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上海復旦教育技術有限公司

Shanghai Fudan Education Technology Co., Ltd.

(a joint stock company limited by shares)

(1) PROPOSED SHARE REPURCHASE

(2) (A) PROPOSED SHARE REPURCHASE

(B) PROPOSED ISSUANCE OF NEW SHARES

(C) PROPOSED SHARE REPURCHASE

(D) PROPOSED SHARE REPURCHASE

(3) PROPOSED SHARE REPURCHASE



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Independent Financial Adviser

A letter from the Board is set out on pages 23 to 24 of this circular. The full text of the letter is set out on pages 24 to 25 of this circular. The letter is also available on the website of the Independent Board Committee and the Company.

Notices convening the AGM, the Class Meetings of the H Shares and the Class Meetings of the Domestic Shares to be held at No. 308, No. 309, No. 310, No. 311, No. 312, No. 313, No. 314, No. 315, No. 316, No. 317, No. 318, No. 319, No. 320, No. 321, No. 322, No. 323, No. 324, No. 325, No. 326, No. 327, No. 328, No. 329, No. 330, No. 331, No. 332, No. 333, No. 334, No. 335, No. 336, No. 337, No. 338, No. 339, No. 340, No. 341, No. 342, No. 343, No. 344, No. 345, No. 346, No. 347, No. 348, No. 349, No. 350, No. 351, No. 352, No. 353, No. 354, No. 355, No. 356, No. 357, No. 358, No. 359, No. 360, No. 361, No. 362, No. 363, No. 364, No. 365, No. 366, No. 367, No. 368, No. 369, No. 370, No. 371, No. 372, No. 373, No. 374, No. 375, No. 376, No. 377, No. 378, No. 379, No. 380, No. 381, No. 382, No. 383, No. 384, No. 385, No. 386, No. 387, No. 388, No. 389, No. 390, No. 391, No. 392, No. 393, No. 394, No. 395, No. 396, No. 397, No. 398, No. 399, No. 400, No. 401, No. 402, No. 403, No. 404, No. 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Shareholders who intend to attend the AGM and the Class Meetings should complete the proxy form on or before Friday, 8 June 2012, in accordance with the instructions printed thereon. The proxy form should be completed and returned to the Company Secretary, who is also the registrar of the Company, at Shearman & Sterling, 183 Queen's Road East, Hong Kong (for the holders of H Shares), or to the Company Secretary, who is also the registrar of the Company, at Nanjing East Road No. 1, Shanghai Jiangnan Hi-Tech Park, Pudong New Area, Shanghai (for the holders of Domestic Shares). The proxy form should be submitted in any event not later than 24 hours before the AGM and the Class Meetings. Completion and submission of the proxy form does not prevent a shareholder from attending in person at the AGM and the Class Meetings.

14 May 2012

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

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

“Adoption Date”	the date when the Company obtained the approval of the Restricted Share Scheme by the Shareholders at the AGM and the Class Meetings;
“AGM”	the annual general meeting of the Company to be convened and held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m. on Friday, 29 June 2012 for the purpose of approving, among other things, (i) the proposed Specific Mandate to issue New H Shares; (ii) (a) the proposed adoption of Restricted Share Scheme; (b) the proposed issue of Domestic Shares as Restricted Shares under the Restricted Share Scheme; (c) the proposed authorization of the Initial Grant; and (d) the proposed grant of Restricted Shares to Directors under the Initial Grant; and (iii) the proposed changes in Director and Supervisor;
“associate”	has the meaning defined in the GEM Listing Rules;
“Board”	the board of directors of the Company;
“Class Meeting(s)”	the respective class meeting(s) of the holders of H Shares and the holders of Domestic Shares to be convened and held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 11:00 a.m. and at 11:30 a.m., respectively, on Friday, 29 June 2012 for the purposes of approving the (i) the proposed Specific Mandate to issue New H Shares; and (ii) (a) the proposed adoption of Restricted Share Scheme; (b) the proposed issue of Domestic Shares as Restricted Shares under the Restricted Share Scheme; and (c) the proposed authorization of the Initial Grant;
“Company”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司), a company with limited liability incorporated in the PRC, whose H Shares are listed on the GEM;
“connected person(s)”	has the meaning defined in the GEM Listing Rules;
“connected transaction(s)”	has the meaning defined in the GEM Listing Rules;
“CSRC”	China Securities Regulatory Commission;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	the ordinary domestic share(s) of nominal value of RMB0.10 each in the registered capital of the Company which are subscribed for in RMB;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (as amended from time to time);
“Grant Date”	the date on which the Restricted Shares are formally granted to a Scheme Participant by the Board pursuant to the Restricted Share Scheme;
“Group”	the Company and its subsidiaries;
“Grant Price”	the price per Restricted Share for the grant of Restricted Shares awarded under the Restricted Share Scheme;
“H Share(s)”	the overseas listed foreign invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are listed on the GEM and subscribed for and traded in HK\$;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the committee of independent non-executive Directors consisting of Mr. Pan Fei, Mr. Cheng Lin and Mr. Weng De Zhang for the purpose of advising the Independent Shareholders on the grant and issue of Restricted Shares to the Scheme Participants who are Directors pursuant to the Initial Grant under the Restricted Share Scheme;
“Independent Financial Adviser”	the independent financial adviser of the Company to the Independent Board Committee and the Independent Shareholders;

DEFINITIONS

“Independent Shareholders”	Shareholders other than shareholders or Scheme Participants who are connected persons of the Company and their associate(s);
“Initial Grant”	the one-off initial grant of the Restricted Shares under the Restricted Share Scheme to the Scheme Participants;
“Latest Practicable Date”	11 May 2012, being the latest practicable date for ascertaining certain information included herein before the printing of the circular;
“Lock-up Period”	the period during which transfer of the Restricted Shares granted to the Scheme Participants under the Restricted Share Scheme is prohibited;
“New H Shares”	the maximum number of 142,000,000 H Shares proposed to be issued upon the exercise of the Specific Mandate;
“New Issue”	subject to fulfillment of certain conditions stated in this circular, the issue of the New H Shares by way of placing upon the exercise of the Specific Mandate, if granted;
“PRC”	the People’s Republic of China;
“Restricted Shares”	the Domestic Shares to be granted under the Restricted Share Scheme and have the meanings defined in such term in the Restricted Share Scheme;
“Restricted Share Scheme”	the restricted share incentive scheme to be adopted by the Company at the AGM and the Class Meetings whereby awards of Domestic Shares may be made to the Scheme Participants pursuant to the Scheme Rules;
“RMB”	Renminbi, the lawful currency of the PRC;
“Scheme Participants”	certain Directors (other than independent non-executive Directors), senior management, mid-level management and main research staff of the Group and other key employees who are eligible for participation in the Restricted Share Scheme under the Scheme Rules;
“Scheme Rules”	the rules governing the operation of the Restricted Share Scheme;
“Shareholders”	the holders of the H Shares and the Domestic Shares;

DEFINITIONS

“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Shareholders at the AGM and the Class Meetings to issue not more than 142,000,000 New H Shares, representing not more than approximately 71.72% and 20% of the total issued H Shares and the total issued shares of the Company, respectively, as at the Latest Practicable Date, at any time during the period specified in the relevant resolution(s) set out in the notices of the AGM and the Class Meetings;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning defined in the GEM Listing Rules;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company;
“Trading Day” and “Trading Date”	any day on which the Stock Exchange is open for business of dealing in securities;
“Unlocking Period”	the period during which the Restricted Shares granted to the Scheme Participants under the Restricted Share Scheme may be conditionally transferred; and
“%”	per cent

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

Unless otherwise specified, conversion of RMB into HK\$ in this circular is based on the exchange rate of RMB1.00 = HK\$1.23 for the purpose of illustration only. No representation is made and there is no assurance that RMB or HK\$ can be purchased or sold at such rate.

** For identification purposes only*

LETTER FROM THE BOARD



上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 8231)

Executive Directors

Mr. Wang Hai Bo (*Chairman*)

Mr. Su Yong

Mr. Zhao Da Jun

Non-executive Directors

Ms. Fang Jing

Mr. Hao Hong Quan

Mr. Zhu Ke Qin

Mr. Ge Jian Qiu

Ms. Ke Ying

Independent non-executive Directors

Mr. Pan Fei

Mr. Cheng Lin

Mr. Weng De Zhang

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

No. 308, Cailun Road

Zhangjiang Hi-Tech Park

Pudong New Area

Shanghai, the PRC

201210

Principal place of business in Hong Kong

15/F, The Bank of East Asia Building

10 Des Voeux Road Central

Hong Kong

14 May 2012

To the Shareholders,

Dear Sir/Madam,

(1) PROPOSED SPECIFIC MANDATE TO ISSUE NEW H SHARES;

(2) (A) PROPOSED ADOPTION OF RESTRICTED SHARE SCHEME;

(B) PROPOSED ISSUE OF DOMESTIC SHARES AS RESTRICTED SHARES;

(C) PROPOSED AUTHORIZATION OF INITIAL GRANT; AND

**(D) PROPOSED GRANT OF RESTRICTED SHARES TO DIRECTORS
UNDER THE INITIAL GRANT;**

AND

(3) PROPOSED CHANGES IN DIRECTOR AND SUPERVISOR

1. INTRODUCTION

Reference is made to the announcements of the Company dated 11 April 2012 relating to (i) the proposed Specific Mandate to issue New H Shares; (ii) the proposed adoption of Restricted Share Scheme; and (iii) the proposed changes in Director and Supervisor.

* For identification purposes only

LETTER FROM THE BOARD

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

2. PROPOSED SPECIFIC MANDATE TO ISSUE NEW H SHARES

2.1 Proposed Specific Mandate

2.1.1 Proposed New Issue

On 11 April 2012, the Board resolved to include resolutions in the AGM and the Class Meetings for the grant of the proposed Specific Mandate by the Shareholders to the Board to issue not more than 142,000,000 New H Shares, representing approximately 71.72% and 20% of the total issued H Shares and the total issued shares of the Company, respectively, as at the Latest Practicable Date, or approximately 16.67% of the total issued shares of the Company as enlarged by the proposed New Issue (assuming 142,000,000 New H Shares are issued). The major terms of the proposed Specific Mandate are as follows:

- (i) to issue not more than 142,000,000 New H Shares;
- (ii) the New H Shares will be issued at a price which shall not represent a discount of 30% or more to the benchmarked price of the H Shares of the Company on the GEM, such benchmarked price being the average closing price in the 5 trading days immediately prior to the earlier of:
 - (a) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of H Shares under the Specific Mandate;
 - (b) the date of the placing agreement or other agreement involving the proposed issue of H Shares under the Specific Mandate; and
 - (c) the date on which the placing or subscription price is fixed; and
- (iii) the proposed Specific Mandate is for the period from the passing of the relevant resolutions at the AGM and the Class Meetings to the earlier of either: (a) the expiration of the 12-month period following the passing of the relevant resolution(s) at the AGM and/or the Class Meetings; or (b) the revocation or variation of the authority given under the relevant resolution(s) at the AGM and/or the Class Meetings by special resolution(s) of the Shareholders in a general or a class meeting.

The proposed New Issue is subject to, among other things, the obtaining of the necessary approvals from the relevant PRC regulatory authorities, including the CSRC. As at the Latest Practicable Date, the Company has not made the

LETTER FROM THE BOARD

relevant application to the CSRC. Depending on market conditions, the Directors may or may not exercise the proposed Specific Mandate, if granted, to issue New H Shares.

