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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.

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

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### 上海復旦張江生物醫藥股份有限公司 Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.\*

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

(Stock code: 1349)

## (1) CONTINUING CONNECTED TRANSACTIONS – SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICALS; AND (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULES

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



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This circular should be read together with the circular of the Company dated 26 April 2023. The EGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares will be held at No. 308 Cailun Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, the PRC at 9:00 a.m., 9:30 a.m. (or the time immediately after the conclusion of the EGM) and 9:45 a.m. (or the time immediately after the conclusion of the Class Meeting of Holders of H Shares), respectively, on Tuesday, 30 May 2023. Notices convening the EGM and the Class Meeting of Holders of H Shares are set out on pages EGM-1 to CMHS-2 of this circular.

Proxy forms for the EGM and the Class Meeting of Holders of H Shares are enclosed in this circular and published on the websites of the 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 EGM and the Class Meeting of 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 EGM and the Class Meeting of 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 EGM and the Class Meeting of Holders of H Shares or any adjourned meeting in person should you so desire.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee in respect of the Sales and Distribution Agreement and the proposed annual caps is set out on pages 19 to 20 of this circular. A letter of advice from Grande Capital Limited, the Independent Financial Adviser, in respect of the Sales and Distribution Agreement and the proposed annual caps to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 38 of this circular.

\* For identification purpose only.

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## DEFINITIONS

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

“A Share(s)”	the ordinary share(s) with a nominal value of RMB0.1 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 to be held at No. 308 Cailun Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m. on Tuesday, 30 May 2023
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Class Meetings”	the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares
“Class Meeting of Holders of A Shares”	the class meeting of holders of A Shares to be held at No. 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC, at 9:45 a.m. (or the time immediately after the conclusion of the Class Meeting of Holders of H Shares) on Tuesday, 30 May 2023
“Class Meeting of Holders of H Shares”	the class meeting of holders of H Shares to be held at No. 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC, at 9:30 a.m. (or the time immediately after the conclusion of the EGM) on Tuesday, 30 May 2023
“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 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)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Contractual Period”	the period from 1 January 2024 to 31 December 2026 (both dates inclusive)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at No. 308 Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 9:00 a.m. on Tuesday, 30 May 2023
“Epidemic”	the epidemic caused by the COVID-19
“Former Sales and Distribution Agreement”	the sales and distribution agreement entered into between the Company and Shanghai Pharmaceuticals on 29 October 2020 for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2023, details of which were set out in the circular of the Company dated 27 November 2020
“Group”	the Company and/or its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB0.10 each in the share capital of the Company which are listed on the Stock Exchange and are subscribed for and traded in Hong Kong dollars
“Independent Board Committee”	an independent committee of independent non-executive Directors appointed to advise the Independent Shareholders in respect of the Sales and Distribution Agreement and the proposed annual caps
“Independent Financial Adviser”	Grande Capital Limited, a licensed corporation to carry out Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sales and Distribution Agreement and the proposed annual caps
“Independent Shareholders”	the Shareholders excluding Shanghai Pharmaceuticals and its associates, who are not required to abstain from voting on the resolution at the EGM for approving the continuing connected transactions contemplated under the Sales and Distribution Agreement and the proposed annual caps

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## DEFINITIONS

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“Independent Third Party(ies)”	third party(ies) who is (are) not connected persons of the Company as defined in the Listing Rules and is (are) independent of the Company and the connected persons of the Company
“Latest Practicable Date”	10 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China
“promoter”	has the same meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Distribution Agreement”	the sales and distribution agreement entered into between the Company and Shanghai Pharmaceuticals on 30 March 2023 for the sale and distribution of the Group’s pharmaceutical products during the Contractual Period
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Pharmaceuticals”	上海醫藥集團股份有限公司 (Shanghai Pharmaceuticals Holding Co., Ltd.*), a joint stock limited company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange and H shares are listed on the Stock Exchange, and a promoter of the Company and a substantial Shareholder holding approximately 20.42% of the total share capital of the Company as at the Latest Practicable Date
“Shanghai Pharmaceuticals Group”	Shanghai Pharmaceuticals and/or its subsidiaries and/or associates
“Shangshi Holding”	上海實業(集團)有限公司 (Shanghai Industrial Investment (Holdings) Co., Ltd.*), a company incorporated in Hong Kong and an ultimate corporate Shareholder of Shanghai Pharmaceuticals

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## DEFINITIONS

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“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“substantial Shareholder”	has the same meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Transactions”	the continuing connected transactions contemplated under the Sales and Distribution Agreement entered into between the Company and Shanghai Pharmaceuticals on 30 March 2023
“%”	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

12 May 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS –  
SALES AND DISTRIBUTION AGREEMENT WITH  
SHANGHAI PHARMACEUTICALS; AND  
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND THE PROCEDURAL RULES**

#### **I. INTRODUCTION**

Reference is made to the announcements of the Company dated 30 March 2023 and 25 April 2023 in relation to (i) the continuing connected transactions contemplated under the Sales and Distribution Agreement with Shanghai Pharmaceuticals; and (ii) the proposed amendments to the Articles of Association and the procedural rules; and the AGM circular dated 26 April 2023.

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## LETTER FROM THE BOARD

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An ordinary resolution will be proposed at the EGM to consider and approve the continuing connection transaction contemplated under the Sales and Distribution Agreement.

The purpose of this circular is to provide you with, among other things, (i) details of the Sales and Distribution Agreement and the proposed annual caps; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Sales and Distribution Agreement and the proposed annual caps; and (iii) a letter from the Independent Board Committee containing its recommendations on the Sales and Distribution Agreement and the proposed annual caps, to enable you to make an informed decision on whether to vote for or against the relevant resolution at the EGM.

Special resolutions will be re-proposed at the EGM and the Class Meetings to consider and approve the proposed amendments to the Articles of Association and the procedural rules.

## II. SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICALS

The Board announced that the Company entered into the Sales and Distribution Agreement with Shanghai Pharmaceuticals on 30 March 2023 for the sales and distribution of the Group's pharmaceutical products by the Shanghai Pharmaceuticals Group during the Contractual Period.

The principal terms of the Sales and Distribution Agreement are as follows:

### 1. Sales and Distribution Agreement

<b>Date</b>	:	30 March 2023
<b>Parties</b>	:	The Company (for itself and/or on behalf of its subsidiaries), being the vendor; and  Shanghai Pharmaceuticals (for itself and/or on behalf of its subsidiaries and/or associates), being the purchaser
<b>Subject</b>	:	The Company has agreed to authorise the Shanghai Pharmaceuticals Group to sell and distribute the pharmaceutical products of the Group during the Contractual Period. The sales and distribution services to be provided to the Group by the Shanghai Pharmaceuticals Group is on a non-exclusive basis with the terms of sales and distribution of each specific pharmaceutical product to be agreed upon in accordance with the principles set out in the Sales and Distribution Agreement.



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## LETTER FROM THE BOARD

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**Pricing policy** : The price of the pharmaceutical products to be sold by the Group to the Shanghai Pharmaceuticals Group shall be determined on fair market basis with reference to the ultimate selling price of a particular pharmaceutical product to be sold to the ultimate customers as prescribed by the local statutory pricing authorities, which will be set downward from the prescribed price by leaving a reasonable mark-up of 5%-10% to the Shanghai Pharmaceuticals Group for provision of sales and distribution services. The pricing policy to Shanghai Pharmaceuticals Group is the same as and no less favorable to the Group than that offered by the Group to the Independent Third Parties for comparable sales and distribution services.

The abovementioned reasonable mark-up of approximately 5%-10% of the Shanghai Pharmaceuticals Group is determined with reference to (i) the mark-up of a comparable quantity of the similar products sold to at least two Independent Third Parties by the Group in the financial year when conducting the specific transactions under the Sales and Distribution Agreement; and (ii) the mark-up of a comparable quantity of the similar products sold to the Shanghai Pharmaceuticals Group by the Group in past transactions. The mark-up of approximately 5%-10% represents the reasonable cost and the profit of Shanghai Pharmaceutical Group in providing the sales and distribution services for the Group.

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## LETTER FROM THE BOARD

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Such mark-up of the Shanghai Pharmaceuticals Group will be within a range from 5% to 10% of the price of the particular pharmaceutical product as prescribed by the local statutory pricing authorities. For Independent Third Party providing comparable sales and distribution services for the Group, the Group also offered a mark-up within the range of 5% to 10% of the price the particular pharmaceutical product as prescribed by the local statutory pricing authorities as the cost and profit of the Independent Third Party. As such, the price of pharmaceutical products to be sold by the Group to Shanghai Pharmaceutical Group is in line with and not favourable to the prices offered by the Group to an Independent Third Party. For the past transactions contemplated under the Former Sales and Distribution Agreement for the years ended 31 December 2021 and 2022, the mark-up of the Shanghai Pharmaceuticals Group provided by the Group was within the range from 5% to 10% of the price of the particular pharmaceutical product as prescribed by the local statutory pricing authorities, which was the same as and not favourable to the range of mark-up offered by the Group to the Independent Third Parties who provided comparable sales and distribution services. As such, for the past transactions under the Former Sales and Distribution Agreement for the years ended 31 December 2021 and 2022, the selling prices of the pharmaceutical products offered by the Group to Shanghai Pharmaceuticals Group were not favourable to those offered by the Group to Independent Third Parties.

