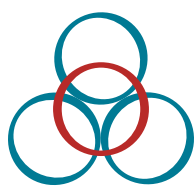


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四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 0460)

DISCLOSEABLE TRANSACTION

FUNDRAISING OF XUANZHU BIOPHARMACEUTICAL TECHNOLOGY CO., LTD.

BACKGROUND

On 31 December 2021, the 2021 Investors, the EIS Participants, Sun Moral, Xuanzhu Cayman, Xuanzhu Hong Kong and the Target Company entered into the Capital Increase Agreement, pursuant to which the 2021 Investors have conditionally agreed to subscribe for and the Target Company has conditionally agreed to issue 39,808,990 Target Company Shares (representing 8.8344% of the enlarged share capital of the Target Company upon Completion) at an aggregate consideration of RMB610.5 million (equivalent to approximately HK\$746.7 million) in accordance with the terms and conditions of the Capital Increase Agreement. Such total consideration has been fully settled on the same day.

On the same day, the 2021 Investors, the Target Company's Shareholders and the Target Company entered into the Shareholders Agreement so as to regulate the rights and obligations of the 2021 Investors and the Target Company's Shareholders as the shareholders of the Target Company upon Completion.

THE CAPITAL INCREASE AGREEMENT

Set out below are the principal terms of the Capital Increase Agreement:

Date: 31 December 2021

Parties: (1) the 2021 Investors;
(2) the EIS Participants;
(3) Sun Moral;
(4) Xuanzhu Cayman;
(5) Xuanzhu Hong Kong; and
(6) the Target Company.

The Capital Increase

Pursuant to the Capital Increase Agreement, the 2021 Investors have conditionally agreed to subscribe and the Target Company has conditionally agreed to issue 39,808,990 Target Company Shares at the aggregate consideration of RMB610.5 million (equivalent to approximately HK\$746.7 million) in the proportion stated below:

	Number of Target Company Shares	Consideration (RMB' million)
Investor A	16,301,800	250.00
Investor B	1,173,730	18.00
Investor C	652,070	10.00
Investor D	2,934,320	45.00
Investor E	4,564,500	70.00
Investor F	652,070	10.00
Investor G	3,260,360	50.00
Investor H	4,238,470	65.00
Investor I	1,956,220	30.00
Investor J	2,608,290	40.00
Investor K	652,070	10.00
Investor L	815,090	12.50
Total	39,808,990	610.50

The total consideration of the Capital Increase has been fully settled on 31 December 2021.

Basis of determining the Consideration

The consideration payable by the 2021 Investors is arrived at arm's length negotiation between the parties to the Capital Increase Agreement with reference to (a) the unaudited consolidated financial information of the Target Company; (b) the future prospect of the Target Company and its products in the market; and (c) the synergy that can be created among the 2021 Investors and the Target Company. As such, the Directors consider that the consideration payable by the 2021 Investors under the Capital Increase Agreement is fair and reasonable.

Changes in shareholding structure of the Target Company

As at the date of this announcement, the Target Company is indirectly held by the Company as to 68.4350%. Immediately upon Completion, the shareholding structure of the Target Company will be as follows:

Shareholders	As at the date of this announcement		Immediately upon completion of the Capital Increase	
	No. of Target Company Shares Held	Shareholding in the Target Company (%)	No. of Target Company Shares Held	Shareholding in the Target Company (%)
Investor A	—	—	16,301,800	3.6177
Investor B	—	—	1,173,730	0.2605
Investor C	—	—	652,070	0.1447
Investor D	—	—	2,934,320	0.6512
Investor E	—	—	4,564,500	1.0130
Investor F	—	—	652,070	0.1447
Investor G	—	—	3,260,360	0.7235
Investor H	—	—	4,238,470	0.9406
Investor I	—	—	1,956,220	0.4341
Investor J	—	—	2,608,290	0.5788
Investor K	—	—	652,070	0.1447
Investor L	—	—	815,090	0.1809
The Company ^(Note 1)	281,134,800	68.4350	281,134,800	62.3892
Other shareholders ^(Note 2)	129,670,500	31.5650	129,670,500	28.7764
Total	410,805,300	100.0000	450,614,290	100.0000

Notes:

1. The 281,134,800 Target Company Shares are indirectly held by the Company through Xuanzhu Hong Kong.
2. The other shareholders of the Target Company include the 2020 Investors, the EIS Participants, and Beijing SL Pharmaceutical Co., Ltd.* (北京雙鷺藥業股份有限公司).

Upon completion of the Capital Increase, the shareholding of the Company in the Target Company will be diluted from 68.4350% to approximately 62.3892% and the Target Company will remain as an indirect non-wholly-owned subsidiary of the Company.

Conditions Precedent

Unless waived by the 2021 Investors in writing, Completion of the Capital Increase Agreement is conditional upon the satisfaction of the following conditions precedent:

