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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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上海復旦張江生物醫藥股份有限公司  
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.\*  
(a joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1349)

- (1) DISTRIBUTION OF FINAL DIVIDEND
  - (2) RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
  - (3) UTILISATION OF PART OF THE OVER SUBSCRIPTION PROCEEDS FROM ISSUE OF A SHARES FOR PERMANENT REPLENISHMENT OF WORKING CAPITAL
  - (4) PROPOSAL ON GRANTING THE GENERAL MANDATE TO THE BOARD TO REPURCHASE H SHARES
  - (5) PROPOSED ADOPTION OF THE 2021 RESTRICTED INCENTIVE SHARES SCHEME;  
AND
  - (6) CONNECTED TRANSACTION – PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE
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The letter from the Board is set out on pages 4 to 12 of this circular.

The AGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares will be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m., 11:00 a.m. and 11:30 a.m., respectively, on Thursday, 27 May 2021. Notices convening the AGM and the Class Meeting of Holders of H Shares are set out on pages AGM-1 to CMHS-3 of this circular.

Proxy forms for the AGM and the Class Meeting of Holders of H Shares are enclosed in this circular and published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fd-zj.com](http://www.fd-zj.com)). Shareholders who are eligible to attend and intend to appoint a proxy to attend the AGM and the Class Meeting of the Holders of H Shares shall complete and return the accompanying proxy forms in accordance with the instructions printed thereon to the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 24 hours before the time fixed for holding the AGM and the Class Meeting of the Holders of H Shares or any adjournment thereof (as the case may be). Completion and return of the proxy forms will not preclude you from attending and voting in person at the AGM and the Class Meeting of the Holders of H Shares or any adjourned meeting in person should you so desire.

\* For identification purpose only.

16 April 2021

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## DEFINITIONS

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

“A Share(s)”	the ordinary share(s) with a nominal value of RMB0.1 each in the share capital of the Company which are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, and are subscribed for and traded in RMB
“AGM”	the annual general meeting of the Company to be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, China at 10:00 a.m. on Thursday, 27 May 2021
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Class Meetings”	the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares
“Class Meeting of Holders of A Shares”	the class meeting of the holders of the A Shares to be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC, at 11:30 a.m., on Thursday, 27 May 2021
“Class Meeting of Holders of H Shares”	the class meeting of the holders of the H Shares to be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC, at 11:00 a.m., on Thursday, 27 May 2021
“Company”	上海復旦張江生物醫藥股份有限公司 (Shanghai Fudan Zhangjiang Bio-Pharmaceutical Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01349) and the A Shares of which are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (Stock Code: 688505)
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“H Shares”	overseas listed foreign share(s) with a nominal value of RMB0.1 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK\$
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Issue of A Shares”	the issue 120,000,000 ordinary shares in RMB (A Shares) to the public at an issue price of RMB8.95 per Share by the Company on the Sci-tech Innovation Board of the Shanghai Stock Exchange
“Incentive Scheme”	the 2021 restricted incentive scheme of the Company
“Assessment Management Measures”	the assessment management measures adopted for the implementation of the Incentive Scheme
“Latest Practicable Date”	13 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding the regions of Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Repurchase Mandate”	the general mandate to be granted to the Board at the AGM, the Class Meeting of Holders of A Shares and the Class Meeting of Holders of H Shares to exercise the power of the Company to repurchase H Shares not exceeding 10% of the total number of the H Shares in issue at the time when the relevant resolution proposed for granting such mandate for repurchasing H Shares is passed at the AGM, the Class Meeting of Holders of A Shares and the Class Meeting of Holders of H Shares
“Shanghai Stock Exchange”	the Shanghai Stock Exchange

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## DEFINITIONS

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“Share(s)”	the A Share(s) and the H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Supervisor(s)”	the supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buybacks, as amended, supplemented or otherwise modified from time to time
“%”	per cent.