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## LETTER FROM THE BOARD

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- Credit period of trade receivables** : The policy of the Group in determining the credit period of customers depends on factors such as the geographical area of the place of delivery of the pharmaceutical products, financial standing, business relationship and background of the customers and the quantity ordered by the customers. While the credit period offered by the Group to Shanghai Pharmaceuticals Group and customers who are Independent Third Parties may vary depending on different sales and distribution agreements and purchase orders, such policy is equally applicable to Shanghai Pharmaceuticals Group and customers who are Independent Third Parties. However, under the Sales and Distribution Agreement, the credit period granted by the Group shall not be more than 4 months, while the credit period offered by the Group to customers who are Independent Third Parties is also generally up to 4 months. As the maximum credit period granted by the Group under the Sales and Distribution Agreement is the same as the credit period granted by the Group to its other customers who are Independent Third Parties, the credit period granted to Shanghai Pharmaceuticals Group is on normal commercial term and no less favourable to the Group than that granted by the Group to other Independent Third Parties.
- Contractual Period** : From 1 January 2024 to 31 December 2026, subject to the execution and seal by the duly authorised representatives of the Sales and Distribution Agreement and approval by the relevant bodies of the parties (including 19th meeting of the seventh session of the Board and general meeting of the Company).

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## LETTER FROM THE BOARD

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### 2. Proposed Annual Caps and Basis for the Proposed Annual Caps

The annual caps of the continuing connected transactions under the Former Sales and Distribution Agreement for the three years ending 31 December 2023 were approximately RMB144,000,000, RMB182,000,000 and RMB228,000,000, respectively. Set out below is the annual caps for the two years ended 31 December 2022 and the historical transaction amounts for the continuing connected transactions under the Former Sales and Distribution Agreement for the years ended 31 December 2021 and 2022 and the three months ended 31 March 2023:

	For the year ended 31 December			For the
	2021	2022	2023	three months ended 31 March 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Annual Cap	144,000	182,000	228,000	–
Actual transaction amount of continuing connected transactions under the Former Sales and Distribution Agreement	139,483	124,033	–	13,221

With the continuing increase in the market demand of the Group's products and the further expansion of the distribution network of the Shanghai Pharmaceuticals Group, the Group is expected to sell and distribute more products through the Shanghai Pharmaceuticals Group in a broader area. The Company and Shanghai Pharmaceuticals estimated that the proposed annual caps of the Transactions for the three years ending 31 December 2026 are approximately RMB226,000,000, RMB241,000,000 and RMB260,000,000, respectively.

According to the market report of a PRC Pharmaceutical trade association, the Shanghai Pharmaceuticals Group ranked the second in terms of sales and revenues among pharmaceutical product suppliers in the PRC in the years 2021-2022. Its direct distribution network covers 31 provinces, municipalities and autonomous regions with extensive distribution network in the PRC. Shanghai Pharmaceuticals Group also provides pharmaceutical supply chain management, information technology and logistics support to meet with the medical demand of hospitals, clinics and the public. The online and offline marketing channel run by Shanghai Pharmaceuticals Group covers more than 2,000 chained pharmacies in 16 provinces, municipalities and autonomous regions in the PRC. Leveraging on the extensive network of the Shanghai Pharmaceuticals Group, the Group is able to sell its products to a broader area and effectively improves the market penetration and market share of the Group.

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## LETTER FROM THE BOARD

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

- (i) the historical transaction values under Former Sales and Distribution Agreement. In particular, the annual cap for the years ended 31 December 2021 and 2022 was utilized by approximately 96.9% and 68.1%, respectively, under the Former Sales and Distribution Agreement. The decrease in the utilization rate of the annual cap for the year ended 31 December 2022 was attributable to the outbreak of the Epidemic in 2022.
- (ii) the expected sale volume of the product to be supplied under the Sales and Distribution Agreement. The Former Sales and Distribution Agreement and the Sales and Distribution Agreement involve the sales of ALA (艾拉®) and LIBOd® (里葆多®). During the three months ended 31 March 2023, the actual transaction amount of continuing connected transactions under the Former Sales and Distribution Agreement is approximately RMB13.2 million, accounted for approximately 5.8% of the historical annual caps for the year ending 31 December 2023. The historical utilisation rate of annual caps in the first quarter amounted to 6.7%, 15.5% and 11.9% for the three years ended 31 December 2022, and the corresponding utilisation rate of the annual caps for the whole year amounted to 80.5%, 96.9% and 68.1%. The above-mentioned historical low utilisation rate of annual caps in the first quarter of each year was primarily because the management team will discuss and adjust its annual sales channels and distribution strategies of ALA and LIBOd® based on the market condition in the first quarter of each year, in order to be in the interest of the Company and Shareholders as a whole. The sales volume of the two products are expected to bound back and resume its growth trajectory in 2023, as the operation and business activities of the Group resumed normal after the impact of the outbreak of the Epidemic diminished. As such, the Directors consider that the projected transaction amount under the Former Sales and Distribution Agreement for the year ending 31 December 2023 would be near to the annual cap of RMB228 million set for the year ending 31 December 2023. When considering the annual cap for the year ending 31 December 2024, the Directors made reference to the annual cap previously set for the year ending 31 December 2023.
- (iii) the expected growth rate of the sales under the Sales and Distribution Agreement. The expected growth rate of the proposed annual caps under the Sales and Distribution Agreement for the years ended 31 December 2025 and 2026 is approximately 6.6% and 7.9% when comparing with that of the annual cap of the previous year. The Directors consider the growth rate of the annual cap, which reflects the expected sales growth through the Sales and Distribution Agreement, is fair and reasonable. Set out below are the expected sales of ALA and LIBOd® by the Group under the Sales and Distribution Agreement for each of the three years ending 31 December 2026 based on the expected demand as discussed between the Group and Shanghai Pharmaceuticals Group:

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## LETTER FROM THE BOARD

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	<b>For the year ended 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ALA	53,100	59,000	67,850
LIBOD®	152,327	159,944	167,941
Buffer of 10% to capture unforeseen market opportunities	<u>20,573</u>	<u>22,056</u>	<u>24,209</u>
<b>Total</b>	<b><u>226,000</u></b>	<b><u>241,000</u></b>	<b><u>260,000</u></b>
Proposed annual caps	226,000	241,000	260,000

In arriving the above projected sales, the management adopted the following assumptions:

- (a) steady growth of the PRC economy in the next decade;
  - (b) the stability of the PRC social, economic and political environment in the forecast period;
  - (c) related key industry drivers and the below drivers of the Group remain relevant and applicable during the forecast period;
  - (d) no substantial changes to the related industries during the forecast period; and
  - (e) no region-wide static management in Shanghai or elsewhere in the PRC during the forecast period.
- (iv) the marketing and promotion activities of the Group's pharmaceutical products, which will likely to contribute to the increase in sales volume from 2023 onwards; and
  - (v) a buffer of 10% to capture unforeseen market opportunities, as mentioned in the table for the expected sales amount of ALA and LIBOD® above.

After taking into account the abovementioned factors, the Board considers the proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### 3. Internal Control Procedures

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

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## LETTER FROM THE BOARD

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- (i) The business department of the Company will be responsible for the determination of each specific price in accordance with the pricing policies under the Sales and Distribution Agreement (including taking into account the selling price of a comparable quantity of the similar products sold to at least two Independent Third Parties by the Group in the financial year when conducting the specific transactions under the Sales and Distribution Agreement), and will submit the prepared specific price quote to the management of the Company for review and approval in due course. After the approval, the sales department, the finance department and the internal audit and control department of the Company will monitor the implementation of the relevant price throughout the transaction on a joint basis, and will review the fairness and reasonableness of the price under the Sales and Distribution Agreement on an average quarterly basis and will assist the person in charge of sales to adjust the price (if necessary);
- (ii) The internal audit and control department of the Company monitors daily the connected transactions of the Company and reports to the audit committee of the Company and independent non-executive Directors together with the external auditors' report for their review and approval. The Audit Committee of the Company supervises the connected transactions to ensure they were entered into: (1) in accordance with the pricing policy under the Sales and Distribution Agreement; (2) in the ordinary and usual course of business of the Group; (3) on normal commercial terms or better; and (4) according to the Sales and Distribution Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole;
- (iii) The independent non-executive Directors have reviewed and will continue to review the continuing connected transactions to confirm in the annual report whether the transactions have been entered into on normal commercial terms or better, and according to the Sales and Distribution Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (iv) The external auditors of the Company will also conduct an annual review on the pricing policy and annual cap implementation for transactions of the Sales and Distribution Agreement, and issue an independent auditor's assurance report on continuing connected transactions.

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

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

The Company conducts the Transactions with the Shanghai Pharmaceuticals Group in order to leverage on the established and extensive sales and distribution network of the Shanghai Pharmaceuticals Group. The Directors (including the independent

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## LETTER FROM THE BOARD

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non-executive Directors) are of the view that the terms of the Sales and Distribution Agreement are made on an arm's length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than the terms available from Independent Third Parties, and that the terms of the Sales and Distribution Agreement and the proposed annual caps thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **5. Listing Rules Implications**

Shanghai Pharmaceuticals is a promoter of the Company and a substantial Shareholder, and therefore is a connected person of the Company under the Listing Rules. The Transactions under the Sales and Distribution Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the proposed annual caps for the three years ending 31 December 2026 for the Transactions under the Sales and Distribution Agreement exceed 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shanghai Pharmaceuticals and its associates, holding approximately 20.42% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolution at the EGM for approving the Sales and Distribution Agreement and the proposed annual caps. Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the Transactions and therefore will be required to abstain from voting on the relevant resolution at the EGM.