- (a) no relevant governmental or regulatory authority or body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Capital Increase Agreement; and no pending or reasonably foreseeable proceedings, decisions or restrictions that has caused or will cause material adverse effect to the implementation of the transactions contemplated under the Capital Increase Agreement;
- (b) the Target Company's Controllers and Target Company having passed the directors' or shareholders' resolution in relation to the approval of the execution of the Transaction Documents and all shareholders of the Target Company having given up their respective rights of first refusal to purchase the Target Company Shares;
- (c) the Target Company and the Target Company's Controllers having obtained all the governmental approvals and authorisations and/or waivers from third parties in relation to the execution of the Transaction Documents and the performance of the transactions contemplated thereunder. The execution of the Transaction Documents and the performance of the transactions contemplated thereunder shall not render any of the Target Group Companies in breach of any applicable PRC laws or agreements and will not cause material adverse effect to the Target Group Companies;
- (d) each of the parties having duly executed the Transaction Documents;
- (e) the representations and warranties provided by the Target Company and the Target Company's Controllers remaining true, complete and accurate on the day of Completion, and prior to the Completion, the undertakings under the Capital Increase Agreement having been performed and no breach of the Transaction Documents which will cause material adverse effect to the Target Company;
- (f) there having not been any material adverse changes to the financial status of the Target Company prior to the Completion;
- (g) no occurrence of events or changes which has caused or can reasonably be foreseen that can cause material adverse impact to the assets, financial structure, indebtedness, technology, profitability or ordinary operation of the Target Group Companies;
- (h) the Company and the Target Company having executed written undertakings or confirmation documents, confirming the actual progress of resolving the competing businesses issues between the Company and the Target Company, and undertaking to resolve all such competing businesses issues prior to the application for a Qualified IPO by the Target Company;

- (i) the director representative nominated by Investor A having been appointed as a director of the Target Company;
- (j) the Target Company having issued and delivered the original payment notice to the 2021 Investors indicating its bank account details;
- (k) the Target Company having delivered the share certificates and scanned copies of its updated register of members to reflect the number of Target Company Shares held by the 2021 Investors upon completion of the Capital Increase;
- (l) the Target Company and the Target Company's Controllers having provided the 2021 Investors with the confirmation letters confirming the satisfaction of all the conditions precedent (excluding those waived by the 2021 Investors) and the relevant supporting documents;
- (m) the 2021 Investors having completed and is satisfied with the financial, business and legal due diligence on the Target Company; and
- (n) the 2021 Investors having obtained the approval for the Capital Increase from their respective investment committee or similar authorities.

If Completion does not take place within the 180 business days following the day on which all the above conditions precedent are satisfied and/or waived by the 2021 Investors or before a later day to be agreed among the parties, the Capital Increase Agreement can be terminated by the Target Company.

Completion

Within the 15 business days following the satisfaction and/or waiver of the conditions precedent above, each of the 2021 Investors shall transfer their respective price for the Capital Increase in cash to the bank account of the Target Company as specified in the Capital Increase Agreement. Completion for each 2021 Investor shall take place on the day on which the relevant consideration for the Capital Increase is paid by the relevant 2021 Investor. For the avoidance of doubt, Completion for each 2021 Investor shall be independent of each other and the failure of any 2021 Investor to pay its consideration for Capital Increase shall not affect the rights of other 2021 Investors that have paid its consideration.

If Completion does not take place within the 180 business days following the date of the Capital Increase Agreement or before a later day to be agreed among the parties, the Capital Increase Agreement can be terminated by any 2021 Investor (with respect to such 2021 Investor only).

AS COMPLETION IS SUBJECT TO THE CONDITIONS PRECEDENT SET OUT IN THE CAPITAL INCREASE AGREEMENT, THE CAPITAL INCREASE MAY OR MAY NOT PROCEED. SHAREHOLDERS AND INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN SECURITIES OF THE COMPANY.

THE SHAREHOLDERS AGREEMENT

Set out below are the principal terms of the Shareholders Agreement:

Date: 31 December 2021

Parties: (1) the 2021 Investors;

(2) the Target Company's Shareholders; and

(3) the Target Company.

Management of the Target Company

The board of directors of the Target Company shall comprise nine directors, one of which shall be jointly nominated by the 2020 Investors, one of which shall be nominated by Investor A and the board meeting shall be convened at least once every year. Except for the reserved matters as specified in the Shareholders Agreement, all matters shall be passed by at least half of the board of directors of the Target Company (must also be passed by the directors nominated by the 2020 Investors and Investor A). All reserved matters as specified in the Shareholders Agreement, including but not limited to changes to the board composition, amendments of articles of association and changes to the registered capital, shall be passed by at least half of the board of directors of the Target Company (must also be unanimously passed by the directors nominated by the 2020 Investors and Investor A). The reserved matters shall also apply to each of the Target Group Companies and each director shall have one vote.

The board of supervisors of the Target Company shall comprise three supervisors, one of which shall be an employee representative supervisor that is elected by the employee meeting and the non-employee representative supervisors shall be nominated through shareholders' meeting of the Target Company; and one chairman of the board of supervisors shall be elected by the majority of the supervisors.

Right of First Refusal and Co-Sale Right

In the event that any shareholder of the Target Company (excluding the Investors) proposes to transfer the Target Company Shares held by it to third parties other than the Investors, the Investors shall have the right of first refusal to elect to purchase all such Target Company Shares on the same terms at the same consideration.

If the 2020 Lead Investors and 2021 Investors do not exercise their respective rights of first refusal, the 2020 Lead Investors and 2021 Investors shall have the right to participate in the transfer to the third parties on the same terms at the same consideration.

Pre-emptive Right

In the event that the Target Company proposes to increase its registered capital and issue new Target Company Shares, the Investors shall have the pre-emptive right to participate in the subscription for such Target Company Shares on the same terms on pro-rata basis.

Value Protection and Anti-Dilution

Except for the exceptions as specified in the Shareholders Agreement or unless with the prior written approval of the Investors, the Target Company shall not issue new Target Company Shares to new investors at a consideration which is lower than the consideration paid by the Investors and any of the Target Company's Controllers shall not transfer its Target Company Shares at a consideration which is lower than the consideration paid by the Investors.

In the event that the Target Company issues new Target Company Shares to new investors at a consideration which is lower than the consideration paid by the Investors, the EIS Participants, Target Company's Controllers shall indemnify the Investors in accordance with the terms under the Shareholders Agreement. The indemnity provided to each Investor shall be determined in accordance with its respective consideration paid for the Target Company Shares.