Upon the grant of the Specific Mandate, the Directors may proceed to place the New H Shares to not less than six but not more than 10 professional, institutional and individual investors, who are independent of and not connected with any Director, Supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates. Such placees will be procured by placing agent(s) to be approved for such purposes. If any of such investors is a connected person of the Company, the Company will take steps to comply with the relevant requirements under the GEM Listing Rules, including the public float requirement. The Company will endeavour to ensure that the placing agent(s) for the placing of the New H Shares will avoid placing such number of New H Shares to any particular placee so that such placee will become a substantial shareholder and a connected person of the Company. Depending on market conditions, the Directors may or may not exercise the proposed Specific Mandate, if granted, to issue New H Shares. If the Directors proceed to issue the New H Shares pursuant to the Specific Mandate, a separate announcement will be made.

2.1.2 Conditions to the Proposed New Issue

The proposed New Issue, upon exercise of the Specific Mandate, if granted, is conditional upon:

- (a) the grant of the proposed Specific Mandate by the Shareholders to the Board having been obtained at the AGM and the Class Meetings;
- (b) the approval of the proposed issue of the New H Shares pursuant to the proposed Specific Mandate by the CSRC;
- (c) the entering into of placing agreement(s) by, among other parties, the Company and placing agent(s) and the placing agreement(s) not being terminated in accordance with the terms; and
- (d) the GEM Listing Committee granting the listing of and permission to deal in all of the New H Shares to be issued and placed pursuant to the New Issue.

Under the GEM Listing Rules, no Shareholders are required to abstain from voting at the AGM and the Class Meetings.

2.1.3 Ranking of New H Shares

If, upon the grant of the proposed Specific Mandate, the Directors proceed to place the New H Shares, such New H Shares, when fully paid, will rank pari passu in all respects with the issued H Shares.

LETTER FROM THE BOARD

2.2 Possible Change in Share Capital and Shareholding Structure

For reference and illustrative purposes only, assuming that: (1) the proposed Specific Mandate is granted by the Shareholders at the AGM and Class Meetings; (2) the Board exercises the proposed Specific Mandate in full to issue New H Shares; and (3) all conditions for the issue and placing of New H Shares have been satisfied, the possible changes in the share capital and shareholding structure of the Company will be as follows:

Class of Shares	Before the exercise of the Specific Mandate		Immediately after the exercise of the Specific Mandate	
	Number of Shares	Approximately (%)	Number of Shares	Approximately (%)
Domestic Shares	512,000,000	72.11	512,000,000	60.09
Shanghai Pharmaceutical Holding Co., Ltd.	139,578,560	19.66	139,578,560	16.38
China General Technology (Group) Holding, Ltd. (Note 1)	130,977,816	18.45	130,977,816	15.37
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (Note 2)	105,915,096	14.92	105,915,096	12.43
Others (Note 3)	135,528,528	19.09	135,528,528	15.91
H Shares	198,000,000	27.89	340,000,000	39.91
Shanghai Pharmaceutical Holding Co., Ltd.	70,564,000	9.94	70,564,000	8.28
Public Holders	127,436,000	17.95	269,436,000	31.62
		(Note 4)	(Note 5)	
Total	<u>710,000,000</u>	<u>100</u>	<u>852,000,000</u>	<u>100</u>

Notes:

- As far as the Directors are aware, China General Technology (Group) Holding, Ltd. has sold its entire interest in the Company to a third party, but the transfer and registration procedures have not yet been completed as at the Latest Practicable Date.
- As far as the Directors are aware, Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. has sold its entire interest in the Company to two third parties, but the transfer and registration procedures have not yet been completed as at the Latest Practicable Date.
- Such 135,528,528 Domestic Shares are inclusive of (i) 51,886,430 Domestic Shares held by Mr. Wang Hai Bo, the chairman of the Company; (ii) 30,636,286 Domestic Shares held by Shanghai Fudan Asset Operating Limited; (iii) 18,312,860 Domestic Shares held by Mr. Su Yong, an executive Director; (iv) 15,260,710 Domestic Shares held by Mr. Zhao Da Jun, an executive Director; (v) 7,215,260 Domestic Shares held by Mr. Li Jun, the deputy general

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manager of the Company; (vi) 6,562,382 Domestic Shares held by Pudong Technology Investment; and (vii) 5,654,600 Domestic Shares held by Ms. Fang Jing, an non-executive Director.

4. Reference is made to the announcement of the Company dated 20 January 2009 relating to the public float of the Company. The public float of the Company has been lowered to 17.95% upon Shanghai Industrial Investment (Holdings) Co., Ltd (“SIICI”) through Shanghai Pharmaceutical Holding Co., Ltd becoming the ultimate beneficial owner of (i) 139,578,560 Domestic Shares, representing 19.66% of the existing issued share capital; and (ii) an aggregate of 70,564,000 H Shares, representing 9.94% of the existing issued share capital. Since SIICI is a substantial shareholder and connected person of the Company, the 9.94% interest in the H Shares is not counted towards calculation of the public float. As a result, as at the Latest Practicable Date, the public float of the Company is 17.95%. Upon completion of the Proposed New Issue and assuming a total of 142,000,000 New H Shares have been issued, the public float of the Company will be 31.62% (without taking into account the Restricted Shares to be issued under the Restricted Share Scheme).
5. This assumes that a total of 142,000,000 New H Shares have been issued to the public holders upon the exercise of the Specific Mandate.

As at the Latest Practicable Date, the Board estimates that no placee(s) under the exercise of the Specific Mandate will become a substantial shareholder of the Company and the Directors believe that the public float will meet with the requirements for minimum public float under the GEM Listing Rules.

2.3 Proposed Use of Proceeds

The proposed grant of Specific Mandate and the issue of New H Shares pursuant to the Specific Mandate, if granted, will enlarge the shareholder and capital bases of the Company and strengthen its financial position. The Directors intend to use the net proceeds from the New Issue, if proceeded, for the four pharmaceutical research and development projects, the repayment of the debts of the Company and the working capital of the Company. Particulars of the proposed amounts to be used are as follows:

- (i) approximately 66.7% to be used for four pharmaceutical research and development projects, including:
 - (a) approximately 16.67% to be used for the clinical study project regarding using ALA for the treatment of cervical intraepithelial neoplasia (鹽酸氨酮戊酸治療子宮頸上皮內瘤變臨床研究項目);
 - (b) approximately 8.33% to be used for the pre-clinical study and clinical study project regarding using ALA for the treatment of brain glioma (鹽酸氨酮戊酸治療腦膠質瘤臨床前及臨床研究項目);
 - (c) approximately 16.67% to be used for the pre-clinical and clinical study project of paclitaxel albumin nanoparticles (紫杉醇白蛋白納米粒臨床前及臨床研究項目); and
 - (d) approximately 25% to be used for the pre-clinical and clinical study project of CD30-MMAE (CD30靶向的抗體交聯藥物(CD30-MMAE)臨床前及臨床研究項目);

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- (ii) approximately 16.6% to be used to repay the debts of the Company; and
- (iii) approximately 16.6% to be used for the working capital of the Company.

2.4 Possible Application for Listing

Should the Board, upon obtaining the proposed Specific Mandate, proceed to exercise the proposed Specific Mandate to issue New H Shares, the Company will apply to the GEM Listing Committee for the listing of and permission to deal in all of the New H Shares to be issued and placed pursuant to the New Issue.

2.5 Authorization to the Board

The Board seeks the Shareholders' authorization at each of the AGM and the Class Meetings to it to deal with all the matters in relation to the Specific Mandate and the proposed placing of the New H Shares to be issued under the New Issue with full authority for a term of 12 months following the passing of the relevant resolution(s) at the AGM and/or the Class Meetings. Such matters include but are not limited to:

- (i) submit all the relevant applications, reports and other documents to the relevant PRC and overseas authorities and deal with all the procedures to obtain and/or procure all the relevant approvals, registration, filing, sanction and permission;
- (ii) be responsible for the exercise of the Specific Mandate to issue New H Shares pursuant to the terms thereof approved by the Shareholders at the AGM and the Class Meetings, respectively, including but not limited to the determination of the actual size, placing price (including the price range and final price), timing, method and target placee(s) of the placement(s) of the New H Shares, the execution, implementation, modification and termination of any agreement, contract or other documents relating to the exercise of the Specific Mandate to issue New H Shares and other relevant matters;
- (iii) be responsible for obtaining all the approvals and permissions from the CSRC, the Stock Exchange and other relevant PRC and overseas authorities in relation to the exercise of the Specific Mandate to issue New H Shares;
- (iv) engage placing agent(s), Hong Kong legal advisers, PRC legal advisers and other relevant intermediary parties if and as required in relation to the exercise of the Specific Mandate to issue New H Shares and enter into the relevant engagement agreements;
- (v) amend the Articles of Association of the Company according to the results of the exercise of the Specific Mandate to issue New H Shares, deal with the relevant registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders' approvals;

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- (vi) make appropriate amendments to the terms of the Specific Mandate in light of the specific circumstances and pursuant to the approval(s) by the relevant authorities; and
- (vii) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the exercise of the Specific Mandate to issue New H Shares.

Upon the authorization to the Board by the Shareholders at the AGM and the Class Meetings as mentioned above, the Board will delegate such authorization to a director committee comprising two Directors to deal with all the matters as mentioned above and authorize the chairman of the Company or any executive Director to sign the relevant agreements, contracts and other documents relating to the New Issue.

2.6 Fund Raising Activities in the Past Twelve Months

The Company has not conducted any fund raising activities involving the issue of equity securities within the 12 months immediately prior to the Latest Practicable Date.

3. PROPOSED ADOPTION OF RESTRICTED SHARE SCHEME; PROPOSED ISSUE OF DOMESTIC SHARES AS RESTRICTED SHARES; PROPOSED AUTHORIZATION OF INITIAL GRANT; AND PROPOSED GRANT OF RESTRICTED SHARES TO DIRECTORS UNDER THE INITIAL GRANT

3.1 Proposed Adoption of Restricted Share Scheme

At a meeting of the Board on 11 April 2012, the Board resolved to adopt the Restricted Share Scheme to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the Directors, and key employees. The Company will seek Shareholders' authorization for, among other things, the Restricted Share Scheme. Pursuant to the Restricted Share Scheme, the Company will be authorized to issue not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme. Such number of Restricted Shares will represent not more than approximately 13.87% and 10.00% of the total issued Domestic Shares and the total issued Shares of the Company, respectively, as at the Latest Practicable Date. Subject to compliance with the relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds or be issued directly by the Company to the Scheme Participants who subscribe with their own funds.

Subject to the approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants, which is 50% of the maximum number of Restricted Shares to be authorized by the Shareholders, or approximately 6.93% and 5.00% of the total issued Domestic Shares and the total issued Shares of the Company, respectively, as at the Latest Practicable Date.

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As the Scheme Participants of the Restricted Share Scheme will include the Directors (other than independent non-executive Directors), the grant of Restricted Shares to the Directors under the Initial Grant will constitute connected transactions of the Company and any such grant is subject to approval by the Independent Shareholders.

3.2 Summary of the Restricted Share Scheme

3.2.1 Purpose

The purpose of the Restricted Share Scheme is to reform the Company's remuneration system, to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the Directors, and key employees. It aims to balance the long term and short term objectives of the management and to support the realization of the Company's strategy and sustainable development. The Restricted Share Scheme also will serve to retain and attract valuable management and key business employees to foster the long development of the Company.

3.2.2 Scope of Scheme Participants

The scope of Scheme Participants for the Restricted Share Scheme shall include Directors (other than the independent non-executive Directors), senior management, mid-level management and main research staff of the Group and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contribute directly to the overall business performance and sustainable development of the Group.

3.2.3 Number of Restricted Shares under the Restricted Share Scheme

Pursuant to the Restricted Share Scheme, the Company will be authorized to issue not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme. Subject to compliance with the relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds or be issued directly by the Company to the Scheme Participants who subscribe with their own funds upon the grant of the Restricted Shares. The Board shall select the Scheme Participants and the number of Restricted Shares to be awarded.