Mr. Shen Bo, the non-executive Director, has abstained from voting on the Board resolution approving the Sales and Distribution Agreement since he serves as a director at Shanghai Pharmaceuticals. Save as mentioned above, no other Director has a material interest in the Transactions and hence no other Director has abstained from voting on such Board resolution.

The Independent Board Committee, comprising four independent non-executive Directors, has been appointed and has advised the Independent Shareholders in relation to the Sales and Distribution Agreement and the proposed annual caps. The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular. Grande Capital Limited has also been appointed as the Independent Financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The letter from Grande Capital Limited is set out on pages 21 to 38 of this circular.



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## LETTER FROM THE BOARD

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### 6. General Information

The Company is a bio-pharmaceutical company that is principally engaged in the innovative research and development, production and manufacture and sales of bio drugs.

Shanghai Pharmaceuticals is a joint stock limited company incorporated in the PRC, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively. Shanghai Pharmaceuticals is principally engaged in research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products; pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and operation of a network of retail pharmacy stores. The ultimate corporate shareholder of Shanghai Pharmaceuticals is Shangshi Holding, a company incorporated in Hong Kong. The actual controller of Shangshi Holding is Assets Supervision and Administration Commission of Shanghai Municipal Government, which is mainly responsible for supervision and administration of state-owned assets in Shanghai.

### III. AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULES

Reference is made the AGM circular of the Company dated 26 April 2023 in relation to the proposed amendments to the Articles of Association and the procedural rules. The Board decided to hold class meetings to approve the amendments for good corporate governance. Hence, such resolutions as stated in the AGM notice have been withdrawn from the AGM and re-proposed as special resolutions at the EGM and the Class Meetings, respectively.

In view of the relevant provisions of the PRC Company Law and the Core Shareholder Protection Standards as set out in Appendix 3 of the Listing Rules which came into force on 1 January 2022 and taking into account the applicable rules, regulations and regulatory documents and the corporate governance practices of the Company, the Board considered and approved the amendments to the Articles of Association, details of which are set out in the Part A of Appendix IV to the AGM circular (the “**Proposed Amendments to the Articles of Association Part A**”).

On 17 February 2023, the State Council (the “**State Council**”) of PRC issued the Decision of the State Council to Repeal Certain Administrative Regulations and Documents\* (《國務院關於廢止部分行政法規和文件的決定》) and the China Securities Regulatory Commission (the “**CSRC**”) issued the Trial Measures of Overseas Securities Offering and Listing by Domestic Companies\* (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and related guidelines (together, the “**Mainland China Regulation Updates**”), which came into effect on 31 March 2023. Meanwhile, the Mandatory Provisions for Companies Listing Overseas\* (Zheng Wei Fa (1994) No. 21) (《到境外上市公司章程必備條款》(證委發(1994) 21號文件) (the “**Mandatory Provisions**”) issued on 27 August 1994 by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System and the Special Regulations on the Overseas Offering and Listing of Shares by Joint

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## LETTER FROM THE BOARD

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Stock Limited Companies\* (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued on 4 August 1994 by the State Council were repealed on the effective date of the Trial Measures. PRC issuers shall formulate their articles of association with reference to the Guidelines on Articles of Association of Listed Companies\* (《上市公司章程指引》) (the “**Guidelines on Articles of Association**”) issued by the CSRC in place of the Mandatory Provisions.

In view of the above Mainland China Regulation Updates, the Stock Exchange also released a consultation paper “Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers” (the “**Consultation Paper**”) on 24 February 2023, stipulating the consequential proposed amendments to the Listing Rules (the “**Listing Rules Amendments**”). In particular, the Stock Exchange proposes to (a) remove the class meeting and related requirements for the issue of new shares by PRC issuers; (b) repeal Appendix 13D to the Listing Rules, which requires PRC issuers’ articles of association to include the Mandatory Provisions and other ancillary requirements; (c) amend the Listing Rules in Chapters 9 and 19A to reflect the CSRC record filing regime; (d) remove the arbitration clause for disputes involving H shareholders as required under the Mandatory Provisions; and (e) modify the other Listing Rules that address issues arising from A Shares and H Shares being treated as different classes. Accordingly, the Company is required to amend its existing Articles of Association to comply with the requirements of the Listing Rules and the applicable laws and regulations of the PRC.

As A Shares and H Shares are regarded as one class of ordinary shares under PRC law following the Mainland China Regulation Updates and holders of the A Shares and H Shares are no longer deemed to be different classes of shareholders, the substantive rights attached to these two kinds of shares (including rights on voting, dividend and asset distribution upon liquidation) are the same. According to the Consultation Paper, the removal of the class meeting requirement would not compromise protection of holders of H shares, and such removal is also consistent with the current arrangement for non-PRC issuers with a dual listing on the PRC exchange and the Stock Exchange which the PRC regulations and the Listing Rules do not require shares listed on the different exchanges to be treated as different classes of shares. In addition, the Stock Exchange has stipulated in the Consultation Paper that it considers the arbitration requirements unnecessary and the removal of such requirements will align with the Listing Rules applicable to overseas issuers which do not provide similar arbitration requirements. The Consultation Paper emphasises that after the removal of the arbitration clauses, shareholders of a PRC issuer may enforce their rights under the articles of association in the same approach as shareholders of other overseas issuers. In particular, they may, as with shareholders of an overseas issuer, seek to enforce their rights through commencing legal proceedings in a court of the issuer’s place of incorporation or a Hong Kong court.

The Board has proposed to, by reference to the PRC Company Law, the Guidelines on Articles of Association, the Listing Rules Amendments and other regulations, amend the Articles of Association, details of which are set out in the Part B of Appendix IV to the AGM circular (the “**Proposed Amendments to the Articles of Association Part B**”).

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## LETTER FROM THE BOARD

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The Proposed Amendments to the Articles of Association Part A are subject to the approval by Shareholders at the EGM and the Class Meetings. The Proposed Amendments to the Articles of Association Part B are subject to the approval by Shareholders at the EGM and the Class Meetings and the Listing Rules Amendments becoming effective.

By virtue of the proposed amendments to the Articles of Association, the Board and the Supervisory Committee have respectively considered and approved the amendments to the relevant provisions in the rules of procedure for the general meetings, rules of procedure for the Board of Directors and rules of procedure for the Supervisory Committee. Details of the relevant amendments are set out in the Appendices V to VII to the AGM circular, respectively. The proposed amendments to the rules of procedure for the general meetings, rules of procedure for the Board of Directors and rules of procedure for the Supervisory Committee are subject to the approval by Shareholders at the EGM and the Class Meetings and the corresponding amendments to the Articles of Association becoming effective.

The Board and the Supervisory Committee have respectively proposed to the general meeting of the Company to authorise the Board and the Supervisory Committee to make corresponding adjustments to the Articles of Association, rules of procedure for the general meetings, rules of procedure for the Board of Directors and rules of procedure for the Supervisory Committee in accordance with the effective Listing Rules, the opinions from or requirements of the regulatory authorities and the relevant departments, and to authorise the Board to deal with the matters relating to the approval of and the amendments to the Articles of Association and the filing with the market supervision authorities and other matters.

#### **IV. EGM**

Notices concerning the EGM, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares to be held at No. 308 Cailun Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, the PRC at 9:00 a.m., 9:30 a.m. (or the time immediately after the conclusion of the EGM) and 9:45 a.m. (or the time immediately after the conclusion of the Class Meeting of Holders of H Shares), respectively, on Tuesday, 30 May 2023. Notices convening the EGM and the Class Meeting of Holders of H Shares are set out on pages EGM-1 to CMHS-2 of this circular.

Proxy forms for the EGM and the Class Meeting of Holders of H Shares are enclosed in this circular and published on the websites of the 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 EGM and the Class Meeting of Holders of H Shares shall complete and return the proxy forms in accordance with the instructions printed thereon to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, 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 EGM and the Class Meeting of 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 at the EGM, the Class Meeting of Holders of H Shares or any adjourned meeting in person should you so desire.

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## LETTER FROM THE BOARD

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To determine the eligibility of the holders of H Shares to attend and vote at the EGM and the Class Meeting of Holders of H Shares, the register of the holders of H Shares of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (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 4:30 p.m. on Tuesday, 23 May 2023, is entitled to attend and vote at the EGM 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 EGM and the Class Meeting of Holders of H Shares, 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 Tuesday, 23 May 2023.

For the notices of EGM 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 13 May 2023 on the Shanghai Stock Exchange.

### V. VOTING BY WAY OF POLL

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

### VI. RECOMMENDATION

The Board believes that the proposals mentioned above are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the resolutions to be proposed as set out in the notices of EGM and Class Meetings (as the case may be).

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular and the letter of advice from Grande Capital Limited to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 38 of this circular.

### VII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the AGM circular and the appendix to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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上海復旦張江生物醫藥股份有限公司

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

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

**(Stock code: 1349)**

12 May 2023

*To the Independent Shareholders,*

Dear Sir or Madam,

### **SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICALS**

We refer to the circular dated 12 May 2023 issued by the Company (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein, unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to advise you as to whether in our opinion, the terms and conditions of the Sales and Distribution Agreement (including the proposed annual caps), details of which are set out in the letter from the Board, and the Transactions are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Grande Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders on the fairness and reasonableness of the terms and conditions of the Sales and Distribution Agreement and the proposed annual caps. Details of the advice from Grande Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 21 to 38 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 18 and the additional information set out in the appendix to the Circular.