Repurchase Rights

In the event that any of the circumstances specified in the Shareholders Agreement occurs (including non-consummation of the Qualified IPO of the Target Company before 31 December 2024 or a later date to be agreed among the parties or at the request of the respective Investors), the Investors shall have the right to require the Target Company's Controllers to repurchase all or part of their respective Target Company Shares held in accordance with the terms of the Shareholders Agreement. Such arrangement constitutes a grant of put option by the Group to the Investors under Rule 14.73 of the Listing Rules.

The Company will comply with the relevant requirements under the Listing Rules in relation to the Qualified IPO and publish further announcement(s) as and when appropriate.

The exercise price of the Put Option payable by the Group shall be equivalent to the consideration paid by such Investor for such number of Target Company Shares together with an interest at a simple interest rate of 8% per annum, accruing from the day of payment of the consideration up to the date on which the Target Company's Controllers fully settles the exercise price of the Put Option, and any declared but unpaid dividend. Any of the Investors shall within 120 days following the occurrence of any of the circumstances exercises the Put Option and the Target Company's Controllers shall settle the exercise price of the Put Option within 90 days upon receipt of the above request from any of the Investors. In the payment and distribution of exercise price of the Put Option, the 2021 Investors shall rank above the 2020 Investors, which have priority over the other Target Company's Shareholders.

Liquidation Rights

In the event of liquidation, dissolution or winding of the Target Company or certain circumstances as specified under the Capital Increase Agreement, after satisfaction of the claims in accordance with the laws, the remaining assets of the Target Company shall be distributed in cash to the Investors in priority over other creditors of the Target Company. The amount to be distributed to the respective Investors shall be (a) the amount of the remaining assets such Investor is entitled in accordance with its shareholding in the Target Company on a pro rata basis and (b) the sum of the consideration made by such Investor together with an interest at a simple interest rate of 8% per annum, whichever is higher, together with any declared but unpaid dividend.

In the event that the amount of distribution available to the Investors is lower than (b) above, the Target Company's Controllers shall indemnify the shortfall to the Investors. In the payment of indemnity for the abovementioned shortfall, the 2021 Investors shall rank above the 2020 Investors, which have priority over the other Target Company's Shareholders.

Transfer Restrictions

Unless with the prior written approval of the Investors:

- (a) Xuanzhu Biopharmaceutical and Xuanzhu Hong Kong shall not transfer, pledge and/or otherwise dispose of their respective Target Company Shares held directly and/or indirectly;
- (b) Sun Moral shall not transfer, pledge and/or otherwise dispose of the Target Company Shares held directly and/or indirectly which will result to a drop of its direct and/or indirect interest in the Target Company to lower than 50%;
- (c) the Company shall not, and the Target Company and the Target Company's Controllers shall procure the Company not to transfer, pledge and/or otherwise dispose of the Target Company Shares held which will result to a drop of the Company's direct and/or indirect interest in the Target Company to lower than 50%; and
- (d) the EIS Participants shall not transfer, pledge or otherwise dispose of the Target Company Shares held directly and/or indirectly.

Further Issuance or Transfer to the Employee Incentive Scheme

No approval from the board of directors of the Target Company or the Investors are required for the implementation of the existing employee incentive scheme of the Target Company as at the date of the Shareholders Agreement, but the relevant incentive plans shall be approved by the 2020 Lead Investors. Implementation of new employee incentive scheme through issuance of new Target Company Shares to the existing or future EIS Participants shall be approved by the board of directors of the Target Company, the 2020 Lead Investors and the 2021 Investors.

Right to Information and Inspection

As long as the Investors hold the Target Company Shares, subject to the applicable rules in relation to disclosure of information by the Company under the Listing Rules, the Investors shall have right to access to certain information of the Target Company and its associated companies.

Amendments of Articles of Association of the Target Company

The articles of association of the Target Company shall be amended so as to reflect the arrangements under the Shareholders Agreement.

Termination of the Shareholders Agreement

Upon application for the Qualified IPO, the rights granted to the shareholders of the Target Company pursuant to the Shareholders Agreement may be terminated or amended in accordance with the laws and regulatory requirements of the place of the Qualified IPO. Such rights shall be automatically revived and effective if the Qualified IPO do not commensurate for whatever reason after the application for the Qualified IPO.

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE CAPITAL INCREASE

The net proceeds from the Capital Increase shall all be used for the development of the principal business of the Target Company and other purposes agreed by the 2021 Investors but shall not be used for purposes which are not related to the daily operation of the principal business of the Target Company.

Upon completion of the Capital Increase, the shareholding of the Company in the Target Company will be diluted from 68.4350% to approximately 62.3892% and the Target Company will remain as an indirect non-wholly-owned subsidiary of the Company. As such, the accounts of the Target Company will continue to be recorded in the Group's consolidated accounts. As the effect of the Capital Increase will not result in a loss of the Group's control over the Target Company, any deemed disposal as a result of the Capital Increase will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 5 September 2018. It is the innovative drug research and development (“**R&D**”) subsidiary of the Group with integrated R&D capabilities from pre-clinical development to clinical development, registration and commercialisation for both small and large molecules. The Target Company mainly engages in the R&D of innovative drugs, focusing on a number of therapeutic areas such as oncology, metabolism and digestion.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. Upon Completion of the Capital Increase, the Target Company will be held as to 8.8344%, 62.3892% and 28.7764% by the 2021 Investors, Xuanzhu Hong Kong and the other shareholders of the Target Company, respectively. The unaudited consolidated financial information of the Target Group Companies for the two financial years ended 31 December 2019 and 2020 is as follows:

	For the year ended 31 December	
	2019	2020
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revenue	—	200,377
Net (loss) before tax	(292,157)	(76,280)
Net (loss) after tax	(292,157)	(76,280)

The unaudited consolidated net asset value of Target Group Companies as at 30 June 2021 was approximately RMB1,445,121,890.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

Since the whole pharmaceutical industry environment has been operating with increasing uncertainties during the fiscal year ending 31 December 2021, the Group has further strengthened the consolidation of financial capacities in China to target for better cost savings and effectiveness in the longer term. To counteract uncertainties and pursue the Company’s goals, one of the Group’s main strategic initiatives is to diversify fund source.

