



## CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED

### 中國神威藥業集團有限公司

( *Incorporated in the Cayman Islands with limited liability* )

( *Stock Code : 02877* )

(“Company”)

### CODE FOR SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

(2012)

#### BASIC PRINCIPLES

1. This code (both the basic principles and the rules) is based on the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as contained in Appendix 10 and Corporate Governance Code Practices A.6.4 in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). The board of directors of the Company should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer’s securities. A Relevant Employee must seek to secure that all dealings in which he is or is deemed to be interested be conducted in accordance with this code. “Relevant Employee” includes any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.
2. Relevant Employees wishing to deal in any securities in the Company must first have regard to the provisions of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“**the SFO**”), with respect to insider dealing and market misconduct. It should be borne in mind that, in particular instances, insider dealing may be the subject of inquiries by the Market Misconduct Tribunal established under the SFO whose reports are made public and would cover, amongst other things, findings as to whether or not the person or persons under inquiry were culpable in respect of insider dealing. A person found guilty of insider dealing is liable to a fine of up to HK\$10 million and to imprisonment for up to 10 years. However, there are occasions where Relevant Employees should not be free to deal in the Company’s securities even though the statutory requirements will not be contravened.

3. The single most important thrust of this code is that Relevant Employees who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions or connected transactions under the Listing Rules or any price-sensitive information must refrain from dealing in the Company's securities as soon as they become aware of them or privy to them until proper disclosure of the information has been made by the Company in accordance with the Listing Rules.
4. In addition, a Relevant Employee must not make any unauthorised disclosure of confidential information, whether to co-trustees or to any other person (even those to whom he owes a fiduciary duty) or make any use of such information for the advantage of himself or others.

### **Interpretation**

5. For the purpose of this code:
  - (a) references to a Relevant Employee include an employee of the Company, or a director or employee of a subsidiary or its holding company, who, because of his office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.
  - (b) references to dealings in securities include dealings in warrants (including covered warrants issued by third parties and short positions) issued in respect of the securities. For the avoidance of doubt, any transfer of shares will be regarded as a deal including off-market transactions;
  - (c) "dealing" includes, subject to paragraph (f) below, any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of the Company or any entity whose assets solely or substantially comprise securities of the Company, and the grant, acceptance, acquisition, disposal, transfer, exercise or discharge of any option (whether call, put or both) or other right or obligation, present or future, conditional or unconditional, to acquire, dispose of or transfer securities, or any interest in securities, of the Company, in each case whether or not for consideration and any agreements to do any of the foregoing, and "deal" shall be construed accordingly;
  - (d) "beneficiary" includes any discretionary object of a discretionary trust (where the Relevant Employee is aware of the arrangement) and any beneficiary of a non-discretionary trust;

- (e) “securities” means listed securities and any unlisted securities that are convertible or exchangeable into listed securities and structured products (including derivative warrants issued by a third party) issued in respect of the listed securities of the Company;
- (f) notwithstanding the definition of “dealing” in paragraph (c) above, the following dealings are not subject to the provisions of this code:
  - (i) taking up of entitlements under a rights issue, bonus issue, capitalisation issue or other offer made by the Company to holders of its securities (including an offer of shares in lieu of a cash dividend) but, for the avoidance of doubt, applying for excess shares in a rights issue or applying for shares in excess of an assured allotment in an open offer is a “dealing”;
  - (ii) allowing entitlements to lapse under a rights issue or other offer made by the Company to holders of its securities (including an offer of shares in lieu of a cash dividend);
  - (iii) undertakings to accept, or the acceptance of, a general offer for shares in the Company made to shareholders other than those that are concert parties (as defined under the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong as amended from time to time) of the offeror;
  - (iv) exercise of share options or warrants or acceptance of an offer for shares pursuant to an agreement entered into with the Company before a period during dealing is prohibited under this code at the predetermined exercise price, being a fixed monetary amount determined at the time of grant of the share option or warrant or acceptance of an offer for shares;
  - (v) dealing where the beneficial interest or interests in the relevant security of the listed issuer do not change;
  - (vi) dealing where a shareholder places out his existing shares in a “top-up” placing where the number of new shares subscribed by him pursuant to an irrevocable, binding obligation equals the number of existing shares placed out and the subscription price (after expenses) is the same as the price at which the existing shares were placed out; and
  - (vii) dealing where the beneficial ownership is transferred from another party by

operation of law.