Subject to approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants within one (1) year commencing from the Adoption Date, and the remaining not more than 35,500,000 Restricted Shares will be granted within two (2) years commencing from the Adoption Date.

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3.2.4 Duration and Termination of the Restricted Share Scheme

The Restricted Share Scheme will be effective for a term of six (6) years commencing from the Adoption Date.

3.2.5 Conditions for Grant and Grant Price

(a) Conditions for Grant

The Company may grant Restricted Shares to the Scheme Participants for purchase under the Restricted Share Scheme conditional upon fulfillment of the following conditions by the Company and the Scheme Participants:

- (i) fulfillment of the specified performance standards of the Company for the financial year preceding the grant; and
- (ii) achievement of a passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the grant.

(b) Grant Price

The grant price of the Restricted Shares to be granted to a Scheme Participant under the Restricted Share Scheme shall be at 50% of the price for the latest transfer of the Domestic Shares of the Company. Based on the information available to the Company, Shanghai Zhangjiang Hi-tech Park Development Co. Ltd. transferred a total of 105,915,096 Domestic Shares to two third parties on 8 February 2012 at the price of RMB1.02 per Domestic Share. In such circumstances, the grant price of the Restricted Shares to be granted under the Initial Grant shall be RMB0.51 per Restricted Share. The Grant Price shall be paid by the relevant Scheme Participant upon grant of the Restricted Shares.

The Directors are of the view that the Grant Price is fair and reasonable and will provide sufficient incentives to the Scheme Participants to participate in the Restricted Share Scheme, considering in particular that the Domestic Shares are not listed or traded on any domestic stock exchanges in the PRC.

3.2.6 The Initial Grant

(a) Quantity of the Initial Grant

Subject to the approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the one-off Initial Grant to the Scheme Participants, which is 50% of the maximum number of Restricted Shares to be authorized by the Shareholders, or approximately 6.93% and 5.00% of the total issued

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Domestic Shares and the total issued Share of the Company, respectively, as at the Latest Practicable Date. Subject to compliance with relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds for the purpose of the Initial Grant or to be issued directly by the Company to the Scheme Participants who subscribe with their own funds under the Initial Grant. The Board shall select the Scheme Participants and the number of Restricted Shares to be awarded under the Initial Grant. The grant of Restricted Shares under the Initial Grant to the Scheme Participants will be within one (1) year from the Adoption Date.

(b) Maximum Grant to a Scheme Participant

The number of Restricted Shares to be awarded to a Scheme Participant in the Initial Grant will be subject to the criteria specified in the Restricted Share Scheme. The number of Restricted Shares that may be awarded to any Scheme Participant in aggregation shall not exceed 10% of the total number of Restricted Shares in the Initial Grant.

(c) Grant Price of the Initial Grant

The Grant Price of the Restricted Shares to be granted to any Scheme Participant under the Initial Grant of the Restricted Share Scheme shall be at RMB0.51 per Restricted Share, which is calculated based on 50% of the price for the latest transfer of the Domestic Shares of the Company.

(d) Proposed to Grant Restricted Shares to the Directors under the Initial Grant

Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, namely, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the Independent Shareholders. The 7,000,000 Restricted Shares to be granted to the three executive Directors will be granted at the same Grant Price as other Scheme Participants. The Directors (other the three executive Directors) are of the view that the Grant Price of RMB0.51 per Restricted Share is fair and reasonable in that: (i) the Grant Price is no less or more favourable to the three executive Directors than to any other Scheme Participant; and (ii) such Grant Price will provide sufficient incentives to the three executive Directors to participate in the Restricted Share Scheme, considering the fact that the Domestic Shares are not listed on any domestic stock exchanges in the PRC.

Assuming that 35,500,000 Restricted Shares are to be issued to three executive Directors and other Scheme Participants who are not the connected persons of the Company under the Initial Grant, particulars of the Initial Grant are set out as follows:

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Name	Proposed grant of Restricted Shares under the Initial Grant (Shares)	As a percentage of the total number of Restricted Shares under the Initial Grant (%)	As a percentage of the total number of the Domestic Shares (%)	As a percentage of the total number of issued shares capital (%)
Mr. Wang Hai Bo	3,000,000	8.45	0.59	0.42
Mr. Su Yong	2,000,000	5.63	0.39	0.28
Mr. Zhao Da Jun	2,000,000	5.63	0.39	0.28
Other Scheme				
Participants other than connected persons of the Company	28,500,000	80.28	5.57	4.01
Total	35,500,000	100	6.93	5.00

Assuming that 35,500,000 Restricted Shares are issued under the Initial Grant, the changes in the shareholding of the three executive Directors will be as follows:

Name	Before the grant under the Initial Grant		Immediately after the grant under the Initial Grant	
	Number of Domestic Shares (Shares)	As a percentage of the total share capital (%)	Number of Domestic Shares (Shares)	As a percentage of the total share capital (%)
Mr. Wang Hai Bo	51,886,430	7.31	54,886,430	7.36
Mr. Su Yong	18,312,860	2.58	20,312,860	2.72
Mr. Zhao Da Jun	15,260,710	2.15	17,260,710	2.32

Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun are executive Directors holding 51,886,430 Domestic Shares, 18,312,860 Domestic Shares and 15,260,710 Domestic Shares, respectively, as at the Latest Practicable Date. They and their associates will abstain from voting at the AGM on the resolution relating to the proposed grant of Restricted Shares to them under the Initial Grant.

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3.2.7 Lock-up Period and Unlocking Period

(a) Lock-up Period

The Lock-up Period shall be for a period of one (1) year commencing from the Grant Date. During the Lock-up Period, the Restricted Shares granted to the Scheme Participants under the Restricted Share Scheme, including the dividends and distributions, if any, arising from the Restricted Shares, shall be locked up and shall not be transferred, or be used for guarantee, repayment of debt or any other rights.

(b) Unlocking Period

The Unlocking Period shall be for a period of three (3) years commencing from the expiry of the Lock-up Period. The Restricted Shares granted to a Scheme Participant under the Restricted Share Scheme shall be subject to the following unlocking arrangement:

Unlocking arrangement	Unlocking Period	Percentage of the total Restricted Shares granted to a Scheme Participant
First Unlocking Period	From the first Trading Day after 12 months from the Grant Date (i.e. the expiry date of the Lock-up Period) to the last Trading Day within 24 months from the Grant Date	30%
Second Unlocking Period	From the first Trading Day after 24 months from the Grant Date to the last Trading Day within 36 months from the Grant Date	25%
Third Unlocking Period	From the first Trading Day after 36 months from the Grant Date to the last Trading Day within 48 months from the Grant Date	45%

(c) Conditions for Unlocking

Unlocking of the Restricted Shares granted to a Scheme Participant under the Restricted Share Scheme shall be conditional upon fulfillment of the following by the Company and the Scheme Participants:

- (i) fulfillment of the specified performance standards of the Company for the financial year preceding the Unlocking Period; and
- (ii) achievement of passing grade (or better) on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the Unlocking Period.

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If the Company fails to fulfil the performance standards for unlocking the Restricted Shares, the Lock-up Period of the Restricted Shares of the Scheme Participants, which shall be unlocked in the corresponding period, will be extended to the next Unlocking Period and subject to the relevant unlocking requirements of the next Unlocking Period; if the Company fails to fulfil the unlocking conditions of the third Unlocking Period, all the locked-up Restricted Shares will be automatically unlocked on the first Trading Day after 50 months from the Grant Date as the unlocking date. If a Scheme Participant fails to fulfil performance appraisal for unlocking the Restricted Shares, the Company can repurchase the relevant Restricted Shares which failed to be unlocked at the Grant Price from the Scheme Participant.

3.2.8 Lapse and Unlocking

(a) Lapse

The Restricted Share Scheme shall immediately lapse upon the occurrence of any of the following events in relation to the Company, and all Restricted Shares which are still subject to lock-up shall immediately lapse:

- (i) merger or split;
- (ii) the issue of an adverse opinion or a disclaimer of opinion by the auditors of the Company for the latest financial year; and
- (iii) imposition of administrative penalties by the CSRC due to serious violation of laws and regulations in the latest year.

Other than the above circumstances, the Restricted Share Scheme may lapse by special resolution(s) of the Shareholders in a general meeting or a class meeting.

All Restricted Shares granted to a Scheme Participant under the Restricted Share Scheme shall lapse upon the occurrence of any of the following events in relation to the Scheme Participant:

- (i) the Scheme Participant is prohibited from acting as a director and senior management member as stipulated in the PRC Company Law;
- (ii) resignation by the Scheme Participant out of his own initiative; and
- (iii) commission of acts by the Scheme Participant which amounts to breach of laws or regulations, leakage of the Company's confidential information or misconducts which are prejudicial to the Company's interests or reputation.

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(b) Partial Unlocking

Upon the termination or cessation of employment of the Scheme Participant on any of the following grounds, the Restricted Shares which fall to be unlocked on the year of termination or cessation shall be unlocked and all remaining Restricted Shares which have been locked up shall lapse:

- (i) termination of employment by reason of layoff or cessation of employment upon expiry of the term of the employment contract;
- (ii) termination or cessation of employment with the consent of the Company; and
- (iii) the Scheme Participant no longer holds any position in the Company due to reasons as agreed by the Company.

(c) Complete Unlocking

All Restricted Shares granted to a Scheme Participant under the Restricted Share Scheme will be completely unlocked upon the occurrence of any one of the following events in relation to the Scheme Participant:

- (i) retirement upon reaching the statutory retirement age;
- (ii) death;
- (iii) loss of working capacity leading to termination of employment;
- (iv) the Scheme Participant becoming an independent non-executive Director, a Supervisor or change(s) to the position of the Scheme Participant which affect his/her eligibility to participate in the Restricted Share Scheme.

(d) Purchase of Restricted Shares by the Company

All Restricted Shares granted to the Scheme Participant which have not been unlocked or are lapsed can be purchased by the Company at the Grant Price upon the expiry of the Unlocking Period or on the lapse date of the Restricted Shares, and the relevant Scheme Participant shall give up all corresponding dividends thereof.

Article 143 of the PRC Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC can repurchase its shares and grant them as reward to the staff of the company, provided that such shares repurchased shall be transferred to the staff of the Company within one year from the date of such repurchase. If the shares repurchased are not re-granted within one year from the date of repurchase, such shares have to be cancelled.

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Therefore, in accordance with the relevant provision of the PRC Company Law, the Restricted Shares purchased may be re-granted by the Company to other Scheme Participants under the same Restricted Share Scheme or other restricted share scheme within one year from the date of such purchase and the Company will hold such Restricted Shares before they are re-granted. If the Company fails to re-grant them to the purchased Restricted Shares within one year from the date of purchase, such Restricted Shares have to be cancelled according to the PRC Company Law.

The Shareholders should note that whether the Restricted Shares can be re-granted is subject to approval by the relevant regulatory authorities in Hong Kong. The Company will make a separate announcement to inform the Shareholders once a decision has been made by the regulatory authorities as soon as possible.

Any purchase of Restricted Shares by the Company from a Scheme Participant who is a connected person of the Company will constitute connected transaction of the Company and the Company will take steps to comply with the relevant requirements under the GEM Listing Rules.

3.2.9 Rights and Entitlements

The Restricted Shares granted to the Scheme Participants for purchase under the Restricted Share Scheme will have the same rights and entitlements as other Domestic Shares and will be entitled to the same rights as other Domestic Shares in the event of any alteration in the capital structure of the Company, whether by way of capitalization issue of Shares, bonus issues, share sub-division or consolidation or reduction of share capital or pro rata share allotments, excluding any alteration in the capital structure of the Company as a result of any issue of Shares as consideration in respect of a transaction to which the Company is a party.

3.3 GEM Listing Rules Implications

The Restricted Share Scheme does not constitute a share option scheme pursuant to Chapter 23 of the GEM Listing Rules because the grant of the Restricted Shares does not carry with it any options over new Shares of the Company, and is a discretionary scheme of the Company.