Having considered the terms and conditions of the Sales and Distribution Agreement and proposed annual caps, the interests of the Independent Shareholders and the advice and recommendation of Grande Capital Limited, we are of the view that the terms and conditions of the Sales and Distribution Agreement are entered into after arm's length negotiation in the ordinary and usual course of business of the Company and on normal commercial terms, and the proposed annual caps for the Transactions are fair and reasonable as far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution at the EGM so as to approve the Sales and Distribution Agreement and the proposed annual caps for the Transactions.

Yours faithfully,

For and on behalf of

Independent Board Committee

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

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

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

**Yang Chun Bao**, *Independent non-executive Director*

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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*The following is the text of a letter from Grande Capital Limited in connection with advice to the Independent Board Committee and the Independent Shareholders on the continuing connected transactions contemplated under the Sales and Distribution Agreement:*



12 May 2023

*To the independent board committee and the Independent shareholders of  
上海復旦張江生物醫藥股份有限公司  
(Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.\*)*

Dear Sirs/Madams,

### **CONTINUING CONNECTED TRANSACTIONS SALES AND DISTRIBUTION AGREEMENT WITH SHANGHAI PHARMACEUTICALS**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sales and Distribution Agreement, the Transactions and the proposed annual caps for the three years ending 31 December 2026 contemplated under the Sales and Distribution Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 12 May 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 30 March 2023, the Company has entered into the Sales and Distribution Agreement with Shanghai Pharmaceuticals for the sales and distribution of the Group’s pharmaceutical products by the Shanghai Pharmaceuticals Group during the Contractual Period.

Shanghai Pharmaceuticals is a promoter of the Company and a substantial Shareholder, and therefore is a connected person of the Company under the Listing Rules. The Transactions under the Sales and Distribution Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratio in respect of the proposed annual caps for the three years ending 31 December 2026 for the Transactions under the Sales and Distribution Agreement exceeds 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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Since Shanghai Pharmaceuticals and its associates, holding approximately 20.42% of the total issued share capital of the Company as at the Latest Practicable Date. Shanghai Pharmaceuticals and its associates shall abstain from voting on the resolution at the EGM for approving the Sales and Distribution Agreement and the proposed annual caps. Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the Transactions and will be required to abstain from voting on the relevant resolution at the EGM.

The Board has appointed the Independent Board Committee, comprising four independent non-executive Directors, to advise the Independent Shareholders in relation to the Sales and Distribution Agreement and the proposed annual caps. We, Grande Capital Limited, have been appointed as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Sales and Distribution Agreement in relation to the Transactions and the proposed annual caps for the three years ended 31 December 2026 are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Sales and Distribution Agreement, the Transactions and the proposed annual caps for the three years ended 31 December 2026.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last three years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the following transaction:

**Date of the relevant circular  
and our letter of advice**

**Nature of the transaction**

7 May 2021

Connected transaction – Proposed issue and grant of restricted shares by the Company to the connected participants under the incentive scheme

Apart from normal professional fees paid or payable to us in connection with the previous appointment mentioned above as well as this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned previous appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.



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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particular 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 the Circular is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sales and Distribution Agreement, the Transactions and the proposed annual caps for the three years ended 31 December 2026, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

#### **(a) Background of the Sales and Distribution Agreement**

The historical amounts for the continuing connected transactions conducted under the Former Sales and Distribution Agreement for the two years ended 31 December 2022 and for the three months ended 31 March 2023 were approximately RMB139.5 million, RMB124.0 million, and RMB13.2 million respectively, while the annual caps were RMB144.0 million, RMB182.0 million and RMB228.0 million for the three years ended 31 December 2023, respectively. We understand from the management that the continuing

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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connected transactions under the Former Sales and Distribution Agreement is expected to bound back and resume its growth trajectory for the year ending 31 December 2023 if there are no material adverse events caused by other unpredictable and force majeure factors, which will be further discussed below. Since the Group intends to continue its business relationship with Shanghai Pharmaceutical Group, on 30 March 2023, the Company has entered into the Sales and Distribution Agreement with Shanghai Pharmaceuticals for the sales and distribution of the Group's pharmaceutical products by the Shanghai Pharmaceuticals Group during the Contractual Period.

Further details of the terms of the Sales and Distribution Agreement are set out in the Letter from the Board.

### **(b) Reasons for and benefits of entering into the Sales and Distribution Agreement**

As disclosed in the Letter from the Board, the Company conducts the Sales and Distribution Agreement with the Shanghai Pharmaceuticals Group in order to leverage the established and extensive sales and distribution network of the Shanghai Pharmaceuticals Group. According to the official website of Shanghai Pharmaceuticals Group, the Shanghai Pharmaceuticals Group has the second largest distribution network in the PRC, covering 31 provinces, municipalities and autonomous regions as at Latest Practicable Date. Leveraging on the extensive network of the Shanghai Pharmaceuticals Group, the Group is able to sell its products to a broader area and effectively improves the market penetration and market share of the Group.

The Company is a bio-pharmaceutical company that is principally engaged in the innovative research and development, production and manufacture and sales of bio drugs. On commercialisation, the major products of the Group are ALA, LIBOD®, FuMeiDa and various kinds of diagnostic reagents. We also note that Shanghai Pharmaceuticals Group is primarily engaged in (i) research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products; (ii) pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and (iii) operation and franchising of a network of retail pharmacy stores in the PRC.

Having considered the principal business activities of Shanghai Pharmaceuticals Group, in particular, the operation and franchising of a network of retail pharmacy stores in the PRC, the nature of the Transaction as well as the principal business activities of the Group, we are of the view that the Transactions are of a revenue nature for the Group and are in the ordinary and usual course of business of the Group.

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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### (c) Principal terms of the Sales and Distribution Agreement

Pursuant to the Sales and Distribution Agreement, the price of the pharmaceutical products to be sold by the Group to the Shanghai Pharmaceuticals Group shall be determined on fair market basis with reference to the ultimate selling price of a particular pharmaceutical product to be sold to the ultimate customers as prescribed by the local statutory pricing authorities, which will be set downward from the prescribed price by leaving a reasonable mark-up of 5% to 10% of the Shanghai Pharmaceuticals Group for the provision of sales and distribution services. The pricing policy to Shanghai Pharmaceuticals Group is the same as and no less favorable to the Group than that offered by the Group to the Independent Third Parties for comparable sales and distribution services.

The abovementioned reasonable mark-up of approximately 5%-10% of the Shanghai Pharmaceuticals Group is determined with reference to (i) the mark-up of a comparable quantity of the similar products sold to at least two Independent Third Parties by the Group in similar geographical area in the financial year; and (ii) the mark-up of a comparable quantity of the similar products sold to the Shanghai Pharmaceuticals Group in similar geographical area by the Group in past transactions. Such mark-up of the Shanghai Pharmaceuticals Group will be within a range from 5% to 10% of the price of the particular pharmaceutical product as prescribed by the local statutory pricing authorities. The mark-up of approximately 5% to 10% represents the reasonable cost and the profit of Shanghai Pharmaceutical Group in providing the sales and distribution services for the Group. We have conducted searches using Bloomberg for companies that are (i) listed in Hong Kong; (ii) headquartered in the PRC; and (iii) classified as “Biotechnology and Pharmaceuticals” or “Healthcare Distributors” under the Global Industry Classification Standards. We have selected the five largest companies in terms of revenue (including Shanghai Pharmaceutical Group, Sinopharm Group Co. Ltd., China Resources Pharmaceutical Group Limited, Shanghai Fosun Pharmaceutical (Group) Co., Ltd., and Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.) and the selling expenses over revenue of these five companies ranged from approximately 3.0% to approximately 20.9% according to their latest annual report available, and the median and average of the five companies are 7.5% and 9.2%, respectively, which is within the Group’s mark-up of 5% to 10%. The range dispersed between approximately 3.0% to approximately 20.9%, as these pharmaceutical companies are selling wide range of various pharmaceutical products (such as products for the treatment of central nerve system tumours, cervical cancers and duodenal ucler, and etc.). We consider that different type of pharmaceutical products have different mark-up and different selling strategies. Hence, we consider that mark-up of 5% to 10% is reasonable, as it falls within the range of the five largest pharmaceutical companies. In addition, having considered the pharmaceutical products sold by the five largest pharmaceutical companies are not exactly identical with the Group, we also randomly selected samples to compare the price of which the Group sold to Shanghai Pharmaceutical Group and the Independent Third Parties on the same products. Based on our review, the distribution price offered by the Group to Shanghai Pharmaceutical Group is equal to or higher than the Independent Third Party, given the same geographical area and the sales quantities are comparable. Please refer to the below paragraphs for further details.

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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In addition, the credit period granted to the Shanghai Pharmaceuticals Group by the Group in respect of the trade receivables generated under the Sales and Distribution Agreement will not exceed 4 months. We note from the latest available annual report that the credit periods of the five large pharmaceutical companies ranged from 1 month to 12 months, and the Group is within the range. We consider that different companies have different credit terms and such credit terms depend on various factors including the business relationship, background and the negotiation with the customers. Some of these companies stated their credit term in a range, such as one to six months. We note that apart from one company who has a credit term of no more than 12 months, the credit terms of other companies ranged from no more than 3 months to no more than 7 months, and the companies' credit term of no more than 4 months are similar to these comparables. We understand from the management of the Company that such credit terms are determined based on factors such as geographical area of the place of delivery of the pharmaceutical products, financial standing, business relationship and background of the customers and the quantity ordered by the customers. We consider the credit term of the Group of no more than four months are reasonable as the credit terms are similar to the other four companies. In addition, having considered the pharmaceutical products sold by the five largest pharmaceutical companies are not exactly identical with the Group, we also randomly selected samples to compare the credit terms offered by the Group to Shanghai Pharmaceutical Group and the Independent Third Parties on the same products. Based on our review, the credit terms offered by the Group to Shanghai Pharmaceutical Group is equal to or shorter than the Independent Third Party, given the same geographical area and the sales quantities are comparable. Please refer to the below paragraphs for further details.