\* *For identification purpose only*

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LETTER FROM THE BOARD

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上海復旦張江生物醫藥股份有限公司

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

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

(Stock Code: 1349)

*Executive Directors*

Mr. Wang Hai Bo (*Chairman*)

Mr. Su Yong

Mr. Zhao Da Jun

*Non-executive Directors*

Mr. Shen Bo

Ms. Yu Xiao Yang

*Independent Non-executive Directors*

Mr. Zhou Zhong Hui

Mr. Lam Yiu Kin

Mr. Xu Qing

Mr. Yang Chun Bao

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

No. 308, Cailun Road

Zhangjiang Hi-Tech Park

Pudong New Area, Shanghai

China

201210

*Principal place of business  
in Hong Kong:*

19/F, Three Exchange Square

8 Connaught Place Central

Hong Kong

16 April 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) DISTRIBUTION OF FINAL DIVIDEND
- (2) RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS  
AND SENIOR MANAGEMENT
- (3) UTILISATION OF PART OF THE OVER SUBSCRIPTION PROCEEDS FROM  
ISSUE OF A SHARES FOR PERMANENT REPLENISHMENT OF WORKING  
CAPITAL
- (4) PROPOSAL ON GRANTING THE GENERAL MANDATE TO THE BOARD  
TO REPURCHASE H SHARES
- (5) PROPOSED ADOPTION OF THE 2021 RESTRICTED INCENTIVE SHARES  
SCHEME;  
AND
- (6) CONNECTED TRANSACTION – PROPOSED ISSUE AND GRANT OF NEW A  
SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC  
MANDATE

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

The purpose of this circular is, among other things, to provide you with more information in respect of: (1) distribution of final dividend; (2) renewal of liability insurance for Directors, Supervisors and senior management; (3) utilization of part of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital; (4) proposal on granting the general mandate to the Board to repurchase H shares; (5) proposed adoption of the 2021 Restricted Incentive Shares Scheme; (6) connected transaction – proposed issue and grant of new A share under the Incentive Scheme pursuant to specific mandate, 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 Meeting of Holders of H Shares.

### 2. DISTRIBUTION OF FINAL DIVIDEND

The resolution in relation to the distribution of a final dividend of RMB0.05 per share (tax inclusive) for the year ended 31 December 2020, totaling approximately RMB52,150,000, has been considered and approved at the meeting of the Board held on 25 March 2021. If the profit distribution plan is approved by the Shareholders by way of an ordinary resolution at the AGM, the final dividend is expected to be distributed on or before Friday, 27 August 2021 to all holders of H Shares whose names appear on the register of the Company on Tuesday, 8 June 2021.

To determine the identity of the holders of H Shares entitled to receive the final dividend, the register of holders of H Shares of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 June 2021.

Final dividend for holders of H Shares will be declared and calculated in RMB, and be paid in Hong Kong dollars. Final dividend for holders of A Shares will be declared and calculated in RMB, be paid in RMB, and the relevant income tax will be withheld and paid by China Securities Depository and Clearing Corporation Limited on behalf of the holders of A Shares (if applicable). The exchange rate shall be determined by the average selling rates promulgated by People's Bank of China within one week before the date of declaration of the dividend. In case of any change to the expected payment date or the period during which the register of holders of H Shares will be closed, further announcement(s) will be published by the Company in due course in respect of such changes. If the total share capital of the Company changes during the period from the date of approval of the profit distribution plan by the AGM to the record date for profit distribution, the amount of the final dividend per share remains unchanged, and the Company will announce the adjustment of the total amount of final dividend accordingly.

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## LETTER FROM THE BOARD

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In accordance with the Enterprise Income Tax Law of the People's Republic of China (effective since 1 January 2008) and its implementation regulations, and the Notice on the Issues Concerning Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008, when the Company distributes dividends to non-resident enterprise holders of H Shares whose names appear on the register of the Company, it is obliged to withhold and pay enterprise income tax on their behalf at a tax rate of 10%. Any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees or trustees, and other organizations and groups, are deemed to be held by non-resident enterprise shareholders. Therefore, the Company will withhold and pay 10% corporate income tax on their behalf before distributing the final dividend to such non-resident enterprise shareholders.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual shareholders, is subject to 10% individual income tax. Thus, a 10% individual income tax will be withheld from the final dividend payable to any individual shareholders whose names appear on the register of members of H Shares of the Company on 8 June 2021, unless otherwise stated in the relevant taxation regulations, taxation agreements or notices.

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

### **3. RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

An ordinary resolution will be proposed at the AGM to consider and approve renewal of liability insurance for Directors, Supervisors and senior management of the Company.