The Board considers that the Capital Increase represents a valuable opportunity for the Group to realize the gain and support the cash flow for its strategic repositioning and will enhance the Group’s operations and financial prospects in the long term. Furthermore, after the 2021 Investors have become shareholders of the Target Company, an innovative drugs platform of the Group, the Group and the 2021 Investors will be able to fully cooperate with each other in the R&D and introduction of innovative drugs in the future. The Group intends to apply the proceeds from the

Capital Increase to further develop the Group's mid to late stage clinical trial product line and to introduce more late stage product projects, as such, the Group will be able to provide newer and better treatment solutions to patients across the PRC. The Board also believes that the Capital Increase will help the Target Company to increase its efficiency and competitiveness and to adopt with the changes in governmental policies and competing environment in the PRC. Also, the Capital Increase will assist the Group to incubate subsidiaries with competitive edges to operate independently by attracting investors or operating on a contract manufacturing organisation model.

In light of above, the Directors (including independent non-executive Directors) are of the view that the Capital Increase Agreement, the Shareholders Agreement and the transactions contemplated thereunder have been negotiated on an arm's length basis, agreed on normal commercial terms, and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE AGREEMENTS

The Company

The Company is an investment holding company. Founded in 2001 and listed on the Main Board of the Stock Exchange in 2010, the Group is an international pharmaceutical company led and driven by both innovation and generic, with a leading independent production and R&D technology platform, a rich global product pipeline and a mature and excellent sales system. Focusing on high-growth therapeutic areas such as medical aesthetics, cardiovascular and cerebrovascular, digestive system, anti-infectives, oncology, psycho neurology and diabetes, the Group is building a leading medical aesthetics and biopharmaceutical leader in the PRC with a two-wheel drive strategy of independent innovation and research and incubation to cultivate high-growth new businesses.

Sun Moral

Sun Moral is a company incorporated in Hong Kong with limited liability. It is a direct wholly-owned subsidiary of the Company and is engaged in investment holding.

Xuanzhu Cayman

Xuanzhu Cayman is a company incorporated in the Cayman Islands with limited liability. It is a direct wholly-owned subsidiary of Sun Moral and is engaged in provision of R&D services in Cayman Islands.

Xuanzhu Hong Kong

Xuanzhu Hong Kong is a company incorporated in Hong Kong with limited liability. It is a direct wholly-owned subsidiary of Xuanzhu Cayman and is engaged in provision of R&D services in Hong Kong.

2021 Investors

Details and background of the 2021 Investors are as follows:

Investor	Type	Place of Incorporation	Principal Business	Shareholders/Partners
Investor A	Joint stock company	PRC	Insurance	<p>Sunshine Insurance Group Co., Ltd.* (陽光保險集團股份有限公司), which is held by (i) entities ultimately controlled by the State-Owned Assets Supervision and Administration Commission of the State Council, including China Southern Airlines Company Limited* (中國南方航空集團有限公司), China Petrochemical Corporation* (中國石油化工集團有限公司), Aluminum Corporation of China* (中國鋁業集團有限公司), Sinotrans Changhang Group Co., Ltd.* (中國外運長航集團有限公司), Guangdong Electric Power Development Co., Ltd.* (廣東電力發展股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000539); (ii) Beijing Xinganjintai Property Management Co., Ltd.* (北京興安金泰物業管理有限公司), which is ultimately held by State-Owned Assets Supervision and Administration Commission of Beijing and certain individuals; (iii) Xinjiang Hezhongtiancheng Equity Investment Co., Ltd.* (新疆合眾天成股權投資有限公司), which is ultimately held by certain individuals; and (iv) Shenzhen Modern Property Development Co., Ltd.* (深圳現代城房地產開發有限公司), which is ultimately held by certain individuals.</p>
Investor B	Limited partnership	PRC	Investment in the medical healthcare industry	<p>General Partner: Herui Venture Capital Fund Management (Shenzhen) Co., Ltd.* (和瑞創業投資基金管理(深圳)有限公司), which is ultimately held by Lin Shun* (林順) and Wang Zhixian* (王智顯).</p> <p>Limited Partners: (i) Herui Venture Capital Fund Management (Shenzhen) Co., Ltd.* (和瑞創業投資基金管理(深圳)有限公司); and (ii) Zhao Zhuang* (趙莊).</p>