In assessing the fairness and reasonableness of the price and payment terms under Sales and Distribution Agreement, we have randomly selected and reviewed sales records of the ALA and LIBOD®, the only two products sold under the Sales and Distribution Agreement for the year ended 31 December 2021 and 2022 and the three months ended 31 March 2023. Please refer to the below paragraph for the selection criteria of the samples. The prices and payment terms of the samples are in line with the Company's pricing policy and payment terms. As discussed in the section headed "Measures to safeguard interests of Independent Shareholders" below in this letter, the Company adopts a series of internal control policies to ensure the Company's conformity with the pricing policy of the Sales and Distribution Agreement, including but not limited to the segregation of duties between different departments for the determination of price in accordance with the pricing policies under the Sales and Distribution Agreement by the business department, the approval by the management team, the monitoring of the implementation by each of the sales department, the finance department and the internal audit and control department. We have reviewed the above procedure of approving the connected transaction, please refer to the section headed "Measures to safeguard interests of Independent Shareholders" below in this letter for further details of our workdone.

We understand from the management team that the selling price of ALA and LIBOD® to the ultimate customers (the "**Ultimate Selling Price**") are determined on fair market basis with reference to the local statutory pricing authorities. Hence, the Ultimate Selling Price varies by regions, but the Ultimate Selling Price of ALA and LIBOD® sold by the Shanghai Pharmaceutical Group or Independent Third Parties are identical within the same region. The Group sets the distribution price offered to both Shanghai Pharmaceutical Group or

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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Independent Third Party based on the Ultimate Selling Price and factored in a reasonable mark-up as mentioned above, and such price is known as the “Distribution Price”. We have also, for comparison purpose, randomly selected and reviewed five distribution agreements of each of ALA and LIBOd<sup>®</sup> signed between the distributors of Shanghai Pharmaceutical Group and the Group and another five distribution agreements between the Independent Third Parties and the Group in the corresponding region for each of the two years ended 31 December 2022. For the three months ended 31 March 2023, we understand from the management team that only four geographical areas, where the Group signed its distribution agreements with both Shanghai Pharmaceutical Group and the Independent Third Parties for each of ALA and LIBOd<sup>®</sup>, are currently available for comparison. Based on our review, we note that the Distribution Price of the LIBOd<sup>®</sup> offered by the Group to the Shanghai Pharmaceutical Group were equal to the Distribution Price offered to the Independent Third Parties, given that the sales quantity are comparable. We further note that the Distribution Price of the ALA offered by the Group to the Shanghai Pharmaceutical Group were either equal to or higher than the prices offered to the Independent Third Parties, given that the sales quantity are comparable. In addition, we also note that given that the sales quantity are comparable, the credit period offered by the Group to the Shanghai Pharmaceutical Group was generally equal to the credit period offered by the Group to the Independent Third Parties in the same geographical area, and even some distribution agreements between the Shanghai Pharmaceutical Group and the Group has a shorter credit term as compared to the Independent Third Parties, based on our review. We are of the view that a shorter credit term could improve the Group’s liquidity and is in the interest of the Company and its shareholders as a whole.

Our review has covered all products, namely ALA and LIBOd<sup>®</sup> under Sales and Distribution Agreement for each of the two years ended 31 December 2022 and the three months ended 31 March 2023 sold to both Shanghai Pharmaceutical Group and other Independent Third Parties such as Sinopharm Group Co. Ltd. (listed on the Stock Exchange with the stock code of 1099), Hapharm Group Co., Ltd. (listed on the Shanghai Stock Exchange with the stock code of 600664) and China Health Care Baheal Pharmaceutical Holdings Limited (listed on the Shenzhen Stock Exchange with the stock code of 301015), etc. Based on the record of the latest available annual report and our understanding from the management, none of the aforesaid samples with the Independent Third Parties constitutes connected transaction. As such, we consider that the samples are fair and representative.

Taking into account that (i) the Sales and Distribution Agreement will enable the Group to increase its revenue; and (ii) the Distribution Price of the ALA and LIBOd<sup>®</sup> offered by the Group to the Shanghai Pharmaceutical Group were equal to or higher than the Distribution Price offered to an Independent Third Party, given the sales quantity are comparable; and (iii) the credit period offered by the Group to the Shanghai Pharmaceutical Group was generally equal to with or shorter than the credit period offered by the Group to the Independent Third Parties as mentioned above, we are of the view that the terms of the Sales and Distribution Agreement and the Transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its shareholders as a whole.

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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### (d) Annual Caps

Pursuant to the Sales and Distribution Agreement, the proposed annual caps for the three years ending 31 December 2026 are approximately RMB226.0 million, RMB241.0 million and RMB260.0 million, respectively.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company regarding the principal assumptions and basis adopted for the determination of the proposed annual caps, and are given to understand that the Company has taken into account the following principal factors:

#### (i) *Historical transaction values*

As disclosed in the Letter from the Board, we note that the historical transaction values for the continuing connected transactions conducted under the Former Sales and Distribution Agreement amounted to approximately RMB139.5 million for the year ended 31 December 2021, approximately RMB124.0 million for the year ended 31 December 2022 and approximately RMB13.2 million for the three months ended 31 March 2023. We note that approximately 96.9% and approximately 68.1% of the historical annual caps under the Former Sales and Distribution Agreement were utilised by the Group for the two years ended 31 December 2022, and approximately 5.8% for the year ending 31 December 2023. We understand from the management that the continuing connected transactions under the Former Sales and Distribution Agreement is expected to bound back and resume its growth trajectory for the year ending 31 December 2023 if there are no material adverse events caused by other unpredictable and force majeure factors, which will be further discussed below.

We understand from the management that recently there are two products under the Sales and Distribution Agreement, namely ALA and LIBOd®. The sales of ALA under the Former Sales and Distribution Agreement were over RMB43 million, over RMB37 million and over RMB2 million for the two years ended 31 December 2022 and for the three months ended 31 March 2023, respectively. The sales of LIBOd® under the Former Sales and Distribution Agreement were over RMB95 million, over RMB86 million and over 10 million for the two years ended 31 December 2022 and for the three months ended 31 March 2023, respectively.

We understand from the management that the sales volume of ALA and LIBOd® were significantly affected by the outbreak of the Epidemic in Shanghai for the year ended 31 December 2022. We note that Shanghai experienced a large-scale outbreak of Epidemic in the first half of 2022. To contain the spread of Epidemic, stringent quarantine measures such as travel restrictions, public traffic control and a temporary lockdown had been imposed in Shanghai from March to June 2022. As a result of the static management in Shanghai, hospitals and clinics in Shanghai provided limited non-urgent outpatient clinic services and most of the local retail pharmacies were closed during the aforesaid period. Consequently, the continuing connected transactions conducted under the Former Sales and Distribution Agreement in Shanghai dropped significantly by approximately 97.1% for the three months ended 30 June 2022 and approximately 78.6% for the six months ended 30 June 2022, as compared to the same

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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period in 2021. As mentioned in the interim report of the Group for the six months ended 30 June 2022, the Group's production, operation and research and development team are based in Shanghai and the static management in Shanghai, in particular, the control of external logistics had a great impact on the Group's raw materials supply and external drug distribution. The stringent control of external logistics had affected not only the transport within Shanghai, as well as the transport from Shanghai to areas outside Shanghai, or vice versa. ALA and LIBOd<sup>®</sup>, which produced in Shanghai, could not be delivered to the distributors in both Shanghai and outside Shanghai, and therefore, the sales of ALA and LIBOd<sup>®</sup> in areas outside Shanghai were also affected. The continuing connected transactions conducted under the Former Sales and Distribution Agreement in areas outside Shanghai also dropped by approximately 67.1% in the second quarter of 2022, as compared to the second quarter of 2021.

The Shanghai Municipal People's Government gradually lifted the static management restrictions in June 2022 and according to the interim report of the Group for the six months ended 30 June 2022, the operation of the Group gradually resumed normal business activities since then. The continuing connected transactions for the three months ended 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022 conducted under the Former Sales and Distribution Agreement amounted to approximately RMB21.6 million, RMB4.7 million, RMB45.8 million and RMB51.9 million, respectively. The continuing connected transactions conducted under the Former Sales and Distribution Agreement for the three months ended 30 September 2022 surpassed the continuing connected transactions for the six months ended 30 June 2022 and further grew by 13.2% in the fourth quarter of 2022. The continuing connected transactions conducted under the Former Sales and Distribution Agreement for the six months ended 31 December 2022 utilised approximately 53.7% of the historical cap in 2022. Such upward trend recorded in the second half of 2022 demonstrated a strong demand of ALA and LIBOd<sup>®</sup>.