Pursuant to the Hong Kong Listing Rules and Governance Standards of Listed Companies issued by the China Securities Regulation Commission, listed companies should/may arrange appropriate insurance coverage for potential legal action against its directors. In order to effectively manage the legal and regulatory risks arising from the performance of the duties by the Directors, Supervisors and senior management of the Company, the Company intends to renew liability insurance for all Directors, Supervisors and senior management for a period of one year and with an insurance premium of not more than RMB150,000. It is also proposed that the AGM grant authorization to the Board to determine issues including but not limited to engagement of insurance companies and intermediaries, determination of the terms of the insurance and further renewal of liability insurance within the aforesaid insurance premium limit and the core insurance coverage.



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## LETTER FROM THE BOARD

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#### **4. UTILISATION OF PART OF THE OVER SUBSCRIPTION PROCEEDS FROM ISSUE OF A SHARES FOR PERMANENT REPLENISHMENT OF WORKING CAPITAL**

An ordinary resolution will be proposed at the AGM to consider and approve the utilization of part of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital of the Company.

Further details of the resolution on the utilization of part of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital are set out in Appendix I to this circular.

#### **5. PROPOSAL ON GRANTING THE GENERAL MANDATE TO THE BOARD TO REPURCHASE H SHARES**

A special resolution will be proposed at the AGM and the Class Meetings to consider and approve the proposal on granting the general mandate to the Board to repurchase the H shares of the Company.

It is proposed that a general mandate be granted to the Board to repurchase H shares of the Company not exceeding 10% of its total number of the H Shares in issue when the Repurchase Mandate is approved at the AGM and the Class Meetings with reference to market conditions, funding arrangements and the needs of the Company and in accordance with the relevant laws and regulations, the Articles of Association, requirements of securities regulatory authorities of the places where the shares of the Company are listed and any other relevant government or regulatory authorities in the PRC when the Board believes that such repurchase is beneficial to the Company and the Shareholders as a whole.

It is proposed that the authorization granted to the Board by the AGM and the Class Meetings includes but not limited to:

- i) formulating and implementing specific repurchase plan, including but not limited to repurchase price(s), number of H Shares to be repurchased, timing(s) of repurchase and period(s) of repurchase, etc;
- ii) notifying creditors and making announcement(s) in accordance with the requirements of the Company Law of the PRC, other laws and regulations and the Articles of Association;
- iii) opening overseas stock accounts, capital accounts and carrying out relevant procedures of change in foreign exchange registration;
- iv) carrying out relevant approval, filing and/or disclosure procedures (if necessary) in accordance with laws, regulations, the Articles of Association and requirements of the securities regulatory authorities of the places where the shares of the Company are listed and any other relevant government or regulatory authorities in the PRC;

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## LETTER FROM THE BOARD

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- v) carrying out the cancellation procedure of the repurchased H Shares, reducing the registered capital of the Company, amending the Articles of Association in relation to the total amount of share capital, share capital structure and other relevant contents and carrying out the legal registration and filing procedures in the PRC and overseas; and
- vi) executing all documents and dealing with other matters in relation to the repurchase of H Shares.

The Explanatory Statement of the Repurchase Mandate is set out in Appendix II to this circular, which contains further details of Repurchase Mandate.

### **6. PROPOSED ADOPTION OF THE 2021 RESTRICTED INCENTIVE SHARES SCHEME**

A special resolution will be proposed at the AGM and the Class Meetings to consider and approve the proposed adoption of the 2021 Restricted Incentive Shares Scheme.

Reference is made to the Company's announcement dated 6 April 2021 in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the Specific Mandate which involves a connected transaction.

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the Board of Directors passed the resolution on 6 April 2021 on the proposed adoption of the Incentive Scheme.

A supplemental circular containing, among other things, further details of the above matters, will be despatched to the Shareholders on or before 7 May 2021.

### **7. CONNECTED TRANSACTION – PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE**

A special resolution will be proposed at the AGM and the Class Meetings to consider and approve the connected transaction – proposed issue and grant of new a shares under the incentive scheme pursuant to specific mandate.

A supplemental circular containing, among other things, further details of the above matters, will be despatched to the Shareholders on or before 7 May 2021.