6. For the purpose of this code, the grant to a Relevant Employee of an option to subscribe or purchase the Company's securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a Relevant Employee on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.

## **RULES**

### **A. Absolute prohibitions**

1. A Relevant Employee must not deal in any of the securities of the Company at any time when he is in possession of unpublished price sensitive information in relation to those securities.

***Note: "Price sensitive information" means information described in Listing Rule 13.09(1) and the notes thereunder. In the context of this code, Listing Rule 13.09(1)(c) and notes 9, 10 and 11 thereunder are of particular relevance.***

2. A Relevant Employee must not deal in the securities of a listed issuer when by virtue of his position as a director or Relevant Employee of another listed issuer, he is in possession of unpublished price-sensitive information in relation to those securities.
3. During the period of 60 days immediately preceding the publication date of the annual results, or 30 days immediately preceding the publication date of quarterly results (if any) and half-year results, and ending on the date of the corresponding results announcement (whether or not the announcement is required under the Listing Rules), a Relevant Employee must not deal in any securities of the Company unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C below. In that event, he must comply with the procedure in rule B.8 of this code.

***Note: This is referred to as "the black-out period".***

4. Where a Relevant Employee is a sole trustee, the provisions of this code will apply to all dealings of the trust as if he were dealing on his own account (unless the Relevant Employee is a bare trustee and neither he nor any of his associates is a beneficiary of the trust, in which case the provisions of this code will not apply).

5. Where a Relevant Employee deals in the securities of a listed issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.
6. The restrictions on dealings by a Relevant Employee contained in this code will be regarded as equally applicable to any dealings by the Relevant Employee's spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of the SFO he is or is to be treated as interested. It is the duty of the Relevant Employee, therefore, to seek to avoid any such dealing at a time when he himself is not free to deal.
7. When a Relevant Employee places investment funds comprising securities of the Company under professional management, discretionary or otherwise, the managers must nonetheless be made subject to the same restrictions and procedures as the Relevant Employee himself in respect of any proposed dealings in the Company's securities.

**B. Notification**

8. A Relevant Employee must not deal in any securities of the Company during the black-out period. If he must deal during this period in the exceptional circumstances referred to in rule A.3 of this code, he must first notify in writing the Chairman of the Company and receive a dated written acknowledgement before any dealing.
9. A written record is maintained by the Company Secretary that the appropriate notification was given and acknowledged pursuant to rule B.8 of this code.
10. After a Relevant Employee has dealt in the securities of the Company, he should notify the Company Secretary for updating the record of the Relevant Employee's interests in such securities.
11. Any Relevant Employee who acts as trustee of a trust must ensure that his co-trustees are aware of the identity of any company to the securities of which this code applies so as to enable them to anticipate possible difficulties. A Relevant Employee having funds under management must likewise advise the investment manager.

### **C. Exceptional circumstances**

12. If a Relevant Employee proposes to sell or otherwise dispose of securities of the Company under exceptional circumstances where the sale or disposal is otherwise prohibited under this code, the Relevant Employee must, in addition to complying with the other provisions of this code, comply with the provisions of rule B.8 of this code regarding prior written notice and acknowledgement. The Relevant Employee must satisfy the Chairman that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the Relevant Employee before the Relevant Employee can sell or dispose of the securities. An example of the type of circumstances which may be considered exceptional for such purposes would be a pressing financial commitment on the part of the Relevant Employee that cannot otherwise be satisfied.