed Extension of the Validity Period of the Resolution in Respect of the Proposed Issue of A Shares and Proposed Extension of the Authorization to the Board to Deal with Matters Relating to the Issue of A Shares**

Given the Company's application for the Issue of A Shares is still in progress and the validity period of the resolution in respect of the Issue of A Shares and the authorization period to the Board to deal with matters relating to the Issue of A Shares will expire soon on 10 August 2016, the Board proposed to extend the validity period of such resolution and the aforementioned authorization period by 12 months immediately following the expiration of their respective original validity period (subject to Shareholders' approval at the AGM and the Class Meetings by way of special resolutions).

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## LETTER FROM THE BOARD

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Other than the above extension of the validity period of the resolution and the authorization period to the Board, other details in relation to (i) the proposed Issue of A Shares and (ii) the proposal on authorization to the Board to deal with matters relating to the Issue of A Shares as set out in the circular of the Company dated 24 June 2015 remain unchanged and shall continue to have effect.

The Board is of the view that it is in the interests of and necessary for the Company and the Shareholders as a whole to extend the validity period of the resolution and authorization period. The Board resolved to put forward (i) the proposal regarding the extension of the validity period of the resolution in respect of the Issue of A Shares; and (ii) the proposal regarding the extension of the authorization period to the Board to deal with matters relating to the Issue of A Shares at the AGM and the Class Meetings for consideration and approval by way of special resolutions.

The particulars of the proposed Issue of A Shares and the proposal on authorization to the Board to deal with matters relating to the Issue of A Shares are set out in Appendix I to this circular.

### **V. PROPOSED AUTHORIZATION TO THE BOARD TO PURCHASE WEALTH MANAGEMENT PRODUCTS**

Without affecting the Company's operational liquidity and fund security, the Company proposed to utilize certain idle funds to subscribe for wealth management products in consideration that such subscriptions will not affect the need of working capital of the Company. Appropriate purchase of wealth management products is conducive to enhancing the utilization of capital of the Company and increasing income from idle funds.

For the purposes of the purchase of wealth management products, an ordinary resolution will be proposed by the Board at the AGM to authorize the Board to, in accordance with the applicable laws and regulations and the listing rules of the places where the Shares are listed, as well as in the best interest of the Company, purchase wealth management products and deal with all relevant matters thereof, which include but are not limited to determining the terms of wealth management contracts, executing the relevant contracts and legal documents and handling all the relevant formalities.

The Company will comply with the necessary approval procedures and information disclosure obligations under the regulatory requirements of the jurisdictions where the Share are listed when the Board implements the authorization to purchase wealth management products.

### **VI. PROPOSED ADOPTION OF THE INTERNAL RULES**

Pursuant to the applicable laws and regulations and regulatory requirements in the PRC, the Company proposed to adopt the Internal Rules.

The proposed adoption of the Internal Rules are subject to Shareholders' approval at the AGM. Special resolutions to consider and approve the adoption of (i) the Rules of Procedures for General Meeting; (ii) the Rules of Procedures for Board Meeting; and (iii)

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## LETTER FROM THE BOARD

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the Rules of Procedures for the Supervisory Committee will be proposed at the AGM. Ordinary resolutions to consider and approve the adoption of (i) the Regulations for Information Disclosure; (ii) the Administrative Rules of Connected/Related-party Transactions; (iii) the Administrative Rules of Use of Proceeds; (iv) the Regulations for Financing and External Guarantee; and (v) the Administrative Rules of Major Decisions on Investment and Operation will be proposed at the AGM. The proposed adoption of the Internal Rules shall come into effect upon completion of the Issue of A Shares.

The full text of the Internal Rules is set out in the appendices to this circular as follows:

Appendix II:	Rules of Procedures for General Meeting
Appendix III:	Rules of Procedures for Board Meeting
Appendix IV:	Rules of Procedures for the Supervisory Committee
Appendix V:	Regulations for Information Disclosure
Appendix VI:	Administrative Rules of Connected/Related-party Transactions
Appendix VII:	Administrative Rules of Use of Proceeds
Appendix VIII:	Regulations for Financing and External Guarantee
Appendix IX:	Administrative Rules of Major Decisions on Investment and Operation

### VII. DISTRIBUTION OF FINAL DIVIDEND

The Board has recommended a final dividend of RMB0.03 per share (tax inclusive) for the year ended 31 December 2015, totalling approximately RMB27,690,000. If the profit distribution plan is approved by the Shareholders by way of an ordinary resolution at the AGM to be held on Friday, 13 May 2016, the final dividend is expected to be distributed on Friday, 8 July 2016 to all Shareholders whose names appear on the register of the Company on Thursday, 26 May 2016.

To determine the identity of the Shareholders entitled to receive the final dividend (subject to approval by the Shareholders at the AGM), the register of holders of H Shares of the Company will be closed from Saturday, 21 May 2016 to Thursday, 26 May 2016 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2016.

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## LETTER FROM THE BOARD

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Final dividend for holders of Domestic Shares will be declared and calculated in RMB, and paid in RMB whereas final dividend for holders of H Shares will be declared and calculated in RMB, and paid in Hong Kong dollars. The exchange rate shall be determined by the average selling rates promulgated by People's Bank of China within one week before the date declaring to distribute the dividend.

Pursuant to the Corporate Income Tax Law of the PRC ("CIT Law") and its implementing regulations, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the CIT Law. The Company will distribute the final dividend to non-resident enterprise Shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of GuoShui Fa [1993] No. 045 Document issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% personal income tax will be withheld from the final dividend payable to any individual Shareholders whose names appear on the register of members of H Shares of the Company on Thursday, 26 May 2016, unless otherwise stated in the relevant taxation regulations, taxation agreements or the notice.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

### VIII. AGM AND THE CLASS MEETINGS

The AGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of Domestic Shares will 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 Friday, 13 May 2016. Please refer to the notices convening the AGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of Domestic Shares dated 29 March 2016.

If you are eligible and intend to attend the AGM and the Class Meetings, please complete and return the reply slips in accordance with the instructions printed thereon or before Friday, 22 April 2016. Shareholders who intend to appoint a proxy to attend the AGM and the Class Meetings shall complete and return the 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 company secretary of the Company at No. 308, Cailun Road,

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## LETTER FROM THE BOARD

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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 proxy forms will not preclude you from attending and voting in person at the AGM and the Class Meetings or any adjourned meeting in person should you so desire.

The register of the holders of H Shares of the Company will be closed from Thursday, 14 April 2016 to Friday, 13 May 2016 (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 Wednesday, 13 April 2016 and has completed the registration procedures, is entitled to attend and vote at the AGM and the Class Meeting of Holders of H Shares.

The register of the holders of Domestic Shares of the Company will be closed from Thursday, 14 April 2016 to Friday, 13 May 2016 (both days inclusive). During this period, no transfer of the Domestic Shares 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 Wednesday, 13 April 2016 and has completed the registration procedures, is entitled to attend and vote at the AGM and the Class Meeting of Holders of Domestic Shares.

### **IX. VOTING BY WAY OF POLL**

In accordance with the relevant provisions of the 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.

### **X. RECOMMENDATION**

The Directors, including independent non-executive Directors, are of the view that the terms and conditions of the Supplemental Agreement are entered into on normal commercial terms, in the interests of the Company and its Shareholders as a whole and fair and reasonable, and the proposed revised annual cap for 2016 for the Transactions are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Supplemental Agreement, and the proposed revised annual cap for 2016 for the Transactions to be proposed at the AGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 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 24 to 36 of this circular.

The Directors, including independent non-executive Directors, are of the view that the other resolutions set out in the notice of the AGM and the Class Meetings 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 and the Class Meetings.

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## LETTER FROM THE BOARD

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### XI. ADDITIONAL INFORMATION

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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上海復旦張江生物醫藥股份有限公司

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

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

**(Stock code: 1349)**

13 April 2016

*To the Independent Shareholders,*

Dear Sir or Madam,

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

We refer to the circular dated 13 April 2016 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.

We have been appointed as the members of the Independent Board Committee to advise you as to whether in our opinion, the terms and conditions of the Supplemental Agreement (including the proposed revised annual cap), details of which are set out in the letter from the Board, and the Transactions 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 the Supplemental Agreement and the proposed revised annual cap. 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 24 to 36 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 21 and the additional information set out in the appendices to the Circular.

Having considered the terms and conditions of the Supplemental Agreement and proposed revised annual cap, 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 the Supplemental Agreement are entered into after arm's length negotiation and on normal commercial terms, and the proposed revised annual cap for 2016 for the

\* *For identification purpose only*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Transactions are fair and reasonable as far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution at the AGM so as to approve the Supplemental Agreement and the proposed revised annual cap for 2016 for the Transactions.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Zhou Zhong Hui**, *Independent non-executive Director*

**Lam Yiu Kin**, *Independent non-executive Director*

**Xu Qing**, *Independent non-executive Director*

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## LETTER FROM MESSIS CAPITAL

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*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 the Transactions contemplated under the Supplemental Agreement to the Strategic Cooperation Agreement which has been prepared for the purpose of inclusion in this circular:*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

13 April 2016

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

Dear Sir/Madam,

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

#### **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 the Transactions contemplated under the Supplemental Agreement to the Strategic Cooperation Agreement 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 13 April 2016 (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 announcement of the Company dated 19 March 2013 and the circular of the Company dated 12 April 2013 in relation to, among other things, the Strategic Cooperation Agreement and the Transactions thereunder, and the announcement of the Company dated 18 March 2016 in relation to the Supplemental Agreement to the Strategic Cooperation Agreement for innovative pharmaceuticals research and development with Shanghai Pharmaceuticals and the proposed revised annual cap for 2016.

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

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## LETTER FROM MESSIS CAPITAL

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

The Board confirms that, to the best of its knowledge, information and belief, no Director, other than two Directors, namely Ms. Ke Ying and Mr. Shen Bo, who are in employment with Shanghai Pharmaceuticals, have abstained from voting at the meeting of the Board convened for the purpose of approving the continuing connected transactions contemplated thereunder, has a material interest in the Transactions and hence no Director has abstained from voting on the Board resolution in respect of the Supplemental Agreement.

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

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

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## LETTER FROM MESSIS CAPITAL

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We have not carried out any independent investigation into the business and affairs of the Company. However, we have taken the steps pursuant to the Listing Rules which include the following:

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the Transactions, including but not limited to, the announcements of the Company dated 19 March 2013 and 19 March 2016, the circular of the Company dated 12 April 2013, the Board Letter, the Strategic Cooperation Agreement, the Supplemental Agreement to the Strategic Cooperation Agreement, the annual report of the Company for the year ended 31 December 2014 and the interim report of the Company for the six months ended June 2015;
- (b) reviewed the background of and the reasons for the Transactions;
- (c) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Transactions; and
- (d) confirmed that no third party expert opinion being relevant to the Transactions.

Our opinion is based on the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transactions and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction.

Apart from normal professional fees paid or payable to us in connection with the appointments as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM MESSIS CAPITAL

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### 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 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 Transactions set out below:

#### **Strategic Cooperation Agreement**

On 19 March 2013, the Company entered into the Strategic Cooperation Agreement with Shanghai Pharmaceuticals for the cooperation on innovative pharmaceuticals research and development for the three years ending 31 December 2016. Pursuant to the Strategic Cooperation Agreement, both parties will jointly share the risks of, and cooperate on, the research, development and commercialization of the relevant potential pharmaceuticals owned by the Company and its subsidiaries which are currently at various research stages. Details of the Strategic Cooperation Agreement are set out as follows:

<b>Date:</b>	19 March 2013
<b>Parties:</b>	The Company and Shanghai Pharmaceuticals
<b>Validity and Renewal:</b>	The Strategic Cooperation Agreement took effect from 31 December 2013 and will expire on 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 Pharmaceuticals. If Shanghai Pharmaceutical is not willing to renew the Strategic Cooperation Agreement, the rights of Shanghai Pharmaceuticals thereunder will be terminated, and all the rights and interests pertaining to Such Pharmaceuticals shall be vested into the Company.

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## LETTER FROM MESSIS CAPITAL

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**Pricing Policy:**

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 Pharmaceuticals 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 Pharmaceuticals.

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.

**Payment Terms:**

Shanghai Pharmaceuticals 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.

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## LETTER FROM MESSIS CAPITAL

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The amount of payment to be made by Shanghai Pharmaceuticals 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.

**Other Key Terms:**

The Company agreed to share ownership jointly with Shanghai Pharmaceuticals 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 Pharmaceuticals pays (on a cumulative basis) 50% of the preliminary research and development expenses of Such Pharmaceuticals after the signing of the Strategic Cooperation Agreement.

Intellectual property rights (unlimited by the Region for Cooperation) arising from the joint research and development after the entry of the Strategic Cooperation Agreement shall be shared by both parties. If any such intellectual property right is eligible for the application for patents (unlimited by the Region for Cooperation), both parties shall have joint ownership over such patents and the rights to such patent application; if patent application is not available at the relevant time, both parties shall jointly own such new proprietary technology.

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## LETTER FROM MESSIS CAPITAL

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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.

We have reviewed the actual amounts of research and development expenses incurred and the actual amounts paid by Shanghai Pharmaceuticals to the Company under the Strategic Cooperation Agreement in each of the two years ended 31 December 2014 and 2015 as well as the projection of the total expected research fees to be incurred in 2016 with detail breakdown of each of the individual drugs, including various expenses in relation to the pharmaceutical researches, technical testing, clinical trials, follow-up studies, trial productions and stability testing. Having considered that (i) each party Shanghai Pharmaceuticals and the Company is entitled to 50% of the revenue of the Each Pharmaceutical within the Region for Cooperation; (ii) the parties share ownership jointly over the patents and rights to patent application relating to Such Pharmaceuticals within the Region for Cooperation; (iii) the parties share the intellectual property rights arising from the joint research and development after the entry of the Strategic Cooperation Agreement; and (iv) the reasons for and benefit of the Transactions as discussed below, we are of the view that the allocation of the research and development expenses as to 80% by Shanghai Pharmaceuticals and as to 20% by the Company are favourable to the Group, and the terms and conditions of the Strategic Cooperation Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Strategic Cooperation Agreement and the existing annual caps for the three years ending 31 December 2016 have been approved by Independent Shareholders at the annual general meeting of the Company on 30 May 2013.

### **Internal Control Procedures**

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

- (1) The internal audit and control department of the Company monitors daily connected transactions of the Company and reports to the audit committee of the Company and independent non-executive Directors together with the external auditors' report for their review and approval. The internal audit and control department of the Company supervises the connected transactions to



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## LETTER FROM MESSIS CAPITAL

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ensure they were entered into: (i) in accordance with the pricing policies under the Strategic Cooperation Agreement; (ii) in the ordinary and usual course of business of the Group; (iii) on normal commercial terms or better; and (iv) according to the Strategic Cooperation Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

- (2) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms or better, and according to the Strategic Cooperation Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report.
- (3) the external auditors of the Company will also conduct an annual review on the pricing policies and annual caps of the Strategic Cooperation Agreement, and provide confirmation in the Company's annual report.

We are of the view that the above internal control procedures are sufficient to ensure that the transactions conducted under the Strategic Cooperation Agreement will be conducted on normal commercial terms or better, and will not be prejudicial to the interests of the Company and the Shareholders.

### **Supplemental Agreement**

Based on the internal estimation on the research and development expenses to be paid in 2016 with reference to the adjustment to the research schedule for the relevant pharmaceuticals under the Strategic Cooperation Agreement, the Directors are of the view that the existing annual cap for 2016, i.e., RMB20,000,000, for the Transactions under the Strategic Cooperation Agreement will not be sufficient for the Company's prospective requirements.

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

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

### **General information**

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

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## LETTER FROM MESSIS CAPITAL

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

The Transactions contemplated thereunder the Supplemental Agreement to the Strategic Cooperation Agreement with Shanghai Pharmaceutical for the cooperation on innovative pharmaceuticals research and development is in line with the principal business the research and development, manufacture and sales of new drugs with patents or specific drugs, and the provision of auxiliary service. Accordingly, we are of the view that the Transactions under the Supplemental Agreement is in the ordinary and usual course of business of the Company.

### **Reasons for and benefit of the Transactions**

In view of the outstanding status of Shanghai Pharmaceuticals in the pharmaceutical industry, its strong capabilities and extensive experience in production, manufacturing, marketing and sales, and the research and development experience of the Company accumulated throughout the previous years, both parties are willing to share the risk of, and cooperate on, the research and development and commercialization of Such Pharmaceuticals. Since the Company has quite a number of research and development projects, as such research and development approaches more advanced stages, research and development expenses will continue to increase. Meanwhile, as there is a growing number of the Company's projects which are advancing into commercialization stage, investments in such commercialization will increase. Cooperation with Shanghai Pharmaceuticals on some projects will not only realize the value of the projects that are at different research and development stages, but will also secure funds for the effective commercialization development. This satisfies the development needs of the Company and is in the interest of Shareholders as a whole.

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 Strategic Cooperation 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.

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### Historical Figures

The actual amounts of research and development expenses incurred and the actual amounts paid by Shanghai Pharmaceuticals to the Company under the Strategic Cooperation Agreement in each of the two years ended 31 December 2014 and 2015 are set out below:

*Currency: RMB*

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2015</b>
80% actual amounts of research and development expenses incurred	29,512,929	19,507,548
Actual amounts paid by Shanghai Pharmaceuticals to the Company	29,893,000	15,612,000

### Basis for the proposed revised annual cap

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

*Table 1: the total expected research fees to be incurred in 2016*

*Currency: RMB*

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

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*Notes:*

1. A phase II clinical trial of this project has been completed. The Group will formulate a new research plan according to the trial result. Since the new research plan has not been finalised, the Company anticipates that the scheduled research and development expenses payable by Shanghai Pharmaceuticals for this project will not be incurred in 2016.
2. The Group cautiously decided to transfer this project to an independent third party pharmaceutical company in consideration of its future prospect, production conditions, payback period, etc. As such, the Company anticipates that the scheduled research and development expenses payable by Shanghai Pharmaceuticals for this project will not be incurred in 2016.
3. The clinical trial phase for such pharmaceutical needs to cost long time to complete, which is divided into several stages for implementation. As the earlier stage of the clinical trial phase of such pharmaceutical took more time than the original estimation, the subsequent stage was delayed to take place in 2016 correspondingly. Therefore, the expenses for the subsequent stage of the clinical trial phase of such pharmaceutical which were originally scheduled to be incurred and paid in 2014 and 2015 will be incurred and paid in 2016. Based on the above, the annual cap for 2016 for the Transactions under the Strategic Cooperation Agreement will be increased by the Company accordingly.

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

*Currency: RMB*

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

*Notes:*

4. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall bear 80% of the research and development expenses to be incurred in 2016. The sum total is calculated based on 80% of the estimated total amount of research fees to be incurred for the year 2016 (see the sum total in Table 1).
5. Pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall bear pay the preliminary fees of cooperation projects for the research and development of Such Pharmaceuticals, which mean 80% of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of Strategic Cooperation Agreement up to 31 December 2010. According to the original schedule, Shanghai Pharmaceuticals should pay the preliminary fees at the amount of RMB8,463,000 upon completion of phase III clinical trial of recombinant human lymphotoxin  $\alpha$ -derivatives (LT),

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which was originally expected to take place in 2016. The research and development of such pharmaceutical has been suspended by the Company and therefore Shanghai Pharmaceuticals is not obligated to pay such amount in 2016 as originally scheduled. According to the scheduled progress of projects, approximately RMB7.42 million will be paid in the year ending 31 December 2016 on the assumption that phase I clinical trial of High bio-activity recombinant human TNF receptor (重組高親和力TNF受體) is completed in 2016 as scheduled. And the remaining of approximately RMB4.58 million will be paid in the year ending 31 December 2019 on the assumption that phase II clinical trial of Deuteroporphyrin (多替泊芬) is completed in 2019 as scheduled.

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

We have reviewed the internal records of summary reports of the detail breakdown figures of the expenses of each of the individual drugs, including the pharmaceutical researches, technical testing, clinical trial, follow-up studies, trial productions and stability testing which generated the actual amounts of research and development expenses incurred and the actual amounts paid by Shanghai Pharmaceuticals to the Company under the Strategic Cooperation Agreement in each of the two years ended 31 December 2014 and 2015. Having considered that the aggregated figures of the research and development expenses provided by the Company, being approximately RMB29.9 million and RMB15.6 million in each of the two years ended 31 December 2014 and 2015, are equivalent to the figures disclosed under the subsection “Historical Figures” which were/are subject to annual audit by the external auditor of the Company, we are of the view that the information of the internal records are reliable and representable.

As disclosed in the Note 3 set out above, the clinical trial phase for such pharmaceutical needs to cost long time to complete, which is divided into several stages for implementation. As the earlier stage of the clinical trial phase of such pharmaceutical took more time than the original estimation, the subsequent stage was delayed to take place in 2016 correspondingly. Therefore, the expenses for research and development of such phase of the pharmaceutical which were originally scheduled to be incurred and paid in 2014 and 2015 will be incurred and paid in 2016. The aggregated total expected research fees to be incurred in 2016 is RMB29,633,000. The 80% of these research and development expenses to be prepaid by Shanghai Pharmaceuticals is RMB23,706,000.

As disclosed in the Note 5 set out above, pursuant to the Strategic Cooperation Agreement, Shanghai Pharmaceuticals shall pay the preliminary fees of cooperation projects for the research and development of Such Pharmaceuticals, which mean 80% of the preliminary research and development expenses incurred by the Company on Such Pharmaceuticals before the signing of Strategic Cooperation Agreement up to 31 December 2010. According to the original schedule, Shanghai Pharmaceuticals should pay the preliminary fees at the amount of RMB8,463,000 upon completion of phase III clinical trial of recombinant human lymphotoxin  $\alpha$ -derivatives (LT), which was

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originally expected to take place in 2016. The research and development of such pharmaceutical has been suspended by the Company and therefore Shanghai Pharmaceutical is not obligated to pay such amount in 2016 as originally scheduled. According to the scheduled progress of projects, approximately RMB7,421,000 will be paid in the year ending 31 December 2016 on the assumption that phase I clinical trial of High bio-activity recombinant human TNF receptor (重組高親和力TNF9受體) is completed in 2016 as scheduled. Accordingly, the total amount to be paid and prepaid by Shanghai Pharmaceuticals in 2016 is projected to be RMB31,127,000, being the aggregated amount of RMB23,706,000 and RMB7,421,000.

We have reviewed the projection of the total expected the detail breakdown figure of the expenses each of Deuteroporphyrin and Recombinant high affinity TNF receptor in 2016, including the pharmaceutical researches, technical testing, clinical trial, follow-up studies, trial productions and stability testing with detailed period covered. Having considered that each of the proposed revised annual cap for 2016 has been determined by reference to (i) the projections after detailed analysis; (ii) 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 of less than 10% to the aggregate amount payable by Shanghai Pharmaceutical to the Company, we consider that the proposed revised annual cap for 2016 are adequate and fair and reasonable so far as the interests of the Independent Shareholders and the Company as a whole are concerned.

### RECOMMENDATION

We are of the view that the Supplemental Agreement are entered in the ordinary and usual course of business of the Company, the terms and conditions of the Strategic Cooperation Agreement and the Supplemental 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 revised annual cap for 2016 for the transactions are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Supplemental Agreement, and the proposed revised annual cap for 2016 for the Transactions to be proposed at the AGM.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Robert Siu**                      **Erica Law**  
*Managing Director*    *Associate Director*

*Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.*

*Ms. Erica Law is a licensed person registered with the Securities and Future Commission of Hong Kong and regards a licensed representative of Messis Capital Limited to carry our type 6 (advising on corporate finance) regulatory activity under the SFO and has over 5 years of experience in corporate finance industry.*

**1. Proposed Issue of A Shares**

The Company proposed to apply to the relevant regulatory authorities in the PRC for the allotment and issue of not more than 27,000,000 A Shares with a nominal value of RMB0.10 each to the qualified investors subject to market consultation and investors who maintain securities account with the Shanghai Stock Exchange (excluding those in respect of which subscription has been prohibited by laws and regulations), and apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares. The Issue of A Shares will be subject to, among other things, the approvals by the CSRC and Shanghai Stock Exchange.

***Details of the Issue of A Shares****(i) Class of new Shares to be issued*

RMB ordinary Shares (A Shares).

*(ii) Nominal value of new Shares to be issued*

RMB0.10 each share.

*(iii) Number of A Shares to be issued*

The number of A Shares to be issued will be not more than 27,000,000 Shares, which represents:

- (1) approximately 4.63% of the aggregate Domestic Shares of the Company in issue as at the Latest Practicable Date;
- (2) approximately 4.43% of the aggregate Domestic Shares of the Company in issue as enlarged by the Issue of A Shares;
- (3) approximately 2.93% of the entire issued share capital of the Company in issue as at the Latest Practicable Date; and
- (4) approximately 2.84% of the entire issued share capital of the Company as enlarged by the Issue of A Shares.

The Issue of A Shares is mainly to raise funds for the development of the Company. The actual number of A Shares to be issued will be determined by the Company upon consultation with the lead underwriter(s) according to issuance market conditions and actual capital requirements of the Company.



*(iv) Target subscribers*

Qualified investors subject to market consultation and investors who maintain securities account with the Shanghai Stock Exchange (excluding those in respect of which subscription has been prohibited by laws and regulations) or otherwise prescribed by the relevant rules and regulations of the CSRC, the stock exchange or other relevant regulatory authorities.

If any of the above target subscribers of the Issue of A Shares is a connected person of the Company, the Company will take every reasonable step to comply with the relevant requirements under the Listing Rules.

*(v) Pricing methodology*

The issue price of the A Shares will be determined through making market consultation with offline investors or directly through negotiations between the lead underwriter(s) and the Company or by any other legally practicable methods. The amount of funds to be raised from the Issue of A Shares could not be ascertained as at the Latest Practicable Date.

The closing price of H Shares as at 29 May 2015 (being the date of the announcement of the Company in relation to the proposed Issue of A Shares) is HK\$10.30 per H Share. The closing price of H Shares as at 19 June 2015 (being the latest practicable date prior to the printing of the circular of the Company dated 24 June 2015 in relation to the proposed Issue of A Shares) is HK\$10.10 per H Share. The closing price of H Shares as at the Latest Practicable Date is HK\$6.00 per H Share.

*(vi) Method of issuance*

The Issue of A Shares will be conducted through a combination of offline placement to the investors subject to market consultation and on-line application or other methods of issuance approved by CSRC.

*(vii) Proposed stock exchange for listing*

Shanghai Stock Exchange

*(viii) Valid period of the resolution*

The valid period of the resolution on the Issue of A Shares is 12 months immediately following the expiration of the original validity period (i.e. 10 August 2016) of such resolution.



**2. Proposal on authorization to the Board to deal with matters relating to the Issue of A Shares**

For the purposes of the Issue of A Shares, a resolution will be proposed by the Board at the AGM and the Class Meetings to extend the authorization period to the Board to determine and to deal with the matters relating to the Issue of A Shares.

The authorization proposed to be granted to the Board shall include without limitation:

- (i) to engage relevant intermediaries for the Issue of A Shares, and negotiate and fix the service fee and sign engagement or appointment agreement with relevant intermediaries;
- (ii) to implement the proposal on the Issue of A Shares pursuant to the requirements under the relevant laws, regulations and any other regulatory documents and the resolutions approved by the Shareholders' meeting;
- (iii) to within the scope of resolution in relation to the proposed Issue of A Shares approved by the Shareholders, deal with all matters relating to the Issue of A Shares, including without limitation, adjusting or determining the stock exchange to be listed on, the time of issuance, the number of shares to be issued, the target subscribers, the method of issuance, the pricing methodology, the issue price, the date of commencement and end of issuance and other related matters subject to the requirements of relevant competent authorities and the actual circumstance of the securities market;
- (iv) to within the scope of resolution approved by the Shareholders, adjust the projects to which the proceeds from the Issue of A Shares will be applied, the amount of fund required for such projects and the progress of fund injection; to adjust related matters according to the actual circumstances and comments from relevant governmental authorities in the course of implementation of the projects to which the proceeds will be applied, including without limitation, adjusting the amount of fund used for each project within the scope of the projects to which proceeds will be applied, the subject of implementation, progress and means of implementation, etc.; confirming the specific saving account for the proceeds; implementing the application of the proceeds after completion of the Issue of A Shares; executing material contracts involved in the course of implementation of the projects to which proceeds will be applied;
- (v) to adjust the proposal on the Issue of A Shares according to implementation situation of the proposal on the Issue of A Shares, market conditions, policies adjustments and comments from regulatory authorities, or if there is any change to the relevant policies relating to initial issue of new shares within the validity period of the proposal on Issue of A Shares, to deal with matters relating to the Issue of A Shares pursuant to such new policies;

- (vi) to amend the provisions of the Articles of Association, and draft, amend or revise the Articles of Association (Draft), the rules of procedures and internal rules of the Company relating to the Issue of A Shares according to the requirements and suggestions from relevant governmental and regulatory authorities during the process of the Issue of A Shares; to revise the relevant provisions of Articles of Association (Draft) in accordance with the results of issuance, and to deal with the approval and the filing and registration of changes with the relevant Administration for Industry and Commerce Bureau and the filing and registration with relevant authorities;
- (vii) to make appropriate amendments to the Articles of Association (Draft) and other relevant rules approved by the extraordinary general meeting, the class meeting of holders of Domestic Shares and the class meeting of holders of H Shares held on 11 August 2015 which will take effect on the date of the Issue of A Shares in the event they are challenged by CSRC, the stock exchange and other relevant regulatory authorities, or they conflict with the regulatory rules or documents promulgated by the CSRC, the stock exchange, and other relevant regulatory authorities;
- (viii) to deal with all filing and application matters relating to the Issue of A Shares, including without limitation, applying for approval from, register with, filing with, seeking approvals and consents from relevant governmental and regulatory authorities, the stock exchange and securities clearing institution in relation to the Issue of A Shares and to approve, amend, sign or execute any agreement, contract or other relevant legal document relating to the Issue of A Shares;
- (ix) to deal with all matters relating to the registration and clearing of the shares with China Securities Depository and Clearing Company Limited in accordance with the undertakings made by each Shareholder upon completion of the Issue of A Shares, including without limitation, the registration of equity trusteeship and locked circulated stock;
- (x) to prepare application files for the Issue of A Shares and to deal with all other related matters in connection with the Issue of A Shares.

The term of the extended authorization, if the proposed extension to the authorization period is approved by the Shareholders at the AGM and the Class Meetings, shall be a period of 12 months immediately following the expiration of the original validity period (i.e. 10 August 2016) of such authorization.