Investor	Type	Place of Incorporation	Principal Business	Shareholders/Partners
Investor C	Limited partnership	PRC	Investment in the medical healthcare industry	<p>General Partner: Shaanxi New Age Capital Management Co., Ltd.* (陝西新時代資本管理有限公司), which is ultimately held by the Department of Finance of Shaanxi Province.</p> <p>Limited Partners: (i) Shaanxi New Age Capital Management Co., Ltd.* (陝西新時代資本管理有限公司); and (ii) Beijing Lianchuguantian Venture Capital Co., Ltd.* (北京聯儲關天創業投資有限公司), which is ultimately held by Department of Finance of Shaanxi Province, Department of Finance of Xi'an City, Lianchu Securities Co., Ltd.* (聯儲證券有限責任公司), Zhou Shuangjuan* (周霜娟), Liu Xiangming* (劉向明) and certain other individuals.</p>
Investor D	Limited partnership	PRC	Global biopharmaceutical investment	<p>General Partner: Shenzhen Efung Investment Management Corporation (Limited Partnership)* (深圳市倚鋒投資管理企業(有限合夥)), which is ultimately held by Zhu Jinqiao* (朱晉橋), Zhu Chen* (朱晨) and Zhu Pai* (朱湃).</p> <p>Limited Partners: (i) Shenzhen Efung Investment Management Corporation (Limited Partnership)* (深圳市倚鋒投資管理企業(有限合夥)); (ii) Hainan Yineng Investment Co., Ltd.* (海南省億能投資有限公司), which is held by Guangdong Dongfang Precision Science & Technology Co., Ltd.* (廣東東方精工科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002611); (iii) Yantai Baiyuan Development Investment Partnership (Limited Partnership)* (煙台伯元發展投資合夥企業(有限合夥)), which is ultimately held by Yantai State-Owned Assets Supervision and Administration Commission; (iv) Wang Qiujuan* (王秋娟); and (v) Liu Yijing* (劉禕婧).</p>

Investor	Type	Place of Incorporation	Principal Business	Shareholders/Partners
Investor E	Limited partnership	PRC	Investment in the medical healthcare, new energy, new materials industries	<p>General Partner: Tianjin Zhongjipuyin Equity Investment Fund Management Co., Ltd.* (天津中冀普銀股權投資基金管理有限公司), which is ultimately held by Zhongji Investment Co., Ltd.* (中冀投資股份有限公司).</p> <p>Limited Partners: (i) Hebei Jicai Industrial Guidance Equity Investment Fund Co., Ltd.* (河北省冀財產業引導股權投資基金有限公司), which is held by the Department of Finance of Hebei Province; (ii) Tangshan Technology Venture Capital Management Co., Ltd.* (唐山科技創業投資管理有限責任公司), which is ultimately held by Tangshan State-Owned Assets Supervision and Administration Commission; (iii) Tianjin Zhongjirongxin Enterprise Management Partnership (Limited Partnership)* (天津中冀融鑫企業管理合夥企業(有限合夥)), which is ultimately held by Zhongji Investment Co., Ltd.* (中冀投資股份有限公司); and (iv) Tianjin Zhongjipuyin Equity Investment Fund Management Co., Ltd.* (天津中冀普銀股權投資基金管理有限公司).</p>

Investor	Type	Place of Incorporation	Principal Business	Shareholders/Partners
Investor F	Limited partnership	PRC	Investment in the medical healthcare industry	<p>General Partner: Shanghai Yunxin Enterprise Management Co., Ltd.* (上海雲鉅企業管理有限公司), which is ultimately held by Liu Lingyun* (劉凌雲), Cao Feng* (曹鋒), Chen Junli* (陳俊麗) and Sun Peng* (孫鵬).</p> <p>Limited Partners: (i) Shanghai Yunmei Enterprise Management Co., Ltd.* (上海雲鎂企業管理有限公司), which is held by Shanghai Yiyun Information Technology Co., Ltd.* (上海醫耘信息科技有限公司); (ii) Beijing Zhongjitaikang Hospital Management Co., Ltd.* (北京中冀泰康醫院管理有限公司), which is ultimately held by China Zhongji Investment Co., Ltd.* (中冀投資股份有限公司); (iii) Shanghai Venture Capital Co., Ltd.* (上海創業投資有限公司), which is ultimately held by the Shanghai State-Owned Assets Supervision and Administration Commission; (iv) Shanghai Yingyu Investment Management Partnership (Limited Partnership)* (上海盈譽投資管理合夥企業(有限合夥)), which is ultimately held by Shanghai Jinshan Shanyang Economic Cooperative* (上海金山區山陽經濟聯合社) and certain individuals; (v) Shanghai Yunxin Enterprise Management Co., Ltd.* (上海雲鉅企業管理有限公司); (vi) Guan Shuqing* (管淑清); (vii) He Xunhai* (何循海); (viii) Li Jiansheng* (李建生); and (ix) Shi Yan* (施燕).</p>

Investor	Type	Place of Incorporation	Principal Business	Shareholders/Partners
Investor G	Limited partnership	PRC	Investment in the medical healthcare, high-end manufacturing, new energy industries	<p>General Partner: Shanghai Chuangfengxinhui Venture Capital Management Co., Ltd.* (上海創豐昕匯創業投資管理有限公司), which is ultimately held by Shanghai Chuangfeng Investment Management Co., Ltd.* (上海創豐投資管理股份有限公司).</p> <p>Limited Partners: (i) SDIC Taikang Trust Co., Ltd.* (國投泰康信託有限公司), which is ultimately held by SDIC Capital Co., Ltd.* (國投資本股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600061), Taikang Insurance Group Co., Ltd.* (泰康保險集團股份有限公司), Yueda Capital Co., Ltd.* (悅達資本股份有限公司) and Zhongcheng Trust Co., Ltd.* (中誠信託有限責任公司); and (ii) Shanghai Chuangfengxinhui Venture Capital Management Co., Ltd.* (上海創豐昕匯創業投資管理有限公司).</p>
Investor H	Limited partnership	PRC	Investment holding of the Target Company Shares by Investor H	<p>General Partner: Taiping Guofahehe (Beijing) Investment Management Co., Ltd.* (太平國發禾和(北京)投資管理有限公司), which is ultimately held by the Department of Finance of Suzhou, China Industrial International Trust Limited (興業國際信託有限公司), China Jinmao Holdings Group Limited (listed on the Stock Exchange, stock code: 817), Zhang Wenwen* (章文雯), Wu Bin* (吳彬) and Cui Guolian* (崔國聯).</p> <p>Limited Partners: (i) Taijin (Suzhou) Capital Management Co., Ltd.* (太金(蘇州)資本管理有限公司), which is ultimately held by Taiping Guofahehe (Beijing) Investment Management Co., Ltd.* (太平國發禾和(北京)投資管理有限公司); (ii) Taiping Guofahehe (Beijing) Investment Management Co., Ltd.* (太平國發禾和(北京)投資管理有限公司); and (iii) Jin Weimin* (金為珉).</p>
Investor I	Limited liability company	PRC	Equity investment	BOC International (China) Co., Ltd.* (中銀國際證券股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 601696)