As the Scheme Participants of the Restricted Share Scheme will include the Directors (other than independent non-executive Directors), the proposed grant of Restricted Shares to the Directors under the Initial Grant will constitute connected transactions of the Company and any such grants are subject to approval by the Independent Shareholders. Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the Independent Shareholders.

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Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, Directors to be granted the Restricted Shares under the Initial Grant, have abstained from voting on the board resolution approving the proposed grant of Restricted Shares to Directors under the Initial Grant.

The independent non-executive Directors are of the view that the proposed grants of the Restricted Shares to the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. PROPOSED CHANGES IN DIRECTOR AND SUPERVISOR

4.1 Resignations of Director and Supervisor

The Board announced on 11 April 2012 that (i) Mr. Ge Jian Qiu had tendered resignation as a non-executive Director of the fourth session of the Board due to personal work transfer; and that (ii) Ms. Bao Qi had tendered resignation as a Supervisor of the fourth session of the Supervisory Committee due to work reallocation arranged by her employer. Such resignations have been accepted by the Board upon discussions and will become effective after the conclusion of the AGM.

Each of Mr. Ge Jian Qiu and Ms. Bao Qi confirmed that he/she does not have any disagreement with the Company and there is no matter relating to his/her resignation that needs to be brought to the attention of the Shareholders or the Stock Exchange.

4.2 Proposed Appointments of Director and Supervisor

The Board proposed that (i) Mr. Shen Bo be nominated as a non-executive Director of the fourth session of the Board and that (ii) Mr. Chen Meng Zhao be nominated as a Supervisor of the fourth session of the Supervisory Committee. Such appointments are subject to the approval of the Shareholders at the AGM. The appointment of Mr. Shen Bo is to fill the vacancy arising from the resignation of Mr. Ge Jian Qiu as a non-executive Director and the appointment of Mr. Chen Meng Zhao is to fill the vacancy arising from the resignation of Ms. Bao Qi as a Supervisor.

Biographical details of Mr. Shen Bo and Mr. Chen Meng Zhao are as follows:

Mr. Shen Bo, 39, is a CPA registered in the PRC, and obtained a master's degree in Professional Accounting from the Chinese University of Hong Kong and bachelor's degree in accounting from Shanghai Institute of Construction Materials Industry. He is the CFO and general manager of the financial department of Shanghai Pharmaceutical Holding Co., Ltd., and concurrently appointed as the chairman of Shanghai Medical Instrument Co., Ltd.; supervisor of Shanghai Pharmaceutical Distribution Co., Ltd.; a director of SPH Keyuan Xinhai Pharmaceutical Co., Ltd. and director of Changzhou Pharmaceutical Co., Ltd.. He used to be the deputy manager of the financial department of Shanghai Jinling Co., Ltd.; financial director of Shanghai Jinling Tai Ke IT Development Co., Ltd.; project manager of Investment Bank Department of Northeast Securities; CFO of Shanghai Industrial Pharmaceutical Investment Co., Ltd. and general manager of the financial department of Shanghai Pharmaceutical (Group) Co., Ltd..

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Mr. Chen Meng Zhao, 35, graduated from Huazhong Science and Technology University with a bachelor's degree in Mechanical Engineering, and obtained a bachelor's degree in Law from Fudan University. Mr. Chen has long term legal practicing experience and once served as a partner of a law firm. He has rich legal experience in handling corporate mergers and acquisitions and investments. Mr. Chen is currently the legal manager of Shanghai Pudong Science and Technology Investment Co., Ltd..

Neither of Mr. Shen Bo and Mr. Chen Meng Zhao has any interest, deemed interest or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance).

Neither of Mr. Shen Bo and Mr. Chen Meng Zhao held any other positions in the Company or any of its subsidiaries, or any directorship in other listed public companies in the last three years, or has any relationship with any Directors, senior management and substantial shareholders of the Company. There is no information relating to Mr. Shen Bo and Mr. Chen Meng Zhao that is required to be disclosed pursuant to Rule 17.50(2) (h) to (v) of the GEM Listing Rules. Save as disclosed above, there is no other matter in relation to the appointments of them that needs to be brought to the attention of the Shareholders.

Upon the appointments of Mr. Shen Bo and Mr. Chen Meng Zhao being approved by the Shareholders, each of them will enter into a service contract with the Company. The terms of office of Mr. Shen Bo and Mr. Chen Meng Zhao will be from the date of their being elected at the 2011 AGM until the date of the annual general meeting to be held around June 2014 (except for re-election). Mr. Shen Bo, as a non-executive Director and Mr. Chen Meng Zhao, as a Supervisor, will not receive any remuneration from the Company in respect of their appointments.

5. AGM AND CLASS MEETINGS

The AGM will be convened for the Shareholders to consider, and if thought fit, pass the resolutions relating to, among others, (i) the proposed Specific Mandate to issue New H Shares; (ii) (a) the proposed adoption of Restricted Share Scheme; (b) the proposed issue of Domestic Shares as Restricted Shares under the Restricted Share Scheme; (c) the proposed authorization of Initial Grant; and (d) the proposed grant of Restricted Shares to Directors under the Initial Grant; and (iii) the proposed changes in Director and Supervisor.

The respective Class Meetings will also be convened for the holders of H Shares and the holders of Domestic Shares, respectively, to consider, and if thought fit, pass the resolutions relating to (i) the proposed Specific Mandate to issue New H Shares; and (ii) (a) the proposed adoption of Restricted Share Scheme; (b) the proposed issue of Domestic Shares as Restricted Shares under the Restricted Share Scheme; (c) the proposed authorization of Initial Grant.

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Votes will be taken by poll in respect of the resolutions at each of the AGM and the Class Meetings. Save as disclosed in the circular, no shareholder will have a material interest in the matters and will abstain from voting in respect of such resolutions.

Three separate notices convening the AGM, the Class Meeting of the holders of H Shares and the Class Meeting of the holders of Domestic Shares to be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m., 11:00 a.m. and 11:30 a.m., respectively, on Friday, 29 June 2012 are set out on pages 50 to 62 of this circular.

Reply slips and proxy forms to be used at the AGM and the Class Meetings are also enclosed with this circular. If you are eligible and intend to attend the AGM and the Class Meetings, please complete and return the enclosed reply slip(s) in accordance with the instructions printed thereon on or before Friday, 8 June 2012. Shareholders who intend to appoint a proxy to attend the AGM and the Class Meetings shall complete and return the accompanying proxy forms in accordance with the instructions printed thereon to the H Share registrar of the Company, at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for the holders of H shares), or to the office of the secretary to the Board of the Company at No. 308, Cailun Road Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC (for the holders of Domestic Shares) as soon as possible but in any event not later than 24 hours before the time fixed for holding the AGM and the Class Meetings or any adjournment thereof (as the case may be). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the AGM and the Class Meetings or any adjournment thereof should you so desire.

The register of the holders of H Shares of the Company will be closed from Wednesday, 30 May 2012 to Friday, 29 June 2012 (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 Tuesday, 29 May 2012 and has completed the registration procedures, is entitled to attend and vote at the AGM and the class meeting of the holders of H Shares.

The register of the holders of Domestic Shares of the Company will be closed from Wednesday, 30 May 2012 to Friday, 29 June 2012 (both days inclusive). During this period, no transfer of the Domestic Shares of the Company will be registered. Any holder of the Domestic Shares, whose name appears on the Company's register of the holders of Domestic Shares at the close of business hours on Tuesday, 29 May 2012 and has completed the registration procedures, is entitled to attend and vote at the class meeting of the holders of Domestic Shares.

6. VOTING BY WAY OF POLL

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

LETTER FROM THE BOARD

7. RECOMMENDATIONS

The Directors, including independent non-executive Directors, are of the view that the terms of the proposed Specific Mandate in relation to the proposed New Issue and the proposed New Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions for granting the Specific Mandate in relation to the proposed New Issue to be proposed at each of the AGM and the Class Meetings.

The Directors, including independent non-executive Directors, are of the view that (a) the proposed adoption of Restricted Share Scheme; (b) the proposed issue of Domestic Shares as Restricted Shares under the Restricted Share Scheme; (c) the proposed authorization of Initial Grant; and (d) the proposed grant of Restricted Shares to Directors under the Initial Grant are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution(s) in relation to (a) the proposed adoption of Restricted Share Scheme; (b) the proposed issue of Domestic Shares as Restricted Shares under the Restricted Share Scheme; (c) the proposed authorization of Initial Grant; and (d) the proposed grant of Restricted Shares to Directors under the Initial Grant to be proposed at each of the AGM and the Class Meetings.

The Directors also draw your attention to the letter from the Independent Board Committee and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which are set out on pages 24 to 44 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the proposed grant and issue of Restricted Shares to Directors under the Initial Grant are fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole.

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

8. ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 8231)

14 May 2012

To the Independent Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTIONS

We refer to the circular dated 14 May 2012 (the “**Circular**”) issued by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “**Company**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings herein.

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

We have been appointed to constitute the Independent Board Committee to make a recommendation to the Independent Shareholders as to whether, in our view, the grant of Restricted Shares to the Directors under the Initial Grant pursuant to the terms of the Restricted Share Scheme, is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Messis Capital Limited has been appointed as an Independent Financial Adviser to advise us and the Independent Shareholders as to whether the grant of Restricted Shares to the Directors under the Initial Grant pursuant to the terms of the Restricted Share Scheme, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully

For and on behalf of the
Independent Board Committee

Pan Fei

Independent Non-executive Director

Cheng Lin

Independent Non-executive Director

Weng De Zhang

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 grant of the Restricted Share under the Initial Grant to the Directors which has been prepared for the purpose of inclusion in this circular:



大有融資有限公司
MESSIS CAPITAL LIMITED

14 May 2012

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

Dear Sirs/Madams,

THE GRANT OF RESTRICTED SHARE UNDER THE INITIAL GRANT TO THE DIRECTORS

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 the grant of the Restricted Share under the Initial Grant to the Directors 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 14 May 2012 (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.

The Board announces that at a meeting of the Board on 11 April 2012, the Board resolved to adopt the Restricted Share Scheme to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees in order to maximize the proactiveness of the senior management, including the Directors, and key employees.

Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, namely, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the Independent Shareholders.

As the Scheme Participants of the Restricted Share Scheme will include the Directors (other than the independent non-executive Directors), the grant of Restricted Shares to the Directors under the Initial Grant will constitute connected transactions of the Company and any such grant is subject to approval by the independent Shareholders at the AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee of the Company has been formed to advise the Independent Shareholders on the grant of the Restricted Share under the Initial Grant to the Directors.

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

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

- (a) obtained all the information and documents relevant to an assessment of the fairness and reasonableness of the grant of the Restricted Share under the Initial Grant to the Directors, including but not limited to, the Board Letter, the Restricted Share Scheme and the annual reports of the Company for the year ended 31 December 2011;
- (b) reviewed the background of and the reasons for the grant of the Restricted Share under the Initial Grant to the Directors namely, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun;
- (c) reviewed the fairness and reasonableness of the potential dilution effect on the shareholding of the Independent Shareholders under the assumption of 35,500,000 Restricted Shares to be issued under the Initial Grant; and
- (d) confirmed that no third party expert opinion being relevant to the grant of the Restricted Share under the Initial Grant to the Directors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the grant of the Restricted Share under the Initial Grant to the Directors 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 principal factors and reasons set out below:

I. Reasons for the grant of the Restricted Share under the Initial Grant to the Directors

The Board announces that at a meeting of the Board on 11 April 2012, the Board resolved to adopt the Restricted Share Scheme to reform the Company's remuneration system in order to closely align the interests and benefits of and risks sharing among the Shareholders, the Company and the employees to maximize the proactiveness of the senior management, including the Directors, and key employees.