These proposals have been approved by the Board, and will be submitted to the AGM and the Class Meetings, respectively, for consideration and approval by way of special resolution.

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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*Note: If there is any inconsistency between the English and Chinese versions of these rules of procedures, the Chinese version shall prevail.*

### Chapter I General Provisions

**Article 1** In order to further regulate the discussion methods and decision-making procedures of the General Meeting of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), urge the shareholders and the general meeting to effectively fulfill their obligations and improve the standard operation and scientific decision-making levels of the general meeting, the Rules are formulated in accordance with the requirements under the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Rules for the General Meetings of Shareholders of Listed Companies and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter collectively referred to as the “Listing Rules”), other relevant laws, administrative regulations, department regulations, normative documents (hereinafter referred to as the “Laws and Regulations”) and the Articles of Association of Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (hereinafter referred to as the “Articles of Association”), in conjunction with the actual situation of the Company. The Rules shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** The Company shall hold general meetings strictly in accordance with the laws, administrative regulations, the Rules and the Articles of Association so as to ensure shareholders being able to lawfully exercise their rights.

The Board of Directors of the Company shall duly perform its duties and organize general meetings as scheduled. All the directors of the Company shall be diligent and responsible so as to ensure that general meetings are held normally and exercise their functions on a legal basis.

**Article 3** The general meeting shall perform its functions to the extent as provided by the Company Law and the Articles of Association.

**Article 4** General meetings may be either annual general meetings or extraordinary general meeting. The annual general meeting shall be held once a year within six months after the closing of the previous accounting year. The extraordinary general meeting may be held from time to time and shall be held within two months where any of circumstances as set forth in the Section 100 of the Company Law for holding such a meeting occurs.

In case that the Company is unable to hold a general meeting within the aforesaid time frame, it shall be reported and explained to the local office of the China Securities Regulatory Commission (“CSRC”) in the region where the Company operates and the stock exchange where its stock is traded (hereinafter referred to as the “stock exchange”), and make an announcement.

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## **APPENDIX II    RULES OF PROCEDURES FOR GENERAL MEETING**

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**Article 5**    When holding a general meeting, the Company shall engage lawyers to advise on the following matters and make an announcement:

- (I)    Whether the procedures for convening and holding the meeting are compliant with the laws, administrative regulations, the Rules and the Articles of Association;
- (II)    Whether the qualifications of the attendees and the conveners are lawful and valid;
- (III)    Whether the voting procedures and results of the meeting are lawful and valid;
- (IV)    Other relevant matters at the request of the Company.

### **Chapter II    Convening of General Meetings**

**Article 6**    The Board of Directors shall convene general meetings within the time frame as prescribed in Article 4 hereof.

**Article 7**    Independent directors shall be entitled to make a proposal to the Board of Directors on holding an extraordinary general meeting. For such a proposal, the Board of Directors shall give a written reply on whether to agree or not to hold such meeting within ten days upon receipt of the proposal in accordance with the laws, administrative regulations, the Rules and the Articles of Association.

Where the Board of Directors agrees to hold such a meeting, a notice of general meeting shall be given within five days after the resolution of the Board of Directors is made. Where the Board of Directors does not agree to hold such a meeting, its reasons shall be given and an announcement be made.

**Article 8**    The Supervisory Committee shall be entitled to make a proposal to the Board of Directors on holding an extraordinary general meeting and shall make such a proposal in written form. The Board of Directors shall give a written reply on whether to agree or not to hold such meeting within ten days upon receipt of the proposal in accordance with the laws, administrative regulations, the Rules and the Articles of Association.

Where the Board of Directors agrees to hold such meeting, a notice of general meeting shall be given within five days after the resolution of the Board of Directors is made. Any change to the original proposal in the notice shall be subject to the approval from the Supervisory Committee.

Where the Board of Directors does not agree to hold such meeting or fails to give a written reply within ten days upon receipt of the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty of convening a general meeting. In such a case, the Supervisory Committee may convene and preside over the meeting.

**Article 9**    Any shareholder(s) who individually or jointly more than 10% of the shares of the Company is/are entitled to propose in writing to the Board of Directors to convene an extraordinary general meeting or a class shareholders' meeting. The Board of

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply to the relevant shareholders stating its agreement or disagreement to the convening of the extraordinary general meeting or the class shareholders' meeting within ten days after having received such proposal.

In the event that the Board of Directors agrees to convene an extraordinary general meeting or a class shareholders' meeting, it shall serve the notice of such meeting within five days after the relevant Board resolution is passed. Consent of the relevant shareholders shall be obtained in the event of any changes made to the original proposal in the notice.

In the event that the Board of Directors does not agree to convene an extraordinary general meeting or a class shareholders' meeting, or does not furnish any written reply to the relevant shareholders within ten days after having received such proposal, any shareholder(s) who individually or jointly more than 10% of the shares of the Company is/ are entitled to propose to the supervisory committee to convene an extraordinary general meeting or a class shareholders' meeting.

In the event that the Supervisory Committee agrees to convene an extraordinary general meeting or a class shareholders' meeting, it shall serve the notice of such meeting within five days after having received such proposal. Consent of the relevant shareholders shall be obtained in the event of any changes made to the original proposal in the notice.

In the event that the Supervisory Committee does not serve any notice of an extraordinary general meeting within the prescribed period, the supervisory committee is deemed not to convene and preside over such meeting, in which case the shareholder(s) who individually or jointly more than 10% of the shares of the Company for more than ninety consecutive days may convene and preside over such a meeting by himself/themselves.

**Article 10** Where the Supervisory Committee or shareholders decide to convene a general meeting, it/they shall give a written notice to the Board of Directors and shall report it to the local office of the CSRC in the region where the Company operates and the stock exchange for record.

Prior to the announcement of the resolution of the general meeting, the shareholding by the shareholders who convene the meeting shall be not less than 10%.

The Supervisory Committee or shareholders who convene the meeting shall submit relevant certification materials to the local office of the CSRC in the region where the Company operates and the stock exchange, while sending out a notice of general meeting and making the announcement of the resolution of the general meeting.

**Article 11** With respect to a general meeting convened by the Supervisory Committee or shareholders, the Board of Directors and the Secretary of the Board shall give cooperation. Where the Board of Directors fails to offer the members registration list on the equity registration date, the convener(s) may apply to the securities registration and clearing institution for such a registration list by resorting to the announcement relating to the notice of convening the general meeting. The members' registration list offered to the convener(s) shall not be used for other purposes, except for the general meeting.

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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**Article 12** The expenses required for a general meeting convened by the Supervisory Committee or shareholders shall be borne out by the Company.

### Chapter III Proposals and Notices of General Meeting

**Article 13** The proposed matters shall be within the scope of duties and powers of the general meetings. A proposal shall have a clear subject and specific matters to be resolved, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

**Article 14** Shareholders individually or together holding 3% or more of the shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting at least 10 days before the date of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals. Where the convener determines not to list such ad hoc proposals in the agenda of the general meeting, the convener shall state and explain at the general meeting and shall announce the contents of the proposals and the explanation of the convener with the resolutions of the general meeting after the conclusion of the meeting.

Except for circumstances provided in the above paragraph, the convener, after issuing the notice of the general meeting, cannot revise the proposals stated in the notice of general meetings or add new proposals.

A general meeting shall not vote or resolve on any proposal which is not listed in the notice of such general meeting or does not comply with Article 13 of the Rules.

**Article 15** Where a general meeting is convened by the Company, a written notice shall be sent to all shareholders in the form of announcements at least 45 days prior to the meeting. Shareholders who intend to attend the general meeting shall deliver their written replies to the Company at least 20 days prior to the meeting. The Company shall calculate the number of voting shares represented by the shareholders who intend to attend the meeting based on the written replies which have been received as of the date which is 20 days prior to the date of the general meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting is no less than one half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall within 5 days notify the shareholders again by public announcement of the matters to be considered as well as the date and place of the meeting. After such notification by the public announcement, the Company may hold the general meeting.

**Article 16** Details of all proposals as well as all of information or explanations required for shareholders to make sound judgment of the matters to be discussed shall be disclosed on a full and complete basis in the notice and supplementary notice of the general meeting. Where opinions from independent directors are required on any matters to be discussed, such opinions and reasons from independent directors shall be disclosed, while a notice or supplementary notice of the general meeting is given.

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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**Article 17** If a general meeting will discuss the election of directors or supervisors, the notice of general meeting shall disclose full information of each candidate for directors and supervisors. It shall at least include the following:

- (I) personal particulars such as education background, work experience and other positions concurrently held by such candidate;
- (II) whether he/she has any connected relationship with the Company or the controlling shareholder and actual controller of the Company;
- (III) the number of shares of the Company held by such candidate;
- (IV) whether he/she has received any punishment by CSRC or other securities regulatory authorities or sanctions by any stock exchange;
- (V) information about the newly appointed or transferred directors or supervisors that needs to be disclosed according to the Listing Rules.

Except for the cumulative voting system for the election of directors or supervisors, each candidate of director or supervisor shall be proposed in a separate proposal.

**Article 18** A notice of a general meeting shall specify:

- (I) the time, place and period of the meeting;
- (II) the matters and proposals submitted to the meeting for approval;
- (III) It shall contain a clear statement that all shareholders who have right to attend the meeting shall have the right to appoint one or more proxies to attend and vote on its behalf and that such proxies need not be a shareholder;
- (IV) the shareholding record date for determining shareholders who are entitled to attend the meeting. The period between the shareholding record date and the date for the meeting shall not be more than 7 working days. No changes shall be made once the shareholding record date is confirmed;
- (V) the time and place for the delivery of the proxy forms for the meeting;
- (VI) the name and telephone number of the contact persons who handles the meeting affairs.

**Article 19** After issuance of the notice for the general meeting, the general meeting shall not be postponed or cancelled without proper reasons and the proposals specified in the notice shall not be withdrawn. In case of delay or cancellation, the convener shall make a public announcement, together with the reasons for such delay or cancellation, at least 2 working days before the scheduled date of the meeting.



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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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### Chapter IV Convening General Meeting

**Article 20** The Company shall hold the general meeting at the residence of corporation or the place specified in the notice of the general meeting.

A general meeting shall be held at a meeting place in the form of on-site meeting. According to laws, administrative regulations and the regulations of the CSRC or the Articles of Association, the Company may enable shareholders to have access to the general meeting by using safe, economic and convenient network or any other means. The shareholders that have participated in the meeting through access of any aforesaid means shall be deemed as having attended the meeting.

A shareholder may attend a general meeting in person and exercise his voting right, or may entrust other person to attend the meeting and exercise the voting right to the extent of the authorization given.

**Article 21** Where a general meeting is held online or by any other means, the notice of general meeting shall specify the time and procedures of the voting online or by any other means.

The voting online or by any other means shall be started not earlier than 3:00 pm on the day before the on-site general meeting is held and not later than 9:30 am on the day when the on-site general meeting is held, and shall be concluded not earlier than 3:00 pm on the day when the on-site general meeting ends.

**Article 22** The Board of Directors together with other conveners thereof shall adopt necessary measures to maintain the normal order of the general meeting of shareholders. Measures shall also be adopted to stop any acts from interfering with the general meeting, creating quarrels and nuisance as well as infringing the lawful interests of the shareholders while timely report of the same shall also be made to the relevant authority for investigation.

**Article 23** All the shareholders or their proxies registered on the equity registration date shall be entitled to attend a general meeting, and the Company or the convener(s) shall not refuse them for whatever reasons. The instrument appointing a proxy shall be in writing and signed by the appointing shareholder or his attorney duly authorized in writing; where the appointing shareholder is a legal person, such instrument shall be under its seal or signed by its director or duly authorized representative.

**Article 24** If an individual shareholder attends the meeting in person, such shareholder shall present his stock account card, identity card and other valid certificates or evidence which can be used to substantiate his identity at the meeting. If a proxy is appointed to attend the meeting, the proxy shall present his proxy form issued by the shareholder and valid identity card. With respect to a legal person shareholder, its legal representative or a proxy appointed by the legal representative shall attend the meeting. If the legal representative attends the meeting, he shall present his own identity card, valid proof evidencing his qualification of serving as the legal representative and stock account



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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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card. If a proxy is appointed to attend the meeting, the proxy shall present his own identity card and the written proxy form issued in accordance with the law by the legal representative of the legal person shareholder.

**Article 25** The convener(s) and lawyers shall jointly verify the validity of shareholders' qualifications based on the members registration list offered by the securities registration and clearing institution, and shall register names of shareholders and the number of voting shares they hold. The registration for the meeting shall be terminated before the presider of the meeting announces the number of shareholders and proxies present at the meeting as well as the total number of voting shares they hold.

**Article 26** Where the Company holds a General Meeting, all the directors, supervisors and the Secretary of the Board/company secretary shall attend the meeting, and managers and other executives shall be present at the meeting as non-voting attendees if no special circumstances.

**Article 27** A general meeting shall be presided over by the chairman of the Board of Directors. Where the chairman of the Board of Directors is unable or fails to perform the duty, the meeting shall be presided over by the vice chairman of the Board of Directors. Where the vice chairman of the Board of Directors is unable or fails to perform his duties, the meeting shall be presided over by a director jointly elected by a simple majority of the directors.

A general meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform the duty, the meeting shall be presided over by the vice chairman of the Supervisory Committee. Where the vice chairman of the Supervisory Committee is unable or fails to perform his duties, the meeting shall be presided over by a supervisor jointly elected by a simple majority of the supervisors.

A general meeting convened by shareholders shall be presided over by one representative appointed by conveners.

In the event that the general meeting cannot proceed due to violation of the Rules of Procedure by the presider of the meeting, the general meeting may appoint one person as the presider of the meeting upon consent of a simple majority of the voting shareholders present at the meeting.

**Article 28** In the annual general meeting, the Board of Directors and the Supervisory Committee shall report their work during the past year to the general meeting. Each independent director shall also present a work report.

**Article 29** Directors, supervisors and senior management members shall explain and answer the enquiries and suggestions from shareholders at the general meeting.

**Article 30** Resolutions of the general meeting include ordinary resolutions and special resolutions.

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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An ordinary resolution at a general meeting shall be passed by more than one half of the voting shares held by shareholders attending the general meeting (whether in person or by proxy). A special resolution at a general meeting shall be passed by at least two-third of the voting rights held by shareholders attending the general meeting (whether in person or by proxy).

When shareholders (including proxies) vote at the general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one vote.

**Article 31** The following matters shall be passed by an ordinary resolution at the general meeting:

- (I) work reports of the Board of Directors and the Supervisory Committee;
- (II) proposals formulated by the Board of Directors for distribution of profits and for making up losses;
- (III) removal of the members of the Board of Directors and of the Supervisory Committee, their remuneration and method of payment;
- (IV) annual preliminary and final budgets, annual reports, balance sheets, profit and loss accounts and other financial statements of the Company;
- (V) matters other than those required by the laws and administrative regulations or these Articles to be adopted by special resolutions.

**Article 32** The following matters shall be resolved by a special resolution of a general meeting:

- (I) the increase or reduction of the Company's share capital and the issue of share of any class (including the issue of overseas listed foreign or other title certificates with a share nature), warrants and other similar securities;
- (II) the issue of debentures of the Company;
- (III) the division, merger, dissolution and liquidation of the Company;
- (IV) amendments to the Articles of Association;
- (V) any acquisition or disposition of material assets, or any provision of a guarantee, by the Company within one year that are in excess of 30% of the latest audited total assets of the Company;
- (VI) the share incentive schemes;
- (VII) amendments to rights of holders holding different categories of shares; and

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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(VIII) any other circumstances prescribed by the laws, administrative regulations or these Articles of Association or any other matters considered by the general meeting, resolved by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

Any resolution passed by the general meeting shall be in compliance with the laws, administrative regulations of China and provisions of these Articles.

**Article 33** The chairman of the meeting shall, prior to voting, announce the number of shareholders and proxies attending the meeting as well as the total number of voting shares held by them, which shall be the number of shareholders and proxies attending the meeting in person and the total number of their voting shares as indicated in the meeting's registration record.

**Article 34** In case any shareholder is involved in any matter to be reviewed at the general meeting, he shall avoid the voting process, and the voting shares he holds shall not be included in the total number of voting shares held by shareholders present at the meeting.

If the resolution of the general meeting affects major events for benefits of medium and small investors, the voting rights from medium and small investor shall be counted separately. The separate counting result shall be disclosed publicly in time.

The share held by the Company has no voting right, and this part of share cannot be counted in the total number of shares with voting right in the general meeting.

The Board of Directors, independent directors, and shareholders satisfied with relevant regulations and conditions can collect shareholder voting right publicly by fully disclosing specific information about the voting intention. It is prohibited to collect shareholder voting right in paid or distorted paid way. The Company shall not propose the lowest limit of shareholding ratio for voting right collection.

**Article 35** Where voting for the election of directors or supervisors at the meeting, cumulative voting system can be adopted in accordance with the provisions in these Articles of Association or resolutions made at the meeting.

The cumulative voting system as mentioned in the preceding paragraph means that in the election of directors or supervisors at the general meeting, each share carries a voting right equivalent to the number of directors or supervisors to be elected. A shareholder may concentrate the votes on one candidate.

**Article 36** Except for the cumulative voting system, the general meeting shall vote on each proposal individually. Where there are different proposals for the same issue, voting should be carried out according to the order of the proposals raised. Except for special reasons such as force majeure causing the meeting to suspend or unable to reach a resolution, the meeting shall not set aside any proposal or have any proposal not voted on.

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**Article 37** When reviewing any proposal, the general meeting shall make no change to the proposal; otherwise, the relevant alteration shall be deemed as a new proposal and shall not be voted at the current general meeting.

**Article 38** Any voting right may be exercised through only one means: on site, online or any other means. The first voting result shall prevail where one voting right is repeatedly exercised.

**Article 39** Shareholders attending the General Meeting shall vote “Yes”, “No” or “Abstain” on each proposal presented abstention, except that securities registration and settlement institutions, being the nominal holders of shares subject to Shanghai-Hong Kong Stock Connect, may express opinions according to the intentions of actual holders.

A blank that is blank, improperly marked or not voted shall be considered as an abstention by the voter, and the voting result of the shares held by the voter shall be deemed “Abstain”.

**Article 40** Voting at general meeting will record the name of the voter. Before a proposal is voted on at the meeting, two representatives of the shareholders shall be elected to take part in counting the votes and scrutinizing the conduct of the poll. Any shareholder who is interested in the matter under consideration and his proxy shall not take part in counting the votes or scrutinizing the conduct of the poll.

When a proposal is being voted on at the meeting, lawyers, the shareholders’ representatives and representatives of the supervisors shall be jointly responsible for counting the votes and scrutinizing the conduct of the poll.

Shareholders or their proxies, who have cast their votes through online voting system or by other means, shall have the right to check the voting results through the respective voting system.

**Article 41** The on-site general meeting shall not end earlier than the online meeting or meeting delivered through other means. The chairman of the meeting shall announce the voting status and voting result for each proposal and announce whether a resolution is passed according to the voting result.

Before the voting result is officially announced, the Company, counter, scrutineer, substantial shareholders, network services provider and other related parties involved in the on-site general meeting, online meeting or meeting delivered through other means shall keep in confidential the voting result.

**Article 42** Any resolution of the General Meeting shall be announced in a timely manner, and such an announcement shall indicate the number of shareholders and proxies present at the meeting, the total number of voting shares they hold and its proportion to the total voting shares of the Company, the means of voting, the voting results of each proposal as well as the details of each resolution adopted. The attendance and voting of holders of RMB ordinary shares and holders of domestically listed foreign shares at the meeting shall be counted up, respectively, and announced.

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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**Article 43** Where the proposed resolution is not passed, or the meeting alters the resolution(s) passed at the previous meeting, a special note shall be made in the announcement of the resolutions of the meeting.

**Article 44** The board secretary/company secretary shall keep minutes for each general meeting. The minutes shall contain the following contents:

- (I) the time, venue and agenda of the meeting and names of the conveners;
- (II) the name of the meeting chairman and the names of the directors, supervisors, board secretary/company secretary, managers and senior management members present or in attendance at the meeting;
- (III) the number of shareholders and their proxies attending the meeting, the total number of voting shares held by holders of RMB ordinary shares (including their proxies) and holders of domestically listed foreign shares (including their proxies) at the meeting and the percentage of the total number of shares of the Company they represent;
- (IV) the process of review and discussion, summary of any speech and voting results of each proposal. In recording the voting results, the details of the voting made by the holders of RMB ordinary shares and domestically listed foreign shares respectively shall also be included;
- (V) shareholders' questions, opinions or suggestions and corresponding answers or explanations;
- (VI) the names of the lawyers, the persons who count votes and the persons supervising the voting process;
- (VII) other contents to be included as specified in the Articles of Association.

Directors, supervisors, board secretary/company secretary, conveners or their representatives and the meeting chairman shall sign on the minutes and shall ensure that the contents of the minutes are true, accurate and complete. The minutes shall be kept together with the registration record of attending shareholders, powers of attorney for proxies, valid record on internet voting and other means of voting, for a period of no less than 10 years.

**Article 45** The convener shall ensure that the general meeting be conducted continuously until final resolutions are made. If the general meeting is suspended or resolutions cannot be made because of force majeure or other special circumstances, the convener shall take necessary measures to promptly resume the meeting or directly terminate that meeting, and make a timely public announcement. Meanwhile, the convener shall report to the local office of CSRC and the stock exchange.

**Article 46** Where proposed resolutions in relation to the election of directors or supervisors are passed at a meeting, the term of office of the new directors or supervisors shall take effect upon the passing date of such resolutions at the meeting.

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## **APPENDIX II    RULES OF PROCEDURES FOR GENERAL MEETING**

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**Article 47**    If the general meeting passes proposals in connection with the distribution of cash dividend, allotment of bonus shares, or conversion of capital common reserve fund into share capital, the Company shall implement detailed plans thereof within 2 months after the conclusion of such general meeting.

**Article 48**    If any content of the resolution of the general meeting violates the laws or administrative regulations, such resolution shall be invalid.

The controlling shareholder or actual controller of the Company shall not restrict or hinder medium and small investors from exercising their right to vote, or harm the legitimate interest of the Company or the medium and small investors.

If the convening procedures or voting methods for the general meeting violate the laws, administrative regulations or the Articles of Association, or any content of the resolution thereof violates the Articles of Association, the shareholders shall have the right to submit to a court within 60 days after such a resolution is made to revoke it.

### **Chapter V    Special Procedures for Voting at Class Meeting**

**Article 49**    Shareholders who hold different classes of shares shall be shareholders of different classes.

Shareholders of different classes shall enjoy rights and undertake obligations in accordance with the laws, administrative regulations and these Articles of Association.

**Article 50**    The Company shall not proceed to change or abrogate the shareholders' rights of a class of shares unless such change or abrogation has been approved by way of a special resolution of the general meeting and by a separate class meeting of the affected class shareholders convened in accordance with Articles 125 to 129.

The rights of shareholders of a certain class shall be deemed to have been changed or abrogated in the following conditions:

- (I)    an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (II)    conversion of all or part of the shares of such class into shares of another class, conversion of all or part of the shares of another class into shares of such class or grant of the right to make such conversion;
- (III)    removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- (IV)    removal or reduction of any preference granted to shares of such class in distribution of dividends or distribution of assets during liquidation of the Company;

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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- (V) addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Company attached to shares of such class;
- (VI) removal or reduction of rights attached to shares of such class to receive amounts payable by the Company in a particular currency;
- (VII) creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;
- (VIII) imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- (IX) issuance of rights to subscribe for, or convert into, shares of such class or another class;
- (X) increase in the rights and privileges of shares of another class;
- (XI) any restructuring of the Company which causes shareholders of different classes to bear liability out of proportion during the restructuring;
- (XII) any amendment or cancellation of the provisions of the Articles of Association.

Affected class shareholders, whether or not otherwise having the right to vote at the general meeting, shall have the right to vote at class meetings in respect of matters referred to in paragraphs (II) to (VIII) and (XI) to (XII) above, except that interested shareholders shall not vote at class meetings.

The term “interested shareholders” in the preceding paragraph shall have the following meanings:

- (I) in respect of a tender offer made by the Company to all shareholders in the same proportion or repurchase by the Company of its own shares through open market transactions on a stock exchange in accordance with Article 34 of the Articles of Association, the “interested shareholders” shall mean the controlling shareholder as defined in Article 62 of the Articles of Association;
- (II) in respect of repurchase by the Company of its own shares by off-market repurchase through an agreement in accordance with Article 34 of the Articles of Association, the “interested shareholders” shall mean any shareholder in relation to such agreement; and
- (III) in respect of a restructuring proposal of the Company, the “interested shareholders” shall mean shareholders who will bear a lower proportion of liability than that other shareholders of the same class, or shareholders who have an interest that is different from the interest of other shareholders of the same class.

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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**Article 51** Resolutions of a class meeting shall be passed by at least two-third of the voting rights of that class represented at the class meeting in accordance with Article 125 of the Articles of Association.

Where any shareholder is, under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, required to abstain from voting on any particular resolution or restricted to voting only for or only against particular resolution, any vote cast or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**Article 52** When the Company is to hold a class meeting, it shall issue a written notice, at least 45 days prior to the meeting, to all shareholders who are registered as shareholders of that class in the register of shareholders, stating the matters to be considered at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the meeting shall, at least 20 days prior to the day of the meeting, deliver their written replies to the Company of their attendance.

If the number of the voting shares represented by the shareholders intending to attend the meeting is one half or more of the total number of voting shares of that class, the Company may hold the class meeting of shareholders. If not, the Company shall within five days notify the shareholders once again of the matters to be considered at the meeting and the date and place of the meeting in the form of a public announcement. After notification by public announcement, the Company may hold the class meeting.

**Article 53** The notice of a class meeting of shareholders is only required to be delivered to the shareholders entitled to vote at such meeting.

The procedure of a class meeting shall, to the extent possible, be identical with the procedure of a general meeting. Provisions of the Articles of Association of the Company related to procedure for holding a general meeting shall be applicable to a class meeting.

**Article 54** Apart from the holders of other classes of shares, holders of domestic shares and holders of overseas listed foreign shares are deemed to be different classes of shareholders.

The special procedure for voting in class meeting shall not apply to the following circumstances:

- (I) upon approval by a special resolution of its shareholders in a general meeting, the Company issues domestic shares and overseas listed foreign shares, separately or concurrently once every 12 months, and the number of each class of shares to be issued is not more than 20% of the outstanding shares of such class.
- (II) the Company implements its plan, which was prepared upon its incorporation, to issue domestic shares and overseas listed foreign shares, provided that such plan shall be implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.



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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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### Chapter VI Special Provisions on Online Voting

**Article 55** The Company will adopt the general meeting online voting system (the “online voting system”) of the Shanghai Stock Exchange (“SSE”) to allow its shareholders to exercise their voting rights via online voting.

**Article 56** The SSE online voting system includes the following voting platforms:

- (I) Trading system voting platform;
- (II) Internet voting platform (website: vote.sseinfo.com).

**Article 57** In the event that the Company provides the shareholders with the option of online voting, the Company shall comply with the requirements regarding the interim announcement format stipulated by the SSE, use the relevant announcement-preparing software required by the SSE to prepare the announcement regarding the general meeting, and make disclosure in accordance with the provisions.

**Article 58** In the event that the general meetings are convened by the Company, the shareholders should be provided with online voting in accordance with the relevant provisions to fulfill the obligations of making notices and announcements regarding the general meeting for organization and preparation for the online voting at the general meeting.

**Article 59** Shareholders who are registered on the record date of the and entitled to attend the meeting to exercise their voting rights may exercise the rights through the online voting system designated by the SSE in accordance with the provisions of the Rules.

**Article 60** In the event that the Company provides the shareholders with online voting, the notice of the general meeting shall be prepared to state the followings regarding the online voting:

- (I) the type and session of the general meeting;
- (II) the time for on-site and online voting;
- (III) the type of shareholders who attend the meeting;
- (IV) the record date or the last trading date;
- (V) the resolutions to be considered;
- (VI) the procedures of online voting;
- (VII) other necessary information regarding the online voting.

**Article 61** The convener of the general meeting shall prepare an announcement in a timely to supplement relevant information for disclosure if:

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## APPENDIX II RULES OF PROCEDURES FOR GENERAL MEETING

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- (I) the general meeting is postponed or cancelled;
- (II) ad-hoc resolutions have been added;
- (III) resolutions stated in the notice of the general meeting have been cancelled;
- (IV) the information regarding the online poll is supplemented or amended.

**Article 62** In the event that the Company adopts the cumulative voting mechanism for the election of its directors and supervisors, the candidates shall be listed in the notice of the general meeting according to the following categories for the poll:

- (I) candidates of non-independent directors;
- (II) candidates of independent directors;
- (III) candidates of supervisors.

**Article 63** When the Company submits the announcements disclosing the provisions of Article 60 and Article 61 of the Rules through the information disclosure electronic system designated by the SSE, the Company shall verify, confirm and guarantee the accuracy and completeness of the information regarding the online poll.

**Article 64** The Company shall provide the SSE Infonet Co., Ltd. (hereafter referred to as the “Information Company”) with data of all the shareholders registered on the record date, including their names, account numbers, numbers of shares they hold two trading days before the general meeting in convened.

There shall be at least two trading days between the general meeting record date and the starting date of the online poll.

**Article 65** The Company shall log onto the information services platform for SSE-listed companies (website: list.sseinfo.com) to re-verify and re-confirm the accuracy and completeness of the information regarding the online poll one trading day before the starting date of the poll at the general meeting.

**Article 66** In the event that the Company adopts the online voting system designated by the SSE to provide shareholders with online voting, the on-site general meeting shall be convened on the trading day of the stock exchanges on which the Company’s shares are listed.

**Article 67** In the event that the shareholders of the Company vote online through the voting platform designated by the SSE, the shareholders can vote online through logging onto the trading terminal of the designated securities company.

The period for online voting conducted on the voting platform designated by the SSE is the trading period of the SSE on the date of the general meeting.

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**Article 68** In the event that the shareholders of the Company vote on the Internet voting platform designated by the SSE, the shareholders can log onto the Internet voting platform designated by the SSE and vote online after authentication.

The online voting hours through the Internet voting platform designated by the SSE are from 9:15 to 15:00 on the date of the general meeting.

**Article 69** Shareholders holding A shares shall enter the corresponding voting interface to vote based on their respective class of shareholder.

For shareholders with multiple shareholder accounts, the voting rights they are entitled to are the sum of the number of shares of the same category held in all shareholder accounts in their names.

**Article 70** The Company confirms if multiple shareholder accounts are held by the same shareholder according to the following information provided by the securities depository and clearing corporation:

- (I) the information of the Yimatong securities account;
- (II) the name of the shareholders;
- (III) valid identification number.