Investor	Type	Place of Incorporation	Principal Business	Shareholders/Partners
Investor J	Limited partnership	PRC	Investment in the medical healthcare industry	<p>General Partner: Qingdao Haichuang Win Win Enterprise Management Partnership (Limited Partnership)* (青島海創共贏企業管理合夥企業(有限合夥)), which is ultimately held by Haier Group Corporation* (海爾集團公司), Chen Xiaomin* (陳曉敏) and Xu Jie* (徐潔).</p> <p>Limited Partner: Tianjin Haihe Baichuan Equity Investment Fund Partnership (Limited Partnership)* (天津海河百川股權投資基金企業(有限合夥)), which is ultimately held by (i) Haier Group Corporation* (海爾集團公司); (ii) Tianjin State-Owned Assets Supervision and Administration Commission; (iii) Tianjin Haihe Industrial Fund Management Co., Ltd.* (天津市海河產業基金管理有限公司); (iv) Tianjin Lidong State-Owned Assets Supervision and Administration Commission; (v) Chinese Academy of Sciences* (中國科學院); (vi) Tianjin Lvyin Landscape and Ecology Construction Co., Ltd.* (天津綠茵景觀生態建設股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002887); and (vii) certain individuals.</p>
Investor K	Limited partnership	PRC	Investment in the medical healthcare and intelligent technology industries	<p>General Partner: Shenzhen Denuo Kairui Investment Co., Ltd.* (深圳市德諾凱瑞投資有限公司), which is ultimately held by Lin Yunfeng* (林雲峰), Lin Qiumei* (林秋媚), Tang Shimin* (唐仕民), Chen Lijun* (陳麗君) and Zhu Chunyan* (朱春艷).</p> <p>Limited Partners: (i) Shenzhen Zhongxingweixiantong Equipment Co., Ltd.* (深圳市中興維先通設備有限公司), which is ultimately held by more than 30 individuals; and (ii) Shenzhen Denuo Kairui Investment Co., Ltd.* (深圳市德諾凱瑞投資有限公司).</p>
Investor L	Limited partnership	PRC	Investment in the medical healthcare industry	<p>General Partner: Hainan Wanxin Private Equity Management Co., Ltd.* (海南灣信私募基金管理有限公司), which is ultimately held by Rong Yili* (榮毅立), Ning Jianhong* (寧劍紅), Si Ping* (司萍), Wang Lishuang* (王麗雙), Feng Shuxian* (馮淑賢), Cao Xian* (曹顯) and Gong Yuee* (鞏月娥).</p> <p>Limited Partners: (i) Hainan Wanxin Private Equity Management Co., Ltd.* (海南灣信私募基金管理有限公司); and (ii) certain individuals.</p>

To the best knowledge of the Directors, having made reasonable enquiry, each of the 2021 Investors and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

The 2020 Investors

The 2020 Investors include the 2020 Lead Investors and the 2020 Co Investors which participated in the equity fundraising exercise of the Target Company in 2020 and are the existing shareholders of the Target Company as at the date of this announcement.

The 2020 Lead Investors

Jingjinji Industry Synergistic Development Investment Fund (Limited Partnership)* (京津冀產業協同發展投資基金(有限合夥)) is a limited partnership established in the PRC and is engaged in investment holding. The substantial shareholders of which include Xianjin Manufacture Industry Investment Fund (Limited Partnership)* (先進製造產業投資基金(有限合夥)) (indirectly controlled by The Ministry of Finance of the PRC), State Development & Investment Corp., Ltd.* (國家開發投資集團有限公司) (a wholly-owned subsidiary of the State Development & Investment Corporation), Shenzhen China Merchants China Banking Equity Investment Fund Partnership (Limited Partnership)* (深圳市招商招銀股權投資基金合夥企業(有限合夥)) (indirectly controlled by China Merchants Bank Co., Ltd., a company listed on the Stock Exchange (stock code: 3968) and China Merchants Securities Co., Ltd., a company listed on the Stock Exchange (stock code: 6099)), Beijing Shougang Fund Co., Ltd.* (北京首鋼基金有限公司) (indirectly controlled by the State-owned Assets Supervision and Administration Commission of Beijing Municipality) and Tianjin Haihe Industrial Fund Partnership (Limited Partnership)* (天津市海河產業基金合夥企業(有限合夥)) (indirectly controlled by the State-owned Assets Supervision and Administration Commission of Tianjin Municipality).

Xianjin Manufacture Industry Investment Fund Second Phase (Limited Partnership)* (先進製造產業投資基金二期(有限合夥)) is a limited partnership established in the PRC and is engaged in investment holding. The substantial shareholders of which include the Ministry of Finance of the PRC, State Development & Investment Corp., Ltd.* (國家開發投資集團有限公司) (a wholly-owned subsidiary of the State Development & Investment Corporation) and China Merchants Capital Holdings Co., Ltd.* (招商局資本控股有限責任公司) (an indirect wholly-owned subsidiary of China Merchants Group Limited* (招商局集團有限公司), a leading state-owned conglomerate based in Hong Kong and under direct supervision of State-owned Assets Supervision and Administration Commission of the State Council).