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## LETTER FROM THE BOARD

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### 8. AGM AND THE CLASS MEETINGS

The AGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares will be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m., 11:00 a.m. and 11:30 a.m., respectively, on Thursday, 27 May 2021. Notices convening the AGM and the Class Meeting of Holders of H Shares are set out on pages AGM-1 to CMHS-3 of this circular.

Proxy forms for the AGM and the Class Meeting of Holders of H Shares are enclosed in this circular and published on the websites of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.fd-zj.com](http://www.fd-zj.com)). Shareholders who are eligible to attend and intend to appoint a proxy to attend the AGM and the Class Meeting of the Holders of H Shares shall complete and return the accompanying proxy forms in accordance with the instructions printed thereon to the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 24 hours before the time fixed for holding the AGM and the Class Meeting of the Holders of H Shares or any adjournment thereof (as the case may be). Completion and return of the proxy forms will not preclude you from attending and voting in person at the AGM and the Class Meeting of the Holders of H Shares or any adjourned meeting in person should you so desire.

To determine the eligibility of the holders of H Shares to attend and vote at the AGM and the Class Meeting of the Holders of H Shares, the register of the holders of H Shares of the Company will be closed from Saturday, 22 May 2021 to Thursday, 27 May 2021 (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 Friday, 21 May 2021, is entitled to attend and vote at the AGM and the Class Meeting of Holders of H Shares. In order for the holders of H Shares to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

For the attending procedures of AGM and the Class Meeting of Holders of A Shares applicable to holders of A Shares and the relevant forms of proxy, please refer to the announcement of the Company dated 16 April 2021 on the Shanghai Stock Exchange.

### 9. VOTING BY WAY OF POLL

In accordance with the relevant provisions of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolution set out in the notice of AGM and Class Meetings will be voted by poll.

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## LETTER FROM THE BOARD

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### 10. RECOMMENDATION

The Directors consider that all the resolutions set out in the notices of the AGM, the Class Meeting of Holders of H Shares are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the proposed resolutions.

### 11. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### 12. ADDITIONAL INFORMATION

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

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

**APPENDIX I****UTILISATION OF PART OF THE OVER SUBSCRIPTION PROCEEDS FROM ISSUE OF A SHARES FOR PERMANENT REPLENISHMENT OF WORKING CAPITAL****OVERVIEW OF THE PROCEEDS**

As approved by the document “Approval in Relation to Registration of the Initial Public Offering of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.” (Zheng Jian Xu Ke [2020] No.912) granted by China Securities Regulatory Commission, the Company was permitted to issue 120,000,000 ordinary shares in RMB (A Shares) to the public at an issue price of RMB8.95 per Share (the “Issue of A Shares”). The total amount of proceeds from the Issue of A Shares amounted to RMB1,074,000,000. After deducting the issuing expenses, the proceeds amounted to approximately RMB974,324,000. The proceeds have been fully received and verified by PricewaterhouseCooper Zhongtian LLP, which has issued the Capital Verification report (PwC Zhong Tian (2020) Yan Zi No. 0502). The proceeds are all held in a specialized account of the Company.

**USE OF PROCEEDS FROM THE ISSUE OF A SHARES**

A summary of the proceeds raised were used as follows:

<b>Investment Projects</b>	<b>Intended amount</b> <i>RMB0'000</i>	<b>Amount that has been utilized as at 31 December 2020</b> <i>RMB0'000</i>	<b>Remaining balance as at 31 December 2020</b> <i>RMB0'000</i>	<i>Notes</i>
– The Registration Project of Hemoporfin in the United States	23,000.00	<b>1,689.40</b>	<b>21,310.60</b>	
– The Innovational Research and Sustainable Development Project in Relation to Biological Medicine	24,000.00	<b>5,739.74</b>	<b>18,260.26</b>	
– The Project in Relation to Acquisition of Minor Equity Interests in Taizhou Fudan				
– Zhangjiang	18,000.00	<b>17,839.30</b>	<b>160.70</b>	
<b>Over-subscription proceeds</b>	–	–	<b>32,432.39</b>	<i>Note (1)</i>
<b>Interests of over-subscription proceeds</b>	–	–	<b>1,080.98</b>	
<b>Total</b>	<u>65,000.00</u>	<u><b>25,268.44</b></u>	<u><b>73,244.92</b></u>	

*Notes:*

- (1) The actual amount of proceeds raised from the Issue of A Shares exceeding the needs of the investment projects listed above will be devoted to the principal business of the Company in accordance with relevant requirements of CSRC and The Shanghai Stock Exchange and subject to the approval of the Board and the Shareholders’ meeting. The Company will disclose relevant updates in due course.