For the registered information stipulated aforementioned, the information stated on the record date will prevail.

**Article 71** Shareholders with multiple shareholder accounts may vote online through any one of their shareholder accounts. After voting, the shares of the same class held under all of their shareholder accounts shall be deemed to have cast a vote of the same opinion respectively.

For shareholders with multiple shareholder accounts who repeatedly vote through multiple shareholder accounts, the first voting result from the shares of all classes and varieties shall prevail for the shares of the same class held under all of their shareholder accounts.

**Article 72** Shareholders who attend the general meeting are entitled to votes of the same number as the number of director or supervisor candidates under each resolution group for every share held by them for resolutions adopting the cumulative voting mechanism. The shareholders may cast all their votes on one candidate or split them on a few candidates.

Shareholders shall vote up to a limit of the number of votes in each resolution group. In the event that the number of votes cast by the shareholder exceeds the number of the votes he/she holds, or the shareholder casts votes in a number exceeding the number of candidates in the competitive election, the vote on such resolution shall be deemed invalid.

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Shareholders with multiple shareholder accounts may vote online through any one of their accounts. The number of votes they are entitled to is calculated on the basis of the total shares of the same class under all of their shareholder accounts.

**Article 73** Shareholders who vote online for parts of the resolutions considered at the general meeting are deemed to have attended the general meeting, and the number of voting rights they hold is included in the number of voting rights held by the shareholders who attend the general meeting. For resolutions that the shareholder has yet to vote on or vote without following the provisions of the Rules, the number of voting rights held by him/her shall be counted as abstention.

**Article 74** Upon the conclusion of the general meeting, the convener shall prepare the announcement of the resolution of the general meeting, and disclose it in a timely manner.

Where the general meeting considers significant matters affecting the interests of the small and medium-sized investors, the voting of other shareholders shall be treated individually when compiling the statistics and disclosed in the announcement of the resolution of the general meeting, except the voting of the following shareholders:

- (I) The directors, supervisors and senior management personnel of the Company;
- (II) Shareholder(s) who hold 5% or more of the Company's shares individually or collectively.

**Article 75** From the second day upon the completion of the on-site poll at the general meeting, the shareholders may check their valid voting results on the Information Company's website ([www.sseinfo.com](http://www.sseinfo.com)) in a manner stipulated by the website.

### **Chapter VII Supplementary Provisions**

**Article 76** Unless the context otherwise requires, "public announcement" referred to in these Articles of Association shall refer to, if issued to domestic shareholders or within the PRC in accordance with relevant regulations and these Articles of Association, an announcement published in such Chinese newspapers as specified by the Chinese laws and regulations or the CSRC; and, if issued to holders of overseas shares in accordance with the relevant regulations and these Articles of Association, an announcement published in relevant websites specified in relevant listing rules.

Except as otherwise provided in the Rules, where a notice from the Company to holders of overseas listed foreign shares is served by way of a public announcement, the public announcement should be issued at the website of the Hong Kong Stock Exchange and the website of the Company respectively on the same day in accordance with the requirements of the local listing rules.

The supplementary notice of the general meeting as referred to herein shall be announced on the designated newspaper or website where the notice of the meeting is published.

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## **APPENDIX II    RULES OF PROCEDURES FOR GENERAL MEETING**

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**Article 77**    The terms “or more” or “within” herein shall include the given figure, while “over”, “less than” or “more than” shall not include the given figure.

**Article 78**    Matters not covered by the Rules shall be executed in accordance with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association and listing rules. In the event that the Rules are inconsistent with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association modified through legal procedures or listing rules, they shall be executed in accordance with the foresaid rules. The Rules shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 79**    The Rules shall come into effect and implement upon the initial public offering of A-shares of the Company and being listed on the SSE.

**Article 80**    The Rules are approved by the general meeting and shall be construed and interpreted by the Board of Directors.

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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*Note: If there is any inconsistency between the English and Chinese versions of these rules of procedures, the Chinese version shall prevail.*

**Article 1** In order to protect interests of the Company and its shareholders, regulate acts of the directors, establish the standardized organizational structure and operational procedures of the Board of Directors, safeguard the operation decision-makings of the Company to be implemented efficiently and orderly, the Rules are formulated in accordance with the requirements under the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter collectively referred to as the "Listing Rules"), other relevant laws and regulations and the Articles of Association of the Company. The Rules shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** The Rules are a binding legal document to regulate calling, convening, discussion and voting procedures of the Board of Directors.

**Article 3** The directors shall be natural persons and shall not be required to hold shares in the Company. However, A person may not serve as a director if he/she is:

- (I) a person who has no or limited capacity for civil acts;
- (II) a person who has been sentenced for corruption, bribery, embezzlement of property, misappropriation of property or other crimes which sabotage the socialist market economic order, where less than five years have elapsed since the sentence was served, or a person who has been deprived of his political rights for committing a crime, where less than five years have elapsed since the sentence was served;
- (III) a person who is a former director, factory manager or president of a company or enterprise which has gone into bankruptcy and put under liquidation and who was personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the completion of the insolvent liquidation of the company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise the business license of which was revoked due to a violation of law and who was personally liable therefor, where less than three years have elapsed since the date of the revocation of the business license;
- (V) a person who has a relatively large amount of debts due and outstanding;

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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(VI) a person who is identified by the China Securities Regulatory Commission as being prohibited from entering into the market and whose prohibition has not been released;

(VII) a person who has otherwise been prohibited by the laws, administrative regulations or the department regulations.

Should the election or appointment of directors contravene the stipulations set out in foregoing provisions of this Article, such election or appointment shall be invalid.

Where directors fall into the circumstances set out in the first paragraph of this Article in their performance of duties, the Company shall remove them from office.”

**Article 4** The shareholders individually or jointly holding more than 3% of the total voting shares of the Company’s issued and outstanding shares are entitled to nominate new candidates for the position of directors (other than independent directors).

For candidates for the position of independent directors, their nomination shall be made according to relevant requirements under laws, administrative regulations, department regulations and the Listing Rules.

**Article 5** The directors shall be elected and removed by a general meeting, the election of directors shall be made at the general meeting of the Company in accordance with the required procedures under the Articles of Association of the Company.

**Article 6** the term of office for directors is three years, which shall commence from the date of appointment up to the maturity of the term of office of the Board of Directors. Upon maturity of the term of office, a director shall be eligible to offer himself/herself for re-election and reappointment. Prior to the maturity of his/her term, a director shall not be removed without reason from his/her office by a general meeting.

In the event that the term of office of an independent director has exceeded nine years, the re-appointment of such director shall be considered and approved by shareholders by a separate resolution.

**Article 7** In the event that the terms of directors fall upon maturity whereas the members of the Board are not re-elected in time, the existing Directors shall continue to perform their duties in accordance with the laws, administrative regulations, departmental regulations and the Articles of Association until the re-elected Directors assume their office.

The position of a director may also acted by the general manager or other senior management, but the number of directors who also serve as the position of the general manager or other senior management in aggregate shall not exceed one half of total number of directors of the Company.

**Article 8** The directors of the Company have the powers to:

(I) attend a meeting of the Board of Directors;

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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- (II) obtain timely a notice of meeting of the Board of Directors and meeting documents;
- (III) obtain timely a notice of general meeting and attend the general meeting of shareholders;
- (IV) propose separately or jointly resolutions to the Board of Directors;
- (V) exercise independently the voting right at a meeting of the Board of Directors with each director shall have one voting right;
- (VI) express independently his/her own opinions and views on each resolution proposed at a meeting of the Board of Directors for discussion;
- (VII) supervise the implementation of resolutions passed at a meeting of the Board of the Directors;
- (VIII) sign contracts, agreements or other legal documents on behalf of the Company under the authorization of the Board of Directors;
- (IX) participate in investigation and research, planning, approach and execution of external investment projects of the Company on behalf of the Company under the authorization of the Board of Directors;
- (X) carry out other activities on behalf of the Company according to decisions of the Board of Directors;
- (XI) other authorizations conferred by a general meeting of the Company or the Board of Directors;
- (XII) other powers as required by the laws, regulations, the Article of Association of the Company or the Rules.

**Article 9** The directors shall comply with the laws, administrative regulations and the Articles of Association of the Company and shall perform duties to the Company as follows:

- (I) not to abuse his position to accept bribes or other illegal income or appropriate the properties of the Company;
- (II) not to appropriate the capital of the Company;
- (III) not to set up accounts in his own name or in any other name to deposit any of the assets or capital of the Company;



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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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- (IV) not to lend the funds of the Company to any other person or use the property of the Company to provide guarantee for any other person without the consent of the general meeting or the Board in contravention of provision of the Articles of Association of the Company;
- (V) not to enter into contracts or carry out transactions with the Company in violation of the provisions of the Articles of Association or without the consent of the general meeting;
- (VI) not to, without the consent of the general meeting, abuse his position to appropriate the business opportunities for himself or other persons which should otherwise belong to the Company, or operate businesses similar to those of the Company for himself or other persons;
- (VII) not to misappropriate the commission obtained from transactions entered into by the Company;
- (VIII) not to disclose confidential information of the Company without permission;
- (IX) not to use his connected relations with the Company to prejudice the interests of the Company;
- (X) other duties as required by the laws, administrative regulations, departmental rules or the Articles of Association of the Company.

Any incomes obtained by directors in violation of any provisions of this Article shall belong to the Company. The director shall be accountable to indemnify the Company against any losses incurred.

**Article 10** The Directors shall comply with the laws, administrative regulations and the Articles of Association of the Company and shall perform their diligent duties to the Company as follows:

- (I) to exercise the rights conferred by the Company in a cautious, thoughtful and diligent manner so as to ensure the commercial behaviors of the Company comply with the laws, administrative regulations and economic policies of the PRC, and the commercial activities shall not go beyond the scope of business stipulated in the business license;
- (II) to treat all shareholders fairly;
- (III) to read carefully various business reports and financial statements of the Company to keep informed of the operation and management position of the Company on a timely basis;
- (IV) to sign the regular reports of the Company for confirmation of their comments to ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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(V) to provide information and data to the Supervisory Committee, accept the legal supervision and reasonable advices made by the Supervisory Committee on their performance of duties, and not to interfere with the Supervisory Committee or supervisors in their exercise of powers;

(VI) other diligent duties as required by the laws, administrative regulations, departmental regulations or the Articles of Association of the Company.

**Article 11** Any director shall exercise his/her powers or perform his/her duties in a cautious, thoughtful and diligent manner, and shall act with prudence, diligence and competence as that of a reasonable and prudent person under the similar circumstances.

**Article 12** A director may resign prior to the expiry of his/her term of office. When a director intends to resign, he/she shall submit a written resignation to the Board of Directors. The Board of Directors shall disclose such information within two days.

If the resignation of a director causes the members of the Board of Directors of the Company to be less than the minimum quorum, such director shall perform his/her directorship according to the requirements of the laws, administrative regulations, department regulations and the Rules until a new director is appointed.

The Board of Directors remaining shall convene an extraordinary general meeting as soon as practicable, so as to elect a director to fill the vacancy arising from the resignation of such director. Prior to the passing of the resolution by the general meeting to elect a director, the power of the resigning director and the board of directors remaining shall be restricted in a reasonable manner.

Except for circumstance in the preceding paragraph, a director's resignation shall become effective upon the delivery of his/her resignation to the Board of Directors.

**Article 13** A director shall complete all of the handover procedures with the Board of Directors once his or her resignation becomes effective or his or her office term expires. The obligations of loyalty to the Company or the shareholders are not necessarily released upon end of his or her office term, which shall remain effective in a reasonable term stipulated by the Articles of Association of the Company.

**Article 14** Any director shall keep confidential on secrets of the Company known by him/her (including but not limited to proprietary technology, design, programming, management know-how, customer lists, information of suppliers, production and marketing strategy, the tender bidding and contents of the tender etc.); shall not be disclosed or for other purposes.

The confidential obligation under this Article shall remain effective after the expiry of any director's term of office, and can be released only until occurrence of the following circumstances:

(I) when required under the compulsory requirements of the laws;

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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- (II) when required under the non-appealable court judgment;
- (III) when approved formally by the general meeting on an informed basis;
- (IV) the confidential content has entered properly the public domain before the disclosure;
- (V) the demand of public interest;
- (VI) the demand of lawful interest of such director;

In this Article, “the demand of public interest” refers to: when certain acts/an act of the Company infringe(s) upon the social public interest directly or indirectly, or certain/a confidential information involving in the Company have/has caused a serious impact on the social public interest, the court or other governmental competent authority requires the directors to perform their witness obligation; “the demand of lawful interest of such director” refers to: when the legal interest of the director is infringed illegally, apart from disclosure of secrets of the Company to the court or other governmental competent authority, the director can’t take other measures to get a legal relief, and the court or other governmental competent authority requires expressly the director to disclose the secrets involving in the Company. When the above two circumstances incurred, the director shall request the court or other governmental competent authority knowing such secret to take a reasonable and appropriate confidential measure to prevent the disclosure and further spread of information.

Any director shall not make use of inside information to seek benefits for him/her or the others;

Where any director violates the confidential obligation, the Company initiates proceedings in accordance with the laws and regulations.

**Article 15** Directors shall sign on resolutions of the Board of Directors and shall be responsible for resolutions of the Board of Directors. If resolutions of the Board of Directors violate the relevant laws, regulations, the Articles of Association of the Company, thus causing losses to the Company, the directors participating in the resolutions shall be liable to compensate the Company for the losses. However, on verification that a director had stated his/her objection when voting and the same was recorded in the minutes, such director may be exempted from such liability.

**Article 16** No director shall act on behalf of the Company or the Board of Directors without the requirement of the Articles of Association or the lawful authorization of the Board of Directors. In the event that a director is acting on his/her behalf, which may be reasonably deemed to be acting on the behalf of the Company or the Board of the Directors by a third party, such director shall state his/her stance and identity in advance.

**Article 17** If any director as individual or any other company for which he serves is directly or indirectly connected with any existing or scheduled contract, transaction or arrangement with the Company (excluding appointment contract), the director shall disclose

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to the Board of Directors the nature and extent of his connection as soon as practicable, whether or not such connected matters require approval from the Board under normal circumstances. For the related directors, they shall avoid automatically and abstain from voting when the Board of Directors reviews the connected transactions, being the followings;

- (I) shall not participate in voting, the voting shares represented by them shall not be counted in the total number of shares validly voted.;
- (II) shall not exercise the voting rights for other directors;
- (III) shall not impose any influence on the results of voting;
- (IV) if the related director is the chairperson of meeting, shall not impose any influence on the results of voting by making use of favourable condition as the chairperson of meeting.

When the Board of Directors is considering and voting on the connected transactions, the avoidance and voting procedures of the related directors:

- (I) A matter considered by the Board of Directors relates to a director, the related director shall disclose his/her relationship to the Board of Directors before convening of the meeting of the Board of Directors.
- (II) When the Board of Directors is considering the related matters, the chairperson of meeting announces expressly the relationship between the related director and the related transaction, and requires the related director to avoid, and the related transaction shall be considered and voted by the non-related directors;
- (III) The resolution reached by the Board of Directors for the related matter shall be approved by more than half of all non-related directors.
- (IV) Where the related director don't disclose related information or avoid for the related matter based on the above procedures, the Board of Directors has the right to revoke all resolution in respect of the related matter.

A meeting of the Board of Directors may be held with the attendance of more than half of the non-related directors and any resolution of such a meeting shall be subject to approval by more than half of the non-related directors. Where fewer than three non-related directors attend such a meeting, the transaction shall be submitted to the shareholders in general meeting for their review.

Related directors include the following directors or directors who fall within any one of the following categories:

- (I) being the counterparty;

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- (II) holding office in the counterparty, or holding office in a legal entity which is in a position to directly or indirectly control the counterparty or which is under the direct or indirect control of the counterparty;
- (III) having direct or indirect control of the counterparty;
- (IV) being a close family member of the counterparty or a direct or indirect controller of the counterparty (including spouse, parents and spouse's parents, brothers and sisters and their spouses, children aged 18 or above and their spouses, spouses' brothers-in-law and sisters-in-law and parents of their children's spouses);
- (V) being a close family member of a director, supervisor or senior management of the counterparty or a direct or indirect controller of the counterparty (including spouse, parents and spouse's parents, brothers and sisters and their spouses, children aged 18 or above and their spouses, spouses' brothers-in-law and sisters-in-law and parents of their children's spouses);
- (VI) being a director whose independent commercial judgment may be influenced as determined by the China Securities Regulatory Commission, the stock exchange of the listing place or the Company for other reasons.

Review of the connected transactions involving in the related directors and the information disclosure procedures shall perform in accordance with the specific requirements of the China Securities Regulatory Commission, the stock exchange of the listing place and the Company. For the connected transactions involving in the related directors, which are not reviewed in accordance with such procedures, the Company is entitled to cancel such contract, transaction or arrangement (except that the counterparty is a bona fide third party).

**Article 18** The office of a director can be removed by a resolution of the general meeting at any time if one of the following circumstances occurs:

- (I) breach seriously the Article of Association of the Company or the directors' obligations under the Rules;
- (II) his/her major fault resulted in a higher economic loss to the Company;
- (III) the criminal liability is incurred under the judgment of the people's court;
- (IV) the re-education through labour is incurred;
- (V) Failure to attend meetings of the Board of Directors on two consecutive occasions and no appointment of another director to attend the meetings on his behalf;
- (VI) the director has no longer the qualification of directorship required by the Rules.

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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**Article 19**    The Company implements the independent director system. An independent director is a director who does not hold any other position in the Company other than the directorship, does not have any relationship with the Company and substantial shareholders of the Company that could materially interfere with the exercise of his/her independent and objective judgment.

The authorization conferred to independent directors shall be performed in accordance with relevant requirements under the laws, administrative regulations and department regulations.

**Article 20**    The remuneration of each director (including but not limited to wage, allowance, subsidy, bonus, directors' fee, pension and retirement compensation) shall be determined by the general meeting at its absolute discretion.

When the remuneration of each director is approving by the general meeting, it shall consider fully the operation condition of the Company, the condition of the industry which the Company operates, the director's individual ability and his contribution to the Company.

The remuneration of each director shall be disclosed according to relevant requirements.

The Company shall not pay taxes for its directors in any means.

**Article 21**    The Board of Directors comprises seven to eleven directors, of which external directors (who are not employees of the Company) shall constitute more than half of the members of the Board of Directors, and at least three representing at least one third of the members of the Board of Directors shall be independent directors, one shall be appointed as the chairperson of the Board of Directors, and may appoint one to two as vice chairperson of the Board of Directors.

**Article 22**    The Board of Directors is the operation decision-making institution of the Company, which is entitled to exercise the authorizations stipulated by the laws and regulation and the Articles of Association of the Company.

**Article 23**    The meetings of the Board of Directors are divided into the regular meetings of the Board of Directors and the extraordinary meetings of the Board of Directors.

The regular meetings or extraordinary meetings of the Board of Directors of the Company, on the condition that the directors can fully express their opinions, can be convened through in writing, video, telephone, fax or email etc. upon the circumstances, and also can be convened by combination of on site and communication manner.

A meeting of the Board of Directors of the Company shall be held only if more than half of all the directors are present. For the meetings of the Board of Directors, in addition to the directors who are required to be attended, the supervisors, the general manager, the Secretary to the Board/Company Secretary of the Company shall attend such meeting. When necessary, deputy general manager and other senior management can attend such meeting.

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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The Board Secretary/Company Secretary of the Company is responsible for the organization and coordination of the meetings of the Board of Directors, including arrangement of agenda to meeting, preparation of meeting documents, organizing convention of meetings, draft of minutes, resolutions and notes of meetings.

**Article 24** The regular meetings of the Board of Directors shall convene at least four times a year, preferably once in each quarter. It shall be convened by the chairperson of the Board of Directors, which shall give a fourteen days' notice in writing to all directors before convention of the meeting. The chairperson of the Board of Directors shall hold one meeting with the non-executive directors (including independent directors) at least each year without an executive director.

**Article 25** The extraordinary meetings of the Board of Directors can be convened at any time.

The following persons or units have the right to propose convening the extraordinary meetings of the Board of Directors:

- (I) three or above directors jointly;
- (II) two independent directors;
- (III) the Supervisory Committee;
- (IV) shareholders representing one tenth or above of the voting rights;
- (V) the general manager.

**Article 26** A meeting of the Board of Directors shall be convened by the chairperson of the Board of Directors. Where the chairperson can not convene and is not able to perform his/her duties normally, he/she may designate a vice chairperson of the Board of Directors to exercise such powers on his/her behalf, and in the event that the vice chairperson designated can't perform such duties, a director elected by more than half of the directors shall perform such duties.

**Article 27** Meetings and extraordinary meetings of the Board of Directors shall be notified in the following ways:

- (I) No notice of director's regular meeting is required, if the time and place of regular meetings of the board of directors have been fixed by the board of directors in advance;
- (II) Notice of the time and place of a meeting of the Board of Directors for which the time and place have not otherwise set in advance by the Board of Directors shall be sent by the chairperson through the Board Secretary/Company Secretary to each of the directors and the chairperson of the Supervisory Committee by telex,

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telegram, facsimile, express delivery, registered mail or personal delivery not less than 10 days before the meeting, unless otherwise provided by the Articles of Association of the Company;

- (III) Notices shall be in Chinese and, where necessary, in English also and shall include an agenda of the meeting. Any director may waive its right of requesting notification from the Board of Directors.

Notice of a meeting shall be deemed to have been given to a director who attends the board meeting without protesting against, before or upon his attendance at the meeting, any lack of notice.

Any regular or extraordinary meeting of the Board of Directors may be held by conference telephone or similar communication equipment so long as all directors participating in the meeting can clearly hear and communicate with each other, and all such directors shall be deemed to be present in person at the meeting.

The notice of a meeting of the Board of Directors shall be signed for issue by the chairperson of the Board of Directors or a director convening the Board of Directors on his/her behalf. Where the chairperson of the Board of Directors is not unable to sign the notice of such meeting for issue due to business trip or other reasons, he/she can authorize the Board Secretary/Company Secretary to sign such notice for issue on his/her behalf.

The notice of a meeting of the Board of Directors shall specify time, place, term of convening the meeting, convening manner, resolutions to be proposed at the meeting for consideration and related information, and time of giving the meeting notice. The resolutions and information enclosed shall be detailed and accurate, and ensure each director to understand fully the specific contents for resolutions to be proposed at the meeting.

**Article 28** After a director received a meeting notice, he/she shall contact the Board Secretary/Company Secretary or personnel designated by him/her by fax, telephone, email, by hand and post manner to confirm if he/she received the notice of convening the meeting of the Board of Directors and attends the meeting, Where it is not received a reply of confirmation after three days from issue of the meeting notice, the Board Secretary/Company Secretary or personnel designated by him/her shall contact proactively such director to confirm if he/she received the meeting notice and attends the meeting.

Where a director has any amendments or supplementary views to resolutions proposed at the meeting for consideration, he/she shall deliver the same to the Board Secretary/Company Secretary or personnel designated by him/her by fact, telephone, email, by hand and post manner.

**Article 29** In the Rules, a resolution is the matter to be considered which has been listed formally into the business scope of a meeting of the Board of Directors, a matter proposed by a proposer but he/she still has not decided to submit to the meeting of the Board of Directors for review is considered as a proposal, and the person who made the proposal is called as the proposer.



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The contents of a proposal include but not limited to name, content of the proposal, necessary argumentation analysis, and shall sign or seal by the proposer.

The following persons or units have the right to make their proposals at the meeting of the Board of Directors:

- (I) any a director;
- (II) the special committee of the Board of Directors;
- (III) the Supervisory Committee;

For any matters in respect of their duties, the following persons have the right to make a proposal:

- (I) the general manager;
- (II) the chief financial officer;
- (III) the Board Secretary/Company Secretary.

Where the proposer makes his/her proposal with the meeting of the Board of Directors, he/she shall submit a proposal with complete contents to the Board Secretary/Company Secretary for 10 days before convening the meeting.

**Article 30** The directors, in principal, shall attend a meeting of the Board of Directors in person, any director who cannot attend the meeting due to some reasons may authorize any other director to attend and vote by a letter of authorization, but he/she shall notice the Board Secretary/Company Secretary one day in advance. A director shall not authorize other persons other than directors to attend the meeting of the Board of Directors.

A director who fails to attend meetings of the Board of Directors on two consecutive occasions and has not appointed another director to attend on his behalf shall be deemed to be incapable of performing his duties, the Board of Directors shall propose for his/her removal in the general meeting. An independent director who fails to attend meetings of the Board of Directors on three consecutive occasions shall propose by the Board of Directors for his/her removal in the general meeting.

**Article 31** Where a director appoint another director to attend the meeting of the Board of Directors on his behalf, the appointer shall issue a signed power of attorney to his/her proxy, the power of attorney shall set out the name of the proxy, the subject and scope of authorization and the period of the validity of the power of attorney, which shall be signed or sealed by the appointer. A director appointed as the representative of another director to attend the meeting shall exercise the rights of a director within the scope of authority. The personnel who attended the meeting of the Board of Directors shall not appoint another person to attend on his/her behalf.

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A director may accepted the authorization form one or more directors to attend the meeting of the Board of Directors and vote at such meeting on his/her behalf.

**Article 32** The Board Secretary/Company Secretary of the Company shall attend every meeting of the Board of Directors and responsible for the minutes of the meeting, the Board Secretary/Company Secretary may authorize other personnel to prepare for the minutes of meeting, but the Board Secretary/Company Secretary shall assume the responsibility for truth and accuracy of the minutes of meeting.

The supervisors and the general manager of the Company have the right to attend the meeting of the Board of Directors.

Where the matters to be considered at a meeting are involved in those within their duty scope, after invited by the chairperson of meeting, deputy general manager, chief financial officer and other staff of the Company may attend the meeting of the Board of Directors.

The Board of Directors may invite intermediary institutions and experts in industry, operation, law, financial and other aspects to attend the meeting of the Board of Directors, and provide their professional advices.

The meeting of the Board of Directors, in principal, is not invited journalists or other unrelated persons to attend the meeting, where such persons are required to attend the meeting in special circumstances, the chairperson of meeting shall seek advices from other directors, they can be invited only upon consent from more than half of all the directors.

If the attendees need to speak at the meeting, they are required to obtain consent from the chairperson of meeting and obey the arrangement made by the chairperson of meeting.

Where the chairperson of meeting considers the matters to be considered at the meeting are involved in secrets of the Company, he/she is entitled to request such attendees to avoid.

When voting at the meeting, the attendees shall exit from the meeting.

**Article 33** The information for the meeting of the Board of Directors is collected and prepared by the Board Secretary/Company Secretary.

The material information and data in relation to resolutions shall be distributed to each director before holding of the meeting in form of written documents..

For the information involving in secrets of the Company, the Board Secretary/Company Secretary shall remind the attending directors in advance, unless necessary, the directors shall return the information involving in secrets of the Company to the Board Secretary/Company Secretary for centralization of custody upon the end of meeting.

**Article 34** A meeting of the Board of Directors can be convened on site or by communication manners.

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Without breach of relevant laws, regulations and restrictive requirements of regulators, the manner of convening a meeting of the Board of Directors is decided by the convener of meeting.

If more than half of all the directors object to convening an extraordinary meeting of the Board of Directors by way of communication, the meeting of the Board of Directors shall be convened on site.

When the directors sign the minutes of such meeting of the Board of Directors or resolutions of the Board of Directors, it shall be deemed to agree convening such meeting of the Board of Directors by a way of communication.

**Article 35** The meeting shall review all resolutions on a case-by-case basis according to the agenda, the process for discussion and explanation of resolutions shall be arranged and adjusted by the chairperson of meeting based on specific circumstances, but it shall be required to ensure that each director has the opportunity to express fully his/her views.

No person shall be allowed to speak in personal attacks or uncivilized words, in such words, the chairperson of meeting shall prompt and prohibit timely.

After the end of a meeting, the chairperson of meeting can announce to adjourn temporarily, and require the Board Secretary/Company Secretary to prepare the draft of resolutions of the Board of Directors. After completion of preparation of draft of resolutions with consent from the chairperson of the Board of Directors, the chairperson of the Board of Directors shall announce to recover the meeting and require the Board Secretary/Company Secretary to read resolutions, the directors may make their comments on amendments to the content of draft. After finalization of the contents of resolutions, the meeting shall be entered into the voting process.

**Article 36** Each director shall have one voting right.

Where a meeting of the Board of Directors is convened on site, the voting manner shall be by a show of hands or by a registered poll, if one or above director (s) propose(s) to vote by the registered poll, it shall be voted by using such manner.

The order and manner of voting at a meeting shall be determined by the chairperson of meeting.

**Article 37** Where a resolution is proposed by the Board of Directors, it shall approved by more than half of all the directors. The following matters must be reviewed and approved by more than two third of all the directors and make a resolution:

- (I) to formulate the proposal for the Company's debts and financial policy, increase or decrease in the Company's registered capital and the proposal for issue of the Company's debenture or other securities and their listing;

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- (II) to propose the plan for material acquisition or disposal of the Company, the plan for acquisition of shares of the Company and consolidation, division, dissolution and change of form of the Company.
  
- (III) to formulate the proposal of amendments to the Articles of Association of the Company.

The resolutions for the meeting of the Board of Directors shall be drafted by the Board Secretary/Company Secretary. The directors casting the affirmative vote shall sign on the resolutions of the Board of Directors; the directors casting the waiver or opposing vote is not required to sign the resolutions of the Board of Directors, but shall record in the minutes of the Board of Directors.

Any a director shall not add any of his/her individual view on the resolutions of the Board of Director.

For resolutions which are required the directors to express their special views, the views of independent directors shall be recorded separately; if inconsistency in independent directors' views, their views shall be recorded respectively. For those which are required to be disclosed, the views of independent directors shall be disclosed separately.

Where a resolution of the Board of Directors is in violation of the laws, administrative regulations or the Articles of Association, thereby causing serious losses to the Company, the directors who took part in the resolution shall be liable to the Company for compensation. However, where a director can prove that he had expressed his opposition to such resolution when it was put to vote, and that such opposition was recorded in minutes of the meeting, such director shall be exempted from such liability. A director neither attending nor through a proxy shall be deemed not to oppose so, and shall not be exempted from such liability.

For a matter required to be considered by the Board of Directors under the Articles of Association of the Company, a party that implemented the matter without a resolution of the Board of Directors shall be liable for all damage to shareholder interest or economic loss arising from the implementation.

The supervisors, the general manager, deputy general manager, the Board Secretary/ Company Secretary and other senior management attended at the meeting of the Board of Directors may express fully their own advices and opinions on the matters discussed by t he Board of Directors for reference of the Board of Directors in its decision-making, but they have no voting right.