The 2020 Co Investors

Shijiazhuang Keshe Investment Centre (Limited Partnership)* (石家莊科碩投資中心(有限合夥)) (formerly known as Shijiazhuang Keshuo Equity Investment Fund Centre (Limited Partnership)* (石家莊科碩股權投資基金中心(有限合夥))) is a limited partnership established in the PRC and is engaged in investment holding. The general partner of which is Shijiazhuang Kehong Investment Management Co., Ltd.* (石家莊科弘投資管理有限公司) (which is ultimately held by the Department of Finance of Shijiazhuang Hi-tech Industrial Development Zone) and the limited partners include Shijiazhuang Kehong Investment Management Co., Ltd.* (石家莊科弘投資管理有限公司) and Shijiazhuang Hi-tech Zone Technology Investment Co., Ltd.* (石家莊高新區科發投資有限公司) (which is ultimately held by the Department of Finance of Shijiazhuang Hi-tech Industrial Development Zone).

Beijing Tonghe Yinxing Innovative Asset Management Centre (Limited Partnership)* (北京同合銀杏創新資產管理中心(有限合夥)) is a limited partnership established in the PRC and is engaged in investment holding. The general partner of which is Beijing Tonghedingtai Capital Management Co., Ltd.* (北京同合鼎泰資本管理有限公司) (which is ultimately held by Xue Ming* (薛明), Li Jidong* (李繼東), Lian Kui* (連馮) and Wang Shuowei* (王碩偉)) and the limited partners include Beijing Zhiliang Environmental Technology Co., Ltd.* (北京致良生態科技有限公司) (which is ultimately held by Lian Kui* (連馮), Beijing Tonghedingtai Capital Management Co., Ltd.* (北京同合鼎泰資本管理有限公司) and certain other individuals.

To the best knowledge of the Directors, having made reasonable enquiry, save as its shareholding in the Target Company, each of the 2020 Investors and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

The EIS Participants

The EIS Participants are the participants of the employee incentive scheme of the Target Company, comprising SHIH Cheng-Kon, LI Jia Kui, XU Yanjun, being individual employees of the Target Group Companies, and 10 entities established or incorporated in the PRC with limited liability and owned by certain specified employees of the Target Group Companies. Save for the employee relationship and direct and/or indirect shareholding in the Target Company, to the best knowledge of the Directors, having made reasonable enquiry, the EIS Participants, their respective ultimate beneficial owners (if such EIS Participant is an entity) and the individual employees participating the employee incentive scheme are independent of and not connected with the Company and its connected persons.

Other shareholder of the Target Company

Beijing SL Pharmaceutical Co., Ltd.* (北京雙鷺藥業股份有限公司) is a joint stock company incorporated in the PRC which shares are listed on the SME board of the Shenzhen Stock Exchange (stock code: 002038). It is principally engaged in R&D, production and sales of pharmaceuticals. Save for its shareholding in the Target Company, to the best knowledge of the Directors, having made reasonable enquiry, Beijing SL Pharmaceutical Co., Ltd.* (北京雙鷺藥業股份有限公司) and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

LISTING RULES IMPLICATIONS

Following the Completion, the Company's indirect interest in the Target Company will be diluted from 68.4350% to approximately 62.3892%, therefore, the Capital Increase will constitute a deemed disposal of the Company under Rule 14.29 of the Listing Rules.

The grant of the repurchase rights to the Investors under the Shareholders Agreement would be treated as a transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules.

As the highest aggregated applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Increase is above 5% but less than 25%, the Capital Increase constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The exercise of the Put Option is not at the discretion of the Company. According to Rule 14.74(1) of the Listing Rules, on the grant of the Put Option, the transaction will be classified as if the Put Option had been exercised. As the highest applicable percentage ratio for the grant of the Put Option is above 5% but less than 25%, the grant of the Put Option to the Investors constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

2020 Co Investors	Shijiazhuang Keshe Investment Centre (Limited Partnership)* (石家莊科碩投資中心(有限合夥)) (formerly known as Shijiazhuang Keshuo Equity Investment Fund Centre (Limited Partnership)* (石家莊科碩股權投資基金中心(有限合夥)) and Beijing Tonghe Yinxing Innovative Asset Management Centre (Limited Partnership)* (北京同合銀杏創新資產管理中心(有限合夥))
2020 Lead Investors	Jingjinji Industry Synergistic Development Investment Fund (Limited Partnership)* (京津冀產業協同發展投資基金(有限合夥)) and Xianjin Manufacture Industry Investment Fund Second Phase (Limited Partnership)* (先進製造產業投資基金二期(有限合夥))
2020 Investors	collectively, the 2020 Lead Investors and 2020 Co Investors
2021 Investors	collectively, Investor A, Investor B, Investor C, Investor D, Investor E, Investor F, Investor G, Investor H, Investor I, Investor J, Investor K and Investor L