- (2) The amount that has been utilized included the amount which is used after the listing for replacing the self-owned fund of the Company previously invested in such projects.
- (3) The Company confirms that the use of proceeds from the Issue of A share conforms to the disclosure of the circular of the Company dated 4 April 2019, and that the Company will use the proceeds from the Issue of A share in strict accordance with the relevant regulations.

For details, please refer to the Company's Chinese version overseas regulatory announcement dated 25 August 2020 and 25 March 2021 and the annual report for the year ended 31 December 2020 of the Company dated 16 April 2021 on the website of the Hong Kong Stock Exchange.

### **PLAN TO UTILISE PART OF THE OVER SUBSCRIPTION PROCEEDS FROM THE ISSUE OF A SHARES FOR PERMANENT REPLENISHMENT OF WORKING CAPITAL**

In order to meet the Company's working capital requirements, to utilize the proceeds more effectively, to reduce financial cost, to further enhance the Company's profitability and to safeguard the interest of the Company and its Shareholders, pursuant to the "Regulatory Guidance for Listed Companies No. 2 – Regulatory Requirements for the Administration and Use of Proceeds of the Listed Companies", the "Administrative Measures for Proceeds by Companies Listed on the Shanghai Stock Exchange" and relevant regulations, after taking into account the Company's actual operational needs and its financial status, the Company intends to utilize RMB96,000,000 of the over subscription proceeds from the Issue of A Shares for permanent replenishment of working capital, mainly as the operating expenses of the Company's principal business (the "**Utilisation Plan**"). The amount for replenishment under the Utilisation Plan will not exceed 30% of the over subscription proceeds.

### **UNDERTAKINGS BY THE COMPANY**

The Company undertakes that: the amount under the Utilisation Plan will be utilised for the Company's operating activities relating to the principal business, which does not affect the intended use of proceeds of the Issue of A Shares and shall not affect the capital requirements of the projects in which the proceeds are intended to be used; and it will not carry out any high-risk investment or provide financial assistance for third-party entities, within twelve months following the approval of the Utilisation Plan.

**RELEVANT OPINIONS ON THE UTILISATION PLAN***Opinions of the independent non-executive Directors*

The Utilisation Plan is conducive to improving effective utilisation of the proceeds and is in the interests of the Company and the Shareholders. The Utilisation Plan complies with “Regulatory Guidance for Listed Companies No. 2 – Regulatory Requirements for the Administration and Use of Proceeds of the Listed Companies”, “Self Regulatory Regulations Guidance of Listed Companies of the Sci-tech Innovation Board of the Shanghai Stock Exchange No. 1 – Compliant Operation”, the Articles of Associations, “Administrative Measures for Proceeds by Companies Listed on the Shanghai Stock Exchange” and other laws, regulations and regulatory documents.

The review and approval procedure of the Utilisaton Plan complied with the requirements of laws, administrative laws, regulations and regulatory documents. The Utilisaton Plan does not change the intended use of the proceeds or harm the interest of the Shareholders.

In conclusion, the independent non-executive Directors of the Company agreed with the Utilisation Plan.

*Opinions of the Supervisory Committee*

The Utilisation Plan is conducive to improving effective utilisation of the proceeds and is in the interests of the Company and the Shareholders. The Utilisation Plan complies with “Regulatory Guidance for Listed Companies No. 2 – Regulatory Requirements for the Administration and Use of Proceeds of the Listed Companies”, “Self Regulatory Regulations Guidance of Listed Companies on the Sci-tech Innovation Board of the Shanghai Stock Exchange No. 1 – Compliant Operation”, the Articles of Associations, “Administrative Measures for Proceeds by Companies Listed on the Shanghai Stock Exchange” and other laws, regulations and regulatory documents.

The review and approval procedure of the Utilisaton Plan and the relevant voting procedure of the Board complied with the requirements of laws, administrative laws, regulations and regulatory documents. The Utilisaton Plan does not change the intended use of the proceeds or harm the interest of the Shareholders.