Where a director holds concurrently the office of the Board Secretary//Company Secretary, and an act is required to be done by a director and the Board Secretary/Company Secretary separately, the person who holds the office of director and the Board Secretary/ Company Secretary may not perform the act in dual capacity.

Where a director has an interested connected relationship in a resolution of the Board of Directors, the connected director shall not take part in voting, nor shall count in the quorum. A director who is deemed as unable to perform his duties under the Articles of

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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Association of the Company shall have no right to vote on any proposals before being replaced by a general meeting. A director automatically disqualified according to laws shall have no voting right either.

**Article 38**    The Board of Directors shall appoint one Board Secretary/Company Secretary.

The Board Secretary/Company Secretary is the senior management of the Company, shall be liable for the Company and the Board of Directors and report his/her work to the Board of Directors.

**Article 39**    The main duties of the Board Secretary/Company Secretary are:

- (I) to be responsible for the communication and liaison between the Company, relevant parties, the stock exchange of the listing place and other relevant securities supervision authorities to ensure the Company can maintain its contact with the stock exchange at any time;
- (II) to be responsible for the management of information disclosure of the Company; to urge the Company to formulate and exercise the information disclosure rules and internal reporting rules for significant information; to urge the Company and relevant parties to discharge their duties of information disclosure; to submit the regular and temporary reports to the stock exchange of the listing place in accordance with relevant regulations;
- (III) to coordinate the relationship between the Company and investors; to coordinate investors' visits; to answer the questions raised by investors; to provide the investors with the information disclosed by the Company;
- (IV) to prepare meetings of the Board and the shareholders' general meetings in accordance with legal procedure; to prepare and submit the documents and materials of the meetings of the Board and the shareholders' general meetings;
- (V) to attend the meetings of the Board; to prepare the minutes and sign on it;
- (VI) to be responsible for the confidentiality work relating to information disclosure; to formulate the measures on confidentiality; to urge all members of the Company's Board and relevant informed persons to keep the information confidential before it is disclosed; to adopt any remedial measures for release of insider information in time and report to stock exchange of the listing place at the same time;
- (VII) to be responsible to keep the shareholders' register and the directors' register of the Company, the information for the shares of the Company holding by the controlling shareholder, directors, supervisors and senior management, and the documents and minutes of the meetings of the Board of Director and the general meeting etc.;

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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- (VIII) to assist the directors, supervisors and senior management in being informed of relevant laws, administrative regulations, department regulations, the Listing Rules, other requirements of the stock exchange of the listing place and the Articles of Association of the Company, as well as the liabilities being stipulated on them in the listing agreement;
- (XI) to urge the Board of Directors to discharge its duties in accordance with law; where the Board of Directors is going to make a resolution which is in violation of laws, administrative regulations, department regulations, the Rules, other requirements of the stock exchange of the listing place and the Articles of Association of the Company, the Board Secretary/Company Secretary shall remind the directors attending the meeting and request the supervisors at presence to express their opinions; if the Board of Directors insists in making the resolution, the secretary to the Board of Director/Company Secretary shall record the opinions of relevant supervisors and persons in the minutes and report to the stock exchange of the listing place;
- (X) other responsibilities stipulated in the Company Law and the stock exchange of the listing place.

**Article 40** A director or other senior management of the Company may hold the office of the Board Secretary/Company Secretary concurrently. The existing supervisors of the Company, the person who is determined by the stock exchange not suitable to act as the office of the Board Secretary/Company Secretary, the certified public accountant(s) of the accountants firms and the lawyers of the law firms appointed by the Company shall not act as the Board Secretary/Company Secretary.

**Article 41** Minutes shall be taken for the decisions of the matters discussed at the meeting of the Board of Directors, and the minutes shall be complete and true. The minutes of the meeting of the Board of Directors shall be taken by the Board Secretary/Company Secretary or the authorized representative on site, after the end of the meeting, all directors attending the meeting, the Board Secretary/Company Secretary and the person taking the minutes shall sign on the minutes. Where there are wrong, improper or insufficient records in the minutes, a revision or supplement may be required.

Directors attending the meeting shall have the right to request to record in the minutes details of the speech made by them at the meeting. The directors casting waiver or opposing vote may request to record his/her views and reasons for casting the waiver or opposing vote in the minutes of the meeting of the Board of Directors.

The minutes of the meeting of the Board of Directors as the important basis of determining clearly the directors' responsibilities shall be kept by the Board Secretary/Company Secretary as the important files of the Company for a period of not less than ten years.

The minutes of meetings of the Board of Directors shall contain but not limited to the following information:

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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- (I) the date and venue of the meeting and the name of the convener;
- (II) the names of the directors present and names of directors (proxy) acting for other directors to attend the meeting;
- (III) the agenda;
- (IV) the main points of all directors' speeches;
- (V) the voting method of each resolution and the result (the result shall specify the number of votes for, against and abstaining).

**Article 42** Where the meeting of the Board of Directors is convened by way of communications, the notice of meeting and the resolutions of meeting is delivered to each director by fax, letter, email or by hand, a director may exchange his/her views by ways of telephone, fax and letter in writing or submit his/her views to the Board Secretary/Company Secretary. The approving directors shall sign on the resolutions of the meeting, and deliver the signed copy of the resolution to the Board Secretary/Company Secretary by fax, letter or by hand. The resolution of the Board of Directors shall be effective from the date which the Board Secretary/Company Secretary received the resolution of the Board of Directors signed by more than half of all the directors in writing.

In order to ensure the completeness and accuracy of the Company's files, where the meeting of the Board of Directors is convened by way of communications and the resolutions of the Board of Directors are signed by fax, the Board Secretary/Company Secretary shall request the directors attended the previous meeting to sign retroactively the resolutions of the previous meeting of the Board of Directors and the minutes during convening of the last meeting of the Board of Directors on site or at other convenient and appropriate time.

**Article 43** At each of the meetings of the Board of Directors, the chairperson of the Board of Directors or a person-in-charge shall report to the Board of Directors on the execution and implementation of the resolutions of the Board of Directors passed at previous meetings. A director shall have the right to make inquiry with the person who executes the resolutions about the implementation of those resolutions adopted at various meetings.

The Board Secretary/Company Secretary shall report timely the execution of the resolutions of the Board of Directors to the chairperson of the Board of Directors, and shall convey truthfully the opinions of the Board of Directors to relevant directors and members of senior management of the Company.

The Board Secretary/Company Secretary can assist the Board of Directors to supervise and inspect the implementation of the resolutions of the Board of Directors through search and inspection of information of related documents and communication with related persons.

The Board of Directors may require members of senior management of the Company to report the implementation of the resolutions of the Board of Directors to the Board of Directors orally or in writing.

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## APPENDIX III      RULES OF PROCEDURES FOR BOARD MEETING

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**Article 44** Matters not covered by the Rules shall be executed in accordance with the requirements under relevant laws, administrative regulations, regulatory documents, the Articles of Association of the Company and the Listing Rules. In the event that any term of the Rules is inconsistent with then effective laws, administrative regulations, governmental regulations or the Listing Rules, the effective laws, administrative regulations, governmental regulations or the Listing Rules shall prevail.

**Article 45** In the event that any term of the Rules is inconsistent with then effective Articles of Association of the Company, then effective Articles of Association shall prevail.

**Article 46** The terms “or more” or “within” herein shall include the given figure, while “over”, “less than” or “more than” shall not include the given figure. The Rules are formulated by the Board of Directors, shall be approved by the general meeting, it shall be so for amendments to the Rules.

**Article 47** The Rules shall be construed and interpreted by the Board of Directors.

**Article 48** The Rules shall come into effect and implement upon the initial public offering of A-shares of the Company and being listed on the Shanghai Stock Exchange.



*Note: If there is any inconsistency between the English and Chinese versions of these rules of procedures, the Chinese version shall prevail.*

**Article 1** In order to perfect the governance structure of legal person, facilitate the standardized operation of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), protect legal interests of the Company, its shareholders, its creditors, regulate organizations and acts of the Supervisory Committee of the Company and ensure the Supervisory Committee of the Company to exercise its duties and rights independently at law, the Rules are formulated in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter collectively referred to as the “Listing Rules”) and the Articles of Association of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. The Rules shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** The Supervisory Committee shall exercise its supervision on the operation and management activities of the Company, the Board of Directors and senior management on all shareholders’ behalf. The Supervisory Committee shall be accountable to shareholders at general meetings.

**Article 3** The Supervisory Committee shall strictly comply with the requirements under the Company Law and other laws and regulations in relation to the Supervisory Committee, organize carefully the work of the Supervisory Committee, perform the duties of the Supervisory Committee, protect the interests of the Company, in particular pay attention to and supervise the legal interests of shareholders to be intact, and assume the faithful and diligent obligation to the listed company and all shareholders.

**Article 4** The Supervisory Committee and its members is subject to the supervision and direction of the China Securities Regulatory Commission and its branches.

**Article 5** A person may not serve as a director if he/she is:

- (I) a person who has no or limited capacity for civil acts;
- (II) a person who has been sentenced for corruption, bribery, embezzlement of property, misappropriation of property or other crimes which sabotage the socialist market economic order, where less than five years have elapsed since the sentence was served, or a person who has been deprived of his political rights for committing a crime, where less than five years have elapsed since the sentence was served;

- (III) a person who is a former director, factory manager or president of a company or enterprise which has gone into bankruptcy and put under liquidation and who was personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the completion of the insolvent liquidation of the company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise the business license of which was revoked due to a violation of law and who was personally liable therefor, where less than three years have elapsed since the date of the revocation of the business license;
- (V) a person who has a relatively large amount of debts due and outstanding;
- (VI) a person who is identified by the China Securities Regulatory Commission as being prohibited from entering into the market and whose prohibition has not been released;
- (VII) A person who is determined openly by the China Securities Regulatory Commission to be not suitable to act as a supervisor of a listing company;
- (VIII) a person who has otherwise been prohibited by the laws, administrative regulations or the department regulations.

The directors, the general manager and other senior management of the Company shall not hold the office of a supervisor concurrently.

**Article 6** The rights and obligations of a supervisor

- (I) the supervisors shall comply with the requirements of the laws, regulations and the Articles of Association, faithfully, diligently and conscientiously perform their duties, safeguard the interests of the Company. In the event of conflicts between their own interests and the interests of the shareholders, they shall act in the best interests of the Company and its shareholders, and warrant that they shall:
  - 1. exercise their rights within the given duties, not exceed the given authorizations;
  - 2. infringe upon the interests of the Company in any form;
  - 3. not to abuse his position to accept bribes or other illegal income or appropriate the properties of the Company;
  - 4. not accept bribery or other unlawful income or encroach on the assets of the Company by manipulating their positions;
  - 5. not make use of inside information to seek benefits for themselves or the others;

6. not make use of their connected relationship to damage the interests of the Company;
  7. not leak out confidential information in relation to the Company obtained during their term of office without approval from the a general meeting. However, they may disclose such information to the court or other governmental competent authorities in case of:
    - (1) the requirement of the law;
    - (2) the demand of public interest;
    - (3) the demand of lawful interest of such supervisor.
- (II) the supervisors have the following duties:
1. to examine the financial affairs of the Company, inspect the financial books and other accounting information of the Company, review the financial activities of the Company;
  2. to understand and review the operation activities of the Company, examine the significant investment decision-makings of the Company and execution of resolutions of general meetings;
  3. to check the report to be submitted d by the Board of Directors for consideration at the general meeting, financial budget plan, financial statements plan of the Company, profit distribution proposal and other related proposals;
  4. to supervise whether the acts of the Company's directors, the general manager and other senior management in performing duties are in violation with the provisions of laws, regulations, the Articles of Association of the Company and resolutions of general meetings;
  5. to supervise whether the acts of the Company's directors, the general manager and other senior management damage the interests of the Company;
  6. to examine whether labour wage plan and staff benefit treatment of the Company infringe upon lawful interests of staff;
  7. when the major events of the Company occurred, or the Company's directors, the general manager and other senior management are in violation with the laws, regulations and the Articles of Association of the Company, or such persons infringed upon the interests of the Company, the supervisors have the right to propose to convene a meeting of the Supervisory Committee of the Company;

8. where the directors, the general manager and other senior management have illegal behavior, acts of damaging material interests of the Company or material misconducts, the supervisors have the right to propose the Board of Directors to change such directors or remove the general manager and other senior management, and report at the general meeting or to the Board of Directors as approved by the Supervisory Committee.
  9. to attend meetings of the Board of Directors;
  10. when necessary, the supervisors may engage separately an intermediary institution to assist them in performing their duties;
  11. to exercise other supervision rights under the requirements of the Articles of Association of the Company and the entrustment of the Supervisory Committee.
- (III) The supervisors shall ensure the truth, accuracy and completeness of information disclosed by the Company.
- (IV) The supervisors shall exercise the supervision right granted to him personally and not allow himself to act under the direction of another; unless and to the extent permitted by the laws and administrative regulations or the approval obtained from general meetings, not to delegate the exercise of their supervision rights;
- (V) The supervisors have the right to attend meetings of the Board of Directors, and make inquiry or proposal in relation to the matter to be decided by the Board of Directors.
- (VI) Where the supervisors are in violation with requirements of the laws, administrative regulations, department regulations or the Rules in performing of duties of the Company, they shall be accountable to indemnify the Company against any losses incurred.

**Article 7** The term of office for each supervisor is three years, whose term is renewable upon re-election. The term of office shall commence from the date of appointment up to the maturity of term. Prior to the maturity of his/her term, a supervisor shall not be removed without reason from his/her office by a general meeting of the Company and employee representatives meetings of the Company or employee meetings of the Company..

**Article 8** the supervisors elected by shareholders shall be elected and changed at general meetings of the Company.

The supervisors acted by employee representatives shall be elected by the employee representatives meetings of the Company, employee meetings of the Company or through other forms of democratic election.

**Article 9** When it is needed to elect the new session of the Supervisory Committee or appoint additional supervisors, the candidates of supervisors acted by shareholder representatives shall be nominated by the Supervisory Committee, the candidates of supervisors acted by employee representatives are elected by the employee representatives meetings, employee meetings of the Company or through other forms of democratic election

The Supervisory Committee shall make the proposal of removing the supervisor at general meetings or propose the institution electing employee representative supervisor to remove the supervisor acted by the employee representative when one of the following circumstance occurs:.

- (I) a supervisor has no longer the qualification of office required by the Rules;
- (II) a supervisor is not able to continue to perform his/her duties due to his/her death, disappearance or disability or other reasons;
- (III) breach by a supervisor of the obligations required by the Rules or his/her major fault or negligence resulted in a higher economic loss to the Company.

**Article 10** A supervisor may resign prior to the expiry of his/her term of office. When a supervisor intends to resign, he/she shall submit a written resignation to the Supervisory Committee..

If a new supervisor is not elected timely after the expiry of term of the supervisor, or the resignation of a supervisor causes the members of the Supervisory Committee to be less than the quorum, such supervisor shall perform his/her office of supervisor according to the requirements of the laws, administrative regulations and the Articles of Association of the Company.

The remaining/previous Supervisory Committee shall convene an extraordinary general meeting or the employee representatives meeting or the employee meeting or other forms as soon as practicable, so as to elect a supervisor to fill the vacancy arising from the resignation of such supervisor. Prior to the passing of the resolution by the general meeting to elect a supervisor, the power of the resigning supervisor and the remaining Supervisory Committee shall be restricted in a reasonable manner.

If a supervisor submits his/her resignation or his/her term of office expires, the loyal obligations owned by him to the Company and shareholders remain effective within six months after his/her term of office expires.

Apart from change, resignation or expiry of term of supervisor resulted from the above circumstances, no supervisor shall leave its office without permission. A supervisor who the term of office isn't expired shall be accountable to indemnify the Company against any losses incurred from his/her leave of office without permission.

**Article 11** The Company establishes the Supervisory Committee, comprising three to five supervisors. The members of the Supervisory Committee shall include at least one shareholders' representative, one external supervisor (who are not an employee of the Company) and one representative of the Company's employee, of which the proportion of the employee representatives shall not less than one third, the external supervisors (who are not the employee of the Company) shall represent more than one second of the members of the Supervisory Committee.

The Supervisory Committee shall have one chairperson. The appointment and removal of the chairperson of the Supervisory Committee shall be approved by two thirds or more of all supervisors.

**Article 12** The chairperson of the Supervisory Committee shall own higher policy standard and organization coordination ability with strong principal, honesty and self-discipline, being familiar with the operation and management of the Company.

The chairperson shall perform the following duties:

- (I) to convene and preside over the meetings of the Supervisory Committee;
- (II) to supervise and inspect the implementation of the resolutions passed at meetings of the Supervisory Committee;
- (III) to organize and formulate the work plan of the Supervisory Committee, and be responsible for daily work of the Supervisory Committee;
- (IV) to sign the report of the Supervisory Committee and other documents, and submit to other supervisors;
- (V) to exercise duties on behalf of the Supervisory Committee;
- (VI) to report work at general meetings of the Company on behalf of the Supervisory Committee and submit proposals;
- (VII) to be responsible for internal and external contact and coordination work on behalf of the Supervisory Committee;
- (VIII) other duties granted by general meetings and the Supervisory Committee.

In the event that the chairperson of the Supervisory Committee can't perform such duties for any reason, a supervisor elected by more than half of all the supervisors shall perform such duties on his/her behalf.

**Article 13** The Supervisory Committee shall perform the following duties:

- (I) to review the periodic reports prepared by the Board of Directors and to make its review comment;

- (II) to inspect the financial affairs of the Company;
- (III) to supervise the performance of duties by the directors and other senior management, and propose to remove directors and senior management officers who have violated the laws, administrative regulations, the Articles of Association of the Company or resolutions of the general meeting;
- (IV) to require the directors and senior management to correct the conduct of the directors and senior management that may harm the interest of the Company;
- (V) to review financial information including financial reports, business reports, and profit distribution plan, which the Board of Directors intends to submit to the general meeting. Where abnormalities arise, a certified public accountant or certified auditor may be entrusted to assist in re-auditing such financial information in the name of the Company;
- (VI) to propose to hold an extraordinary general meeting, and convene and preside over the general meeting when the Board of Directors is unable to fulfill its duty to convene and preside over the general meeting specified by the Company Law;
- (VII) to submit proposals to the general meeting;
- (VIII) to take legal action against the directors and senior management according to Rule 152 of the Company Law;
- (IX) to conduct an investigation when finding irregularities in the operation of the Company. Professional organizations including accounting firms and law firms may be engaged when necessary, with the relevant costs to be borne by the Company;
- (X) to attend meetings of the Board of Directors;
- (XI) other duties required by the Articles of Association of the Company or granted by general meetings.

**Article 14** A meeting of the Supervisory Committee shall be convened and presided over by the chairperson of the Supervisory Committee. Where the chairperson of the Supervisory Committee is not able to or doesn't perform his/her duties, a supervisor elected jointly by more than half of the directors shall convene and preside over the meeting of the Supervisory Committee.

**Article 15** Regular meetings of the Supervisory Committee shall be convened at least once every 6 months. A supervisor may propose to hold an extraordinary meeting of the Supervisory Committee. Notice of any regular meeting shall be given to all supervisors 10 days before the meeting and notice of any extraordinary meeting shall be given to all supervisors 5 days before the meeting, however, in special circumstances, such term of notice can be waived upon unanimous consent from all the supervisors. Where the meeting

of the Supervisory Committee is unable to be convened for any reason, it shall submit a written explanation to a branch of China Securities Regulatory Commission of the place at which the Company is located and announce the content of such explanation.

The Supervisory Committee shall convene an extraordinary meeting within ten days if one of the followings circumstances occurs:

- (I) When any supervisor proposes a meeting;
- (II) When the general meeting or the meeting of the Board of Directors approves any resolutions on the violation of laws, regulations, rules, regulations or requirements of the regulatory authorities, the Articles of Association of the Company, resolutions of the general meeting of the Company or other relevant provisions;
- (III) When the misconducts of any director or senior management may cause material damage to the Company or adverse impacts in the market;
- (IV) When the Company or any director, supervisor or senior management of the Company is being charged by any shareholder;
- (V) When the Company or any director, supervisor or senior management of the Company is penalized by the securities regulatory authorities or denounced by the Shanghai Stock Exchange;
- (VI) When the securities regulatory authorities request a meeting;

**Article 16** The meeting of the Supervisory Committee shall be held only when one second or more of the supervisors attend the meeting. If the supervisors attending the meeting are less than one second of all the supervisors, the meeting of the Supervisory Committee shall be postponed to hold only when one second or more of the supervisors attend the meeting.

**Article 17** A meeting of the Supervisory Committee can convene on site and by way of communications.

**Article 18** Resolutions of the Supervisory Committee shall be passed by two-thirds or more of all the supervisors.

**Article 19** The voting of the Supervisory Committee shall be by show of hand or by registered poll, each supervisor shall have one vote.

**Article 20** The resolutions of the Supervisory Committee should be signed and confirmed by the supervisors attending the meeting. The supervisors should ensure that the contents of the announcement of the resolution of the Supervisory Committee are true, accurate, complete, and free from fraudulent records, misleading presentations, or major



omissions. The announcement of the resolution of the Supervisory Committee shall be made by the Board Secretary/Company Secretary in compliance with relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange

**Article 21** Minutes shall be taken for the decisions of the matters discussed at the meeting of the Supervisory Committee, all supervisors attending the meeting and the person taking the minutes shall sign on the minutes. Supervisors attending the meeting shall have the right to request to record in the minutes details of the speech made by them at the meeting.

The minutes of the meeting of the Supervisory Committee shall be kept as the Company's files for a period of not less than ten years

**Article 22** Matters not covered by the Rules shall be executed in accordance with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association and the Listing Rules. In the event that the Rules are inconsistent with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association modified through legal procedures or the Listing Rules, they shall be executed in accordance with the foresaid rules. The Rules shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 23** The terms "or more" or "within" herein shall include the given figure, while "over", "less than" or "more than" shall not include the given figure. The Rules are formulated by the Supervisory Committee, shall be approved by the general meeting, it shall be so for amendments to the Rules.

**Article 24** The Rules shall be construed and interpreted by the Supervisory Committee.

**Article 25** The Rules shall come into effect and implement upon the initial public offering of A-shares of the Company and being listed on the Shanghai Stock Exchange.

*Note: If there is any inconsistency between the English and Chinese versions of these regulations, the Chinese version shall prevail.*

### **Chapter I General Provisions**

**Article 1** In order to regulate the information disclosure of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), the Regulations are formulated in accordance with the requirements under the Company Law, the Securities Law, the Administrative Measures on Information Disclosure by Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance and the Companies Ordinance (the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Companies Ordinance jointly referred to as the “Companies Ordinance”), the Hong Kong Securities and Futures Ordinance (the “SFO”), the Codes on Takeovers and Mergers and Share Repurchases (the “Codes on Takeovers and Mergers and Share Repurchases”) issued by the Securities & Futures Commission of Hong Kong (the “SFC”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and other laws, regulations, departmental regulations and the Articles of Association. The Regulations shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** References to “information” in the Regulations shall refer to:

- (I) Information about the Company or the shareholders or senior management of the Company or the listed securities or the derivatives of such securities of the Company which is not generally known to the persons who are accustomed or would be likely to deal in the listed securities of the Company but would if generally known to them be likely to materially affect the price of the listed securities of the Company;
- (II) Information necessary to avoid a false market led by trading of the Company’s securities; and
- (III) Information required to be disclosed by the Shanghai Stock Exchange, the Hong Kong Stock Exchange or other regulatory authorities.

**Article 3** “Information disclosure” in the Regulations refers to the release of the above information by the Company and other relevant information disclosure obligors according to laws, regulations and regulatory documents in the specified method on the specified media to the public within the specified period as well as the submission to relevant regulatory authorities, the promotion to domestic and overseas investors and securities analysts through investors relation activities or communication with domestic and overseas press media through public marketing activities as well as other activities on the publishing of information through other means. The Board Secretary/Company Secretary

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## APPENDIX V REGULATIONS FOR INFORMATION DISCLOSURE

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shall be responsible for the information disclosure matters of the Company and is responsible for the Company and the Board of Directors. The representatives for securities affairs/investors relation manager shall assist the Board Secretary/Company Secretary in conducting information disclosure matters or conduct information disclosure matters, keep contact with the securities regulatory authorities of the place where the Company's shares are listed based on the authorization of the Board Secretary/Company Secretary. The office of the Board Secretary is the specific executive body for the information disclosure matters. The specific matters on information disclosure by the office of the Board Secretary include: drafting of information to be disclosed and relevant documents, coordination with relevant media, daily contact with stock exchanges and registration companies, management of investors relations and the arrangement on the inspections shareholders or investors.

The contact information of the Board Secretary/Company Secretary, the representatives for securities affairs/investors relation manager and the office of the Board Secretary shall be published to the public according to relevant regulations.

**Article 4** The specified newspapers for the disclosure of the information about the A shares of the Company are China Securities Journal, Securities Times and other newspapers. The specified website is the website for information disclosure designated by the Shanghai Stock Exchange. The Company shall report to the Shanghai Stock Exchange after it determines or changes the specified newspapers and websites.

The specified website for the disclosure of the information about the H shares of the Company is <http://www.hkexnews.hk>. In addition, according to the Hong Kong Listing Rules, all announcements, circulars and other documents disclosed at the website of the Hong Kong Stock Exchange shall be published on the official website of the Company at the same time.

**Article 5** The Regulations apply to the management of various information disclosure management of the Company and the following staff and institutes (the "information disclosure obligors"):

- (I) Directors and the Board of Directors of the Company;
- (II) Supervisors and the Supervisory Committee of the Company;
- (III) Senior management of the Company;
- (IV) The Board Secretary/Company Secretary, the representatives for securities affairs/investors relation manager and the staff of the office of the Board Secretary;
- (V) Staff of various departments and branches of the Company at the management level;
- (VI) Directors, supervisors and senior management of the controlled or holding subsidiaries of the Company;

- (VII) Actual controllers, controlling shareholders and shareholder(s) who hold over 5% of the Company's shares individually or together with its persons acting in concert;
- (VIII) Relevant intermediaries;
- (IX) Other companies, institutes, departments and staff obliged to be responsible for information disclosure or be confidential to relevant undisclosed information.

## **Chapter II    Basic Principles of Information Disclosure**

**Article 6**    The Company and relevant information disclosure obligors shall disclose information in a timely and fair way according to laws, administrative regulations, departmental regulations, regulatory documents, the regulations of the securities authorities and relevant stock exchanges in the place where the Company's shares are listed and other applicable regulations and ensure the faithfulness, accuracy, completeness, no false records, misleading statements or major omissions of the information disclosed.

**Article 7**    Directors, supervisors and senior management of the Company shall ensure the faithfulness, accuracy and completeness of the information disclosed by the Company. Where they cannot ensure the faithfulness, accuracy and completeness of the information disclosed, they shall make the corresponding statements and explain the reasons in the announcement. Prior to the information disclosure by the information disclosure obligors, the insiders of the information shall be limited to the minimized level. Insiders shall not leak undisclosed significant information or conduct insider dealing or help others manipulate transaction prices of the stock and its derivatives. Once the Company knows inside information, it shall disclose relevant information based on procedures as soon as possible.

**Article 8**    The shareholders, actual controllers, acquirers and other relevant information disclosure obligors of the Company shall perform the obligations of information disclosure according to relevant regulations, actively cooperate with the listed company in information disclosure and notify the listed company of significant events happened or to be happened in a timely manner and strictly perform the commitments made by them.

**Article 9**    Directors, supervisors and senior management and other relevant information disclosure obligors of the Company shall be liable to guarantee that the Board Secretary/Company Secretary of the Company, the representatives for securities affairs/investors relation manager and the staff of the office of the Board Secretary know significant information about the organization and operation of the Company, the information with substantial or significant effects on the decision-making of shareholders and other stakeholders as well as other information to be disclosed.

**Article 10**    All departments, branches, the controlled and holding subsidiaries of the Company shall provide and deliver the Board Secretary/Company Secretary of the Company, the representatives for securities affairs/investors relation manager and the staff of the office of the Board Secretary with various information required herein and shall be responsible for the faithfulness, accuracy and completeness of the information provided and delivered by them.

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The responsible person of all departments and branches and the main responsible person of the controlled and holding subsidiaries of the Company shall be the first person responsible for information reporting of the department and the Company. They shall designate special persons as the contact person for information reporting to contact and communicate with the Board Secretary/Company Secretary on the above matters and cooperate with the Board Secretary/Company Secretary in relevant work on information disclosure.

**Article 11** When all departments and branches of the Company submit statements, materials and other information to relevant governmental departments upon request, all relevant departments of the Company shall perform the confidential obligation to the information in a practical way and prevent the leaking of such information before public disclosure by the Company. Where all relevant departments of the Company believe that it is difficult to keep the reported information confidential, they shall report the Board Secretary/Company Secretary at the same time or in advance. The Board Secretary/Company Secretary will handle it according to relevant regulations on information disclosure.

**Article 12** The disclosure of information about the controlled subsidiaries shall be under the unified management of the Company with reference to holding subsidiaries. Where the controlled and holding subsidiaries may have significant events which may affect the transaction prices of the securities and its derivatives of the Company, they shall immediately report to the Board Secretary/Company Secretary.

**Article 13** The Board Secretary/Company Secretary shall be responsible for matters related to delivery, public disclosure, communication and interpretation of the Company's information and the representatives for securities affairs/investors relation manager and the staff of the office of the Board Secretary shall assist. Other than Supervisory Committee announcements, information disclosed by the Company shall be published as announcements of the Board. The directors, supervisors, and senior management personnel shall not publish undisclosed information of the Company without written approvals from the Board.

**Article 14** The information disclosure announcements and relevant documents on the A shares of the Company shall be promptly submitted to the Shanghai Stock Exchange. Where the Company cannot determine whether such incidents shall be disclosed in a timely manner, it shall report to the Shanghai Stock Exchange in a timely manner and the Shanghai Stock Exchange shall determine whether to disclose and the time and model of disclosure after review.

**Article 15** The Company shall maintain information disclosure announcements and relevant documents in the address of the Company for public inspection while publishing them.

**Article 16** The Company shall provide the Board Secretary/Company Secretary with necessary conditions to facilitate their performance of duties. Directors, supervisors, financial directors and other senior management and relevant staff of the Company shall support and cooperate with the Board Secretary/Company Secretary regarding the work of disclosure of financial information.

The Board Secretary/Company Secretary shall be entitled to understand the Company's financial performance and operations, attend relevant meeting on information disclosure, review all documents relating to information disclosure and require relevant departments and staff of the Company providing relevant materials and information in a timely manner.