The Directors believe that the adoption of the Restricted Share Scheme can balance the long term and short term objectives of the management and to support the realization of the Company's strategy and sustainable development. The Restricted Share Scheme also will serve to retain and attract valuable management and key business employees to foster the long development of the Company.

Given that the value of the Restricted Share to be granted to the Directors under the Initial Grant can be improved along with the improvement business performance of the Company, we are of the view that the grant of the Restricted Share under the Initial Grant to the Directors, namely, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, has the benefit of creating an incentive for these Directors to work for the long term development and the business performance of the Company which is within the ordinary course of businesses of the Company and in the interests of the Company and the Shareholders as a whole.

II. Key terms of the Restricted Share Scheme

Scope of Scheme Participants

The scope of Scheme Participants for the Scheme shall include Directors (other than the independent non-executive Directors), senior management, mid-level management and main research staff of the Group and other key employees who, in the opinion of the Board or the remuneration committee of the Company, contribute directly to the overall business performance and sustainable development of the Group.

Having considered that Directors, senior management, mid-level management and main research staff of the Group and other key employees contribute directly to the overall business performance and sustainable development of the Group, we

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

are of the view that the scope of Scheme Participants for the Scheme including these people is appropriate and in the interest of the Company and the Shareholders as a whole.

Number of Restricted Shares under the Restricted Share Scheme

Pursuant to the Restricted Share Scheme, the Company will be authorized to issue not more than 71,000,000 new Domestic Shares as Restricted Shares under the Restricted Share Scheme. Subject to compliance with the relevant PRC laws and regulations, such number of Restricted Shares will either be subscribed by the Company with its own funds or be issued directly by the Company to the Scheme Participants who subscribe with their own funds upon the grant of the Restricted Shares. The Board shall select the Scheme Participants and the number of Restricted Shares to be awarded.

Subject to approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants within one (1) years commencing from the Adoption Date, and the remaining not more than 35,500,000 Restricted Shares will be granted within two (2) years commencing from the Adoption Date.

We consider that it is fair and reasonable to reserve the remaining Restricted Shares for the Scheme Participants who contribute directly to the overall business performance of the Group and pass their individual performance appraisal.

Duration and Termination of the Restricted Share Scheme

The Restricted Share Scheme will be effective for a term of six (6) years commencing from the Adoption Date.

We are of the view that the duration for a term of six years commencing from the Adoption Date is appropriate for retaining the dedicated and loyal service of Scheme Participants in the medium term.

Conditions for Grant and Grant Price

(a) Conditions for Grant

The Company may grant Restricted Shares to the Scheme Participants for purchase under the Restricted Share Scheme conditional upon fulfillment of the following conditions by the Company and the Scheme Participants:

- (i) fulfillment of the specified performance standards of the Company for the financial year preceding the grant; and
- (ii) achievement of a passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the grant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the conditions for Grant in details. The fulfillment of the specified performance standards of the Company for the financial year preceding the Grant includes (i) the annual growth rate of sales turnover of the Company of not less than a specified percentage over the prior year; and (ii) the annual growth rate of net profit attributable to the Shareholders of not less than a specified percentage over the prior year.

The Board confirmed that the remuneration committee of the Company (the “Remuneration Committee”) will review the performance appraisal of the relevant Scheme Participant to ensure a passing grade or better on the performance of the relevant Scheme Participant are achieved before the Grant.

We are of the view that the Grant being conditional upon the fulfillment of the specified performance standards of the Company and the performance appraisal of the relevant Scheme Participants is fair and effective measurement to ensure only appropriate Scheme Participants to be awarded under satisfactory performance of the Company.

(b) Grant Price

The grant price of the Restricted Shares to be granted to a Scheme Participant under the Restricted Share Scheme shall be at 50% of the price for the latest transfer of the Domestic Shares of the Company. Based on the information available to the Company, on 8 February 2012, Shanghai Zhangjiang Hi-tech Park Development Co. Ltd. transferred a total of 105,915,096 Domestic Shares to two parties at the price of RMB1.02 per Domestic Shares. The grant price of the Restricted Shares to be granted under the Initial Grant shall be RMB0.51 per Restricted Share. The Grant Price shall be paid by the relevant Scheme Participant upon grant of the Restricted Shares.

Having consider that the domestic shares of the Company are not listed or traded on any domestic stock exchanges in China, we are of the view that the Grant Price of the Initial Grant to be at 50% of the price for the latest transfer of the Domestic Shares of the Company can serve as an effective incentive to the Scheme Participants to contribute to the overall business performance and sustainable development of the Company.

Initial Grant

(a) Quantity of the Initial Grant

Subject to approval of the Restricted Share Scheme by the Shareholders, the Company will grant not more than 35,500,000 Restricted Shares in the one-off Initial Grant to the Scheme Participants, which is 50% of the maximum number of Restricted Shares to be authorized by the Shareholders, or approximately 6.93% and 5.00% of the total issued Domestic Shares and the total issued Share of the Company, respectively, as at Latest Practicable Date. Subject to compliance with relevant PRC laws and regulations, such number of Restricted Shares will either

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

be subscribed by the Company with its own funds for the purpose of the Initial Grant or to be issued directly by the Company to the Scheme Participants who subscribe with their own funds under the Initial Grant. The Board shall select the Scheme Participants and the number of Restricted Shares to be awarded under the Initial Grant. The grant of Restricted Shares under the Initial Grant to the Scheme Participants will be within one (1) year from the Adoption Date.

(b) Maximum Grant to a Scheme Participant

The number of Restricted Shares to be awarded to a Scheme Participant in the Initial Grant will be subject to the criteria specified in the Restricted Share Scheme. The number of Restricted Shares that may be awarded to any Scheme Participant in aggregation shall not exceed 10.00% of the total number of Restricted Shares in the Initial Grant.

(c) Grant Price of the Initial Grant

The Grant Price of the Restricted Shares to be granted to any Scheme Participant under the Initial Grant of the Restricted Share Scheme shall be not be lower than RMB0.51 per Restricted Share, which is calculated based on 50% of the price for the latest transfer of the Domestic Shares of the Company.

(d) Proposed to Grant Restricted Shares to the Directors under the Initial Grant

Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, namely, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the Independent Shareholders. The 7,000,000 Restricted Shares to be granted to the three executive Directors will be granted at the same Grant Price as other Scheme Participants.

Having consider that, (i) the Grant Price is no less or more favourable to the three executive Directors than to any other Scheme Participants; (ii) such Grant Price will provide sufficient incentive to the three executive Directors, considering the fact that the domestic shares of the Company are not listed on any domestic stock exchanges in China; and (iii) the Initial Grant to the Directors is conditional upon the fulfillment of the specified performance standards of the Company and the performance appraisal of the relevant Director while both conditions have been fulfilled for the year ended 31 December 2011, we are of the view that the Grant Price of the Initial Grant to be at 50% of the price for the latest transfer of the Domestic Shares of the Company for an effective incentive to the Directors to contribute to the overall business performance and sustainable development of the Company are fair and reasonable so far Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lock-up Period and Unlocking Period

(a) Lock-up Period

The Lock-up Period shall be for a period of one (1) year commencing from the Grant Date. During the Lock-up Period, the Restricted Shares granted to the Scheme Participants under the Restricted Share Scheme, including the dividends and distributions, if any, arising from the Restricted Shares, shall be locked up and shall not be transferred, or be used for guarantee, repayment of debt or any other rights.

(b) Unlocking Period

The Unlocking Period shall be for a period of three (3) years commencing from the expiry of the Lock-up Period. The Restricted Shares granted to a Scheme Participant under the Restricted Share Scheme shall be subject to the following unlocking arrangement:

Unlocking arrangement	Unlocking Period	Percentage of the total Restricted Shares granted to a Scheme Participant
First Unlocking Period	From the first trading day after 12 months from the Grant Date (i.e. the expiry date of the Lock-up Period) to the last trading day within 24 months from the Grant Date	30%
Second Unlocking Period	From the first trading day after 24 months from the Grant Date to the last trading day within 36 months from the Grant Date	25%
Third Unlocking Period	From the first trading day after 36 months from the Grant Date to the last trading day within 48 months from the Grant Date	45%

Having considered that (i) the imposition of a Lock-up Period of the initial one year together with the conditional Unlocking Period of subsequent three years in tranches would serve to smoothen the Company's burden of incurring the reward compensation on a phase-by-phase basis; and (ii) the requirement to wait for four years after the Grant Date before which 100% of Subject Shares can be fully unlocked would further help to retain the dedicated and loyal service of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Scheme Participants in the medium term of up to six years; we are of the view that the terms of the Lock-up Period and the conditional Unlocking Period are fair and reasonable so far as the Independent Shareholders are concerned.

(c) Conditions for Unlocking

Unlocking of the Restricted Shares granted to a Scheme Participant under the Scheme shall be conditional upon fulfillment of the following by the Company and the Scheme Participants:

- (i) fulfillment of the specified performance standards of the Company for the financial year preceding the Unlocking Period; and
- (ii) achievement of passing grade (or better) on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the Unlocking Period.

If the Company fails to fulfil the performance standards for unlocking the Restricted Shares, the Locking-up Period of the Restricted Shares of the Scheme Participants, which shall be unlocked in the corresponding period, will be extended to the next Unlocking Period and subject to the relevant unlocking requirements of next Unlocking Period; if the Company fails to fulfil the unlocking conditions of the third Unlocking Period, all the locked-up Restricted Shares will be automatically unlocked on the first Trading Day after 50 months from the Grant Date as the unlocking date. If a Scheme Participant fails to fulfil performance appraisal for unlocking the Restricted Shares, the Company can repurchase the relevant Restricted Shares which failed to be unlocked at the Grant Price from the Scheme Participant.

The Unlocking of the Restricted Shares is conditional upon (i) the fulfillment of the specified performance standards of the Company for the financial year preceding the Unlocking Period; and (ii) the achievement of a passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the grant achievement of passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the Unlocking Period. We are of the view that the Unlocking arrangement and the Unlocking Period of the Restricted Shares to be conditional upon fulfillment by the Company and the Scheme Participant will facilitate the grant of the right remuneration to the persistent contributors to the Company which is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lapse and Unlocking

(a) Lapse

The Scheme shall immediately lapse upon the occurrence of any of the following events in relation to the Company, and all Restricted Shares which are still subject to lock-up shall immediately lapse:

- (i) merger or split;
- (ii) the issue of a negative opinion or inability to provide an opinion by the auditors of the Company on the audited reports of the Company for the latest financial year; and
- (iii) imposition of administrative penalties by the CSRC due to serious violation of laws and regulations in the latest year.

Other than the above circumstances, the Scheme may lapse by special resolution(s) of the Shareholders in a general meeting or a class meeting.

All Restricted Shares granted to a Scheme Participant under the Scheme shall lapse upon the occurrence of any of the following events in relation to the Scheme Participant:

- (i) the Scheme Participant is prohibited from acting as a director and senior management member as stipulated in the PRC Company Law;
- (ii) resignation by the Scheme Participant out of his own initiative; and
- (iii) commission of acts by the Scheme Participant which amounts to breach of laws or regulations, leakage of the Company's confidential information or misconducts which are prejudicial to the Company's interests or reputation.

(b) Partial Unlocking

Upon the termination or cessation of employment of the Scheme Participant on any of the following grounds, the Restricted Shares which fall to be unlocked on the year of termination or cessation shall be unlocked and all remaining Restricted Shares which have been locked up shall lapse:

- (i) termination of employment by reason of layoff or cessation of employment upon expiry of the term of the employment contract;
- (ii) termination or cessation of employment with the consent of the Company; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Scheme Participant no longer holds any position in the Company due to reasons as agreed by the Company.