Board	the board of Directors
Capital Increase	the conditional subscription by the 2021 Investors and the issue by the Target Company of the Target Company Shares (on a fully diluted basis) at the aggregate consideration of RMB610.50 million
Capital Increase Agreement	the capital increase agreement dated 31 December 2021 entered into among the 2021 Investors, the EIS Participants, Sun Moral, Xuanzhu Cayman, Xuanzhu Hong Kong and the Target Company in relation to the Capital Increase
Company	Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
Completion	completion of the Capital Increase in accordance with the Capital Increase Agreement
connected person(s)	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
EIS Participants	the participants of the employee incentive scheme of the Target Company, comprising SHIH Cheng-Kon, LI Jia Kui, XU Yanjun and 10 entities established or incorporated in the PRC with limited liability and owned by certain specified employees of the Target Group Companies
Hainan Sihuan	Hainan Sihuan Pharmaceutical Co., Ltd.* (海南四環醫藥有限公司), a indirect wholly-owned subsidiary of the Company
HK\$	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Investor A	Sunshine Life Insurance Co., Ltd.* (陽光人壽保險股份有限公司), a joint stock company incorporated in the PRC
Investor B	Jinjiang Xuanhong No. 3 Equity Investment Partnership (Limited Partnership)* (晉江軒弘三號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
Investor C	Shaanxi Jinou Investment Fund Partnership (Limited Partnership)* (陝西金甌投資基金合夥企業(有限合夥)), a limited partnership established in the PRC

Investor D	Jiangmen Yifeng Yihe Venture Capital Partnership (Limited Partnership)* (江門市倚鋒邑和創業投資合夥企業(有限合夥)), a limited partnership established in the PRC
Investor E	Hebeizhongjicai Industrial Advancement Equity Investment Fund (Limited Partnership)* (河北中冀財工業升級股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
Investor F	Shanghai Yunxin Venture Capital Management Partnership (Limited Partnership)* (上海雲鋅創業投資管理合夥企業(有限合夥)), a limited partnership established in the PRC
Investor G	Shanghai Chuangfengxinwen Venture Capital Partnership (Limited Partnership)* (上海創豐昕文創業投資合夥企業(有限合夥)), a limited partnership established in the PRC
Investor H	Suzhou Taijin No. 1 Equity Investment Partnership (Limited Partnership)* (蘇州太金壹號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
Investor I	BOC Capital Investment Holding Co., Ltd.* (中銀資本投資控股有限公司), a limited liability company established in the PRC
Investor J	Tianjin Baichuan Win Win Enterprise Management Partnership (Limited Partnership)* (天津百川共贏企業管理合夥企業(有限合夥)), a limited partnership established in the PRC
Investor K	Shenzhen Denuowei No. 1 Investment Partnership (Limited Partnership)* (深圳市德諾維一號投資合夥企業(有限合夥)), a limited partnership established in the PRC
Investor L	Wanxin Qifu (Shenzhen) Venture Capital Centre (Limited Partnership)* (灣信啟富(深圳)創業投資中心(有限合夥)), a limited liability company established in the PRC
Investors	collectively, the 2020 Investors and 2021 Investors
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PRC	the People's Republic of China, which for the purpose of interpretation of this announcement only, except where the context requires otherwise, does not include Hong Kong, the Macau Special Administrative Region and Taiwan

Put Option	the right of the Investors to request the Target Company or any of the Target Company's Controllers to repurchase all or part of the Target Company Shares held respectively by them as specified in the Shareholders Agreement
Qualified IPO	an initial public offering by the Target Company and listing of its shares on a stock exchange in the PRC recognised by the parties to the Shareholders Agreement (excluding a listing on the National Equities Exchange and Quotations)
RMB	Renminbi, the lawful currency of the PRC
Share(s)	ordinary share(s) in the issued and paid-up capital of the Company
Shareholder(s)	the holder(s) of the Share(s)
Shareholders Agreement	the shareholders agreement dated 31 December 2021 entered into among the 2021 Investors, the Target Company's Shareholders and the Target Company in relation to the rights and obligations of the 2021 Investors and the Target Company's Shareholders as shareholders of the Target Company upon Completion
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder(s)	has the meaning ascribed to it under the Listing Rules
Sun Moral	Sun Moral International (HK) Limited (耀忠國際(香港)有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
Target Company	Xuanzhu Biopharmaceutical Technology Co., Ltd.* (軒竹生物科技股份有限公司) (formerly known as Xuanzhu (Shijiazhuang) Biopharmaceutical Technology Co., Ltd.* (軒竹(石家莊)生物科技股份有限公司) and Xuanzhu (Hainan) Biopharmaceutical Co., Ltd.* (軒竹(海南)醫藥科技股份有限公司)), a company incorporated in the PRC with limited liability
Target Company's Controllers	collectively, Sun Moral, Xuanzhu Cayman and Xuanzhu Hong Kong
Target Company's Shareholders	collectively, 2020 Investors, EIS Participants, Beijing SL Pharmaceutical Co., Ltd.* (北京雙鷺藥業股份有限公司), Sun Moral, Xuanzhu Cayman and Xuanzhu Hong Kong
Target Company Share(s)	share(s) in the share capital of the Target Company

Target Group Companies	each of the Target Company and its subsidiaries, and companies controlled by the Target Company and their subsidiaries (if any)
Transaction Documents	collectively, the Capital Increase Agreement, the Shareholders Agreement, the amended articles of association of the Target Company and any other documents which are necessary for the Completion of the Capital Increase
Xuanzhu Cayman	Xuanzhu Biopharmaceutical Ltd. (軒竹醫藥科技有限公司), a company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of Sun Moral
Xuanzhu Hong Kong	Xuanzhu (HK) Biopharmaceutical Limited (軒竹(香港)醫藥科技有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Xuanzhu Cayman
%	per cent

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of HK\$1.00 to RMB0.81760. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

By Order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Dr. Che Fengsheng
Chairman and Executive Director

Hong Kong, 3 January 2022

As at the date of this announcement, the executive directors of the Company are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer), Dr. Zhang Jionglong, Mr. Choi Yiau Chong and Ms. Chen Yanling; and the independent non-executive directors of the Company are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Dr. Zhu Xun.

* For identification purpose only