### **Chapter III Contents of Information Disclosure**

**Article 17** The documents of the Company for information disclosure mainly include stock prospectus and bond prospectus, listing announcements, acquisition reports, periodic reports and ad hoc reports. The preparing and disclosure of the documents of the Company for information disclosure shall meet of laws, regulations and relevant requirements of securities regulatory authorities.

**Article 18** The Company shall not publish information earlier than the media specified, nor replace its reporting or announcement obligations with any other forms such as press release or Q&As, nor replace the extraordinary reporting obligations with regular reports.

**Article 19** Where errors, omissions or misleading statements are found in the information disclosed (including announcements published by the Company and the information about the Company picked up by media), it shall promptly arrange for correcting, supplementing or clarification announcements as it depends.

**Article 20** The stock prospectus and bond prospectus, listing announcements and acquisition reports prepared for the issue of securities of the Company shall be disclosed strictly in accordance with laws, regulations and relevant requirements of securities regulatory authorities.

Directors, supervisors and senior management of the Company shall provide written confirmation according to relevant regulations to ensure the authenticity, accuracy, and completeness of the information disclosed.

**Article 21** The Company shall prepare and disclose periodic reports according to the provisions of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Such periodic reports include annual reports, interim reports and quarterly reports (if applicable). All information that has significant influence on the decision-making of investors shall be disclosed.

Financial statements in the annual reports of the Company shall go through audits by accounting firms with securities and futures-related qualifications.

**Article 22** Annual reports, interim reports and quarterly reports of A shares of the Company shall be prepared and disclosed within 4 months as from the date of the end of each fiscal year, within 2 months as from the date of the end of the first half of each fiscal year, and within 1 month as from the date of the end of the 3rd month and the 9th month of each fiscal year respectively. The disclosure time of the first quarterly report shall not be earlier than the disclosure time of the annual report of the previous year.

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**Article 23** The periodic reports of H shares of the Company include annual reports and interim reports. The Company shall disclose the preliminary announcements on the annual results within 3 months as from the date of the end of each accounting year and the annual reports shall be prepared and disclosed within 4 months and 21 days prior to the convening of the general meeting as from the date of the end of each accounting year.

**Article 24** The disclosure of periodic reports of A share of the Company: The Company shall negotiate with the Shanghai Stock Exchange on the time for the disclosure of periodic reports and shall handle disclosure matters of periodic reports within the period arranged by the stock exchange.

Where the Company is expected not to be able to disclose periodic reports within the prescribed period, it shall promptly report to the securities regulatory authorities in the place where the Company's shares are listed securities and report the reasons why such reports cannot be published on time, solutions, and the extended time limit for the disclosure. Where the Company cannot make resolutions of the board meeting on periodic reports for certain reasons, it shall disclose relevant matters in the form of board announcements, explaining specific reasons for failing to make resolutions of the board meeting and the potential risks.

**Article 25** The disclosure of periodic reports of H share of the Company: The Company shall disclose the preliminary announcements on the interim results within 2 months as from the date of the end of the first half of each accounting year and the interim reports shall be prepared and disclosed within 3 months as from the date of the end of the first half of each accounting year. For other periodic reports, including the monthly statement of equity changes of the Company, the Company shall disclose the monthly statement no later than 30 minutes prior to the morning session or any opening session (the earlier) on the fifth business day as from the end of each month, setting out the changes of the equity securities, debt securities and any other securitization instruments (if applicable) in the period involved in the monthly statement.

**Article 26** The general manager financial director, the Board Secretary/Company Secretary and other senior management of the Company shall prepare periodic reports and submit to the Board of Directors for deliberation in a timely manner. The directors and senior management of the Company shall sign written confirmation on whether the periodic reports of the Company are faithful, accurate and complete; the Supervisory Committee of the Company shall review the periodic reports of the company prepared by the board of directors and provide its written opinions after review.

Where directors, supervisors and senior management cannot ensure or cannot agree with the faithfulness, accuracy or completeness of the periodic reports, reasons and opinions should be given and disclosed.

**Article 27** Directors, supervisors and senior management of the Company shall not refuse to provide written confirmation on the periodic reports of the Company and affect the timely disclosure for whatever reasons.



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The Board of Directors of the Company shall not affect the timely disclosure of the periodic reports of the Company for whatever reasons.

**Article 28** The contents, formats and preparation rules of annual reports, interim reports and quarterly reports shall be disclosed strictly according to laws, regulations and relevant regulations of securities regulatory authorities and the Shanghai Stock Exchange.

**Article 29** Ad hoc reports refer to announcements except periodic reports published by the Company in accordance with laws, administrative regulations, departmental regulations, regulatory documents, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Hong Kong Listing Rules and other relevant regulations of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

**Article 30** The ad hoc reports (except the announcements of the Supervisory Committee) referred to in Articles 30 to 37 hereof are A share ad hoc reports, which shall be affixed with the official seal of the Board of Directors and shall be published by the Board of Directors of the Company.

Where significant events may affect the transaction prices of the securities and derivatives of the Company and investors have not known them, the Company shall disclose them in ad hoc reports, explaining reasons of such events, the current situation and potential impacts.

**Article 31** Significant events referred to in the preceding item of the Regulations shall include but are not limited to the following events:

- (I) Major changes in the operation directions and business scope of the Company;
- (II) Decisions of the Company on major investment activities and major acquisition of assets;
- (III) Any important agreement concluded by the Company that might significantly affect its assets, liabilities, rights and interests or operation results;
- (IV) Any major debt incurred by the Company or default on any major debt or any obligation to pay a large sum of compensation;
- (V) Any major deficit or significant losses in the Company;
- (VI) Material changes on the external conditions of the Company's production operation;
- (VII) Any change of directors, more than one third of supervisors or the general manager; or impossibility to perform duties of the chairman of the Board of Directors or the general manager;



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- (VIII) Any considerable change on the shares or the control of the company of shareholders that holds more than 5% of the shares of the Company or actual controller of the Company;
- (IX) Any decision on capital reduction, merger, split-up, dissolution or application for bankruptcy; or falling in bankruptcy process or being ordered to close down in accordance with law;
- (X) Cancellation or invalidation of any resolution of the shareholders' assembly or the board of directors in relation to an important litigation or arbitration in which the company is involved;
- (XI) Investigation on any alleged offences conducted by the relevant authorities or any criminal punishment or major administrative punishment imposed against the Company; or any investigation or coercive measures conducted or imposed against the directors, supervisors or senior management as a consequence of alleged violation of law or disciplinary rules;
- (XII) Any newly promulgated law, regulation, provisions or industrial policy that might significantly affect the Company;
- (XIII) Relevant resolutions made by the Board of Directors on the issue of new shares or other re-financing plans and share option incentive scheme;
- (XIV) Any court resolution prohibiting the controlling shareholders from transferring its shares; or any pledge, freezing of assets, judicially auction, custody, entrustment or voting rights legal limitation on the shares held by any shareholder that holds more than 5% of the shares of the Company;
- (XV) Any closedown, detention, pledge, freezing, mortgage or pledge of main assets;
- (XVI) Breaking down of the main or all businesses;
- (XVII) Granting of important external guarantee;
- (XVIII) Any extraneous income that might considerably affect the assets, liabilities, rights and interests or operation results of the company such as a large sum of government subsidy;
- (XIX) Any changes on accounting policies or accounting estimates;
- (XX) Any order of the relevant authorities or resolution of the board of directors issued or adopted in order to correct or amend errors, disclosure failing to comply with rules or false representations contained in the information previously disclosed;
- (XXI) Change of projects financed by the proceeds;
- (XXII) Results forecast, results express and profits forecast;

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- (XXIII) Profits allocation and capitalization of capital accumulation funds;
- (XXIV) Abnormal fluctuations and clarification matters on stocks trading;
- (XXV) Repurchase of shares;
- (XXVI) Significant events involved by convertible corporate bonds;
- (XXVII) Equity incentives; and
- (XXVIII) Other circumstances specified by the China Securities Regulatory Commission and the Shanghai Stock Exchange.

**Article 32** Where the transaction of the Company meets any of the following criteria, it shall be disclosed in a timely manner:

- (I) the total assets which are the subject of the transaction account for over 10% of the audited total assets of the listed company. If there are both book value and assessed value for the assets which are the subject of the transaction, the higher figure shall be used as the basis of calculation;
- (II) the revenue from principal business of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for over 50% of the audited operating income the listed company in the latest accounting year, and the absolute amount exceeds RMB10 million;
- (III) the net profit of the subject of the transaction (for example, equity interests) in the latest accounting year accounts for over 10% the audited net profit of the listed company in the latest accounting year, and the absolute amount exceeds RMB1 million;
- (IV) the consideration of the transaction (including the assumption of liability to debts and expenses) accounts for over 10% of the audited net assets of the listed company, and the absolute amount exceeds RMB10 million;
- (V) the profit generated by the transaction accounts for over 10% of the audited net profit of the listed company in the latest accounting year, and the absolute amount exceeds RMB1 million;

If the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation.

The transaction referred to herein refer to: acquisitions and disposals of assets; foreign investments (including authorized financial management, entrusted loans, investment in subsidiaries, etc); provision of financial support; provision of guarantees; asset leasing; execution of management contracts (including commissioned and entrusted operations of management consulting); offering and receiving gifts of assets; claims on debt restructuring;

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transfer of R&D projects; signing of license agreements and other transactions that are recognized according to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, excluding ordinary transactions involved in main businesses of the Company.

**Article 33** The Company shall perform its duty of disclosure on major events in a timely manner as soon as any of the following circumstances occurs:

- (I) When a resolution of the Board of Directors or the Supervisory Committee on the major event is adopted;
- (II) When a letter of intent or agreement (whether with additional conditions or periods) on the major event is executed by relevant parties;
- (III) When the Company or any director, supervisor or senior management of the Company learns or should have learnt and report the major event.

Where any of the following situations take place before the occurrence of the circumstances mentioned in the foregoing paragraph, the Company shall timely disclose the current status and the risk factors that might affect the progress of the major event:

- (I) When it is difficult to keep this major event confidential;
- (II) When the information about the major event has been already leaked or relevant hearsay has appeared in the market; or
- (III) When transactions on the Company's securities or derivatives show abnormal movements.

**Article 34** The Company shall continue to disclose the progress of the relevant significant events after performing the disclosure obligation for the first time:

- (I) Where the Board of Directors, the Supervisory Committee or the general meeting have made resolutions on the significant events disclosed, it shall disclose the resolution in a timely manner;
- (II) Where the Company signed letters of intention or agreements with relevant parties to the significant events disclosed, it shall disclose the main contents of the letters of intention or agreements;

Where the contents of the above letters of intention or agreements or their performance have modified significantly or they have been rescinded or terminated, the Company shall disclose the modification, rescission or termination and the reasons in a timely manner;

- (III) Where the significant events disclosed are approved or vetoed by relevant authorities, it shall disclose the approval or veto in a timely manner;

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- (IV) Where the significant events disclosed encountered overdue payments, it shall disclose the reasons of overdue payments and relevant arrangements in a timely manner;
- (V) Where main subjects involved in the significant events disclosed have not been delivered or transferred, it shall disclose relevant delivery or transfer matters in a timely manner;

Where it still fails to complete delivery or transfer within three months after the agreed delivery or transfer period, it shall disclose the reasons for the unscheduled completion, the progress and the expected completion time and shall disclose the progress once every thirty days until the completion of the delivery or transfer;

- (VI) Where the significant events disclosed may have other progresses or changes which may have significant effects on the transaction prices of the stocks and other derivatives of the listed company, it shall disclose the progress or changes of the events in a timely manner.

**Article 35** Where the events happened to or related to the Company fail to meet the statutory disclosure standards or relevant state regulations have no specific requirements on it while the Shanghai Stock Exchange or the Board of Directors of the Company believe that such events may have significant effects on the transaction prices of the stocks and other derivatives of the Company, the Company shall disclose in a timely manner with reference to relevant regulations.

**Article 36** Where the controlled subsidiaries of the Company experiences significant events, it shall be deemed as the Company experienced significant events and the Company shall perform the information disclosure obligation. Where the holding subsidiaries of the Company experiences the transaction events in Article 30, the Company shall also perform the information disclosure obligation.

**Article 37** Where the Company, its controlled or holding subsidiaries experience significant lawsuits and arbitration events with the amount involved accounting for over 10% of the absolute value of the audited net assets of the Company in the latest period and the absolute value exceeding RMB10 million, it shall disclose them in a timely manner.

**Article 38** The contents in this Article 38 are the ad hoc reports on H shares, which shall include but not limited to:

- (I) Notice of the general meeting, announcements, circulars and announcements of the voting results of the general meeting;
- (II) Announcements of the Board of Directors, such as the Board of Directors expects to declare, propose or pay dividends at the board meeting or will pass relevant profits or losses for any years, semi-years or other periods at the board meeting;
- (III) Statements on equity changes of the Company (except monthly statements);

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- (IV) Announcements and circulars on discloseable transactions as prescribed by Chapter 14 of the Hong Kong Listing Rules;
- (V) Announcements and circulars on connected transactions as prescribed by Chapter 14A of the Hong Kong Listing Rules;
- (VI) Announcements and circulars on other significant events. For other information shall be disclosed according to Item (II) herein, the Company shall promptly make disclosures according to the requirements of the Hong Kong Listing Rules. The above-mentioned significant events shall include but not be limited to:
1. the total advance to an entity from the Company and/or its subsidiaries exceeds 8% of the asset ratio defined under the Hong Kong Listing Rules or the advance to the entity increases and the increase is 3% or more of the asset ratio defined under the Hong Kong Listing Rules;
  2. The financial assistance to the affiliated companies (as defined by the Hong Kong Listing Rules) from the Company and/or its subsidiaries and the guarantees made for the financing of its affiliated companies by the Company and/or its subsidiaries exceed 8% of the defined asset ratio;
  3. The controlling shareholders (as defined by the Hong Kong Listing Rules) of the Company pledges the interests in the shares of the Company held by them as the guarantees to the debts of the Company and/or its subsidiaries or as the guarantees to the Company and/or its subsidiaries to obtain guarantees or supports to other liabilities;
  4. Where the Company (or any of its subsidiaries) enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder (as defined by the Hong Kong Listing Rules) of any companies (such as requiring the shareholding in the share capital of the Company maintaining above certain minimum level) and the breach of which will cause a default in respect of the loans that are significant to the operation of the Company;
  5. The Company experiences material debts and default arising from inability to repay material debts when due, which may result in immediate repayment of loans required by the loaner and the loaner has not granted waivers to such default or have liabilities for large amount compensations;
  6. The Company experiences significant events affecting the profit forecast;
  7. Any changes of the directors, supervisors or the general manager of the Company or any directors, supervisors or the general manager cannot perform their duties;

8. The Company experiences the following winding-up events:
- (1) The appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the Company or the property of the Company, its holding company or any significant subsidiaries (subsidiaries with the percentage ratio test calculated under Rule 14.07 of the Hong Kong Listing Rules reaches or exceeds 5%);
  - (2) The presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the Company, its holding company or any significant subsidiaries (subsidiaries with the percentage ratio test calculated under Rule 14.07 of the Hong Kong Listing Rules reaches or exceeds 5%);
  - (3) The passing of any resolution by the Company, its holding company or any significant subsidiaries (subsidiaries with the percentage ratio test calculated under Rule 14.07 of the Hong Kong Listing Rules reaches or exceeds 5%) that it be wound up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
  - (4) The entry into possession of or the sale by any mortgagee of a portion of the Company's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under the Hong Kong Listing Rules; or
  - (5) The making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the Company's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under the Hong Kong Listing Rules.
9. The issue of new shares, the repurchase of stocks and conducting other transactions affecting the shareholding structure of the Company;
10. The number of listed securities of the Company held by the public is below the minimum percentage under the Hong Kong Listing Rules;

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11. The modification of the Articles of Association;
12. The changes to the conversion terms of the convertible securities of the Company or changes to the exercising terms of any options, warrants or similar warrants of the Company as a result of the issue of new securities or the repurchase of its listed securities;
13. Any changes to the auditor of the Company or the balance sheet day of accounting years;
14. Changes to the Board Secretary/Company Secretary, Share Registrar (including any changes to the overseas branches of the Share Registrar), the registered address, the agent of the Company for accepting legal documents on behalf of the Company in Hong Kong (if applicable), the registered office or registered business place in Hong Kong or compliance advisors;
15. Other information under the requirements of Article 2 of the Regulations and information to be disclosed in accordance with the Companies Ordinance, the SFO, the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases and relevant requirements of the Articles of Association. For the criteria of the above events, it shall be subject to relevant specific regulations of the Companies Ordinance, the SFO and the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases.

**Article 39** Where the disclosed significant events may have progresses or changes which may significant effects on the transaction prices of the securities and its derivatives of the Company after it disclosed the significant events, the Company shall immediately disclose such progresses or changes and their possible effects.

**Article 40** Where the acquisition, merger, division and other activities of the Company cause significant changes to the total share capital, shareholders, actual controllers and other conditions of the Company, the information disclosure obligors shall perform reporting and announcement obligations according to laws to disclose the changes of equities.

**Article 41** If there are uncertainties, temporary commercial secrets or other circumstances approved by the Shanghai Stock Exchange in the information about A shares to be disclosed by the Company which may prejudice the interests of the Company or mislead investors and subject to the fulfillment of the following conditions, the Company can apply to the Shanghai Stock Exchange for delay of disclosure by stating the reasons for and duration of the delay:

- (I) the information to be disclosed is not leaked;
- (II) the related insiders have made confidentiality undertakings in writing;
- (III) there is no volatile trading in the shares and derivatives of the Company.

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The Company can delay the disclosure of relevant information with the approval of the Shanghai Stock Exchange. The duration of the delay generally does not exceed two months.

In the event that the application for the delay of disclosure is not agreed by the Shanghai Stock Exchange, the reasons for the delay no longer exist or the duration of the delay has ended, the Company should disclose the information in a timely manner.

**Article 42** If the information about A shares to be disclosed by the Company is state secret, business secret or other circumstance as recognized by the Shanghai Stock Exchange, and disclosure of the same or fulfillment of relevant obligation may run counter to state laws and administrative regulations on confidentiality or damage the interests of the Company, the Company may apply to the Shanghai Stock Exchange for exemption from disclosure or fulfillment of relevant obligation.

**Article 43** Where events happened to or related to the Company failed to meet the disclosure criteria of the Hong Kong Stock Exchange or there are no relevant regulations but the Board of Directors of the Company believes that they shall be disclosed according to the Regulations, the Company shall disclose in a timely manner with reference to the Regulations.

**Article 44** Where the Company is involved in the following circumstances and believes that it cannot disclose information according to relevant regulations, it can make no disclosure on the Hong Kong Stock Exchange according to the SFO:

- (I) Information prohibited to be disclosed by Hong Kong tribunal or laws;
- (II) Where the Company has taken reasonable prevention measures to ensure the confidentiality of relevant information and relevant information have been kept confidential:
  - 1. Information about uncompleted plans or negotiations;
  - 2. Business secrets;
  - 3. Other circumstances where applications have been made to the Hong Kong Stock Exchange, the SFC or relevant regulatory authorities and the waiver on disclosure has been granted, including:
    - (1) Information prohibited to be disclosed by laws and regulations out of Hong Kong;
    - (2) Information prohibited to be disclosed by tribunal of places out of Hong Kong;
    - (3) Information whose disclosure will result in restrictions imposed by law enforcement authorities of places out of Hong Kong;



- (4) Information whose disclosure will result in restrictions imposed by local governments of places out of Hong Kong with rights granted by local laws and regulations.
- (III) The non-disclosure exceptions stipulated in Item (II) hereof shall no longer apply in the following circumstances:
1. When it is difficult to keep this major event confidential; or
  2. When the information about the major event has been already leaked.

#### **Chapter IV Management Program on Information Disclosure Matters**

**Article 45** The Board of Directors, the Supervisory Committee, the chairman of the Board of Directors, the chairman of the Supervisory Committee, the general manager, the Board Secretary/Company Secretary, other senior management designated by the Company and the representatives for securities affairs/investors relation manager and the staff of the office of the Board Secretary are the executive bodies for the information disclosure of the Company.

**Article 46** The procedures for the delivery, review and disclosure of the undisclosed information of the Company:

- (I) Relevant departments or the controlled and holding subsidiaries of the Company shall prepare the information to be disclosed in written documents and require the main responsible persons of the departments or the controlled and holding subsidiaries to review the faithfulness, accuracy and completeness of the information;
- (II) The main responsible persons of the departments or the controlled and holding subsidiaries of the Company shall designate special responsible staff to deliver relevant information to the Board Secretary/Company Secretary, the representatives for securities affairs/investors relation manager or the staff of the office of the Board Secretary and shall take confidential measures;
- (III) The Board Secretary/Company Secretary shall review according to relevant requirements and determine whether to approve their disclosure applications;
- (IV) Make the information disclosure to the public in accordance with the stipulated procedures.

**Article 47** The procedures for the preparation, deliberation and disclosure of periodic reports to the public:

- (I) The financial department, the office of the office of the Board Secretary and relevant business departments and the controlled and holding subsidiaries shall prepare the periodic reports according to the latest regulations of the regulatory

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authorities after the end of the annual, interim and quarterly report periods and shall complete the draft of the periodic reports 14 days prior to the agreed disclosure days.

- (II) The general manager, financial director, the Board Secretary/Company Secretary and other senior management of the Company shall review the draft;
- (III) It shall issue the notice of the Board meeting according to relevant requirements and the Board Secretary/Company Secretary shall provide all directors with periodic reports and other materials for the meeting in a timely manner;
- (IV) The Company convenes the Board meeting to review and approve periodic reports;
- (V) Publish the periodic reports approved at the Board meeting in accordance with the disclosure requirements of relevant stock exchanges;
- (VI) If the periodic reports need to be submitted to the general meeting for review, it shall disclose the voting results of the general meeting.

**Article 48** Where all departments, branches, controlled and holding subsidiaries of the Company experience significant events, they shall immediately report to the Board Secretary/Company Secretary. Where the directors, supervisors, senior management, responsible persons of departments and main responsible persons of the controlled and holding subsidiaries learn about the happening of significant events, they shall promptly perform the notification obligation according to the requirements of the Regulations. The procedures for the reporting of significant events are:

- (I) When relevant persons know the happening of significant events, they shall immediately notify the Board Secretary/Company Secretary;
- (II) The Board Secretary/Company Secretary shall immediately report to the general manager and the chairman of the Board of Directors;
- (III) The chairman of the Board of Directors shall immediately report to the Board of Directors and urge the Board Secretary/Company Secretary to arrange the disclosure of ad hoc reports.

**Article 49** The procedures for the preparation, deliberation and disclosure of ad hoc reports to the public:

- (I) Contact and communication and soliciting ad hoc reports: The directors, supervisors, senior management of the Company, the responsible persons of all departments and branches of the Company, main responsible persons of all controlled or holding subsidiaries and other information disclosure obligors shall notify the Board Secretary/Company Secretary or the office of the Board Secretary of the events to be disclosed in the form of ad hoc reports under the Regulations after learning or knowing them. Where the Board Secretary/Company

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Secretary receives questions or enquiries of securities regulatory authorities or relevant stock exchanges which involves events to be disclosed, the Board Secretary/Company Secretary shall immediately contact relevant departments or subsidiaries of the companies involved in such events.

- (II) Preparation of reports: For the events to be disclosed involved in any circumstances in Item (I) herein, the Board Secretary/Company Secretary and the office of the Board Secretary shall coordinate with relevant parties of the Company in actively preparing resolutions on the events to be disclosed for the approval of the Board of Directors or the general meeting or providing the requirements on the contents and formats of the preparation of ad hoc reports and coordinating relevant parties of the Company to prepare the draft of ad hoc reports according to requirements.
- (III) Review of reports: The Board Secretary/Company Secretary shall review the compliance of ad hoc reports. For resolutions on events to be disclosed after the approval of the Board of Directors, it shall deliver to the directors of the Company within the specified period before the convening of the Board meetings according to relevant requirements.
- (IV) Publishing of reports: The Board Secretary/Company Secretary or the representatives for securities affairs/investors relation manager shall publish the ad hoc reports approved in accordance with the disclosure requirements of relevant stock exchanges.

**Article 50** All departments, branches, controlled and holding subsidiaries of the Company shall perform the corresponding approval procedures for the operation and financial information provided under the information disclosure requirements according to relevant regulations of the Company.

**Article 51** Relevant documents and materials on information disclosure shall be properly maintained for a period of no less than 15 years.

### **Chapter V Information Communication with Investors, Securities Agencies and the Media**

**Article 52** The chairman of the Board of Directors of the Company, the general manager, the Board Secretary/Company Secretary, other senior management designated by the Company and the representatives for securities affairs/investors relation manager and the staff of the office of the Board Secretary and other executive bodies for the information disclosure of the Company shall seek opinions of the Board Secretary/Company Secretary from the perspective of information disclosure.

**Article 53** Without the approval of the Board Secretary/Company Secretary, other staff of the Company and staff of the controlled and holding subsidiaries of the Company shall not accept media interviews about information disclosure without being authorized to do so.

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## APPENDIX V REGULATIONS FOR INFORMATION DISCLOSURE

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**Article 54** Where the Company communicates with any institutes and individuals on the operation, financial conditions and other events of the Company through explanation sessions on results, analyst meetings, road shows and inspections of investors, it shall not provide inside information.

**Article 55** When the executive bodies for the information disclosure of the Company receive investors, securities analysts or press and the questions raised are related to undisclosed price-sensitive information, the above persons shall refuse to answer such questions. Where securities analysts require commenting or the comments may be related to undisclosed price-sensitive information, they shall refuse to answer such questions.

**Article 56** The Company shall not comment the analysis reports or forecasts of securities analysts. Where the reports contain incorrect information and if the Company believes that such false information may be related to undisclosed price-sensitive information, it shall consider disclosing relevant information to the public and require securities analysts correcting their reports.

**Article 57** When the above executive bodies for the information disclosure of the Company receive enquires or interviews with domestic and overseas media, they shall be particularly sensitive to price-sensitive information. The contents of the information provided to various media shall not exceed the information disclosed by the Company to the public. When the press requires the Company to confirm relevant market hearsays about price-sensitive information or ask about undisclosed price-sensitive information, the Company shall respond with “no comments” and shall be consistent before the disclosure of such information to the public.

**Article 58** The Company shall pay attention to abnormal transactions of the securities and its derivatives of the Company and the report of the media on the Company. Where the securities and its derivatives have abnormal transactions or the media report may have significant effects on the transaction of the securities and its derivatives of the Company, the Company shall learn about the truth from relevant parties in a timely manner and make written enquires when necessary. The Company shall be obliged to clarify relevant rumors or report to and make announcements on relevant stock exchanges upon their requirements.

**Article 59** The Company shall prepare the records of investors relation activities within two days after the conclusion of such activities and publish the records, the presentations used, documents provided and other attachments (if any) during the activities on the interaction website of the businesses of listed companies in the Shanghai Stock Exchange and shall public them on the website of the Company at the same time.

The Company shall not disclose undisclosed significant information on the interaction website. Where the Company illicitly leaks undisclosed significant information in the investors relation activities, it shall promptly release official announcements on the specified media for information disclosure and take other necessary measures. The disclosure in the interaction website of the Shanghai Stock Exchange shall not replace its statutory disclosure obligations.

**Chapter VI Confidentiality Measures and Accountability**

**Article 60** The information disclosure obligors referred in Article V shall be obliged to keep undisclosed information confidential.

**Article 61** The Company strictly prohibits any staff of all departments, branches and subsidiaries from unauthorized and arbitrary publishing of price-sensitive information in any forms in the name of the Company.

**Article 62** Prior to the legal disclosure of inside information, the directors, supervisors, senior management of the Company and any other insiders shall not publish or leaking such information and shall not take advantage of such information to conduct insider dealing. The directors, supervisors, senior management of the Company and any other insiders shall also be obliged to limit the insiders of the information to the minimized level.

**Article 63** The Company shall enter into confidential clauses or make strict confidential arrangements with the financial consultants, accountants, appraisers, lawyers and other external insiders appointed by it and shall ensure that the information cannot be leaked prior to public disclosure. When entering into confidential clauses or making strict confidential arrangements with external insiders, it shall set out specific accountability system and strict punishment measures.

**Article 64** Prior to the disclosure of the information to be disclosed and where relevant information has been spreading on the media or the securities and its derivatives of the Company see abnormal transactions, the shareholders and other relevant parties on information disclosure shall promptly and accurately make a written report to the Company and cooperate with the Company in making announcements in a timely and accurate manner.

**Article 65** Where it causes losses to the Company as a result of the errors or omissions from the untimely disclosure of the information should have been reported according to requirements but not reported by any departments, branches and subsidiaries of the Company, the Company shall investigate the responsibilities of relevant responsible persons according to relevant regulations.

**Article 66** Where it arbitrarily discloses information in violation of the Regulations, the Company shall investigate the responsibilities of relevant responsible persons according to relevant regulations and shall be entitled to investigate their legal responsibilities depending on the conditions.

**Article 67** Where the information is illegally disclosed due to the dereliction of the staff of the Company and it causes significant effects or losses to the Company, the Company shall investigate the responsibilities of relevant responsible persons according to relevant regulations and shall be entitled to investigate their legal responsibilities depending on the conditions.

**Article 68** Where it violates the Regulations and is suspected to have committed crimes, the Company shall transfer the suspected criminals to judicial authorities according to laws and the judicial authorities shall investigate their criminal liabilities.

**Chapter VII    Supplementary Provisions**

**Article 69**    Matters not covered by the Regulations shall be executed in accordance with the Regulations under relevant laws, administrative regulations, regulatory documents, the Articles of Association and listing rules. In the event that the Regulations are inconsistent with the Regulations under relevant laws, administrative regulations, regulatory documents, the Articles of Association modified through legal procedures or listing rules, they shall be executed in accordance with the foresaid rules. The Regulations shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 70**    The Regulations are approved by the general meeting and shall be construed and interpreted by the Board of Directors.

**Article 71**    The Regulations shall come into effect and implement upon the initial public offering of A-share stocks of the Company and being listed on the Shanghai Stock Exchange. The former Information Disclosure Guideline of the Company shall become invalid automatically.