On 7 December 2022, the National Health Commission of People's Republic of China announced a notice on optimising and implementing the new prevention and control measures in relation to the Epidemic and the quarantine measures were further released – the scope and frequency of nucleic acid testing had reduced, negative nucleic acid test certificates was not required for most of the places and also stated that all forms of temporary static management should not be adopted. The National Health Commission of the People's Republic of China further announced the decision to manage the Epidemic with measures against Class B infectious diseases, instead of Class A infectious diseases with the effect from 8 January 2023. The World Health Organisation expressed their view in March 2023 and expected that the Epidemic would be over as a public health emergency of international concern in 2023 and to a point where it poses a threat similar to seasonal influenza. Therefore, we consider that the impact of the Epidemic appears to be alleviating and that the sales of ALA and LIBOd<sup>®</sup> to bound back and resume its growth trajectory for the year ending 31 December 2023 if there are no material adverse events caused by other unpredictable and force majeure factors.

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## LETTER OF ADVICE FROM GRANDE CAPITAL LIMITED

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Despite the alleviating impact of the Epidemic, we note that the historical continuing connected transactions conducted during the three months ended 31 March 2023 merely accounted for approximately 5.8% of the historical annual caps under the Former Sales and Distribution Agreement for the year ending 31 December 2023. We note that the historical utilisation rate of annual caps in the first quarter amounted to 6.7%, 15.5% and 11.9% for the three years ended 31 December 2022, and the corresponding utilisation rate of the annual caps for the whole year amounted to 80.5%, 96.9% and 68.1%. We understand from the management that the historical low utilisation rate of annual caps in the first quarter of each year was primarily because the management team will discuss and adjust its annual sales channels and distribution strategies of ALA and LIBOd® under continuing connected transaction based on the market condition in the first quarter of each year, in order to ensure the continuing connected transaction will be in the interest of the Company and Shareholders as a whole.

*(ii) Expected increase in the transaction values under the Sales and Distribution Agreement*

We understand from the management that regarding to choosing Shanghai Pharmaceuticals Group or its agencies as the distributor, the management have considered (i) the distributor's distribution network; (ii) the terms and conditions offered by the distributors; and (iii) other factors such as the procedures and the delivery time in relation to the distribution. Having considered (i) the above factors in relation to Shanghai Pharmaceuticals Group or its agencies as the distributor; (ii) the historical transaction values for the continuing connected transactions conducted under the Former Sales and Distribution Agreement amounted to approximately RMB139.5 million for the year ended 31 December 2021, denoting that approximately 96.9% of the historical annual caps under the Former Sales and Distribution Agreement were utilised; (iii) the upward trend of the continuing connected transactions conducted under the Former Sales and Distribution Agreement for the six months ended 31 December 2022 as compared to the six months ended 30 June 2022 as discussed above; and (iv) the impact of the Epidemic on the continuing connected transactions conducted under the Former Sales and Distribution Agreement is expected to alleviate, the aggregate expected sales of ALA and LIBOd® by the Group under the Sales and Distribution Agreement for the three years ending 31 December 2026 are estimated to be approximately RMB205.4 million, RMB218.9 million and RMB235.8 million, respectively, according to the expected demand as discussed between the Group and Shanghai Pharmaceuticals Group. We understand from the management that the remaining portion is reserved for capturing any unforeseen market opportunities. Hence, the proposed annual cap is approximately RMB226.0 million, RMB241.0 million and RMB260.0 million, respectively for the three years ending 31 December 2026.

Set out below are the expected sales of ALA, LIBOd® and other products by the Group under the Sales and Distribution Agreement for each of the three years ending 31 December 2026 based on the expected demand as discussed between the Group and Shanghai Pharmaceuticals Group:



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	<b>For the year ending</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ALA	53,100	59,000	67,850
LIBOd®	152,327	159,944	167,941
Buffer to capture unforeseen market opportunities	<u>20,573</u>	<u>22,056</u>	<u>24,209</u>
<b>Total</b>	<b><u>226,000</u></b>	<b><u>241,000</u></b>	<b><u>260,000</u></b>
Proposed annual caps	226,000	241,000	260,000
Total expected sales of ALA and LIBOd® as a percentage of proposed annual caps	90.9%	90.8%	90.7%

In arriving the above projected sales, the management adopted the following assumptions:

- (i) steady growth of the PRC economy in the next decade;
- (ii) the stability of the PRC social, economic and political environment in the forecast period;
- (iii) related key industry drivers and the below drivers of the Group remain relevant and applicable during the forecast period;
- (iv) no substantial changes to the related industries during the forecast period; and
- (v) no region-wide static management in Shanghai or elsewhere in the PRC during the forecast period.

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In addition on the general assumptions above, we also understand from the management that the increase in the expected sales of ALA and LIBOd® by the Group under the Sales and Distribution Agreement for the three years ending 31 December 2026 was mainly because of the following:

- (i) Apart from the continuing connected transactions conducted under the Former Sales and Distribution Agreement, we have also reviewed the annual reports of the Group and noted that the historical sales of ALA and LIBOd® of the Group have demonstrated a general increasing trend from 2017 to 2022. According to the annual report of the Group for the year ended 31 December 2017 to 2022, we noted that ALA and LIBOd® contributed approximately 90%, 89%, 89%, 89%, 88% and 88% of the revenue to the Group for each of the six years ended 31 December 2022, respectively, where the revenue of the Group increased from approximately RMB497.7 million for the year ended 31 December 2017 to approximately RMB741.8 million and RMB1,029.3 million for the year ended 31 December 2018 and 2019, respectively, then decreased to approximately RMB833.8 million for the year ended 31 December 2020 due to the outbreak of Epidemic, then increased to approximately RMB1,140.3 million for the year ended 31 December 2021, then decreased to approximately RMB1,031.2 million for the year ended 31 December 2022 due to the outbreak of Epidemic as discussed above, representing an increase of approximately 107.2% across six years;
- (ii) We reviewed the Group's interim report for the six months ended 30 June 2022 and noted a decrease in revenue of the Group of approximately 32.0% for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021. Despite the decrease in revenue for the first half of 2022, we reviewed and noted from the Group's third quarterly report for the three months ended 30 September 2022 that the revenue for the three months ended 30 September 2022 increased by approximately 48.8% as compared to the three months ended 30 September 2021, and the revenue for the nine months ended 30 September 2022 increased by approximately 2.6% as compared to the nine months ended 30 September 2021 despite the outbreak of Epidemic and the static management in Shanghai in the first half of 2022. However, the number of daily reported cases of Epidemic rose in the fourth quarter of 2022. We reviewed and noted from the statistics from the Chinese Centre for Disease Control and Prevention that the daily reported cases peaked at 6.9 million in late-December 2022. We reviewed the annual report for the year ended 31 December 2022 and noted that the Group had experienced delay in the supply of imported raw materials due to the impact of multiple factors beyond expectations, and as a result, the Group could not complete some of their production and delivery of products as planned in the fourth quarter of 2022. It is stated on the announcement of preliminary unaudited annual results for the year ended 31 December 2022 dated 27 February 2023 that such factor included the reversal of Epidemic in multiple regions in the fourth quarter of 2022. Despite so, we noted that the Group still recorded an increase in the revenue for the six months ended 31

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December 2022, which had indicated that a strong demand of ALA and LIBOd® in the second half of 2022, in particular in the third quarter of 2022. In addition, we reviewed the announcement published by the National Health Commission of the People's Republic of China on 26 December 2022 and noted that the National Health Commission of the People's Republic of China further released its quarantine measures based on the current Epidemic situation in the PRC, and in particular, the decision to manage the Epidemic with measures against Class B infectious diseases, instead of Class A infectious diseases, where no more mandatory isolation policy for the infected person and no more mandatory nucleic acid testing. Therefore, we consider that the impact of the Epidemic appears to be alleviating and that the sales of ALA and LIBOd® to bound back and resume its growth trajectory for the year ending 31 December 2023 if there are no material adverse events caused by other unpredictable and force majeure factors;

- (iii) The Group places emphasis on research and development of its products. The therapy of ALA, combining with photodynamic technology, has been used for the treatment of condyloma acuminata since its commercialisation. We reviewed and noted from their annual reports that the Group has been continuously performing clinical research to study the possibility of applying ALA to the therapy of other diseases, such as cervical diseases infected by HPV, acne, actinic keratosis and brain gliomas. In particular, we reviewed and noted from the annual report of the Group for the year ended 31 December 2021 and the announcement dated 24 August 2022 that the investigation new drug application for ALA used for the treatment of actinic keratosis was accepted on 14 October 2021 as disclosed on the annual report for the year ended 31 December 2021, and the first patient has been successfully enrolled in the study as at the date of the announcement made by the Group on 24 August 2022 (the “**Actinic Keratosis Announcement**”). We reviewed and further note from the Actinic Keratosis Announcement that, the existing treatment of actinic keratosis in the PRC include freezing, curettage, topical drug application, etc., but not photodynamic therapy which has been approved abroad. There were two drugs containing aminolevulinic acid hydrochloride, which is the major component of ALA, approved by the US Food and Drug Administration in 1999 and 2016, respectively, and the combination of the above drugs and specific photodynamic therapy instruments is one of the preferred therapies for the treatment of multiple lesions actinic keratosis located in the head and neck abroad, as mentioned in the Actinic Keratosis Announcement. Having considered (1) the past success of applying aminolevulinic acid hydrochloride to the treatment of actinic keratosis abroad, and (2) it is one of the most preferred therapies for the treatment of actinic keratosis abroad, the management of the Company is of the view that upon the completion of the clinical trial and registration of new indications will widen the application of ALA and boost the sales of ALA. We reviewed the Group's annual report for the year ended 31 December 2022 and further noted that the Group is currently performing clinical research to apply ALA to the therapy of four other diseases; and

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- (iv) The Group continues to develop targeted promotional and marketing activities, which mainly include participating in seminars or other activities organised by relevant industry professional associations to introduce the past treatments of the products and organising medical experts to share and analyse the related cases. Through these activities, the understanding of the patients, experts and relevant industry professional associations on the products of the Group has been deepened gradually, which facilitates the improvement of the market recognition of the products of the Group. We reviewed the Group's annual report for the year ended 31 December 2021 and 2022 and noted that the marketing and sales promotion expenses of the Group has increased significantly from approximately RMB347.9 million for the year ended 31 December 2020 to approximately RMB456.9 million for the year ended 31 December 2021, and slightly decreased to approximately RMB422.2 million for the year ended 31 December 2022 due to the static management imposed in the first half of 2022 representing an overall increase of approximately 21.4%. The management further anticipates that the sales of their products would increase significantly for the three years ending 31 December 2026 after taking into account the abovementioned promotional/marketing activities and the improvement in the market recognition of their pharmaceutical products.