(c) Complete Unlocking

All Restricted Shares granted to a Scheme Participant under the Scheme will be completely unlocked upon the occurrence of any one of the following events in relation to the Scheme Participant:

- (i) retirement upon reaching the statutory retirement age;
- (ii) death;
- (iii) loss of working capacity leading to termination of employment;
- (iv) the Scheme Participant becoming an independent non-executive Director, a supervisor of the Company or change(s) to the position of the Scheme Participant which affect his/her eligibility to participate in the Scheme.

(d) Purchase of Restricted Shares by the Company

All Restricted Shares granted to the Scheme Participant which have not been unlocked or are lapsed shall be purchased by the Company at the Grant Price upon the expiry of the Unlocking Period or on the lapse date of the Restricted Shares, and the relevant Scheme Participant shall give up all corresponding dividends thereof. Any such Restricted Shares purchased by the Company may be re-granted by the Company under the Restricted Share Scheme or any other similar restricted share scheme. Alternatively, such Restricted Shares purchased by the Company cancelled according to the relevant rules and regulations. Any purchase of Restricted Shares by the Company from a Scheme Participants who is a connected person of the Company will constitute connected transaction of the Company and the Company will take steps to comply with the relevant requirements under the GEM Listing Rules.

Having considered that the terms under the subsection of lapse and Unlocking, as stated above, clarify the rights of the Company and the Scheme Participant under the uncontrollable and external factors as well as under the controllable and internal situations, we are of the view that the terms of the lapse and unlocking arrangements are within the ordinary course of businesses of the Company and fair and reasonable so far as the Independent Shareholders are concerned.

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Rights and Entitlements

The Restricted Shares granted to the Scheme Participants for purchase under the Restricted Share Scheme will have the same rights and entitlements as other Domestic Shares and will be entitled to the same rights as other Domestic Shares in the event of any alteration in the capital structure of the Company, whether by way of capitalization issue of Shares, bonus issues, share sub-division or consolidation or reduction of share capital or pro rata share allotments, excluding any alteration in the capital structure of the Company as a result of any issue of Shares as consideration in respect of a transaction to which the Company is a party.

Share scheme comparison

We have reviewed, to our best endeavour, the restricted share schemes with the scope of scheme participants including directors (other than the independent non-executive Directors) and other key employees announced by the pharmaceutical companies listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange (the “Share Scheme Comparables”) in the last 24 months. The Independent Shareholders should note that the shares to be issued under the Share Scheme Comparables are listed shares while the Restricted Share to be issued under the Restricted Share Scheme are Domestic Shares,

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therefore the Share Scheme Comparables provide a reference for market practice only. The relevant terms of the Share Scheme Comparables are summarized as below:

Company name (Stock Code) Month of share scheme	Quantity of grant (Note 1) to total number of issued Shares	Lock- up period (months from grant date)	Unlocking arrangement (Note 2) (months from grant date)			The price of grant	Rights and entitlement (Note 3)
			(during the 12-24 months)	(during the 24-36 months)	(during the 36-48 months)		
Jiangsu Hengrui Medicine Co., Ltd (Shanghai Stock Exchange: 600276) 2010/6	0.73%	12 months	40%	30%	30%	at 50% of 20 days average closing price of the shares	yes
Jiangsu Kanion Pharmaceutical Co. Ltd (Shanghai Stock Exchange: 600557) 2011/4	2.34%	12 months	30%	30%	40%	at 50% of 20 days average closing price of the shares	yes
Guizhou Yibai Pharmaceutical Co Ltd (Shanghai Stock Exchange: 600594) 2011/12	2.83%	12 months	40%	30%	30%	at 50% of 20 days average closing price of the shares	yes
Qingdao Huaren Pharmaceutical Co Ltd (Shenzhen Stock Exchange: 300110) 2011/12	2.81%	12 months	33%	33%	34%	at 50% of 20 days average closing price of the shares	yes
The Company	10.00% (0.99% Initial Grant to the Directors)	12 months	30%	25%	45%	at 50.0% of the price for the latest transfer of the Domestic Shares of the Company	yes

Note

- under the conditions for grant of both the company performance and the individual performance
- under the conditions for unlocking of both the company performance and the individual performance
- having the same rights and entitlements as other shares in the same class, in the event of capitalization issue of Shares, bonus issues, share sub-divisions or share allotments

Source: The Shanghai Stock Exchange website and Shenzhen Stock Exchange website the respective announcements of the share schemes.

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(i) Quantity of the grant

The maximum number of the Restricted Shares to be authorized under the Restricted Share Scheme is 10.0% of the total issued Share of the Company while the Initial Grant to the Directors is only 0.99%. Having considered that (i) the Initial Grant to the Directors is in the interest of the Company and the Shareholders as a whole; (ii) in the opinion of the Board and the remuneration committee of the Company, the three executive Directors to be granted under the Initial Grant are the most senior executives of the Company who contribute significantly in the realization of the Company's strategy and sustainable development; (iii) same as the conditions for shares granting of the Share Scheme Comparables and the conditions for the Initial Grant to the other Scheme Participants, the Initial Grant to the Directors is conditional upon the fulfillment of the specified performance standards of the Company and the performance appraisal of the relevant Scheme Participants; (iv) the above two conditions for the Initial Grant to the Directors were fulfilled for the year ended 31 December 2011; (v) the aggregated quantity of 7,000,000 Restricted Shares under the Initial Grant to the Directors is less than one-fifth the total quantity of 35,500,000 Restricted Shares in the Initial Grant to the Scheme Participants within one year commencing from the Adoption Date; and (vi) consistent with the conditions applicable to all the Scheme Participants, each of the three executive Directors will be awarded not more than 10.00% of the total number of Restricted Shares in the Initial Grant; we are of the view that the quantity of the Initial Grant to the Directors is fair and reasonable so far as the Independent Shareholders are concerned,

(ii) Lock-up Period

Same as the lock-up periods of the Share Scheme Comparables, the Lock-up Period of the Restricted Shares to be authorized under the Restricted Share Scheme of 12 months is in line with the Share Scheme Comparables.

(iii) Unlocking Period

Same as the unlocking arrangements of the Share Scheme Comparables, the Unlocking Period to be for a period of three years commencing from the expiry of the Lock-up Period is in line with the Share Scheme Comparable.

The unlocking of 30%, 25% and 45% of the Restricted Shares granted in the First Unlocking Period, the Second Unlocking Period and the Third Unlocking Period respectively is more restrictive than the unlocking arrangements of the Share Scheme Comparables which can better retain the loyal service of Scheme Participants during the Unlocking Period and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Conditions for Unlocking

Unlocking of the Restricted Shares granted to a Scheme Participant under the Scheme to be conditional upon (i) fulfillment of the specified performance standards of the Company for the financial year preceding the Unlocking Period; and (ii) achievement of passing grade on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the Unlocking Period is in line with the Share Scheme Comparables.

(v) Grant Price

The Independent Shareholders should note that no other pharmaceutical company listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange has issued domestic shares under share scheme with the scope of scheme participants include Directors and other key employees in the last 24 months. The shares to be issued under the Share Scheme Comparables are listed shares while the Restricted Share to be issued under the Restricted Share Scheme are Domestic Shares, therefore the grant price comparison provides a reference for general market practice only.

The grant price of the Initial Grant to the Directors is (i) same as the Grant Price of the Initial Grant to other Scheme Participant, being at 50% of the price for the latest transfer of the Domestic Shares of the Company; and (ii) same as the methodology of fixing the grant price under the share schemes of the Share Scheme Comparables, being at 50.0% of the average price of the same class of shares transferred in a reasonable period of time prior to the respective schemes which is in general the 20 days average closing price of the shares traded in the corresponding stock exchanges of the Share Scheme Comparables.

(vi) Rights and Entitlements

The Restricted Shares granted to the Scheme Participants for purchase under the Restricted Share Scheme will have the same rights and entitlements as other Domestic Shares and will be entitled to the same rights as other Domestic Shares in the event of capitalization issue of Shares, bonus issues, share sub-divisions or share allotments is in line with the Share Scheme Comparables.

Having reviewed the relevant terms of the Share Scheme Comparables, including the quantity of grant, the lock-up period, the unlocking period, the conditions for unlocking, the grant price and the adjustments, we are of the view that the relevant terms of the Restricted Share Scheme are in line with the Share Scheme Comparables or the market norm which is fair and reasonable so far as the Independent Shareholders are concerned.

The Initial Grant to the Directors, same as to other Scheme Participants, is conditional upon (i) the fulfillment of the specified performance standards of the Company for the financial year preceding the grant; and (ii) the achievement of a passing grade or better on the performance appraisal of the relevant Scheme

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Participant for the year immediately prior to the grant. The Unlocking of the Restricted Shares to be granted to the Directors, same as to the other Scheme Participants, is conditional upon (i) the fulfillment of the specified performance standards of the Company for the financial year preceding the Unlocking Period; and (ii) the achievement of a passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the grant achievement of passing grade or better on the performance appraisal of the relevant Scheme Participant for the year immediately prior to the Unlocking Period. Furthermore, the grant price of the Initial Grant to the Directors is same as (i) the Grant Price of the Initial Grant to other Scheme Participant; and (ii) the methodology of fixing the grant price of the Share Scheme Comparables. Accordingly, we are of the view that in order to create an incentive for Directors to work for the best interests of the Company and the Shareholders, the Grant Price of the Initial Grant to the Directors to be at 50% of the price for the latest transfer of the Domestic Shares of the Company is fair and reasonable so far as the Independent Shareholders are concerned.

The fulfillment of the specified performance standards of the Company for the financial year preceding the grant includes (i) the annual growth rate of sales turnover of the Company of not less than a specified percentage over the prior year; and (ii) the annual growth rate of net profit attributable to the Shareholders of not less than a specified percentage over the prior year. According to the annual report of the Company for the year ended 31 December 2011, the annual growth rate of sales turnover for the year ended 31 December 2011 was 44.9% which is higher than the required growth rate under the conditions for Grant and the annual growth rate of net profit attributable to the Shareholders for the year ended 31 December 2011 was 737.4% which is higher than the required growth rate under the conditions for Grant.

According to the minute of the Remuneration Committee meeting in March 2012, the Remuneration Committee stated that the individual performance of each of the three Executive Directors had achieved a passing grade or better for the year ended 31 December 2011.

Having reviewed all the key terms of both the Restricted Share Scheme and the Initial Grant as stated above, we are of the view that all the terms of the Restricted Share and the Initial Grant Scheme are within the ordinary course of businesses of the Company and fair and reasonable so far as the Independent Shareholders are concerned.

III. Financial effects of the grant of the Restricted Share under the Initial Grant to the Directors

(i) Indebtedness

There is no change in the indebtedness of the Group as the Group will not incur or reduce any indebtedness under the grant of the Restricted Share under the Initial Grant to the Directors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Working capital

The cash position of the Company will be slightly improved under the Initial Grant to the Directors of 7,000,000 Restricted Shares multiplied by the Grant Price (not be lower than RMB0.51 per Restricted Share).

(iii) Earnings

The Company will recognize the fair value of the Restricted Shares granted as the expense on staff costs in its consolidated income statement over the Lock-up Period and the Unlocking Period. Accordingly, the Initial Grant to the Directors will have a possible negative impact on the earnings of the Company during the Lock-up Period and the Unlocking Period. The magnitude of the possible impact of the Initial Grant to the Directors will be in proportion to the number of Restricted Shares granted to the Directors and the discount of the Grant Price to the market price of the Shares.

(iii) Net assets value

Since the net assets value will not be affected by recognizing the expenses on the Restricted Shares granted, the improvement of the net assets value will be equivalent to the magnitude of the slight improvement in the working capital under the Initial Grant to the Directors.

The Initial Grant to the Directors will slightly improve the working capital position of the Group and have a possible negative impact on the earnings of the Company. Having considered that the maximum number of Restricted Shares to be granted to the Directors under the Initial Grant of 7,000,000 Restricted Share, we are of the view that the possible impact on the earnings is not material as compared with 710,000,000 Shares issued by the Company as at the Latest Practicable Date.