*Note: If there is any inconsistency between the English and Chinese versions of these administrative rules, the Chinese version shall prevail.*

**Article 1** In order to further enhance the legal person governance structure of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), promote the standardized operation of the Company, strengthen the independence and scientificity of the decision-making by the Company and better protect the legal interest of all shareholders, especially minority shareholders, the Administrative Rules is formulated in accordance with the relevant laws, regulations, normative documents of the People’s Republic of China (the “PRC”), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (hereinafter referred to as the “SSE Listing Rules”) issued by Shanghai Stock Exchange (hereinafter referred to as the “SSE”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “SEHK Listing Rules”, SSE Listing Rules and SEHK Listing Rules collectively referred to as the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “SEHK”), as well as the relevant requirements of the Articles of Association of the Company. The Administrative Rules shall conform to the SSE Listing Rules and the SEHK Listing Rules at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** In the Administrative Rules, “related person(s)”, “related party (parties)” and “related transaction(s)” referred to the relevant definitions under the SSE Listing Rules; “connected person(s)” and “connected transaction(s)” referred to the relevant definitions under the SEHK Listing Rules.

**Article 3** The related (connected) transaction(s) of the Company shall comply with the following basic principles:

- (I) the principles of integrity and trustworthiness;
- (II) the entering into the related (connected) transaction(s) between the Company and its related (connected) persons(s) in writing shall follow the principles of equality, free will and exchange of equal values with consideration;
- (III) the related (connected) party (in case of being entitled to the voting rights at the general meeting of the Company), and the director who has interest relationship with the related (connected) party shall not vote when voting on such related (connected) transaction takes place;
- (IV) the Board of Directors of the Company shall judge that whether such related (connected) transaction is favourable to the Company based on the objective standard, and engage the intermediary bodies when necessary to issue a Special Report.

**Article 4** In accordance with the SSE Listing Rules, a related transaction of the Company means the transaction of the Company or its controlled subsidiaries with the related persons that may lead to the transfer of resources or obligations, including but not limited to the following matters:

- (I) purchase or disposal of assets;
- (II) external investments (including entrusted financial management and entrusted loans);
- (III) provision of financial assistance;
- (IV) provision of guarantees;
- (V) rent or lease of assets;
- (VI) entrusting or being entrusted with assets and business management;
- (VII) donating assets or receiving donated assets;
- (VIII) creditor's rights or debt restructuring;
- (IX) entering into license agreements;
- (X) transfer or acceptance of research and development projects;
- (XI) purchase of raw materials, fuels and power;
- (XII) sale of products and commodities;
- (XIII) provision or receipt of labour services;
- (XIV) sales consignment or sales on commission;
- (XV) deposits and loans in financial companies of the related persons;
- (XVI) co-investment with the related persons;
- (XVII) other matters which may lead to transfer of resources or obligations through agreements;
- (XVIII) such other matters as defined by SSE, based on the principle of substance over form, that may lead to the transfer of resources or obligations through agreements, including the financial assistance and guarantee provided for companies as jointly invested with the related person exceeding its equity percentage or investment percentage, or waiver of capital increase or pre-emptive rights of companies as jointly invested with the related person on a pro rata basis, etc.



**Article 5** In accordance with the SEHK Listing Rules, a connected transaction means any transaction of the Company or any of its subsidiaries with the connected persons and any specific type of transaction with the third parties that may confer benefits on the connected persons through their interests in the entities involved in the transaction. Such connected transaction may be a one-off connected transaction or a continuing transaction. The transaction includes the transactions of capital and revenue nature, whether or not the transaction is carried out in the ordinary course of business of the Company. Apart from the exceptions prescribed in the SEHK Listing Rules, this includes the following categories of transactions:

- (I) purchasing or selling assets, including the deemed disposals as contained in the SEHK Listing Rules;
- (II) the granting, acceptance, transfer, exercise or non-exercise or terminating an option in order to purchase or sell assets or to subscribe securities;
- (III) signing or terminating financial leasing or operating leasing, or subleasing (including rented or sublet properties);
- (IV) providing indemnities or providing or accepting financial assistance. “Financial assistance” includes granting credit, lending money or, providing indemnities, guarantees or mortgages for the loan;
- (V) entering into agreement or arranging the establishment of joint ventures of any form (such as companies established as a partnership or as a company) or other forms of joint ventures;
- (VI) issuing new securities of the Company or its subsidiaries;
- (VII) providing, accepting or sharing services; or
- (VIII) purchasing or providing raw materials, semi-finished products and/or finished products.

**Article 6** In accordance with the SSE Listing Rules, related persons of the Company include related legal persons and related natural persons. The Company’s directors, supervisors, senior management members, and shareholders, de facto controllers and persons acting in concert holding 5% or more of the share capital should timely notify the Company of their related relationship with the Company. The Company’s Audit Committee should confirm a list of related persons and timely report to the Board of Directors and Supervisory Committee.

**Article 7** In accordance with the SSE Listing Rules, a person falling into one of the followings is a related legal person of the Company:

- (I) any legal person or other organization that directly or indirectly controls the Company;
- (II) any legal person or other organization, other than the Company and its controlled subsidiaries, that is directly or indirectly controlled mentioned in Item (I);
- (III) any enterprise that is directly or indirectly controlled by the related natural person mentioned in Article 8 here in, or any legal person or other organization, other than the Company and its controlled subsidiaries in which the related natural person assumes the position of director or senior management;
- (IV) any legal person or other organization holding 5% or more of the shares of the Company;
- (V) a natural person or other organization that, as considered by the CSRC, SSE and the Company based on the principle of substance over form, has any special relationship with the Company or may cause an imbalance of the Company's interests towards himself/herself, including a natural person or other organization who holds 10% or more of the shares of a controlled subsidiary which may have an important influence on the Company.

**Article 8** In accordance with the SSE Listing Rules, a related natural person of the Company means:

- (I) any natural person who directly or indirectly holds 5% or more of the shares of the Company;
- (II) the directors, supervisors and senior management members of the Company;
- (III) the directors, supervisors and senior management members of the related legal persons listed in Item (I) of Article 7 herein;
- (IV) family members that have a close relationship with a person specified in Item (I) and (II) of this Article, including his/her spouse, a child who is at least 18 years old and his/her spouse, his/her parents and parents of his/her spouse, his/her siblings and their spouse, siblings of his/her spouse, parents of the child's spouse;
- (V) A natural person that, as considered by the CSRC, SSE and the Company based on the principle of substance over form, has any special relationship with the Company or may cause an imbalance of the Company's interests towards himself/herself, including a natural person who holds 10% or more of the shares of a controlled subsidiary which may have an important influence on the Company.

**Article 9** In accordance with the SSE Listing Rules, a person or other organization or natural person falling into one of the followings is considered as a related legal person of the Company:

- (I) agreements or arrangements entered into or made by the Company or its related person that will fall into any one of the circumstances as mentioned in Article 7 or Article 8 herein after such agreements or arrangements becoming effective or in the next 12 months;
- (II) fell into any one of the circumstances as mentioned in Article 7 or Article 8 herein in the past 12 months.

**Article 10** In accordance with the SEHK Listing Rules, apart from the exceptions prescribed by it, the connected person of the Company and its subsidiaries usually include the following parties:

- (I) any director, supervisor, chief executive or substantial shareholder (that is the person who has rights to exercise or control the exercise of 10% or above of the voting rights at the general meeting of the Company) of the Company or any of its subsidiaries (as defined under the SEHK Listing Rules);
- (II) any person who has acted as a director of the Company and its subsidiaries in the past 12 months (together with the person in Item (I) of this Article, collectively referred to as “basic connected person”);

(III) the associate of any basic connected person includes:

1. In case that basic connected person is an individual

- (1) such individual’s spouse, and such individual or his/her spouse’s child or step-child (natural or adopted) under the age of 18 years (“immediate family member”);
- (2) the trustees, acting in their capacity as such trustees, of any trust of which he/she or any of his/her immediate family member is the beneficiary or, in the case of a discretionary trust, is (to his/her knowledge) a discretionary object (other than a trust which is an employees’ share scheme or occupational pension scheme established for a wide scope of participants and the connected persons’ aggregated interests in the scheme are less than 30%);
- (3) a 30%-controlled company (as defined under the SEHK Listing Rules) held, directly or indirectly, by the basic connected person, his immediate family members and/or the trustees (individually or together), or any of its subsidiaries;

- (4) a person cohabiting with him/her as a spouse, or his/her child, step child, parent, step parent, sibling or step sibling (each a “family member”); or a majority-controlled company held, directly or indirectly, by the family members (individually or together), or held by the family members together with the individual, his immediate family members and/or the trustees, or any of its subsidiaries; and
- (5) if a basic connected person or his/her immediate family member and/or a trustee together directly or indirectly hold 30% or more (or applicable to other percentage triggering a mandatory general offer or establishing the legal or management control rights over such enterprise according to the PRC laws) in the paid capital or assets, or the contractual share of joint venture’s profits or other income of any cooperative or contractual joint venture (whether or not it is a separate legal person), the joint venture partner of such joint venture is the associate of such basic connected person;

Apart from the exceptions prescribed in the SEHK Listing Rules, the abovementioned Item (1), (2) and (3) is the “close associate” of a basic connected person.

2. In case that a basic connected person is a company (namely a substantial corporate shareholder)
  - (1) a subsidiary, holding company of a substantial corporate shareholder or the fellow subsidiary of such holding company (“associated company”);
  - (2) the trustees, acting in their capacity as such trustees, of any trust of which such substantial corporate shareholder is the beneficiary or, in the case of a discretionary trust, is (to his/her knowledge) a discretionary object;
  - (3) a 30%-controlled company held, directly or indirectly, by such basic connected person, its associated company and/or the trustees (individually or together), or any of its subsidiaries; and
  - (4) if a basic connected person, its associated company and/or a trustee together directly or indirectly hold 30% or more (or applicable to other percentage triggering a mandatory general offer or establishing the legal or management control rights over such enterprise according to the PRC laws) in the paid capital or assets, or the contractual share of joint venture’s profits or other income of any cooperative or contractual joint venture (whether or not it is a separate legal person), the joint venture partner of such joint venture is the associate of such basic connected person;

Apart from the exceptions prescribed in the SEHK Listing Rules, the abovementioned Item (1), (2) and (3) is the “close associate” of a basic connected person.

- (IV) A non-wholly owned subsidiary of the Company, in which any connected person at the company level individually or together has rights to exercise or control the exercise of 10% or more of the voting rights at the general meeting of such non-wholly owned subsidiary, and a subsidiary of such non-wholly owned subsidiary.

**Article 11** In accordance with the SEHK Listing Rules, the Company shall distinguish the categories of connected transactions according to the testing methods of the SEHK Listing Rules and shall accordingly comply with or be exempt from the reporting, announcement, annual audit and independent shareholder’s approval requirements on entering into agreements. In general, any connected transactions without clear exemption of the SEHK Listing Rules shall comply with the reporting, announcement, annual audit and independent shareholder’s approval requirements; among which

- (I) reporting means the disclosure of relevant details in the annual report or financial statement after the listing of the Company;
- (II) announcement includes the notification of The Stock Exchange of Hong Kong Limited and publication of announcement on the website of stock exchange and the Company;
- (III) annual audit means independent non-executive directors of the Company shall review the continuing connected transactions of the Company every year, and confirm whether such transactions in the annual report are (1) entered into the ordinary course of business of the Company; (2) conducted on normal commercial terms or better terms; and (3) carried out according to the transaction agreements, the terms of which are fair and reasonable, and in the interests of the shareholders of the Company as a whole; the Company shall also engage the auditors to report the continuing connected transactions every year;
- (IV) subject to the approval of independent shareholders, the Company shall establish an Independent Committee and engage an independent financial advisor. The Company shall prepare the circular dispatched to shareholders and deliver it to shareholders before the general meeting according to the time as prescribed under the SEHK Listing Rules. All connected persons who have material interests in transactions shall abstain from voting at the general meeting.

**Article 12** In accordance with the SEHK Listing Rules, the Company shall carry out size tests based on the SEHK Listing Rules for the contemplated connected transaction, including assets ratio, revenue ratio, consideration ratio and equity capital ratio.

- (I) In accordance with the SEHK Listing Rules as amended from time to time, connected transactions which have total exemption (exempt from reporting, announcement, annual audit and independent shareholder's approval requirements), under the existing SEHK Listing Rules, that is when each ratio is (1) lower than 0.1%, or (2) lower than 1% and when relevant transactions become connected transactions only because the connected persons have relations with one of more subsidiaries of the Company, or (3) lower than 5% and the annual consideration of transactions is lower than HK\$3,000,000. The General Manager can approve such connected transactions.
- (II) In accordance with the SEHK Listing Rules as amended from time to time, connected transactions which have partial exemption (exempt from independent shareholder's approval requirements), under the existing SEHK Listing Rules, that is when each of the above-mentioned ratio is lower than 5%, or lower than 25% and the annual consideration of transactions is lower than HK\$10,000,000, the Board of Directors can approve such connected transactions. When the Board of Directors considers connected transactions, directors who are connected to the party to the transactions shall not vote, nor exercise voting rights on behalf of other directors. Resolutions made by the Board meetings shall be approved by more than one half of the non-connected directors.
- (III) In accordance with the SEHK Listing Rules as amended from time to time, connected transactions which have no exemptions (exempt from reporting, announcement, annual audit and independent shareholder's approval requirements), under the existing SEHK Listing Rules, that is the transaction the ratios and amounts of which fail to satisfy the requirements as described in Paragraph (I) and Paragraph (II), such transactions shall be submitted to the general meeting for shareholders' review and approval after examination and approval of the Board of Directors; when the general meeting considers connected transactions, any shareholders who have material interests in transactions under SEHK Listing Rules shall not vote.

**Article 13** In accordance with the SEHK Listing Rules, where the Board of Directors considers that the connected transaction should be submitted for approval at the general meeting, the Board of Directors shall prepare the resolution for approval at the general meeting, and issue the circular for the general meeting. The circular shall clearly indicate information such as the date, venue, agenda of the general meeting, as well as the details, nature and the connected party involving the connected transaction; independent directors shall disclose their opinions on the fairness of the related connected transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of the connected transaction are fair and reasonable (in the case of continuing connected transactions) and recommendations for voting. Meanwhile, the circular shall also disclose the opinions of independent financial advisers engaged by Independent Board Committee to independent directors concerning the fairness of the connected transaction, whether it is in the interests of the Company and its shareholders, whether the annual caps of connected transaction are fair and reasonable (in the case of continuing connected transactions) and recommendations for voting.

**Article 14** In accordance with the SSE Listing Rules, if the Company and its related legal person enters into any related transaction (save for provision of guarantees by the Company) with an aggregated amount lower than RMB3,000,000 and accounting for less than 0.5% of the latest audited net assets of the Company, such related transaction shall be resolved by the General Manager before being implemented.

If the Company and its related natural person enters into any related transaction (save for provision of guarantees by the Company) with an amount within RMB300,000, such related transaction shall be resolved by the General Manager before being implemented.

**Article 15** In accordance with the SSE Listing Rules, If the Company and its related legal person enters into any related transaction with an aggregated amount ranging from RMB3,000,000 to RMB30,000,000 and accounting for 0.5% (inclusive) to 5% (exclusive) of the latest audited net assets of the Company, such related transaction shall be submitted to the Board of Directors of the Company for consideration before being implemented.

If the Company and its related legal person enters into any related transaction (save for provision of guarantees by the Company) with an amount exceeding RMB3,000,000 and accounting for 0.5% or more of the latest audited absolute value of net assets of the Company, such related transaction shall be disclosed in a timely manner.

If the Company and its related natural person enters into any related transaction with an aggregated amount ranging from RMB300,000 (inclusive) to RMB30,000,000 (exclusive), such related transaction shall be submitted to the Board of Directors of the Company for consideration before being implemented.

If the Company and its related natural person enters into any related transaction (save for provision of guarantees by the Company) with an amount exceeding RMB300,000, such related transaction shall be disclosed in a timely manner.

The Company shall not directly or indirectly provide loans to the directors, supervisors or senior management members.

When the Board of Directors of the Company considers the related transactions, related directors shall not vote, nor exercise voting rights on behalf of other directors. The Board meeting may be convened if more than one half of the non-related directors attend the meeting. Resolutions of the Board of Directors shall be approved by more than one half of non-related directors. When there are less than three non-related directors present at the Board meeting, the Company shall submit such transactions to the general meeting for consideration.

The related directors referred to in the preceding paragraph include the following directors or those directors fulfilling any of the following circumstances:

- (I) a party to the transaction;
- (II) a person who has direct or indirect control over the party to the transaction(s);



- (III) employed by a party to the transaction(s) or by a legal person or other organizations with direct or indirect control over the party to the transaction(s) and by a legal person or other organizations under the direct or indirect control of the party to the transaction(s);
- (IV) a close family member of a party to the transaction(s) or of a person who has direct or indirect control over the party to the transaction(s) (for the details of the scope, please refer to the provisions of Item (4) of Article 8);
- (V) a close family member of any director, supervisor or senior management members of a party to the transaction(s) or of a person who has direct or indirect control over the party to the transaction(s) (for details of the scope, please refer to the provisions of Item (4) of Article 8);
- (VI) Directors whose independent business judgment may be affected as identified by the Company based on the principle of substance over form.

**Article 16** In accordance with the SSE Listing Rules, if the Company and its related person enters into any related transaction (except where the Company provides guarantees, receives donation of any assets in cash and liabilities that simply reduce the Company's obligations) with an aggregated amount exceeding RMB30,000,000 and accounting for 5% or more of the latest audited net assets of the Company, such related transaction shall be disclosed in a timely manner. In accordance with Rule 9.7 of "the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (Amended in 2014)", the Company shall also provide an audit or valuation report for the subject of the transaction issued by a securities service institution with qualifications to conduct securities and futures business, and submit such related transaction to the general meeting of the Company for consideration. Such related transaction shall be approved by the general meeting before being implemented. The transaction subject of a related transaction regarding the daily operation may be exempted from auditing or valuation.

When the general meeting of the Company considers the related transactions, the related shareholders shall not vote. Related shareholders referred to in the preceding paragraph include the following shareholders or those shareholders fulfilling any of the following circumstances:

- (I) a party to the transaction;
- (II) a person who has direct or indirect control over the party to the transaction(s);
- (III) under the direct or indirect control of the party to the transaction(s);
- (IV) under the direct or indirect control of the same legal person(s) or other organizations or natural person(s) as the party to the transaction(s);



- (V) a shareholder whose voting rights are restricted and affected due to any outstanding equity transfer agreement(s) or any other agreement(s) entered into with the party to the transaction or its related person(s);
- (VI) a shareholder that may cause an imbalance of the Company's interests towards himself/herself as considered by CSRC or SSE.

Where the Company intends to provide guarantee for the related persons, such proposal shall be submitted to the general meeting for consideration upon approval of the Board of Directors, regardless of the amount involved.

If the Company provides guarantee for a shareholder who holds less than 5% of the Company's shares, it shall be subject to the requirements as prescribed in the preceding paragraph, and such shareholder shall not vote at the general meeting.

**Article 17** In accordance with the SSE Listing Rules, if the Company and its related person intends to enter into any related transaction with an aggregated amount exceeding RMB30,000,000 and accounting for 5% or more of the latest audited net assets of the Company, such related transaction shall be submitted to the Board of Directors for consideration upon the approval of independent directors. The Board of Directors shall express its opinion as to whether the transaction is in the interests of the Company, and the Company shall appoint an independent financial advisor to give advice as to whether the related transaction is fair and reasonable to the shareholders as a whole and explain the basis, key assumptions and factors considered.

Any related shareholder who has material interests in the said related transactions shall abstain from the voting rights in respect of such resolution at the general meeting, and the shares with voting rights represented by him/her shall not be included into the total effective voting rights. Any related shareholder who fails to attend the general meeting shall not authorize a proxy to vote in respect of such matter in his/her stead, and his/her proxy shall also not vote according to the requirements of this Article relating to related shareholder's avoidance. When voting on the related transaction takes place at the general meeting, the non-related shareholder present at the general meeting shall vote according to the Articles of Association of the Company after deducting the shares with voting rights represented by him/her.

When resolutions on the related transactions are made at the general meetings, such resolutions are divided into ordinary resolutions and special resolutions, which shall be passed by more than one half or more than two thirds of voting rights held by the non-related shareholders present at the general meeting respectively. The poll taken on the related transactions shall be counted by more than two non-related shareholders' representatives and a supervisor, and the result of the counts shall be made public on spot by those who counted the votes. The Company shall disclose full information of the voting of non-related shareholders in the resolutions of the general meeting.

**Article 18** Where a director personally or other enterprises where such director assumes offices is/are directly or indirectly, related (connected) to an existing contract, transaction or arrangement or proposed contract, transaction or arrangement of the Company (other than contract of service), the related (connected) director shall declare the nature and extent of related (connected) relationship to the Board of Directors as soon as possible and request the Board of Directors to make resolutions on the related contract, transaction or arrangement, whether or not the relevant matters are subject to the approval of the Board of Directors in normal circumstances. When the Board of Directors considers the related contract, transaction or arrangement, the related (connected) director shall avoid and shall not vote; when the Board of directors makes resolutions, such resolutions shall be passed by more than one half of other directors without the related (connected) director(s) being counted in the quorum.

**Article 19** In accordance with the SSE Listing Rules, if the accumulated amount of any related transaction between the Company and its related person in respect of the same subject or between the Company and the same related person in 12 consecutive months reaches the standard as described in Article 16 or Article 17 herein, the Company shall make decisions according to the procedures as prescribed herein.

The same related person referred to above includes any legal persons or other organizations under the direct or indirect control of the same legal person or other organization or natural person as such related person, or that have control of interests in each other; or the same related natural person to serve as the director or senior management member.

When the Company and its related person jointly contribute capital to establish a company, the transaction amount shall be the capital contributed by the Company, which is applicable to the relevant provisions herein. When the capital contributed by the Company reaches the standard stipulated under Article 16, and when all parties to the capital contribution contribute capital in cash with their respective shareholdings in the established company confirmed in accordance with their proportion of capital contribution, an application for exemption from applicable requirement of general meetings' consideration can be filed to the SSE.

**Article 20** In accordance with the SEHK Listing Rules, the continuing connected transaction is a connected transaction involving the provision of financial assistance, services or goods, which is expected to extend over a period of time on an ongoing or recurring basis. Except that the Company needs to judge whether the relevant transaction is subject to the reporting, announcement, annual audit and independent shareholder's approval when signing agreements, the Company shall need to monitor its implementation continuously and whether the amount exceeds the annual cap, and shall re-comply with the relevant requirements under the SEHK Listing Rules when there is a material change in terms of agreements and the amount exceeds the annual cap or upon the renewal of agreements.

**Article 21** When the Company discloses a related (connected) transaction, it shall submit the following documents to the SSE/ SEHK:

- (I) announcement document;
- (II) document listed in Item (II) to (V) of Article 9.12 of “the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (Amended in 2014)”;
- (III) prior written approval of such transaction by independent non-executive directors;
- (IV) opinions of independent non-executive directors;
- (V) other document as required by the SSE/ SEHK.

**Article 22** The announcement in relation to the related (connected) transaction disclosed by the Company shall include the following contents:

- (I) summary of the transaction and the basic information of the subject;
- (II) prior approval by independent directors and their independent opinions;
- (III) matters in relation to the voting of the Board of Directors (if applicable);
- (IV) the related (connected) relationship between transaction parties and the basic information of the related (connected) persons;
- (V) the pricing policy and basis of pricing for the transaction, including the relationship between the transaction price and book value or appraised value of the subject of the transaction and the specific and fair market prices, as well as other specific matters related to pricing that are required to be disclosed due to the special circumstances of the subject of the transaction. In the event of any large discrepancy between the transaction price and the book value, appraised value or market price, reasons shall be disclosed. For any unfair transaction, the diverted interest arising from the related (connected) transaction shall also be disclosed;
- (VI) other important contents of the transaction agreement, including the transaction price, the methods of settlement, the nature and share of the related (connected) person’s interest in the transaction, the condition for the agreement to be effective, the effective term and time limit for performance of the agreement;
- (VII) the purpose of the transaction and its impact on the Company, including the true intention and necessity of such related (connected) transaction as well as the impact on the current and future financial status and operating results of the Company, etc.;
- (VIII) the aggregated amount for all types of related (connected) transactions entered into with such related (connected) persons from the beginning of the year up to the date of disclosure;

- (IX) other information stipulated under Article 9.13 of “the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (Amended in 2014)”;
- (X) other information stipulated under the SEHK Listing Rule as amended from time to time;
- (XI) other information which facilitates the explanation of the true situation of the transaction as required by CSRC, SSE, SFC and SEHK;
- (XII) in the case that the Company provides guarantees for a related person and a shareholder holding less than 5% of shares, the Company shall disclose the information stipulated under Article 9.14 of “the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (Amended in 2014)”.

**Article 23** Where the Company enters into a related (connected) transaction relating to the “provision of financial assistance” or “entrusted financial management”, the actual amount involved shall be used as calculation standard for disclosure, and the amount shall be aggregated in 12 consecutive months according to the type of transaction. Where the aggregated amount reaches the said standards as stipulated by SSE and SEHK, the provisions of above articles shall apply.

If the relevant obligations under the said provisions have been performed, these items shall not be included in the scope of relevant aggregation.

**Article 24** The Company shall conduct other related (connected) transactions besides those mentioned in the preceding article in accordance with the following standards and the principle of the calculation of aggregated amount in 12 consecutive months. The said audit and disclosure requirements of SSE and SEHK are respectively applicable for:

- (I) the transactions entered into with the same related (connected) person;
- (II) the transactions entered into with different related (connected) person relating to the category of transaction subject.

The same related (connected) person referred to above includes any legal persons or other organizations under the direct or indirect control of the same legal person or other organizations or natural person as such related (connected) person, or that have control of interests in each other; or the same related natural person to serve as the director or senior management member.

If the relevant obligations under the said provisions have been performed, these items shall not be included in the scope of relevant aggregation.

**Article 25** Where the Company and a related person enter into a daily related (connected) transaction as specified in Item (XI) to (XVI) of Article IV, such related (connected) transactions shall be disclosed and considered by following the procedures in accordance with the following requirements:

- (I) If any agreement of daily related (connected) transaction, considered and approved by the general meeting or the Board of Directors and is being executed, does not have any significant changes to their major terms in the course of execution, the Company shall disclose the actual performance of each agreement in its annual report and interim report, and shall state whether the terms of such agreement are complied with. In the event of any substantial changes to the major terms of such agreement during the course of execution or where such agreement expires and shall be renewed, the Company shall, with reference to the aggregated transaction amount involved in such agreement, submit the newly amended or renewed agreement on the daily related (connected) transaction to the Board of Directors or the general meeting for consideration. Where no specific aggregated transaction amount is provided in the agreement, the transaction shall be submitted to the general meeting for consideration;
- (II) for any new daily related (connected) transaction, the Company shall enter into a written agreement with the related (connected) person and make a timely disclosure. Such transaction shall, with reference to the aggregated transaction amount involved in the agreement, be submitted to the Board of Directors or the general meeting for consideration. Where no specific aggregated transaction amount is provided in the agreement, the transaction shall be submitted to the general meeting for consideration; such agreement, after being considered, approved and disclosed, shall, based on its daily related (connected) transaction, be handled according to the provisions mentioned in the preceding paragraph;
- (III) if the Company has many new related (connected) transactions every year, it is necessary to enter into new agreements for daily related (connected) transactions frequently, thereby making it difficult to submit each agreement to the Board of Directors or the general meeting for consideration in accordance with the provisions of the preceding clause, the Company may, based on the type of transactions, make reasonable estimation of the aggregated amount of such daily related (connected) transactions to be entered into in the year prior to the disclosure of the annual report for the preceding year, and make relevant disclosure and submit the transactions to the Board of Directors or the general meeting for consideration with reference to the estimated results; for daily related (connected) transactions within the range of estimation, the Company shall make brief disclosure in its annual report and interim report. If the actual amount of the transaction exceeds the estimated aggregated amount, the Company shall make relevant disclosure and resubmit the transactions to the Board of Directors or the general meeting for consideration in respect of the excessive amount.

**Article 26** The content of the daily related (connected) transaction agreement shall at least contain the pricing principle and basis, the transaction price, the total transaction volume or the clear and specific determination methods of the total volume, the time and method of payment, etc.

If the agreement has not yet set out the specific transaction price but only indicates that the market price will serve as reference, the Company, while performing its disclosure obligations according to the provisions of the preceding article, shall disclose the actual transaction price and the market price and related determination methods, as well as reasons for any difference between the two prices.

**Article 27** For any agreements on daily related transactions signed between the Company and the related (connected) person with a term of more than three years, the Company shall perform relevant review procedures and disclosure obligations every three years in accordance with the Administrative Rules.

**Article 28** In accordance with the SSE Listing Rules, for the related transaction between the Company and its related person arising from either party's participation in public tenders, public auctions and other activities, the Company can apply for exemption from the SSE and consider and disclose it in accordance with the methods of the related transaction.

**Article 29** In accordance with the SSE Listing Rules, the related transaction with the subsidiaries in which the Company has the effective control or holds 50% or more of shareholding shall be deemed as the activities of the Company; the related transaction occurred by a participating company of the Company shall be calculated by transaction subject multiplied by participating proportion or agreed bonus proportion, and the decision procedures are applicable to the Administrative Rules. If the SEHK Listing Rules has stricter disclosure requirements regarding the abovementioned connected transaction, the stricter requirements shall prevail.

**Article 30** Approval and disclosure requirements may be waived for the following transactions entered into between the Company and its related person according to the methods stipulated herein:

- (I) either party subscribes for the shares, company bonds or corporate bonds, convertible company bonds or other types of derivatives of another party in cash;
- (II) either party, as a member of the underwriters, underwrites the publicly issued shares, company bonds or corporate bonds, convertible company bonds or other types of derivatives issued by another party;
- (III) either party receives dividend, bonus or reward in accordance with the resolutions passed at the general meeting of another party;
- (IV) other transaction which is exempt from the reporting, announcement, annual audit and independent shareholder's approval stipulated by SSE or SEHK.

**Article 31** In accordance with the SSE Listing Rules and “the Guidelines of the Shanghai Stock Exchange for the Implementation of Related Party Transactions”, the Company shall sign an agreement in writing to define the pricing policies of the related transaction when entering into the related transaction. During the course of conducting a related transaction, where there is any material change to the major terms of the agreement such as the transaction price, the Company shall re-comply with the approval procedure with reference to the amended transaction amount. The daily operating related transaction entered into between the Company and its related party shall comply with the following pricing principles:

- (I) for transactions where the price of which is determined by the government, such price may apply directly;
- (II) for transactions where the price of which is guided by the government, the transaction price may be reasonably determined within the range of the price guided by the government;
- (III) apart from the price being determined or guided by the government, the transaction price may be determined by first making reference to comparable market prices or pricing standards of independent third parties if such prices or standards are available for the transaction;
- (IV) for related transactions without comparable market prices available from independent third parties, the transaction price may be determined with reference to the price of a non-related transaction entered into between related parties and third parties independent of related parties;
- (V) if no market prices of independent third parties or independent non-related transaction prices are available for reference, prices may be reasonably construed as the basis of pricing. The constructed price represents reasonable costs plus reasonable profits.