We note that the proposed annual caps set by the Group is consistent with the expected sales of ALA and LIBOd<sup>®</sup>. As the Company has set the proposed annual caps mainly based on the expected demand of ALA and LIBOd<sup>®</sup>, we have based our opinion on (i) the historical transaction values under Former Sales and Distribution Agreement where approximately 96.9% of the historical annual caps under the Former Sales and Distribution Agreement were utilised by the Group for the year ended 31 December 2021; (ii) the strong demand of ALA and LIBOd<sup>®</sup> in the third quarter of 2022 as evidenced by the fact that the revenue of the Group for the nine months ended 30 September 2022 increased by approximately 2.6% as compared to the nine months ended 30 September 2021 despite the outbreak of Epidemic in the first half of 2022; (iii) the impact of the Epidemic on the continuing connected transactions conducted under the Former Sales and Distribution Agreement would be alleviating; and (iv) the demand projections provided by the Group in assessing the fairness and reasonableness of the proposed annual caps. Among the demand projections, the management of the Company is expected (i) approximately 20% to 30% of the proposed annual caps are driven by the diminishing impact of the Epidemic. Having considered that the first quarter, second quarter and fourth quarter of 2022 were affected by the Epidemic, we note that the continuing connected transaction conducted during first quarter, second quarter and fourth quarter of 2021 (where no static management and no large outbreak of the Epidemic) used to account for 68.2% of the annual caps of that year, while the first quarter, second quarter and fourth quarter of 2022 merely accounted for 43.0% of the annual caps of the year, which roughly indicated that approximately 25.2% of the annual caps in 2022 were unutilised due to the Epidemic; (ii) approximately 60% to 70% of the proposed annual caps are driven by the historical sales and the expected growth boosted by the promotional and marketing activities. The promotional and marketing activities is expected to improve the Group's market recognition of their pharmaceutical products and boost the sales. As mentioned above, we note that the

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revenue of the Group increased by approximately 107.2% between 2017 to 2022 (where ALA and LIBOd<sup>®</sup> contributed over 85% of the revenue during the said period), which roughly equivalent to an annual growth of approximately 17.9% and such annual growth is higher than expected growth of the proposed annual caps of approximately 6.6% and 7.9% under the Sales and Distribution Agreement for the year ended 31 December 2025 and 2026, respectively; and (iii) approximately 10% buffer to capture other market opportunities such as the possibility to apply ALA to the therapy of other diseases to widen the application of ALA and boost the sales of ALA, having considered that the Group is performing clinical research to apply ALA to the therapy of four other diseases.

In addition, we reviewed the circular of the Group dated 14 September 2018, 11 October 2019 and 27 November 2020 and noted that the historical annual cap for the continuing connected transaction with Shanghai Pharmaceuticals Group amounted to RMB46.0 million, RMB81.0 million, RMB109.0 million, RMB144.0 million, RMB182.0 million and RMB228.0 million for the six years ended 31 December 2023, respectively, which denoted an increase in the annual caps of approximately 76.1%, 34.6%, 32.1%, 26.4% and 25.3%, respectively. And historically, approximately 99.0%, 96.6%, 80.4%, 96.9% and 68.1% of the annual caps were utilised by the Group for the five years ended 31 December 2022, respectively. Across the historical annual caps for the continuing connected transaction with Shanghai Pharmaceuticals Group for the five years ended 31 December 2022, the historical utilisation rate of the annual cap were over 95%, except for the year ended 31 December 2020 and 2022, which were due to the outbreak of Epidemic in 2020 and 2022 as explained in the circular of the Group dated 27 November 2020 in relation to the continuing connected transactions with Shanghai Pharmaceuticals Group for the Epidemic in 2020 and the discussion above for the Epidemic in 2022. Although only approximately 68.1% of the historical annual cap were utilised by the Group for the year ended 31 December 2022 due to the outbreak of Epidemic in 2022, there were an upward trend of the continuing connected transactions during the six months ended 31 December 2022 as discussed above. The management of the Company has set its proposed annual caps for the three years ending 31 December 2026 at RMB226.0 million, RMB241.0 million and RMB260.0 million, respectively, representing an increase in the annual caps of approximately 6.6% in 2025 and 7.9% in 2026. Having considered the increase in the historical annual caps across each of the five years ended 31 December 2022 and the historical utilisation rate of the annual caps during the said period, we are of the view that the increase in the proposed annual caps for each of three years ending 31 December 2026 is reasonable.

We have also reviewed the figures from the internal assessment provided by the management of the Company in respect of the expected demand of ALA and LIBOd<sup>®</sup> under the Sales and Distribution Agreement for each of the three years ending 31 December 2026. We note that the indicated sales for such products for the three years ending 31 December 2026 are expected to be close to but not exceeding RMB226.0 million, RMB241.0 million and RMB260.0 million, respectively. We also understand that such expected increase in demand for ALA and LIBOd<sup>®</sup> under the Sales and Distribution Agreement are based on the Group's internal assessments, assumptions and projections. Having considered that (i) the historical revenue of the Group increase by approximately 107.2% between 2017 and 2022, (ii) the revenue of the Group for the

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six months ended 31 December 2022 surpassed the same period during 2021 despite the outbreak of Epidemic in the fourth quarter of 2022, (iii) the continuing connected transactions conducted under the Former Sales and Distribution Agreement recorded approximately RMB45.8 million and RMB51.9 million for the three months ended 30 September 2022 and 31 December 2022, respectively, (iv) the impact of the Epidemic on the continuing connected transactions conducted under the Former Sales and Distribution Agreement is expected to alleviate; (v) the possible new application of ALA to the therapy of other diseases, and (vi) the promotion and marketing activities to improve the market recognition of the Group's pharmaceutical product, we are of the view that the assumptions and projections made by the Company are fair and reasonable.

### *Our view*

Having considered that:

- (i) the historical transaction values under Former Sales and Distribution Agreement where approximately 96.9% of the historical annual caps under the Former Sales and Distribution Agreement were utilised by the Group for the year ended 31 December 2021;
- (ii) the operation of the Group gradually resumed normal business activities since June 2022, which the Shanghai Municipal People's Government lifted the static management restrictions, and the continuing connected transactions for the six months ended 31 December 2022 conducted under the Former Sales and Distribution Agreement amounted to approximately RMB97.7 million, which accounted for approximately 53.7% of the historical cap in 2022;
- (iii) the diminishing impact of the Epidemic on the Group;
- (iv) the general increasing trend of the historical revenue of the Group;
- (v) the possible new application of ALA to the therapy of other diseases; and
- (vi) the marketing/promotion activities and the improvement in the market recognition of the Group's pharmaceutical products as mentioned above,

we are of the view that the proposed annual caps set by the Group (which are consistent with the demand projections provided by the Group) are fair and reasonable.

However, the Shareholders should note that the proposed annual caps are determined based on various factors relating to future events and they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts to be

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received by the Group will correspond with the proposed annual caps. The Shareholders should also note that the Shanghai Pharmaceuticals Group has not secured any sales and distribution of ALA and LIBOd® for the three years ending 31 December 2026, as the management considers that such long-term commitment contract is not a common practice among the pharmaceutical distributors in the PRC.

### **(e) Measures to safeguard interests of Independent Shareholders**

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

- (i) The business department will be responsible for the determination of each specific price in accordance with the pricing policies under the Sales and Distribution Agreement (including taking into account the selling price of a comparable quantity of the similar products sold to at least two Independent Third Parties by the Group in the financial year when entering into the specific transactions under the Sales and Distribution Agreement), and will submit the prepared specific price quote to the management for review and approval in due course. After the approval, the sales department, the finance department and the internal audit and control department of the Company will monitor the implementation of the relevant price throughout the transaction on a joint basis, and will review the fairness and reasonableness of the price under the Sales and Distribution Agreement on an average quarterly basis and will assist the person in charge of sales to adjust the price (if necessary);
- (ii) The internal audit and control department of the Company monitors the connected transactions of the Company and reports to the audit committee of the Company and independent non-executive Directors together with the external auditors' report for their review and approval. The Audit Committee of the Company supervises the connected transactions to ensure they were entered into: (a) in accordance with the pricing policy under the Sales and Distribution Agreement; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms; and (d) according to the Sales and Distribution Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole;
- (iii) The independent non-executive Directors have reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms, and according to the Sales and Distribution Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report; and

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- (iv) The external auditors of the Company will also conduct an annual review on the pricing policy and annual cap implementation for transactions of the Sales and Distribution Agreement, and issue an independent auditor's assurance report on continuing connected transactions.

We have reviewed the past transaction records under the Former Sales and Distribution Agreement, board meeting minutes in relation to the transactions under the Former Sales and Distribution Agreement, the actual procedure of approving the connected transaction and the annual report of the Group and note that the above measures has been properly implemented.