In view of the above, the Supervisory Committee agreed with the Utilisation Plan.

***Opinions of the Sponsoring Institution***

The sponsoring institution believed that the Utilisation Plan is conducive to improving effective utilisation of the proceeds, reducing finance costs and will not affect the normal progress of the intended investment projects. The Utilisaton Plan does not change the intended use of the proceeds or harm the interest of the Shareholders. The Utilisation Plan was considered and approved by the Board and the Supervisory Committee, and was agreed by the independent non-executive Directors. It has complied with all necessary procedures except for obtaining the Shareholder's approval.

The review and approval procedures of the Utilisation Plan complies with "Listing Rules of the Sci-tech Innovation Board of the Shanghai Stock Exchange (Amended in December 2020)", "Regulatory Guidance for Listed Companies No. 2 – Regulatory Requirements for the Administration and Use of Proceeds of the Listed Companies", "Self Regulatory Regulations Guidance of Listed Companies on the Sci-tech Innovation Board of the Shanghai Stock Exchange No. 1 – Compliant Operation", "Continuing Supervision Administration Measures of Listed Company of Sci-tech Innovation Board (Pilot Version)" and other laws, regulations and regulatory documents. It is conducive to the principal business of the Company and in the interests of the Company and the Shareholders.

Based on the opinions above, the sponsoring institution agreed with the Utilisation Plan.



*In accordance with Rule 10.06 (1) (b) of the Hong Kong Listing Rules, this explanatory statement contains all the information related to the proposed Repurchase Mandate, which is as follows:*

## **1. HONG KONG LISTING RULES ON SHARE REPURCHASE**

The Hong Kong Listing Rules allow a company with primary listing on the Main Board of the Hong Kong Stock Exchange to repurchase its shares on the Main Board of Hong Kong Stock Exchange, subject to certain restrictions.

## **2. REASONS FOR REPURCHASE OF H SHARES**

The Board believes that the flexibility afforded by the Repurchase Mandate would be beneficial to and in the best interest of the Company and its Shareholders. Such repurchases of the H Shares may, depending on market conditions and funding arrangements at such time, lead to an enhancement of the net asset value per Share and/or earnings per Share of the Company. Such repurchases of the H Shares will only be made when the Directors believe that it will benefit the Company and its Shareholders as a whole.

## **3. SHARES CAPITAL**

As at the Latest Practicable Date, the total issued share capital of the Company was RMB104,300,000, comprising 340,000,000 H Shares with a par value of RMB0.1 and 703,000,000 A Shares with a par value of RMB0.1.

## **4. EXERCISE OF THE REPURCHASE MANDATE**

Subject to the passing of the relevant special resolution in relation to the grant of the Repurchase Mandate to the Board in the AGM and Class Meetings, the Board will be granted the Repurchase Mandate until the earlier of: (a) the conclusion of the annual general meeting for the year 2021 of the Company; or (b) the date on which the authorization granted by the relevant special resolution is revoked or varied by a special resolution at the general meeting, the class meeting of the holders of H Shares and the class meeting of the holders of A Shares of the Company (“**Relevant Period**”). In addition, the exercise of the Repurchase Mandate is subject to: (1) relevant approval(s) of relevant regulatory authorities as required by the laws, rules and regulations of the PRC being obtained (if necessary); and (2) no creditor of the Company require the Company to repay or to provide security for the outstanding amount owed to the creditor (or, if so required by the creditor of the Company, the Company has paid or provided security for the amount owed in its sole discretion) in accordance with the Articles of Association applicable to the reduction of share capital.

The exercise in full of the Repurchase Mandate (on the basis of 340,000,000 H Shares in issue as at the Latest Practicable Date and no H Shares will be allotted, issued or repurchased by the Company on or prior to the date of the AGM and the Class Meetings) would result in a maximum of 34,000,000 H Shares being repurchased by the Company during the Relevant Period, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant special resolution at the AGM and the Class Meetings.

## 5. FUNDING OF REPURCHASE

In repurchasing its H Shares, the Company intends to apply funds from the Company's internal resources (which may include capital reserves and distributable profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

As compared with the position disclosed in the financial report of the Company for the year ended 31 December 31 2020 (being the most recent published audited accounts of the Company), the Directors consider that there may not be a material adverse impact on the working capital or on the gearing position of the Company in the event that the Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period.