When determining the price of a related transaction in accordance with Item (III), (IV) or (V) as mentioned above, the Company may apply the cost-plus method, resale pricing method, comparable uncontrolled pricing method, transactional net profit method and profit split method for different related transactions.

Where the pricing of a related transaction of the Company cannot be determined by the aforementioned principles and methods, the Company shall disclose the principles under which the pricing of such related transaction is determined and the underlying method, and explain the fairness of such pricing.

**Article 32** In accordance with the SEHK Listing Rules, the continuing connected transaction of the Company shall be conducted on normal commercial terms (as far as the Company is concerned, the transaction terms are not favorable to the terms available to or from independent third parties); the transaction terms shall be fair and reasonable, and in the interests of the shareholders as a whole. When entering into an agreement with the



connected person, the Company shall negotiate the specific pricing terms, such as fixed consideration, scheduled procedures or fixed unit consideration; if the agreement covers transaction of different nature, the Company shall clearly state the pricing policy of each type of transaction.

**Article 33** When the Company is approved by CSRC to issue shares publicly and being listed, the information relating to the related (connected) transaction shall be disclosed according to the stock listing system of the stock exchange and be ensured to comply the requirement of the place where the Company is listed, namely the relevant laws and regulations of Hong Kong at the same time.

**Article 34** Matters not covered by the System shall be executed in accordance with the rules under the state's relevant laws, administrative regulations, regulatory documents, the Articles of Association of the Company and the Listing Rules. In the event that the System is inconsistent with the rules under the state's promulgated laws, administrative regulations, regulatory documents, the Articles of Association of the Company modified through legal procedures or the Listing Rules, they shall be executed in accordance with the foresaid rules. The System shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 35** The terms "or more", "within" or "less than" herein shall include the given figure, while "under" or "other than" shall not include the given figure.

**Article 36** The System shall come into effect and be implemented upon the initial public offering of A-shares of the Company and being listed on the SSE.

**Article 37** The System is approved by the general meeting and shall be construed and interpreted by the Board of Directors of the Company.



*Note: If there is any inconsistency between the English and Chinese versions of these administrative rules, the Chinese version shall prevail.*

## **ADMINISTRATIVE RULES OF USE OF PROCEEDS**

### **Chapter I General Provisions**

**Article 1** In order to regulate the use and management of proceed raised of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), increase utilizing efficiency of proceeds raised, prevent risks of fund use, ensure safety of fund use, protect interest of investors, the Rules are formulated in accordance with the requirements under the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures on Initial Public Offering and Listing of Stocks, the Administrative Measures for the Issuance of Securities by Listed Companies, the Provisions on Report of Use of Proceeds Raised Lastly, the Regulatory Guidelines of Listing Companies No. 2 – Regulatory Requirements of Management and Use of Proceeds Raised of Listing Companies, the Measures for Administration of Proceeds Raised of Listed Companies of Shanghai Stock Exchange (Revised in 2013), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter collectively referred to as the “Listing Rules”), other relevant laws and regulations, rules and normative documents and the Articles of Association of Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd., in conjunction with the actual situation of the Company. The Rules shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** For the purpose of the Rules, the term “proceeds” refers to the proceeds raised by the Company through public offering of securities (including the initial public offering, placing, secondary offering, issue of convertible corporate bonds and issue of detachable convertible corporate bonds etc.) and private placement to the investors, excluding any proceeds raised by the Company through share incentive scheme.

**Article 3** The Board of Directors of the Company shall be liable to establish a sound management system for proceeds of the Company, and ensure the effective implementation of the system. The proceeds management system shall have clear requirements on deposit by designated account, use, change, supervision and accountability of proceeds.

Where the investment projects financed by the proceeds (hereinafter referred to as “Proceeds-financed Projects” in short) are made by a subsidiary of the Company or other enterprises controlled by the Company, the Company shall ensure the subsidiary or other enterprises controlled by it to comply with its management system for proceeds raised.

**Article 4** The Company’s directors, supervisors and senior management shall, with due diligence and responsibility, oversee the Company in regulating the use of proceeds and consciously safeguard the safety of the Company’s assets and shall not participate in, assist or connive at the Company’s unauthorized or disguised change in the use of proceeds.

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**Article 5** The Company's controlling shareholder(s), de facto controller(s) shall not directly or indirectly use or misappropriate the proceeds of the Company or obtain illegitimate interests from the Proceeds-financed Projects.

**Article 6** The sponsor (s) shall bear the responsibility of sponsorship perform continuous supervision on the management and use of Company's proceeds in accordance with relevant provisions of the Administrative Measures on Sponsorship for Securities Issuance and Listing and the Rules.

### Chapter II Deposit of Proceeds

**Article 7** The Company's proceeds shall be deposited into a designated account (the "Designated Account for Proceeds") as opened by the Board of Directors for centralized administration.

No fund other than the proceeds or for other purposes shall be deposited into the Designated Account for Proceeds.

**Article 8** A tripartite regulatory agreement with respect to the deposit at the Designated Account for Proceeds shall be signed between the Company and the commercial bank (hereinafter referred to as "Commercial Bank") in which the proceeds are deposited within one month upon receipt of the proceeds. The agreement shall at least include the following details:

- (I) The Company shall deposit the proceeds into the Designated Account for Proceeds in a centralized way;
- (II) The Commercial Bank shall provide the Company with bank statements of the Designated Account for Proceeds on a monthly basis and make copies to the sponsor(s);
- (III) If the Company withdraws an amount of more than RMB50 million from the Designated Account for Proceeds once or at multiple times within 12 months and that the amount reaches 20% of the total amount of proceeds net of issuance expenses ("net proceeds"), the Company shall notify the sponsor(s) promptly;
- (IV) The sponsor(s) may make inquiries to the Commercial Bank on the Designated Account for Proceeds at any time;
- (V) Breach of contract by the Company, the Commercial Bank and the sponsor(s).

The Company shall, within 2 trading days after entering into of such agreement, file with the relevant stock exchange and make an announcement thereon. If the above agreement is terminated before the expiration of its effective terms due to the change of sponsor or Commercial Bank or other reasons, the Company shall, within 2 weeks upon the termination of the agreement, enter into a new agreement with relevant parties, shall, within 2 trading days after entering into of such agreement, file with the relevant stock exchange and make an announcement thereon.

**Chapter III Use of Proceeds**

**Article 9** The Company shall set out explicit requirements in regard to the application, approval authority at different levels, decision making procedures, risk administration policies and information disclosure procedures in relation of the use of proceeds;

**Article 10** The proceeds shall be invested in the Proceeds-financed Projects in strict compliance with the schedule committed in the Company's offering application documents. If there is an event that seriously affects the normal progress of schedule, the Company shall file with the relevant stock exchange promptly and make an announcement thereon.

**Article 11** The Company's proceeds shall in principle be applied to its principal activities. The Proceeds-financed Projects shall not be financial assets which are held-for-trade and financial assets available-for-sale, loans to other parties, trusted wealth management and other financial investments, and shall not directly or indirectly invest in companies which major business involves trading of marketable securities. The Company shall not use the proceeds in charge, trusted loans or other investments altering use of proceeds.

**Article 12** The Company shall not make available the proceeds, whether directly or indirectly, for connected parties such as the controlling shareholder(s), de facto controller(s), or provide benefits for connected parties for inappropriate gains from the Proceeds-financed Projects;

**Article 13** The proceeds shall be applied and approved in accordance with the following procedures:

- (I) A payment application made by a specific use department;
- (II) Sign opinion from the Chief Financial Officer and Deputy General Manager;
- (III) Review and approval of the General Manger;
- (IV) Execution of the financial department.

**Article 14** The Company shall check fully the progress of the Proceeds-financed Projects after the close of each fiscal year,

**Article 15** If any of the following events occurs to an investment project financed by proceeds, the Company shall assess the feasibility and estimated profitability of such project to decide if it should proceed with its implementation, and disclose the progress of the project, reasons for the abnormalities and the adjusted project (if any) in its latest periodic report:

- (I) Any material change in the market environment in which the investment project financed by proceeds is involved;

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## APPENDIX VII ADMINISTRATIVE RULES OF USE OF PROCEEDS

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- (II) Suspension of the investment project financed by proceeds for over 1 year;
- (III) Failure to meet the deadline specified in the previous plan of the investment project financed by proceeds and less than 50% of the proposed investment amount has been actually contributed;
- (IV) Other abnormalities of the investment project financed by proceeds.

**Article 16** In case the Company has made investment with its funds into the Proceeds-financed Projects prior to receiving the proceeds, the proceeds may be used to make up for the shortfall of such investment within six months from the receipt thereof.

Such making-up shall be passed by the Board of Directors with a verification report issued by an accountant and express concurring opinions from the independent directors, supervisory committee and sponsor(s). The Company shall file a report to the relevant stock exchange and made an announcement thereon within two trading days after the approval of the Board of Directors.

**Article 17** The proceeds which are temporarily idle may be under cash management, and the products they invest in must meet the following conditions:

- (I) high safety, meeting the requirements of capital guarantee and the issuer of the products can make a commitment on capital guarantee;
- (II) good liquidity without affecting the smooth progress of the investment plans of the proceeds.

The investment products shall not be pledged, and the special product settlement account (if applicable) shall not be used for the deposition of the funds other than proceeds or for any other purposes, and in case of opening or canceling a special product settlement account, the Company shall file with the relevant stock exchange and make an announcement thereon within two trading days.

**Article 18** The investment of idle proceeds in products shall be subject to the consideration and approval by the Board of Directors, with the opinions on explicit consent given by the independent directors, the Supervisory Committee and the sponsor(s). The Company shall make relevant announcement within two trading days after the meeting of the Board of Directors on:

- (I) the basic information on the proceeds, including, among others, the time of raising, the amount and net amount of the funds raised and investment plans;
- (II) the information on the use of the proceeds;
- (III) the quota and duration of the idle funds for investing in products, whether there is any act of changing the purposes of the funds in disguise and the measures for ensuring the smooth progress of the projects financed by the proceeds;

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- (IV) the income distribution manner, investment scope and safety of the investment products;
- (V) opinions issued by independent directors, the Supervisory Committee and the sponsor(s).

**Article 19** Where the Company uses temporarily the idle proceeds to replenish working capital, such replenishment shall meet the following conditions:

- (I) There should not be any de facto changes in the purpose of proceeds or affect the normal implementation of the proceeds investment plan;
- (II) Limited and to be applied to production and operation related to the principal activities, and should not be directly or indirectly applied to placing of new shares, subscription or investment in stocks and any derivative instruments or convertible bonds, etc.;
- (III) The duration of any individual replenishment to the working capital should not exceed 12 months;
- (IV) Any previous temporary replenishment falling due is repaid (if applicable).

The temporary use of idle proceeds to replenish working capital by the Company shall be subject to the consideration and approval by the Board of Directors of the Company, with the opinions on explicit consent given by independent directors, sponsor(s) and the Supervisory Committee. The Company shall report to the relevant stock exchange and make an announcement thereon within two trading days after the meeting of the Board of Directors.

Before the expiration date of replenishing the working capital, the Company shall return certain proceeds to the Designated Account for Proceeds, and report to the relevant stock exchange and make an announcement thereon within two trading days after the full payback of the proceeds.

**Article 20** The excess of the proceeds raised over the amount of the funds planned to raise (the “Additional Proceeds”) may be used to permanently replenish the working capital and repay bank loans, but the cumulative amount of every 12 months shall not exceed 30% of the total amount of the Additional Proceeds and the Company shall undertake that it will not make any high risk investments or provide financial assistance to others within 12 months after replenishing the working capital.

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**Article 21** For the use of the Additional Proceeds for the purpose of permanently replenishing the working capital and repayment of bank loans are subject to the consideration and approval by a Board meeting and a general meeting of the Company, with the manner of online voting provided for shareholders, and the opinions on explicit consent given by independent directors, the supervisory committee and the sponsor(s). The Company shall inform the stock exchanges where the Company's shares are listed and make relevant announcement within two trading days after the meeting of the Board on:

- (I) the basic information on the proceeds, including, among others, the time of raising, the amount and net amount of the funds raised, the amount of Additional Proceeds and investment plans;
- (II) the information on the use of the raised funds;
- (III) the necessity of and detailed plan for the Additional Proceeds used for permanently replenishing the working capital or repaying bank loans;
- (IV) the undertaking of not making any high-risk investments or provide financial assistance for others within 12 months after replenishing the working capital;
- (V) the impact on the Company of the use of the Additional Proceeds for permanently replenishing the working capital or repaying bank loans;
- (VI) Opinion from the independent directors, Supervisory Committee and the sponsor(s).

**Article 22** When the Company invested Additional Proceeds in projects under construction and new projects (including acquisition of assets), the investment will be limited to its principal activities. The Company shall apply the relevant requirements of Article 25 to Article 28 of the Rules to conduct the feasibility analysis of the investment projects in a scientific and diligent manner, and carry out the obligation of disclosure in a timely manner.

**Article 23** Where a single Proceeds-financed Project is completed and the Company uses the remaining raised fund of such project (including interest income) for other Proceeds-financed Projects, it shall obtain in advance the approval from the Board of Directors and express opinions from the independent directors, the sponsor(s) and the Supervisory Committee. The Company shall report to the relevant stock exchange and make an announcement thereon within two trading days after the meeting of the Board of Directors.

If the balance of the proceeds (including the interest income) is less than RMB1 million or less than 5% of the committed investment amount of the proceeds of such Proceeds-financed Project, the Company may be exempted from the preceding procedures, and the use shall be disclosed in its annual report.

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If the balance of the proceeds (including the interest income) of a single Proceeds-financed Project is used for projects other than the Proceeds-financed Projects (including replenishing the working capital), it shall follow relevant procedures and disclosure obligations by reference to the same for changes of Proceeds-financed Projects.

**Article 24** Upon completion of all Proceeds-financed Projects, if the balance of the proceeds (including the interest income) exceeds 10% of the Net Proceeds, the use of such proceeds balance shall obtain in advance the approval from the Board of Directors and a general meeting and express opinions from the independent directors, the sponsor(s) and the Supervisory Committee. The Company shall report to the relevant stock exchange and make an announcement thereon within two trading days after the meeting of the Board of Directors.

For the proceeds balance (including the interest income) under 10% of the Net Proceeds, the use of such proceeds balance shall obtain in advance the approval from the Board of Directors and express opinions from the independent directors, the sponsor(s) and the Supervisory Committee. The Company shall report to the relevant stock exchange and make an announcement thereon within two trading days after the meeting of the Board of Directors.

For the proceeds balance (including the interest income) under RMB5 million or less than 5% of the Net Proceeds, the use of such proceeds balance is exempted from the above procedures. The use of such proceeds balance shall be disclosed in the latest periodic report.

### Chapter IV Changes in the Purpose of Proceeds

**Article 25** The Company shall use the proceeds according to the purposes specified in the prospectus or offering document. Changes of the Proceeds-financed Projects of the Company must be considered and approved by the Board of Directors and at a general meeting, subject to the explicit consent of the independent directors, the sponsor(s) and the Supervisory Committee.

In case the Company merely changes the venue of implementation of the Proceeds-financed Projects, such changes may be exempt from implementing the procedures of the previous clause but shall be subject to the consideration and approval by the Board of Directors. A report shall be filed within two trading days with the stock exchanges where the Company's shares are listed, and the reasons for the changes and the opinion of the sponsor(s) shall be announced.

**Article 26** After changes, the Proceeds-financed Projects shall invest in the principal activities.

The Company shall scientifically and prudently carry out the feasibility analysis of the new Proceeds-financed Project to ensure such investment projects has good market prospect and profitability, effectively prevent investment risks and improve the efficiency of the use of the proceeds.



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**Article 27** In case the Company proposes to make changes to a Proceeds-financed Project, it shall report to the relevant stock exchange and make an announcement on the followings within two trading days from the submission to the Board of Directors for consideration:

- (I) Background information of the original Proceeds-financed Project and the specific reasons of such changes;
- (II) Background information, feasibility analysis and risks warning on the new Proceeds-financed Project;
- (III) The investment plan for the new Proceeds-financed Project;
- (IV) The explanation of whether the new Proceeds-financed Project has obtained or pending the approval of the relevant authorities (if applicable);
- (V) The opinion of the independent directors, the supervisory committee and the sponsor(s) in respect of the changes to the Proceeds-financed Project;
- (VI) The explanation of such changes to the Proceeds-financed Project is subject to approval of a general meeting;
- (VII) Any other content as required by the stock exchanges where the Company's shares are listed.

Where the new Proceeds-financed Project involves any connected transactions, purchase of assets or external investments, the Company shall make disclosure in accordance with the requirements of relevant system.

**Article 28** Where the Company changes the purpose of a Proceeds-financed Project to acquisition of assets (including equity) of the controlling shareholder(s) or de facto controller(s), it shall avoid creating market competition with peers and decrease connected transactions after the said acquisition.

**Article 29** Where the Company proposes to externally transfer or replace a Proceeds-financed Project (except for Proceeds-financed Projects which have completed the entire external transfer or replacement in a material asset reconstruction implemented by the Company), it shall report to the stock exchanges where the Company's shares are listed and make an announcement on the followings within two trading days from the submission to the Board for consideration:

- (I) Specific reasons for the external transfer or replacement of the Proceeds-financed Project;
- (II) The amount of proceeds invested in the project;
- (III) Completion progress of the project and its realized benefit;



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- (IV) Basic information, feasibility analysis and risk warning (if applicable) of the replacement project;
- (V) The pricing basis of the transfer or replacement and relevant return;
- (VI) Opinions on the transfer or replacement of the Proceeds-financed Project from the independent directors, the Supervisory Committee and the sponsor(s);
- (VII) Explanation that the transfer or replacement of the Proceeds-financed Project is subject to submission to general meeting for consideration;
- (VIII) Other contents as required by the relevant stock exchange.

The Company shall give due regard to the receipt and use of the consideration of the transfer, the change in ownership of the replacing assets and the continuous operation of the replacing assets, and fulfill the obligations of necessary information disclosure.

### Chapter V Administration and Supervision of Use of Proceeds

**Article 30** The Board of Directors of the Company shall comprehensively review the progress of projects invested with the proceeds semi-annually, and issue a Special Report on the Deposit and the Actual Use of Proceeds of the Company (“Special Report of Proceeds”).

Where the actual progress of Proceeds-financed Projects differs from the investment plan, the Company shall explain specific reasons in the Special Report of Proceeds. When idle proceeds are used in investment products in the current period, the Company shall disclose returns for the reporting period and investment share, counterparties, product names, term and other information as the end of the period in the Special Report of Proceeds.

The Special Report of Proceeds shall be considered and approved by the Board of Directors and the Supervisory Committee, and reported to the relevant stock exchange and make an announcement thereon shall be released within two trading days upon submission to the Board of Directors for consideration. In an annual audit, the Company shall engage certified public accountants to issue an attestation report on the deposit and use of proceeds of the Company, which shall be submitted to the relevant stock exchange when the Company discloses its annual report, meanwhile such report shall be disclosed on the website of the relevant stock exchange.

**Article 31** The sponsor(s) shall conduct at least one on-site survey for the deposit and use of proceeds of the Company semi-annually.

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After the end of every financial year, the sponsor(s) shall issue a special verification report on the deposit and use of proceeds of the Company in the year, which shall be submitted to the relevant stock exchange when the Company discloses its annual report. Such report shall contain the followings:

- (I) Information relating to the deposit, use of proceeds and the balance of the Proceeds Account;
- (II) Progress of investment projects, including the difference from the planned investment progress of proceeds;
- (III) Information of the Company's own fund of the investment project that replaces the previously invested fund with the proceeds (if applicable);
- (IV) The use of idle proceeds to replenish working capital and its effect (if applicable);
- (V) Any use of Additional Proceeds (if applicable);
- (VI) Any change to use of proceeds (if applicable);
- (VII) Conclusive opinion relating to whether the deposit and use of proceeds by the Company is compliant with laws and regulations;
- (VIII) Other requirements of the relevant stock exchange.

After each financial year end, the Board of a listed company shall disclose in the Special Report of Proceeds the conclusive opinion in the special examination report issued by the sponsor(s) and the attestation report issued by the accountant.

**Article 32** Certified public accountants may be engaged by the Audit Committee of the Board of Directors, the Supervisory Committee or over half of the independent directors to issue an attestation report on the deposit and the use of proceeds. The Company shall use its best endeavours to cooperate and assume any necessary fees.

The Board of Directors shall report to the relevant stock exchange and release an announcement within two trading days upon the receipt of the attestation report mentioned in the preceding paragraph. If the attestation report identifies any non-compliance in administration and use of proceeds of the Company, the Board of Directors shall also announce the incompliance, the consequences of such incompliance that have occurred or may occur and actions that have taken or to be taken.

### Chapter VI Supplementary Provisions

**Article 33** The Rules are approved by the general meeting and shall be construed and interpreted by the Board of Directors of the Company.

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## APPENDIX VII ADMINISTRATIVE RULES OF USE OF PROCEEDS

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**Article 34** Matters not covered by the Rules shall be executed in accordance with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association of the Company and the Listing rules. In the event that the Rules are inconsistent with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association of the Company modified through legal procedures or the Listing Rules, they shall be executed in accordance with the foresaid rules. The Rules shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 35** The terms “or more” herein shall include the given figure, while “less than” shall not include the given figure.

**Article 36** The Rules shall come into effect and implement upon the initial public offering of A-shares of the Company and being listed on the Shanghai Stock Exchange.

*Note: If there is any inconsistency between the English and Chinese versions of these regulations, the Chinese version shall prevail.*

### **Chapter I General Provisions**

**Article 1** In order to regulate financing and external guarantee of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), effectively control the financing risks and the external guarantee risks of the Company, and protect the financial security of the Company and the legal interests of investors, the Regulations is formulated in accordance with the laws, regulations and normative documents including the Company Law, the Securities Law, the Guarantee Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter collectively referred to as the “Listing Rules”), as well as the relevant requirements under the Articles of Association of the Company. The Regulations shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

**Article 2** Financing specified herein shall refer to the direct financing activities conducted by the Company against the financial institutions mainly including banks, mainly comprising comprehensive credit facilities, working capital loans, technical renovation and fixed assets loans, letter of credit financing, bill financing and issuance of a letter of guarantee, etc.

The direct financing activities of the Company shall not apply to the Regulations.

**Article 3** External guarantee specified herein shall refer to the guarantee, mortgage, pledge or other forms of guarantee provided by the Company to others in the capacity of a third party.

The guarantee provided by the Company for its own debts shall not apply to the Regulations.

**Article 4** The financing and external guarantee of the Company shall observe the principles of caution, equality, mutual benefit, free will and integrity. The controlling shareholders and other related parties shall not force the Company to provide guarantee for others.

**Article 5** The independent directors of the Company shall express independent opinions on the consideration of external guarantees by the Board of Directors. Where necessary, the Company may appoint an accounting firm to review the Company’s accumulated and current external guarantees. Any irregularities found shall be reported to the Board of Directors and the regulatory authority and an announcement shall be made in a timely manner. The independent directors of the Company shall make specific statements on

the accumulated and current external guarantees provided by the Company and the implementation of the said requirements, and furnish independent opinions of the same in the annual report.

### **Chapter II Approval of the Company's Financing**

**Article 6** As the management department for the financing, the finance department of the Company shall accept the financing applications from each department unifiedly, and upon carrying out initial audit on such matter, report it to the competent authority of the Company for approval according to the limits of authority specified in the Article 7 to 9 herein.

**Article 7** Where the gearing ratio as shown in the latest audited financial statement of the Company does not exceed 70%, the accumulated financing amount of the Company in an accounting year does not exceed 10% (including 10%) of the latest audited net assets of the Company, which shall be considered and approved by the office meeting of general manager of the Company.

**Article 8** Where the gearing ratio as shown in the latest audited financial statement of the Company does not exceed 70%, the single working capital financing amount or accumulated financing amount of the Company in an accounting year shall exceed 10% but not exceed 30% (including 30%) of the latest audited net assets of the Company, which shall be submitted to the Board of Directors of the Company for approval.

Where the gearing ratio as shown in the latest audited financial statement of the Company exceeds 70%, the financing of the Company shall be submitted to the general meeting for consideration and approval.

**Article 9** Where the single financing amount or accumulated financing amount of the Company in an accounting year shall exceed 30% of the latest audited net assets of the Company, or the Company shall carry out financing upon achieving the said standard, such financing shall be submitted to the general meeting for approval upon the consideration of the Board of Directors of the Company.

**Article 10** When applying for financing, the Company shall submit the Financing Application report, which must be complete and at least include the followings:

- (I) name of a financial institution which proposes to provide financing;
- (II) amount and term of proposed financing;
- (III) usage of proceeds from financing;
- (IV) source and plan of repayment;
- (V) a guarantee institution which provides guarantee for financing;

(VI) explanation on gearing position of the Company;

(VII) other related contents.

The Company shall submit a detailed feasibility research report in relation to application for technical renovation or fixed assets loans.

**Article 11** When considering the Financing Application Report submitted by the Company according to the said limits of authority, the competent authority of the Company shall earnestly audit the operation plan and the usage of financing involved in the financing. For the projects subject to the approval of the government or relevant competent authorities, the Company shall examine the relevant approval document. Where the Board of Directors or the general meeting considers necessary, the Company may engage the external financial or legal professional institutions to provide professional opinions on such financing as the basis for decision making by the Board of Directors and general meeting.

When applying for the financing, the branches or holding subsidiaries of the Company shall also submit the Financing Application Report and conduct the financing upon the approval according to the said limits of authority in Article 7 to 9.

When approving the financing application, the competent authority of the Company shall simultaneously take into full consideration of the gearing position of the party that applies for the financing (the Company, its branches or holding subsidiaries) and shall prudently approve the new financing application submitted by the party that applies for the financing with high gearing ratio.

### **Chapter III Conditions for Provision of External Guarantee by the Company**

**Article 12** When providing external guarantee, the Company shall carry out the audit on the credit status of the guaranteed party, which shall satisfy the following requirements:

- (I) possessing the qualification of a legal person;
- (II) possessing relatively strong solvency;
- (III) satisfying the relevant requirements of the Articles of Association of the Company.

**Article 13** The Company may provide guarantee to an entity which is an independent legal person and meets one of the following criteria:

- (I) it is a mutual guarantee entity due to the business needs of the Company;
- (II) it is an entity that has an important business relationship with the Company;
- (III) it is an entity that has a potential important business relationship with the Company;

(IV) it is the Company's holding subsidiary or other entities being controlled with the Company.

The aforementioned entities shall have relatively strong solvency and shall meet the relevant requirements herein.

**Article 14** Notwithstanding the criteria set out in Article 13 herein, the Company may provide guarantee to any party which do not meet such criteria upon approval by more than two thirds of the Company present at the Board meeting or the general meeting, provided that the development of business relationship and partnership with such parties applying for guarantee is deemed desirable by the Company and the level of risks involved is relatively low.

**Article 15** Before making decision to provide guarantee to others or submitting such proposal to the general meeting for voting, the Board of Directors of the Company shall procure a thorough understanding of the debtor's credit status and make a thorough analysis of the benefits and risks associated with the provision of such guarantee.

**Article 16** When providing external guarantee, the Company shall require relevant party to provide the counter-guarantee and the party that provides the counter-guarantee shall have the actual bearing capability. The counter-guarantee provided by the guarantee applicant or other effective risk-control measures shall match with the guaranteed amount. No guarantee shall be provided to the guarantee applicant if the property against which the counter-guarantee is to be provided is prohibited by relevant laws and regulations from free transfer or otherwise non-transferrable.

#### **Chapter IV Approval of Provision of External Guarantee by the Company**

**Article 17** Unless otherwise agreed in the Articles of Association of the Company, the Company shall not provide the external guarantee without the approval of the Board of Directors or the general meeting of the Company.

**Article 18** As the management department for the external guarantee, the finance department of the Company shall accept the external guarantee applications of the Company unifiedly, and upon carrying out initial audit on such matter, report it to the competent authority of the Company for approval according to the limits of authority specified in the Article 22 herein.

Where the Company provides external guarantee, the financial department of the Company shall submit an application to the competent authority.

**Article 19** When each department or branch of the Company submits the external guarantee application to its financial department and the financial department of the Company submits such application to the Board of Directors, the information relating to such guarantee shall be submitted together as application appendix, including but not limited to:

- (I) basic information of the guaranteed party, including but not limited to the business license, tax registration certificate, the Articles of Association of the Company;
- (II) the audited financial statement, the audit report and operation analysis report of the guaranteed party for the recent year and period;
- (III) copies of principle debt contract to signed between the principal debtor and creditor;
- (IV) information relating to principle debt involved in this guarantee (expected economic effect analysis report, etc.);
- (V) copies of guarantee contract to be signed;
- (VI) counter-guarantee contract to be signed and statement on basic information of immovable assets, movable assets or rights to be taken as collateral of counter-guarantee, and copies the relevant rights certificates;
- (VII) a statement declaring that it is not involved in any threatened or ongoing material litigation, arbitration or administrative penalty;
- (VIII) other related information

Where the Board of Directors or the general meeting considers necessary, the Company may engage the external financial or legal professional institutions to provide professional opinions on such external guarantee as the basis for decision making by the Board of Directors and general meeting.

**Article 20** The following external guarantees to be provided by the Company shall be submitted to the general meeting for consideration and approval upon the approval of the Board of Directors.

- (I) any provision of a single guarantee in the amount exceeding 10% of the latest audited net assets;
- (II) any provision of guarantee when the total amount of external guarantees provided by the Company and its controlling subsidiaries have reached 50% or above of the latest audited net assets;



- (III) any provision of guarantee to any guaranteed party with gearing ratio exceeding 70%;
- (IV) any guarantee which will exceed 30% of the latest audited total assets of the Company on an accumulative basis for any consecutive 12 months;
- (V) any guarantee which will exceed 50% of the latest audited net assets of the Company on an accumulative basis for any consecutive 12 months and in an absolute amount of more than RMB50,000,000;
- (VI) any provision of guarantee to shareholders, the de facto controller or their respective related parties;
- (VII) such other guarantees as defined by the stock exchange on which the Company's shares are listed.

When external guarantees is subject to consideration of the Board of directors, such guarantee shall be approved by more than two-thirds of directors attending the Board meeting and more than two thirds of all independent directors apart from approval of more than one half of all directors. The guarantee referred to in Item (4) of the preceding paragraph shall be subject to approval by more than two-thirds of the voting rights held by the shareholders attending the general meeting.