Having considered, in particular, (i) the restriction of the value of the continuing connected transactions by way of the proposed annual caps; (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the continuing connected transactions, the pricing policy and the proposed annual caps not being exceeded; and (iii) the above internal control measures have been properly implemented, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions and such measures are effective and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having taken into account the principal factors discussed above, we are of the view that the Sales and Distribution Agreement, the Transactions and the proposed annual cap are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Sales and Distribution Agreement, the Transactions and the proposed annual caps.

Yours faithfully,

For and on behalf of

**Grande Capital Limited**

**Matthew Leung**

*Managing Director*

**Sumwing Shum**

*Managing Director*

*Mr. Matthew Leung is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Leung has over 12 years of experience in the corporate finance industry.*

*Mr. Sumwing Shum is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Shum has over 8 years of experience in the corporate finance industry.*



## 1. RESPONSIBILITY STATEMENTS

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

## 2. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, 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 and its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules.

Name	Position	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in A Shares	Percentage in total number of issued shares
Wang Hai Bo	Director	A Shares	57,886,430 (L)	Beneficial owner	Personal	8.23%	5.63%
Su Yong	Director	A Shares	18,317,860 (L)	Beneficial owner	Personal	2.61%	1.78%
Zhao Da Jun	Director	A Shares	15,260,710 (L)	Beneficial owner	Personal	2.17%	1.48%
Wang Luo Chun	Supervisor	A Shares	1,170,000 (L)	Beneficial owner	Personal	0.17%	0.11%
Yu Dai Qing	Supervisor	A Shares	664,000 (L)	Beneficial owner	Personal	0.09%	0.06%

*Notes:* 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 Part XV of the SFO**

So far as to the knowledge of the Directors, as at the Latest Practicable Date, the following Shareholders (other than the Directors, Supervisors or chief 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 substantial shareholders	Class of shares	Number of shares held	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	19.85%	20.42%
	H Shares	70,564,000 (L)			21.65%	
Shanghai Pharmaceuticals	A Shares	139,578,560 (L)	Beneficial owner	Corporate	19.85%	20.42%
	H Shares	70,564,000 (L)			21.65%	
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.32%	15.25%
Yang Zong Meng	A Shares	80,000,000 (L)	Beneficial owner	Personal	11.38%	7.77%
Invesco Hong Kong Limited	H Shares	25,971,000 (L)	Investment manager	Corporate	7.92%	2.52%

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

As at the Latest Practicable Date, Mr. Shen Bo, a Director, served as the director of Shanghai Pharmaceuticals. Ms. Yu Xiao Yang, a Director, is a founding partner of China New Enterprise Investment Fund II.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive or the Supervisors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **4. COMPETING INTEREST**

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

#### **5. DIRECTORS' INTEREST IN SERVICE CONTRACTS**

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

#### **6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2022, the date of which the latest published audited consolidated financial statements of the Group were made up.

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

**7. EXPERT'S QUALIFICATION AND CONSENT**

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

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

- (b) As at the Latest Practicable Date, the expert mentioned in paragraph (a) above did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.
- (c) The expert has on 12 May 2023 given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion dated 12 May 2023 and reference to its name in the form and context in which they appear.
- (d) The letter and recommendation given by Grande 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 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. LITIGATION**

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

**9. GENERAL**

- (a) The registered office of the Company is situated at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, 201210, the PRC.
- (b) The principal place of business of the Company in Hong Kong is 19/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (c) The Company's H Share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (d) Mr. Zhao Da Jun is an authorized representative of the Company. He graduated from Fudan University with a master's degree in biology. He also holds a master's degree in Business Administration from the University of Hong Kong.
- (e) Ms. Xue Yan is the company secretary and an authorized representative of the Company. She is a member of Hong Kong Institute of Certified Public Accountants (HKICPA), a fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Chinese Institute of Certified Public Accountants (CICPA).
- (f) Unless otherwise indicated, the English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be made available on display on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.fd-zj.com](http://www.fd-zj.com) up to and including the date which is 14 days from the date of this circular:

- (a) the Sales and Distribution Agreement dated 30 March 2023;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (c) the letter of advice issued by Grande Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 38 of this circular; and
- (d) the written consent of Grande Capital Limited referred to in paragraph 7(c) above.

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## NOTICE OF EGM

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of 上海復旦張江生物醫藥股份有限公司 (Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.\*) (the “**Company**”) will be held at No. 308 Cailun Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, the PRC at 9:00 a.m. on Tuesday, 30 May 2023 for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the EGM circular of the Company dated 12 May 2023.

#### AS AN ORDINARY RESOLUTION:

1. To consider and approve:

“**THAT:**

- (1) the entering into of the Sales and Distribution Agreement dated 30 March 2023 between the Company and Shanghai Pharmaceuticals, the transactions contemplated thereunder and the proposed annual caps for the three years ending 31 December 2026 be and are hereby approved, confirmed and ratified; and
- (2) any one of the directors of the Company be and is hereby authorized to do, approve and transact all such acts and things as the director may in his/her absolute discretion consider necessary or desirable in connection therewith.”

#### AS SPECIAL RESOLUTIONS:

2. To consider and approve the amendments to the Articles of Association;
3. To consider and approve the amendments to the rules of procedure for the general meeting;
4. To consider and approve the amendments to the rules of procedure for the board of directors;

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## NOTICE OF EGM

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5. To consider and approve the amendments to the rules of procedure for the supervisory committee.

By order of the Board  
**Wang Hai Bo**  
*Chairman*

As at the date of this notice, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)  
Mr. Su Yong (*Executive Director*)  
Mr. Zhao Da Jun (*Executive Director*)  
Mr. Shen Bo (*Non-executive Director*)  
Ms. Yu Xiao Yang (*Non-executive Director*)  
Mr. Zhou Zhong Hui (*Independent Non-executive Director*)  
Mr. Lam Yiu Kin (*Independent Non-executive Director*)  
Mr. Xu Qing (*Independent Non-executive Director*)  
Mr. Yang Chun Bao (*Independent Non-executive Director*)

Shanghai, the People's Republic of China  
12 May 2023

*Notes:*

1. To determine the eligibility of the holders of H Shares to attend and vote at the EGM 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 Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (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 4:30 p.m. on Tuesday, 23 May 2023, is entitled to attend and vote at the EGM and the Class Meeting of the Holders of H Shares. In order for the holders of H Shares to be qualified to attend and vote at the EGM and the Class Meeting of the Holders of H Shares, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar not later than 4:30 p.m. on Tuesday, 23 May 2023.

The 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 Wanchai, Hong Kong

For the notice of EGM applicable to holders of A Shares and the relevant proxy form, please refer to the announcement of the Company to be published on the Shanghai Stock Exchange in due course.

2. Any Shareholder 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.

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## NOTICE OF EGM

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3. Where there are joint holders of any H shares 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 H shares of the Company in respect of such joint holding.
4. For holders of H Shares, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 Listing Rules.
6. All times and dates specified herein refer to local times and dates of Shanghai, the PRC.

\* *For identification purposes only*



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## NOTICE OF CLASS MEETING OF HOLDERS OF H SHARES

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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)**

### NOTICE OF CLASS MEETING OF HOLDERS OF H SHARES

**NOTICE IS HEREBY GIVEN THAT** an extraordinary class meeting of the holders of H Shares (the “**Class Meeting of Holders of H Shares**”) of 上海復旦張江生物醫藥股份有限公司 (Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.\*) (the “**Company**”) will be held at No. 308 Cailun Road, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, the PRC at 9:30 a.m. (or the time immediately after the conclusion of the EGM) on Tuesday, 30 May 2023 for the purpose of considering and, if thought fit, passing the following resolutions (unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 12 May 2023):

#### **AS SPECIAL RESOLUTIONS:**

1. To consider and approve the amendments to the Articles of Association.
2. To consider and approve the amendments to the rules of procedure for the general meeting.
3. To consider and approve the amendments to the rules of procedure for the board of directors.
4. To consider and approve the amendments to the rules of procedure for the supervisory committee.

By order of the Board  
**Wang Hai Bo**  
*Chairman*

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## NOTICE OF CLASS MEETING OF HOLDERS OF H SHARES

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As at the date of this notice, the Board comprises:

Mr. Wang Hai Bo (*Executive Director*)  
Mr. Su Yong (*Executive Director*)  
Mr. Zhao Da Jun (*Executive Director*)  
Mr. Shen Bo (*Non-executive Director*)  
Ms. Yu Xiao Yang (*Non-executive Director*)  
Mr. Zhou Zhong Hui (*Independent Non-executive Director*)  
Mr. Lam Yiu Kin (*Independent Non-executive Director*)  
Mr. Xu Qing (*Independent Non-executive Director*)  
Mr. Yang Chun Bao (*Independent Non-executive Director*)

Shanghai, the People's Republic of China  
12 May 2023

*Notes:*

1. To determine the eligibility of the holders of H Shares to attend and vote at the EGM 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 Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (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 4:30 p.m. on Tuesday, 23 May 2023, is entitled to attend and vote at the EGM 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 EGM and the Class Meeting of Holders of H Shares, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar not later than 4:30 p.m. on Tuesday, 23 May 2023.

The 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  
Wanchai, Hong Kong

2. Any holder of H Shares 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.
3. Where there are joint holders of any H 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 H share 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 Listing Rules.
6. All times and dates specified herein refer to local times and dates of Shanghai, the PRC.

\* *For identification purposes only*