The Directors do not intend to exercise the Repurchase Mandate if its exercise would have a material adverse effect on the working capital or gearing position of the Company as they consider appropriate from time to time

## 6. H SHARES PRICES

The highest and lowest prices at which the H Shares have been traded on the Hong Kong Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2020</b>		
April	5.20	4.60
May	5.45	4.68
June	6.58	5.02
July	9.26	5.23
August	6.18	4.87
September	5.17	3.68
October	4.05	3.56
November	4.63	3.58
December	4.64	3.75
<b>2021</b>		
January	5.35	3.76
February	5.80	4.58
March	4.87	4.16
April (up to the Latest Practicable Date)	4.49	4.27

## 7. THE IMPACT OF THE TAKEOVERS CODE AND THE PUBLIC FLOAT

As at the Last Practicable Date, the public float of the Company complied with Rule 8.08 of the Hong Kong Listing Rules. The interests of the substantial Shareholders of the Company (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company) are set out as follows (assuming that there is no disposal of its interests by the substantial Shareholders and no other changes in the issued share capital of the Company, and that the Repurchase Mandate is exercised in full):

Name of substantial Shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Before repurchase		After repurchase	
					Percentage in number of class Shares	Percentage in total number of Shares	Percentage in number of class Shares	Percentage in total number of Shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares	139,578,560(L)	Interest of controlled corporation	Corporate	19.85%	20.15%	19.85%	20.83%
	H Shares	70,564,000 (L)			20.75%		23.06%	
Shanghai Pharmaceuticals Holding Co., Ltd.	A Shares	139,578,560(L)	Beneficial owner	Corporate	19.85%	20.15%	19.85%	20.83%
	H Shares	70,564,000 (L)			20.75%		23.06%	
China New Enterprise Investment Fund II	A Shares	156,892,912(L)	Beneficial owner	Corporate	22.32%	15.04%	22.32%	15.55%

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

If as a result of share repurchase by the Company, a substantial Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert could obtain or consolidate control of the Company or become obligated to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As illustrated in the table above, exercise of the Repurchase Mandate will not have any impact on the substantial Shareholders under the Takeovers Code.

Assuming that no Shares are issued between the Last Practicable Date and the repurchase date, the exercise of the Repurchase Mandate in whole or in part will not result in the public float being less than 25% of the Company’s shares or other minimum shareholding percentage as required by the Hong Kong Stock Exchange. The Directors do not intend to make share repurchase on the Hong Kong Stock Exchange if such repurchase would result in failure to comply with the requirements under Rule 8.08 of the Hong Kong Listing Rules.

Except as disclosed above, the Directors are not aware of any consequences of any repurchase of shares in accordance with the Takeovers Code and / or any relevant regulations known to them.

**8. SHARES REPURCHASED BY THE COMPANY**

No repurchase of Shares has been made by the Company in the previous six months preceding the Latest Practicable Date (whether on the Hong Kong Stock Exchange or on other stock exchanges).

**9. REPURCHASE PRICE AND STATUS OF REPURCHASED SHARES**

Pursuant to the Hong Kong Listing Rules, the price of H shares to be repurchased shall not be higher than 5% of the average closing price of H shares in the five trading days prior to the actual repurchase date. When implementing the repurchase, the Company will determine the specific repurchase price according to the market and the actual situation of the company.

Pursuant to relevant laws and regulations, the H shares repurchased by the Company will be cancelled, and the registered capital of the Company will be reduced accordingly.

**10. GENERAL INFORMATION**

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the Hong Kong Listing Rules and the applicable laws, rules and regulations of the PRC.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Hong Kong Listing Rules) presently intends to sell H Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved by the Shareholders in the AGM and Class Meetings and the conditions (if any) to which the Repurchase Mandate is subject to are fulfilled.

The Company has not been notified by any core connected persons (as defined in the Hong Kong Listing Rules) of the Company that they have a present intention to sell any H Shares to the Company, or that they have undertaken not to sell any H Shares held by them to the Company in the event that the Repurchase Mandate is approved by the Shareholders in the AGM and Class Meetings and the conditions (if any) to which the Repurchase Mandate is subject to are fulfilled.