**Article 21** When the Board of Directors or general meeting of the Company votes on the external guarantee, the directors or shareholders who have related relationship with such guarantee shall not vote.

When the directors with voting rights are lower than two thirds of all members of the Board of Directors as related directors abstain from voting, all directors (including related directors) shall make a resolution on such procedure problems like submitting such external guarantee to the general meeting of the Company for consideration according to the Articles of Association of the Company and the general meeting shall make relevant resolution on such external guarantee.

Where a resolution on guarantee provided for its shareholders, de facto controllers and their related parties is considered at the general meeting, such shareholders or shareholders under the control of such de facto controllers shall abstain from voting in respect of such resolution. The resolution concerned shall be subject to the approval by more than half of the voting rights held by other remaining shareholders present at the general meeting. Among which, where a resolution on guarantee provided for its shareholders, de facto controllers and their related parties involved in the guarantee in Item (II) of Paragraph I under Article 20 is considered at the general meeting, such resolution shall be subject to the approval by more than two thirds of the voting rights held by other remaining shareholders present at the general meeting.

**Article 22** When voting on two or more of external guarantees at the same meeting, the Board of Directors or general meeting of the Company shall vote on each guarantee one by one.

**Chapter IV Implementation and Risk Management of the Company's Financing and External guarantee**

**Article 23** Upon approval of the financing or external guarantee of each department of the Company and its holding subsidiary by the competent authority of the Company, the chairperson of the Board of Directors of the Company or his/her his authorised representative shall sign the financing or guarantee contract on behalf of the Company.

Upon approval of the financing or external guarantee of the holding subsidiary of the Company by the competent authority of the Company, the chairperson of the Board of Directors of the holding subsidiary or his/her authorised representative shall sign the financing or guarantee contract on behalf of such company.

**Article 24** The guarantee contracts shall at least include the followings:

- (I) creditors, debtors;
- (II) the category and amount of the principal debt to be guaranteed;
- (III) the term for the debtor to settle debts;
- (IV) the form of guarantee;
- (V) the scope of guarantee;
- (VI) the term of guarantee;
- (VII) such other matters deemed as necessary to be agreed upon by both parties.

**Article 25** Upon entering into a guarantee contract, the person in charge shall comprehensively and diligently review the parties to the principal contract, the guarantee contract and the counter-guarantee contract and relevant particulars thereof. The person in charge shall request the relevant party to revise any clause which contravenes the laws, regulations, the Articles of Association of the Company and relevant resolutions of the Board of Directors or the general meeting of the Company or which imposes unreasonable obligations on the Company or any term involving unpredictable risks. Should such party refuse revision of the same, the person in charge shall decline to provide guarantee for such party and report to the Board of Directors or the general meeting of the Company.

**Article 26** Upon acceptance of a counter-guarantee mortgage or a counter-guarantee pledge, the financial department of the Company shall enhance the relevant legal procedures jointly with its legal department, especially the timely registration of such mortgage or pledge and other procedures.

**Article 27** The financing contract or guarantee contract signed by the Company shall be submitted to the financial department of the Company or the office of the Board Secretary of the Company within 7 days after the signature.

**Article 28** Where the financing and external guarantee has been approved according to the limits of authority stipulated under Chapter II and Chapter IV herein, the relevant financing contract or guarantee contract has not been signed within 30 days after obtaining the approval, and the financing or guarantee procedures are undertaken again after exceeding such time limit, such financing and external guarantee shall be deemed as new financing or guarantee, which shall undergo the review and approval procedures again according to the rules herein.

**Article 29** If a debt guaranteed by the Company is required to be extended upon maturity and the Company is required to continue to provide guarantee, such guarantee shall be deemed as a new external guarantee and undergo relevant examination and approval procedures of guarantees application according to the procedures stipulated herein.

In case of any change in contract relating to principle debt guaranteed by the Company, the Board of Directors of the Company shall resolve whether to continuously bear the guarantee liability or not.

**Article 30** When using the proceeds from the financing, the Company shall use it according to the usage of proceeds stipulated in the financing contract. Where the change of the usage is required, the department shall submit an application for use of the proceeds and undergo relevant approval procedures according to the limits of authority specified in Article 7 to 9 herein.

**Article 31** Where the loan is expected to be not repaid upon maturity, the financial department of the Company shall inquire the reason of overdue repayment in a timely manner and formulate the emergency plan with the relevant department mutually.

Where the term of the financing is required to be extended upon maturity, the financial department of the Company shall report to the Board of Directors in a timely manner and state the reason and the term of repayment.

**Article 32** The Company shall designate the financial department to calculate the interests and rent expenses in strict compliance with the principle amount, interest rate, term and currency stipulated in the financing contract or agreement and cross-check them with the creditors upon the audit and confirmation of relevant personnel. The principle amount and interests payable shall be reconciliated regularly with the creditors. In case of any inconsistency, the Company shall pinpoint the cause and deal with it in a timely manner according to the limits of authority.

**Article 33** When paying the proceed interests, dividends, rent expenses and so on, the Company shall follow the review and approval procedures and the payment shall be made upon the approval of the authorized officers.

**Article 34** Where the Company repays the principle amount and interests using non-monetary assets, their value shall be reasonably determined by the relevant institutions or personnel and be reported to the authorized approval authority for approval. The Company shall entrust the institution possessing relevant qualifications to make an assessment when necessary.

**Article 35** Upon the identification of any inconsistency between the approved and proposed various payment methods, amounts or currencies and the relevant contracts or agreements during the course of handling the financing business amount repayment, the financial department of the Company shall reject to make payment and report the same to the relevant department. The relevant department shall pinpoint the cause and deal with it.

**Article 36** The financial department of the Company shall enhance the management on external guarantee debt risks and urge the guaranteed party to make timely repayment. The financial department of the Company shall urge its branches and holding subsidiaries to establish relevant risk management systems.

The major duties of the Company's financial department are as follows:

- (I) to investigate into and evaluate the creditworthiness of the guaranteed entity;
- (II) to complete the formalities for the guarantee procedures;
- (III) to duly keep track of, inspect and monitor the guaranteed entity after external guarantee becomes effective;
- (IV) to manage the filing of the documentation relevant to the guaranteed enterprise in a serious manner;
- (V) to provide the Company's auditor with a complete and accurate record of all the Company's external guarantees in a timely manner in accordance with the requirements;
- (VI) to handle such other matters related to guarantee.

**Article 37** The legal department of the Company shall provide assistance during the process of external guarantee, whose major duties are as follows:

- (I) to assist the financial department in investigating and evaluating the creditworthiness of the guaranteed entity;
- (II) to be responsible for the examination of all documentation relevant to the guarantee;
- (III) to be responsible for the legal disputes relevant to the external guarantee;

(IV) to assist the business department in handling matters related to the relevant obligations after the provision of guarantee by the Company;

(V) to handle such other matters relevant to the guarantee.

**Article 38** The Company shall keep proper record of the guarantee contracts and relevant original materials, conduct reviews in a timely manner, cross-check with relevant institutions such as banks to ensure the completeness, accuracy and validity of the filed data, and take heed of the term of the guarantee. During the course of contract management, the Company shall report to the Board of Directors and the Supervisory Committee in a timely manner upon the identification of any improper contracts that have not been approved in accordance with the examination procedures of the Board of Directors or the general meeting.

**Article 39** The Company shall appoint officers responsible for the continuous monitoring the condition of the guaranteed party, gathering of the latest financial information and audit report of the guaranteed party to analyze its financial position and solvency on a regular basis, and monitoring matters such as its business operation, assets and liabilities, external guarantee, division and merger and changes of legal representatives.

The relevant officers in charge shall report to the Board of Directors in a timely manner upon the identification of any significant issues such as serious deterioration in the business operation, or dissolution or division of the guaranteed party. The Board of Directors is obliged to adopt effective measures to minimize the losses.

**Article 40** In relation to the guarantee provided by the Company which the guaranteed party fails to repay debt upon maturity, or becomes bankrupt or goes into liquidation or creditors claim against the Company for the performance of the guarantee obligations, the competent departments of the Company shall inquire the conditions of debt repayment of the guaranteed party in a timely manner, be prepared to activate the counter-guarantee claim procedures and simultaneously report such matter to the office of the Board Secretary.

**Article 41** In the event that the guaranteed party fails to perform its contractual obligations and its creditor requests the Company to assume the guarantee obligation, the competent departments of the Company shall activate the counter-guarantee claim procedures instantly and simultaneously report such matter to the office of the Board Secretary.

**Article 42** After fulfilling its guarantee obligation for the debtor, the Company shall adopt effective measures to demand compensation from the debtor. The competent departments of the Company shall report the claim issue to the office of the Board Secretary.

**Article 43** Should there be evidences indicating that the guaranteed party has become or is likely to become insolvent, the Company shall adopt necessary measures in a timely manner for effective risk control. Should malicious collusion between the creditor and the debtor that impairs the Company's interests be identified, the Company shall adopt

prompt measures such as requesting confirmation of the nullification of the guarantee contract. The Company shall claim against the guaranteed party in a timely manner for any financial losses due to the default of the guaranteed party.

**Article 44** In response to other potential risks, the financial department and the legal department of the Company shall adopt effective measures and propose corresponding measures for the review by line managers, who shall then submit the same to the office of the general manager, the Board of Directors or the Supervisory Committee of the Company, as the case may be.

**Article 45** If the Company acts as one of the guarantors of a debt that has been guaranteed by two guarantors or above according to their respective share of obligation, it shall refuse to undertake any guarantee obligation beyond such agreed proportion.

**Article 46** After the acceptance of the debtor's bankruptcy application by the People's Court and before any creditor has submitted its claims, the officers in charge, the financial department and the legal department of the Company shall propose the Company to participate in the property allocation for bankruptcy and exercise its rights to claim in advance.

#### **Chapter VI Responsibility of Relevant Personnel**

**Article 47** All directors of the Company shall examine the financing and external guarantee of the Company in strict compliance with rules under the Regulations and relevant laws, regulations and regulatory documents, and shall bear joint and several liabilities for losses arising from illegal or inappropriate financing and external guarantee according to law.

**Article 48** In accordance with the Regulations, the management members and other relevant senior management of the Company with the approval authority shall be liable for the actual loss arising from their failure to approve or sign a financing contract, external guarantee contract beyond their authority and without authorization or failure to perform their duties in accordance with the limits of authority and procedures stipulated in the measures.

If the said personnel violates this Rule, but doesn't result in any actual loss to the Company, the Company shall enforce penalty against the relevant responsible personnel according to the rules of the Company.

#### **Chapter VII Information Disclosure**

**Article 49** The disclosure of external guarantee by the Company shall be earnestly implemented in strict compliance with the rules under the state's relevant laws, regulations, regulatory documents, the Listing Rules, the Articles of Association of the Company and the Regulations For Information Disclosure of the Company, which shall include, as at the date of disclosure, the total amount of external guarantee by the Company and its holding subsidiaries, the total amount of guarantee provided by the Company to its holding

subsidiaries, and the percentage of the said amount to the latest audited net assets of the Company respectively. Among which, any provision of guarantee by the Company to its related person, regardless of its value, shall be disclosed on a timely basis after being considered and passed by the Board of Directors, subject to consideration by general meeting. Any provision of guarantee by the Company to a shareholder holding less than 5% shares of the Company shall be disclosed in a timely manner after being considered and approved by the Board of Directors, subject to consideration by general meeting. Relevant shareholders shall abstain from voting at the general meeting.

**Article 50** Any department or personnel in charge of the Company's external guarantee shall be obliged to timely report the status of the external guarantee to the Board Secretary/Company Secretary, and to provide all necessary documents for information disclosure.

**Article 51** If the guaranteed party fails to repay debts within 15 trading days following maturity or becomes bankrupt or goes into liquidation or faces other situations that substantially affect its solvency, the Company shall make relevant disclosure in a timely manner.

**Article 52** When the debt of the guaranteed party is required to be extended upon maturity and be continuously guaranteed by the Company or its holding subsidiaries, such guarantee shall be deemed as new external guarantee provided by the Company or its holding subsidiaries to the guaranteed enterprise, which shall undergo the external guarantee review and approval procedures again and perform the information disclosure obligations according to the rules herein.

**Article 53** The Company shall take necessary measures to keep the number of people to whom such information is available to the minimum before the disclosure of information on guarantee in accordance with laws. Any person who is aware of the Company's guarantee information by legal or illegal means shall be subject to inherent obligations for confidentiality until the day when such information is disclosed in accordance with laws, failing which they shall assume any legal liability arising therefrom.

#### **Chapter VIII Supplementary Provisions**

**Article 54** The Regulations shall come into effect and be implemented upon the initial public offering of A-shares of the Company and being listed on the SSE.

**Article 55** The terms "or more", "within", "before" or "reach" herein shall include the given figure, while "exceed" shall not include the given figure.

**Article 56** Matters not covered by the Regulations shall be executed in accordance with the rules under the state's relevant laws, regulations, regulatory documents, the Listing Rules and the Articles of Association of the Company. In the event that the Regulations is inconsistent with the rules under the relevant laws, regulations, regulatory documents, the Listing Rules and the Articles of Association of the Company, the relevant laws, regulations,

regulatory documents, the Listing Rules and the Articles of Association of the Company shall prevail. The Regulations shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 57** The Regulations is approved by the general meeting and shall be construed and interpreted by the Board of Directors of the Company.



*Note: If there is any inconsistency between the English and Chinese versions of these administrative rules, the Chinese version shall prevail.*

### **Chapter I General Provisions**

**Article 1** In order to regulate the operation of Shanghai Fudan-Zhangjiang Bio-pharmaceutical Co., Ltd. (the “Company”), specify the approval authority and procedures of decision-making on significant events and improve the working efficiency, the Rules are formulated in accordance with the requirements under the Company Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limit (“Listing Rules”), the Articles of Association and relevant regulations. The Rules shall conform to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at the same time; in case of any discrepancy between the two listing rules, the stricter provisions shall prevail.

### **Chapter II Approval Authority of Major Decision on Investment and Operation**

**Article 2** Transactions (except provision of guarantees) of the Company meeting one of the following standards shall be proposed at the Board of Directors for approval.

- (I) Total assets (book value or assessed value, whichever is higher) involved in the transactions exceed 10% of the latest audited total assets of the Company;
- (II) The consideration (including liabilities and expenses) exceed 10% of the latest audited net assets of the Company and the absolute amount exceeds RMB10 million;
- (III) Profit of the transaction exceeds 10% of the audited net profit of the Company of the most recent accounting year, and the absolute amount exceeds RMB1 million;
- (IV) The operating revenue of the most recent accounting year generated by the target (such as equity) of the transaction exceeds 10% of the audited operating revenue of the Company of the most recent accounting year, and the absolute amount exceeds RMB10 million;
- (V) The net profit of the most recent accounting year generated by the target (such as equity) of the transaction exceeds 10% of the audited net profit of the Company of the most recent accounting year, and the absolute amount exceeds RMB1 million.

Should any of the aforesaid figures is negative, its absolute value shall be adopted for the purpose of calculation.

Transactions of the Company failing to meet the above standards shall be determined by the general manager meeting.

**Article 3** Transactions of the Company meeting one of the following standards shall be proposed at the general meeting for approval after being approved by the Board of Directors:

- (I) Total assets (book value or assessed value, whichever is higher) involved in the transactions exceed 50% of the latest audited total assets of the Company;
- (II) The consideration (including liabilities and expenses) exceed 50% of the latest audited net assets of the Company and the absolute amount exceeds RMB50 million;
- (III) Profit of the transaction exceeds 50% of the audited net profit of the Company of the most recent accounting year, and the absolute amount exceeds RMB5 million;
- (IV) The operating revenue of the most recent accounting year generated by the target (such as equity) of the transaction exceeds 50% of the audited operating revenue of the Company of the most recent accounting year, and the absolute amount exceeds RMB50 million;
- (V) The net profit of the most recent accounting year generated by the target (such as equity) of the transaction exceeds 50% of the audited net profit of the Company of the most recent accounting year, and the absolute amount exceeds RMB5 million.

Should any of the aforesaid figures is negative, its absolute value shall be adopted for the purpose of calculation.

The “transactions” referred to in the aforesaid Article II and Article II shall include:

- (I) acquisition or disposal of assets;
- (II) external investments (including entrusted financial management and entrusted loans);
- (III) provision of financial assistance;
- (IV) provision of guarantees;
- (V) rent or lease of assets;
- (VI) entrusting or being entrusted with assets and business management;
- (VII) donating assets or receiving donated assets;

- (VIII) creditor's rights or debt restructuring;
- (IX) entering into license agreements;
- (X) transfer or acceptance of research and development projects;
- (XI) other transactions recognized by the stock exchanges where the Company's shares are listed.

The above assets acquisition and disposal do not include acquisition of raw materials, fuel and power and disposal of assets and commodities related to ordinary operation, but the acquisition and disposal involved in the assets transfer are still included.

**Article 4** The external guarantee events of the Company shall be conducted according to relevant laws, regulations, rules and the Regulation of Financing and External Guarantee.

**Article 5** The assets purchase or sale refer to the purchase or sale of fixed assets, projects under construction, investment equities or other assets by the Company. Whatever the sources of capitals for assets purchase and the inclusion of revenues from assets sale, they shall be covered herein.

**Article 6** Where the amount involved in the purchase or sale of assets exceeds 30% of the latest audited total assets of the Company, it shall be deliberated at the general meeting and shall be passed with over two thirds of the voting rights held by shareholders present at the meeting.

### **Chapter III External Investments**

**Article 7** External investments mentioned herein refer to activities of the Company intending to obtain future earnings by making external investments of various types with certain amount of monetary assets, equities, and appraised houses, machinery, equipment and materials, and intangible assets such as patents, technical know-hows, trademarks and land use right as well as other intangible assets.

**Article 8** External investments of the Company can be categorized into short-term investments and long-term investments based on investment periods.

**Article 9** Short-term investments refer to investments which can be readily realized and will be held for up to and including one year, such as stocks, bonds, funds and participating insurances.

**Article 10** Long-term investments refer to various types of investments made by the Company which will be held for more than one year and cannot be readily realized or are not intended to be realized, such as debt investments, equity investments and other investments, which include but are not limited to the following types of investments:

- (I) Enterprises independently established by the Company or business projects independently funded by the Company;
- (II) Joint ventures, cooperative companies or development projects jointly funded and established by the Company and other domestic or overseas independent legal entities or natural persons;
- (III) Capital contribution into domestic or overseas independent legal persons;
- (IV) Operating assets which are leased out, under entrusted operation or jointly operated with other parties.

**Article 11** The general manager prepares the annual investment plan every year and submit the Board of Directors and the general meeting for review and approval. The annual external investment plan of the controlled subsidiaries of the Company shall be submitted to the Board of Directors of the Company for filing.

For significant external investment projects, it shall prepare a feasibility report on external investment projects. Relevant departments or staff shall conduct analysis and argumentation on investment projects. During the review of investment projects, it shall consider the following contents:

- (I) Whether proposed investment projects meet relevant laws and regulation and relevant regulatory policies of the state, meet the development orientation of the main businesses of the enterprise and benefit the long-term development of the enterprise;
- (II) Whether the proposed investment plans are feasible, major risks are controllable and corresponding preventive measures have been adopted;
- (III) Whether the enterprise has the corresponding capital and projects regulation capacity;
- (IV) Whether the expected operation targets and revenue targets of the proposed investment projects can be achieved and whether the investment benefits of the enterprise can be ensured and the invested capitals can be recovered.

**Article 12** It shall conduct due investigation or field inspection on the credit of invested enterprises and pay attention to the ability and credit of the management or actual controllers of the invested enterprises. If the external investment projects have other investors, it shall understand or inspect the credit of other investors based on different conditions.

**Article 13** The internal approval criteria and procedures on external investments of the Company shall be the same as Articles 2, 3 and 6 herein.

**Article 14** The financial department of the Company shall carefully review the approval documents, minutes, assets recovery list and other relevant materials on external investments and timely conduct accounting treatment on the execution, holding and disposal of external investments according to relevant requirements to ensure the truth and legitimacy of the disposal of assets.

**Article 15** The financial department of the Company shall follow and manage the revenue of investment projects, master the financial and operation conditions and cash flow of invested enterprises and regularly conduct analysis in the quality of external investments. Where it finds abnormal situations, it shall report the relevant departments and staff in a timely manner.

**Article 16** The Company can send directors, supervisors, financial directors or other management to the invested enterprise based on the management and relevant regulations.

#### **Chapter IV Management and Implementation of External Investments**

##### **Section I Organization Authorities of External Investments**

**Article 17** The general meeting, the Board of Directors and the general manager meeting of the Company are the decision-making authorities for external investments of the Company. They shall make decisions on external investments of the Company. Any other departments and individuals shall have no right to make decisions on external investments.

**Article 18** The general manager is the main responsible person for external investments of the Company. The financial department is responsible for collecting, sorting and preliminary evaluation on the information about short-term investments, making investment proposals as well as planning and coordinating subsequent management. The investment management department or staff is responsible collecting, sorting and preliminary evaluation on the information about new investment projects, establishing projects database, making investment proposals as well as planning, coordinating and arranging relevant departments to conduct analysis and study on external investments and subsequent management.

**Article 19** The financial department of the Company is responsible for financial management on external investments and coordinating relevant parties in handling capital contribution procedures, industrial and commercial registration, taxation registration, accounts opening and other work as well as the evaluation on the investment benefits of external investment projects.

**Article 20** The legal department of the Company is responsible for reviewing agreements and contracts on of external investment projects and relevant important letters and articles.

**Section II Management of Decision-making on Short-term Investments**

**Article 21** The decision-making processes for short-term investments of the Company:

- (I) The financial department is responsible for selecting investment opportunities and investees from investment proposals and preparing short-term investment proposals based on the profitability of investees;
- (II) The financial department is responsible for providing the Company with capital flow conditions of the Company;
- (III) Short-term investment proposals will be implemented after going through approval procedures according to the approval authority.

**Article 22** The financial department is responsible for the registration of short-term investments based on the category, quantity, unit price, accrued interest and purchase date and conducting relevant accounting treatment.

**Article 23** External investment in securities shall be jointly operated by at least more than two persons of the financial department who are independent from but subject to mutual checks and balances with persons in charge of funds and financial management. None of the said operators shall alone have contact with investment assets, and any deposit or withdrawal of relevant investment assets shall be signed by two persons of mutual checks and balances.

**Article 24** Short-term marketable securities purchased by the Company shall be recorded under the name of the Company on the date of purchase.

**Article 25** The financial department of the Company is responsible for regularly checking the use and balance of the securities investment capitals. The interests and dividends received shall be recorded in a timely manner.

**Section III Management of Decision-making on Long-term Investments**

**Article 26** The investment management department or staff of the Company shall duly conduct preliminary appraisal on the investment project, make investment proposals and submit to the general manager meeting for preliminary review.

**Article 27** The investment management department or staff will be responsible for coordinating relevant departments and staff in conducting inspection and argumentation on proposed investment projects based on investment proposals after they passed the preliminary review. For significant investment projects, it can appoint professional or intermediaries to conduct feasibility analysis and argumentation and prepare the feasibility study report and relevant letter of intent. It will submit them to the general manager meeting and the Board of Directors for discussion based on the decision-making authorities under regulations.

**Article 28** The general manager meeting and the Board of Directors will perform the approval procedures based in relevant authority. Where it exceeds the authority of the Board of Directors, it will submit to the general meeting.

**Article 29** For external investment projects approved for implementation, the decision-making authorities shall authorize relevant departments of the Company to carry out.

**Article 30** The operation management of the Company is responsible for supervising the operation of projects as well as their operation and management.

**Article 31** For long-term investment projects, it shall sign investment contracts or agreements with the investee. Long-term investment contracts or agreements shall be reviewed by the legal department of the Company and shall be officially signed after being approved by the authorized decision-making authorities.

**Article 32** The financial department of the Company is responsible for coordinating with the authorized department and staff in investing the cash, assets in kind or intangible assets according to the requirements of long-term contracts or agreements.

**Article 33** The investment management department or staff will prepare the corresponding investment implementation plan and conduct guidance, supervision and control on the implementation of projects based on the investment projects determined. They will also participate in the auditing, termination (suspension) clearing and handover as well as conduct investment appraisal and summary.

**Article 34** The internal audit and control department of the company is responsible for the supervision, inspection and evaluation on the implementation and operation of all investment projects during the whole process. Where there are problems and advices, it shall report to the leaders of the Company in a timely manner. It can reasonably adjust the investment budget based on the changes of the implementation during the implementation of the construction provided that the adjustment of the investment budget shall be approved by the original investment approval authorities.

**Article 35** The Supervisory Committee, the Audit Committee of the Company shall supervise investment projects based on their responsibilities and make correction proposals on irregular activities in a timely manner. For significant problems, they shall make special reports and submit them the investment approval authorities for discussion and treatment.

**Article 36** The Company shall establish and improve the mechanism on the management of investment projects documents. The project proposals, feasibility argument reports, approval documents, investment contracts or agreements, capital contribution certificates and information about the operation of investment projects shall be properly maintained by the investment management department or staff, which is also responsible sorting and filing the documents.

**Section IV Reporting and Information Disclosure on Significant Events**

**Article 37** The Company shall perform the information disclosure obligations for its external investment strictly in accordance with the requirements of the Company Law and other relevant laws, regulations and the Articles of Association.

**Article 38** The subsidiaries shall abide by the information disclosure management system of the Company. The Company shall be entitled to know all information about the subsidiaries.

**Article 39** The information provided by the subsidiaries shall be true, accurate and complete and shall be delivered to the investment management department or staff of the Company or the Secretary of the Board/Company Secretary immediately in order to coordinate with relevant departments in handling and conducting public disclosure.

**Article 40** The subsidiaries shall report in a timely manner the following significant events to the investment management department or staff of the Company or the Secretary of the Board/Company Secretary:

- (I) Acquisition and disposal of assets;
- (II) external investments;
- (III) Material litigation or arbitration;
- (IV) The conclusion, amendment and termination of material contracts (borrowings, entrusted operation, commissioned operation, entrusted wealth management, donations, contracting and leasing);
- (V) Large amount cheques rejected by banks;
- (VI) Material operating or non-operating loss;
- (VII) Suffering material losses;
- (VIII) Being imposed of material administrative punishment;
- (IX) Other noticeable events required by the stock exchanges on which the Company's shares are listed

**Chapter V Supplementary Provisions**

**Article 41** For the decision-making authority and procedures and other matters related to connected transactions between the Company and its controlled subsidiaries and the shareholders, holding subsidiaries, directors, supervisors, managers and other senior management as well as other connected parties, the Board of Directors will prepare regulations on the decision-making system on connected transactions.



**Article 42** The amount involved in the above significant events shall refer to the amount involved in external transactions after the consolidation of financial statements. For the significant events between the Company and its wholly-owned subsidiaries, it shall be waived from the implementation of the above decision-making procedures unless otherwise provided.

**Article 43** Matters not covered by the Rules shall be executed in accordance with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association and listing rules. In the event that the Rules are inconsistent with the rules under relevant laws, administrative regulations, regulatory documents, the Articles of Association modified through legal procedures or listing rules, they shall be executed in accordance with the foresaid rules. The Rules shall be amended as soon as practicable, and be submitted to the general meeting for consideration and approval.

**Article 44** The terms “or more”, “within”, “before” or “up to” herein shall include the given figure, while “over” shall not include the given figure.

**Article 45** The term “latest audited” herein shall refer to “the latest audit in no more than 12 months”.

**Article 46** The Rules shall come into effect and implement upon the initial public offering of A-share stocks of the Company and being listed on the SSE.

**Article 47** The Rules are approved by the general meeting and shall be construed and interpreted by the Board of Directors.

## 1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 2015, 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 and its associated corporations 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 the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules.

Name	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	57,886,430 (L)	Beneficial owner	Personal	9.93%	6.27%
Su Yong	Domestic Shares	22,312,860 (L)	Beneficial owner	Personal	3.83%	2.42%
Zhao Da Jun	Domestic Shares	19,260,710 (L)	Beneficial owner	Personal	3.30%	2.09%

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

As at the Latest Practicable Date, Wang Luo Chun, a Supervisor, indirectly held 1,170,000 Domestic Shares through Shanghai Zhiyuan Investment Center LP (上海志淵投資中心(有限合夥)) due to his participation in the restricted share scheme implemented by the Company in 2013, representing approximately 0.13% of the total issued share capital of the Company. As at the Latest Practicable Date, Zhang Man Juan, a Supervisor, directly held 870,000 Domestic Shares, representing approximately 0.09% of the total issued share capital of the Company.

**(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 Part XV 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 H Shares	139,578,560 (L) 70,564,000 (L)	Interest of controlled corporation	Corporate	23.94% 20.75%	22.77%
Shanghai Pharmaceuticals Holding Co., Ltd.	Domestic Shares H Shares	139,578,560 (L) 70,564,000 (L)	Beneficial owner	Corporate	23.94% 20.75%	22.77%
China New Enterprise Investment Fund II	Domestic Shares	156,892,912 (L)	Beneficial owner	Corporate	26.91%	17.00%
Yang Zong Meng	Domestic Shares	80,000,000(L)	Beneficial owner	Personal	13.72%	8.67%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.25%	3.32%
Shanghai Fudan Asset Operating Limited	Domestic Shares	30,636,286 (L)	Beneficial owner	Corporate	5.25%	3.32%

*Note:* The letter “L” stands for long position

As at the Latest Practicable Date, Ms. Ke Ying, a Director, served as the general manager of the scientific research and development department of Shanghai Pharmaceuticals; Mr. Shen Bo, a Director, served as the chief financial officer of

Shanghai Pharmaceuticals; Ms. Yu Xiaoyang, a Director, served as the founding partner of China New Enterprise Investment Fund II; and Mr. Zhou Xi, a Supervisor, served as the general manager of Shanghai Fudan Asset Operating Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the other Directors and Supervisors was a director, supervisor or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **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 2015, 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:

<b>Name</b>	<b>Qualifications</b>
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 13 April 2016 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 13 April 2016 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 2015, 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 19/F, Three Exchange Square, 8 Connaught Place, 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 an authorized representative 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), a fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Chinese Institute of Certified Public Accountants (CICPA).
- (f) Unless otherwise indicated, 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 19/F, Three Exchange Square, 8 Connaught Place, 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 Supplemental Agreement to the Strategic Cooperation Agreement for Innovative Pharmaceuticals Research and Development dated 18 March 2016;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;
- (c) 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 24 to 36 of this circular; and
- (d) the written consent of Messis Capital Limited referred to in paragraph 7(c) above.