IV. Dilution effect on the shareholding of the Independent Shareholders under the Grant to Directors

Under the Initial Grant, 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares are proposed to be granted to three executive Directors, namely, Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively. Such grants will constitute connected transactions of the Company subject to the approval by the Independent Shareholders.

Assuming that 35,500,000 Restricted Shares are to be issued to three executive Directors and other Scheme Participants who are not the connected persons of the Company under the Initial Grant, particulars of the Initial Grant are set out as follows.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name	Proposed grant of Restricted Shares under the Initial Grant (Shares)	As a percentage of the total number of Restricted Shares under the Initial Grant (%)	As a percentage of the total number of the Domestic Shares (%)	As a percentage of the total number of issued Shares (%)
Mr. Wang Hai Bo	3,000,000	8.45	0.59	0.42
Mr. Su Yong	2,000,000	5.63	0.39	0.28
Mr. Zhao Da Jun	2,000,000	5.63	0.39	0.28
Initial Grant to the Directors	7,000,000	19.72	1.36	0.99
Other Scheme Participants Other than connected persons of the Company	28,500,000	80.28	5.57	4.01
Total	35,500,000	100	6.93	5.00

Base on the total number of 710,000,000 Shares issued by the Company as at the Latest Practicable Date, the total number of Restricted Shares to be granted to the Directors under the Initial Grant, being 7,000,000 Restrict Shares, will be approximately 0.99% of the total issue Shares of the Company as at the Latest Practicable Date.

Assuming that 35,500,000 Restricted Shares are issued under the Initial Grant, the changes in the shareholding of the three executive Directors will be as follows:

Name	Before the grant under the Initial Grant		Immediately after the grant under the Initial Grant	
	Number of Shares (Shares)	As a percentage of the total share capital (%)	Number of Shares (Shares)	As a percentage of the total number of issued Shares (%)
Mr. Wang Hai Bo	51,886,430	7.31	54,886,430	7.36
Mr. Su Yong	18,312,860	2.58	20,312,860	2.72
Mr. Zhao Da Jun	15,260,710	2.15	17,260,710	2.32
Independent Shareholders including other Scheme Participants	624,540,000	87.96	653,040,000	87.60
Total	710,000,000	100.00	745,500,000	100.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the grant of the Initial Grant to the Directors is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the total number of Initial Grant to the Directors to be approximately 0.99% of the total issue Shares of the Company as at the Latest Practicable Date, we consider the potential dilution to shareholding of the Independent Shareholders in relation to the Initial Grant to the Directors is fair and reasonable.

RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, including:

1. the grant of the Restricted Share under the Initial Grant to the Directors has the benefit of creating an incentive for Directors and key management to work for the best interests of the Company;
2. the key terms of the Restricted Share Scheme are within the ordinary course of businesses of the Company;
3. the Initial Grant to the Directors and the Unlocking of the Restricted Shares are conditional upon (i) the fulfillment of the specified performance standards of the Company; and (ii) the achievement of the performance appraisal of the relevant Scheme Participant. Accordingly, in order to create an incentive for Directors to work for the best interests of the Company and the Shareholders, the Grant Price be at 50% of the price for the latest transfer of the Domestic Shares of the Company is fair and reasonable so far as the Independent Shareholders are concerned;
4. the relevant terms of the Share Scheme Comparables, including the quantity of grant, the lock-up period, the unlocking period, the conditions for unlocking, the grant price and the adjustments are in line with the market norm which is fair and reasonable so far as the Independent Shareholders are concerned;
5. the grant of the Restricted Share under the Initial Grant to the Directors will slightly improve the working capital position and the net assets value of the Company;
6. the Initial Grant to the Directors will be recognized as a possible negative impact on the earnings of the Company during the Lock-up Period and the Unlocking Period which will not be material; and
7. the potential dilution to shareholding of the Independent Shareholders in relation to the Initial Grant to the Directors is fair and reasonable.

Accordingly, we are of the view that the grant of the Restricted Share under the Initial Grant to the Directors is in the interests of the Company and the Shareholders, within the ordinary course of businesses of the Company and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the grant of the Restricted Share under the Initial Grant to the Directors with 3,000,000 Restricted Shares, 2,000,000 Restricted Shares and 2,000,000 Restricted Shares to be granted to Mr. Wang Hai Bo, Mr. Su Yong and Mr. Zhao Da Jun, respectively.

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

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this 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 2011, 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 executive of the Company and their respective associates had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules.

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

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

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

So far as to the knowledge of the Directors, as at the Latest Practicable Date, the following Shareholders (other than the Directors, Supervisors or chief executive 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 Shareholders	Class of Shares	Number of Shares held	Capacity	Type of interest	Percentage in the respective class of share capital (%)	Percentage in total share capital of the Company (%)
Shanghai Industrial Investment (Holdings) Co., Ltd.	Domestic Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
Shanghai Pharmaceutical Holding Co., Ltd.	Domestic Shares	139,578,560 (L)	Beneficial owner	Corporate	27.26%	29.60%
	H Shares	70,564,000 (L)			35.64%	
China General Technology (Group) Holding, Limited (Note 1)	Domestic Shares	130,977,816(L)	Beneficial owner	Corporate	25.58%	18.45%
Shanghai Zhangjiang (Group) Co., Ltd.	Domestic Shares	105,915,096(L)	Interest of controlled corporation	Corporate	20.69%	14.92%
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (Note 2)	Domestic Shares	105,915,096(L)	Beneficial owner	Corporate	20.69%	14.92%
Fudan University	Domestic Shares	30,636,286 (L)	Interest of controlled corporation	Corporate	5.98%	4.31%
Shanghai Fudan Asset Operating Limited	Domestic Shares	30,636,286 (L)	Beneficial owner	Corporate	5.98%	4.31%

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

1. China General Technology (Group) Holding, Ltd. has sold its entire interest in the Company to a third party, but the transfer and registration procedures have not yet been completed as at the Latest Practicable Date.
2. Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. has sold its entire interest in the Company to two third parties, but the transfer and registration procedures have not yet been completed as at the Latest Practicable Date.

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are 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 2011, the date of which the latest published audited consolidated financial statements of the Group were made up.

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

7. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualifications
Messis Capital Limited	a licensed corporation to carry on type 6 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 14 May 2012 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 14 May 2012 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 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. LITIGATION

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

9. GENERAL

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 15/F, The Bank of East Asia Building, 10 Des Voeux Road Central, Hong Kong during normal business hours on any weekday (except for public holidays) up to the date which is 14 days from the date of the circular:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular;
- (b) 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 26 to 44 of this circular; and
- (c) the written consent of Messis Capital Limited referred to in paragraph 7(c) above.

NOTICE OF 2011 ANNUAL GENERAL MEETING



上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 8231)

NOTICE OF 2011 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2011 annual general meeting (the “**2011 AGM**”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “**Company**”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m. on Friday, 29 June 2012 for the purpose of considering and, if thought fit, passing the following resolutions (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 14 May 2012):

AS ORDINARY RESOLUTIONS:

1. To consider and approve the report of the Board for the year 2011.
2. To consider and approve the report of the Supervisory Committee for the year 2011.
3. To consider and approve the audited financial statements and the auditors' report for the year 2011.
4. To consider and approve the proposal in relation to non-distribution of final dividend of the Company for the year 2011.
5. To consider and approve the appointment of auditors (domestic and overseas) and authorize the Board to fix their remunerations for the year 2012.
6. To consider and approve the proposal in relation to remuneration of the Directors and Supervisors of the Company for the year 2012, and to authorize the Board to implement the proposal.
7. To consider and approve the appointment of Mr. Shen Bo as a non-executive Director.
8. To consider and approve the appointment of Mr. Chen Meng Zhao as a Supervisor.

NOTICE OF 2011 ANNUAL GENERAL MEETING

AS SPECIAL RESOLUTIONS:

9. To consider and approve “**THAT**:

the Board be and is hereby granted the following specific mandate:

- (a) to allot and issue New H Shares of the Company. Such mandate can be exercised once or more during the Relevant Period (as defined hereunder), subject to the following conditions:
 - (i) such mandate shall not extend beyond the Relevant Period save that the Board may make or grant offers, agreements or options during the Relevant Period which might require the exercise of such powers after the end of the Relevant Period;
 - (ii) the aggregate number of H Shares issued or agreed conditionally or unconditionally to be issued to professional, institutional and individual investors by way of placing by the Board pursuant to such mandate, shall not be more than 142,000,000 New H Shares, representing approximately 71.72% and 20% of the total issued H Shares and the total issued shares of the Company, respectively, as at the date of this resolution;
 - (iii) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC and the GEM Listing Rules and only if all necessary approvals from the CSRC and/or other relevant PRC government authorities have been obtained; and
 - (iv) such mandate shall be in addition and without prejudice to any general mandate to issue shares which may be granted by the shareholders of the Company.

For the purposes of this resolution, “**Relevant Period**” means the period from the date of passing this resolution until whichever is the earlier of:

- (i) the expiration of the 12-month period following the passing of this resolution(s) at the AGM and/or the Class Meetings; or
- (ii) the revocation or variation of the authority given under the relevant resolution(s) at the AGM and/or the Class Meetings by special resolution(s) of the Shareholders in a general or class meeting.

NOTICE OF 2011 ANNUAL GENERAL MEETING

- (b) contingent on the Board resolving to issue shares pursuant to paragraph (a) above, the Board be authorized to:
 - (i) submit all the relevant applications, reports and other documents to the relevant PRC and overseas authorities and deal with all the procedures to obtain and/or procure all the relevant approvals, registration, filing, sanction and permission;
 - (ii) be responsible for the exercise of the specific mandate to issue New H Shares pursuant to the terms thereof approved by the Shareholders at the AGM and the Class Meetings, respectively, including but not limited to the determination of the actual size, placing price (including the price range and final price), timing, method and target placee(s) of the placement(s) of the New H Shares, the execution, implementation, modification and termination of any agreement, contract or other documents relating to the exercise of the specific mandate to issue New H Shares and other relevant matters;
 - (iii) be responsible for obtaining all the approvals and permissions from the CSRC, the Stock Exchange and other relevant PRC and overseas authorities in relation to the exercise of the specific mandate to issue New H Shares;
 - (iv) engage placing agent(s), Hong Kong legal advisers, PRC legal advisers and other relevant intermediary parties if and as required in relation to the exercise of the specific mandate to issue New H Shares and enter into the relevant engagement agreements;
 - (v) amend the Articles of Association of the Company according to the result of the exercise of the specific mandate to issue New H Shares, deal with the relevant registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders' approvals;
 - (vi) make appropriate amendments to the terms of the specific mandate in light of the specific circumstances and pursuant to the approval(s) by the relevant authorities; and
 - (vii) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the exercise of the specific mandate to issue New H Shares.”

NOTICE OF 2011 ANNUAL GENERAL MEETING

10. To consider and approve “**THAT:**

- (a) the adoption of the Restricted Share Scheme by the Company be and is hereby approved and the Board be and is hereby authorized to do all acts and things as they consider necessary or expedient or desirable in connection with the implementation of the Scheme;
- (b) the issue of not more than 71,000,000 Domestic Shares as Restricted Shares under the Restricted Share Scheme be and is hereby approved;
- (c) the Board be and is hereby authorized to conduct the Initial Grant of not more than 35,500,000 Restricted Shares within one (1) year commencing from the Adoption Date pursuant to the Restricted Share Scheme; and
- (d) the grants of Restricted Shares to three executive Directors under the Initial Grant, that is, 3,000,000 Restricted Shares to Mr. Wang Hai Bo, 2,000,000 Restricted Shares to Mr. Su Yong and 2,000,000 Restricted Shares to Mr. Zhao Da Jun be and are hereby approved.”

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

Shanghai, the PRC
14 May 2012

* *For identification purposes only*

Notes:

1. The register of the holders of H Shares of the Company will be closed from Wednesday, 30 May 2012 to Friday, 29 June 2012 (both days inclusive). During this period, no transfer of the H Shares of the Company will be registered. Any holder of H Shares of the Company whose name appears on the Company’s register of holders of H Shares at the close of business hours on Tuesday, 29 May 2012 and has completed the registration procedures, is entitled to attend and vote at the AGM.

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

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

2. Any Shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and to vote in his/her stead. A proxy need not be a Shareholder of the Company.

NOTICE OF 2011 ANNUAL GENERAL MEETING

3. Where there are joint holders of any Share in the issued share capital of the Company, any one of such persons may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed, and a notarially certified copy of such power of attorney, must be deposited with the Company's H Share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or with the office of the secretary to the Board of the Company, at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC (for holders of Domestic Shares), not later than 24 hours before the time fixed for holding the meeting or any adjourned meeting as the case may be.
5. The resolutions as set out above are required to be determined by way of poll under the GEM Listing Rules.
6. Any Shareholder of the Company entitled to attend the AGM is requested to complete and deliver the reply slip for attendance on or before Friday, 8 June 2012.

For holders of Domestic Shares

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

For holders of H Shares

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

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES



上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 8231)

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that a class meeting of the holders of H shares (the “**H Shareholders Class Meeting**”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “**Company**”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 11:00 a.m. (or after the conclusion or adjournment of the AGM) on Friday, 29 June for the purpose of considering and, if thought fit, passing the following special resolutions (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 14 May 2012):

1. To consider and approve “**THAT**:

the Board be and is hereby granted the following specific mandate:

- (a) to allot and issue New H Shares of the Company. Such mandate can be exercised once or more during the Relevant Period (as defined hereunder), subject to the following conditions:
 - (i) such mandate shall not extend beyond the Relevant Period save that the Board may make or grant offers, agreements or options during the Relevant Period which might require the exercise of such powers after the end of the Relevant Period;
 - (ii) the aggregate number of H Shares issued or agreed conditionally or unconditionally to be issued to professional, institutional and individual investors by way of placing by the Board pursuant to such mandate, shall not be more than 142,000,000 New H Shares, representing approximately 71.72% and 20% of the total issued H Shares and the total issued shares of the Company, respectively, as at the date of this resolution;
 - (iii) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC and the GEM Listing Rules and only if all necessary approvals from the CSRC and/or other relevant PRC government authorities are obtained; and

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

- (iv) such mandate shall be in addition and without prejudice to any general mandate to issue shares which may be granted by the shareholders of the Company.

For the purposes of this resolution, “**Relevant Period**” means the period from the date of passing this resolution until whichever is the earlier of:

- (iii) the expiration of the 12-month period following the passing of this resolution(s) at the AGM and/or the Class Meetings; or
 - (iv) the revocation or variation of the authority given under the relevant resolution(s) at the AGM and/or the Class Meetings by special resolution(s) of the Shareholders in a general or class meeting.
- (b) contingent on the Board resolving to issue shares pursuant to paragraph (a) above, the Board be authorized to:
- (i) submit all the relevant applications, reports and other documents to the relevant PRC and overseas authorities and deal with all the procedures to obtain and/or procure all the relevant approvals, registration, filing, sanction and permission;
 - (ii) be responsible for the exercise of the specific mandate to issue New H Shares pursuant to the terms thereof approved by the shareholders at the AGM and the Class Meetings, respectively, including but not limited to the determination of the actual size, placing price (including the price range and final price), timing, method and target placee(s) of the placement(s) of the New H Shares, the execution, implementation, modification and termination of any agreement, contract or other documents relating to the exercise of the specific mandate to issue New H Shares and other relevant matters;
 - (iii) be responsible for obtaining all the approvals and permissions from the CSRC, the Stock Exchange and other relevant PRC and overseas authorities in relation to the exercise of the specific mandate to issue New H Shares;
 - (iv) engage placing agent(s), Hong Kong legal advisers, PRC legal advisers and other relevant intermediary parties if and as required in relation to the exercise of the specific mandate to issue New H Shares and enter into the relevant engagement agreements;
 - (v) amend the Articles of Association of the Company according to the result of the exercise of the specific mandate to issue New H Shares, deal with the relevant registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders’ approvals;

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

- (vi) make appropriate amendments to the terms of the specific mandate in light of the specific circumstances and pursuant to the approval(s) by the relevant authorities; and
 - (vii) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the exercise of the specific mandate to issue New H Shares.”
2. To consider and approve “**THAT:**
- (a) the adoption of the Restricted Share Scheme by the Company be and is hereby approved and the Board be and is hereby authorized to do all acts and things as they consider necessary or expedient or desirable in connection with the implementation of the Scheme;
 - (b) the issue of not more than 71,000,000 Domestic Shares as Restricted Shares under the Restricted Share Scheme be and is hereby approved; and
 - (c) the Board be and is hereby authorized to conduct the Initial Grant of not more than 35,500,000 Restricted Shares within one (1) year commencing from the Adoption Date pursuant to the Restricted Share Scheme.

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

Shanghai, the PRC
14 May 2012

* *For identification purposes only*

Notes:

1. The register of the holders of H Shares of the Company will be closed from Wednesday, 30 May 2012 to Friday, 29 June 2012 (both days inclusive). During this period, no transfer of the H Shares of the Company will be registered. Any holder of H Shares of the Company whose name appears on the Company’s register of holders of H Shares at the close of business hours on Tuesday, 29 May 2012 and has completed the registration procedures, is entitled to attend and vote at the H Shareholders Class Meeting.

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

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

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

2. Any holders of H Shares of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and to vote in his/her stead. A proxy need not be a Shareholder of the Company.
3. Where there are joint holders of any share in the issued share capital of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed, and a notarially certified copy of such power of attorney, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 24 hours before the time fixed for holding the meeting or any adjourned meeting as the case may be.
5. The resolutions as set out above are required to be determined by way of poll under the GEM Listing Rules.
6. Any holders of H Shares of the Company entitled to attend the H Shareholders Class Meeting is requested to complete and deliver the reply slip for attendance to the H Share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, on or before Friday, 8 June 2012.

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES



上海復旦張江生物醫藥股份有限公司

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

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

(Stock code: 8231)

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

NOTICE IS HEREBY GIVEN that a class meeting of the holders of Domestic Shares (the “**Domestic Shareholders Class Meeting**”) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司) (the “**Company**”) will be held at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 11:30 a.m. (or after any adjournment of the class meeting of holders of H shares of the Company) on Friday, 29 June 2012 for the purpose of considering and, if thought fit, passing the following special resolutions (unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 14 May 2012):

1. To consider and approve “**THAT:**

the Board be and is hereby granted the following specific mandate:

- (a) to allot and issue New H Shares of the Company. Such mandate can be exercised once or more during the Relevant Period (as defined hereunder), subject to the following conditions:
 - (i) such mandate shall not extend beyond the Relevant Period save that the Board may make or grant offers, agreements or options during the Relevant Period which might require the exercise of such powers after the end of the Relevant Period;
 - (ii) the aggregate number of H Shares issued or agreed conditionally or unconditionally to be issued to professional, institutional and individual investors by way of placing by the Board pursuant to such mandate, shall not be more than 142,000,000 New H Shares, representing approximately 71.72% and 20% of the total issued H Shares and the total issued shares of the Company, respectively, as at the date of this resolution;
 - (iii) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC and the GEM Listing Rules and only if all necessary approvals from the CSRC and/or other relevant PRC government authorities are obtained; and

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

- (iv) such mandate shall be in addition and without prejudice to any general mandate to issue shares which may be granted by the shareholders of the Company.

For the purposes of this resolution, “**Relevant Period**” means the period from the date of passing this resolution until whichever is the earlier of:

- (i) the expiration of the 12-month period following the passing of this resolution(s) at the AGM and/or the Class Meetings; or
 - (ii) the revocation or variation of the authority given under the relevant resolution(s) at the AGM and/or the Class Meetings by special resolution(s) of the Shareholders in a general or class meeting.
- (b) contingent on the Board resolving to issue shares pursuant to paragraph (a) above, the Board be authorized to:
- (i) submit all the relevant applications, reports and other documents to the relevant PRC and overseas authorities and deal with all the procedures to obtain and/or procure all the relevant approvals, registration, filing, sanction and permission;
 - (ii) be responsible for the exercise of the specific mandate to issue New H Shares pursuant to the terms thereof approved by the shareholders at the AGM and the Class Meetings, respectively, including but not limited to the determination of the actual size, placing price (including the price range and final price), timing, method and target placee(s) of the placement(s) of the New H Shares, the execution, implementation, modification and termination of any agreement, contract or other documents relating to the exercise of the specific mandate to issue New H Shares and other relevant matters;
 - (iii) be responsible for obtaining all the approvals and permissions from the CSRC, the Stock Exchange and other relevant PRC and overseas authorities in relation to the exercise of the specific mandate to issue New H Shares;
 - (iv) engage placing agent(s), Hong Kong legal advisers, PRC legal advisers and other relevant intermediary parties if and as required in relation to the exercise of the specific mandate to issue New H Shares and enter into the relevant engagement agreements;
 - (v) amend the Articles of Association of the Company according to the result of the exercise of the specific mandate to issue New H Shares, deal with the relevant registration and filing procedures with the relevant industry and commerce administration authorities and other matters in relation to the implementation of the Shareholders’ approvals;

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

- (vi) make appropriate amendments to the terms of the specific mandate in light of the specific circumstances and pursuant to the approval(s) by the relevant authorities; and
 - (vii) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the exercise of the specific mandate to issue New H Shares.”
2. To consider and approve “**THAT:**
- (a) the adoption of the Restricted Share Scheme by the Company be and is hereby approved and the Board be and is hereby authorized to do all acts and things as they consider necessary or expedient or desirable in connection with the implementation of the Scheme;
 - (b) the issue of not more than 71,000,000 Domestic Shares as Restricted Shares under the Restricted Share Scheme be and is hereby approved; and
 - (c) the Board be and is hereby authorized to conduct the Initial Grant of not more than 35,500,000 Restricted Shares within one (1) year commencing from the Adoption Date pursuant to the Restricted Share Scheme.

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

Shanghai, the PRC
14 May 2012

* *For identification purposes only*

Notes:

1. The register of the holders of Domestic Shares of the Company will be closed from Wednesday, 30 May 2012 to Friday, 29 June 2012 (both days inclusive). During this period, no transfer of the Domestic Shares of the Company will be registered. Any holder of the Domestic Shares of the Company whose name appears on the Company’s register of holders of Domestic Shares at the close of business hours on Tuesday, 29 May 2012 and has completed the registration procedures, is entitled to attend and vote at the Domestic Shareholders Class Meeting.
2. Any holders of Domestic Shares of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and to vote in his/her stead. A proxy need not be a Shareholder of the Company.
3. Where there are joint holders of any Share in the issued share capital of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the meeting the vote of the

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.

4. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed, and a notorially certified copy of such power of attorney, must be delivered to the office of the secretary to the Board of the Company not later than 24 hours before the time fixed for holding the meeting or any adjourned meeting as the case may be.
5. Details of the office of the secretary to the Board of the Company are as follows:

No. 308, Cailun Road
Zhangjiang Hi-Tech Park
Pudong New Area
Shanghai, the PRC
Post Code: 201210
Tel: 86-21-5855 3628
Fax: 86-21-5855 3893
6. The resolutions as set out above are required to be determined by way of poll under the GEM Listing Rules.
7. Any holders of Domestic Shares of the Company entitled to attend the Domestic Shareholders Class Meeting is requested to complete and deliver the reply slip for attendance to the secretary to the Board of the Company (see note (5) above for its address) on or before Friday, 8 June 2012.