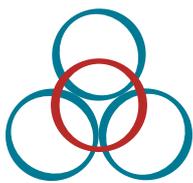


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四环医药
SihuanPharm

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)

**ADOPTION OF THE 2022 SHARE AWARD SCHEME
AND
SUPPLEMENTAL INFORMATION
IN RELATION TO THE 2021 ANNUAL REPORT**

Adoption of the 2022 Share Award Scheme

The Board is pleased to announce that on 25 October 2022, the Board has resolved to adopt the 2022 Share Award Scheme.

Implications under the Listing Rules

The 2022 Share Award Scheme does not involve any issue of new shares or grant of options for any new securities of the Company, and therefore, it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

Supplemental Information in Relation to the 2021 Annual Report

In addition to the information provided in the 2021 Annual Report, the Company hereby provides the following supplemental information regarding the details of the Share Option Scheme:

As at the date of the Annual Report, the total number of securities available for issue under the scheme is 98,776,000 shares and the percentage of the issued shares that it represents is approximately 1.06%.

Adoption of the 2022 Share Award Scheme

The Board is pleased to announce that on 25 October 2022, the Board has resolved to adopt the 2022 Share Award Scheme. The following is a summary of the principal terms of the 2022 Share Award Scheme:

Purpose

The 2022 Share Award Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions which the Grantees have made or may make to the Group. The Scheme will provide the Grantees with the opportunity to own a personal stake in the Company with a view to achieving the following objectives: (i) motivating the Grantees; and/or (ii) attracting and retaining or otherwise maintaining on-going relationship with the Grantees whose contributions are, will be or are likely to be beneficial to the long-term growth of the Group.

Duration

The Scheme shall become effective upon the Adoption Date. The Scheme shall continue in effect for a term of ten (10) years after Adoption Date, unless terminated earlier by the Board (the “**Valid Period**”). The Scheme shall be valid and effective during the Valid Period, after which period no further Awards shall be offered or granted under this Scheme but the provisions of this Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Valid Period may continue to be vested in accordance with their terms of issue.

Administration

The Scheme shall be administered by the Board, whose decision as to all matters arising in relation to this Scheme or its interpretation or effect shall be final and binding on all related parties. The Board has the power to delegate the authority to any committee or any person to administer the Scheme as it thinks fit. On the Adoption Date, the Board has resolved to delegate the power and authority to administer the Scheme in all respects, subject to applicable laws and the rules of the Scheme, to Ms. Chen Yanling and Ms. Miao Guili, the executive Directors of the Company (the “**Administrator**”).

Without prejudice to the Board’s general power of administration, the Company may appoint a Trustee to assist with the administration and vesting of Awards granted pursuant to this Scheme. The Company may direct and procure the Trustee to purchase existing shares of the Company on the Stock Exchange to satisfy the Awards granted to any Grantee upon vesting, in each case subject to applicable restrictions or requirements under any applicable laws and/or the Listing Rules. The Company shall procure that sufficient funds are provided to the Trustee to enable the Trustee to satisfy its obligations in connection with the purchase or subscription (as the case may be) of the shares and other purposes set out in this Scheme.

Eligible Participants

Eligible Participants who may participate in the Scheme include Directors or candidate Directors (including independent non-executive Directors), senior and mid-level management, professional technicians, personnel to be introduced by the Group and other Eligible Participants.

Scheme Limit

In any event, the aggregate number of shares under the Scheme available to be granted to the Grantees during the Valid Period shall not exceed 3% of the issued share capital of the Company, being around 250 million shares (as changed from time to time) throughout the Valid Period; and the number of shares which may be awarded to an individual Grantee under the Scheme shall not exceed 1% of the issued share capital of the Company (as changed from time to time) in any 12-month period. Any shares covered by an Award (or portion of an Award) which is forfeited, not vested, canceled or expires (whether voluntarily or involuntarily) shall remain with the Trustee and become available for granting new Awards under the Scheme.

Restrictions

In the following circumstances, no Awards shall be granted to Grantees, and no instructions to purchase any shares shall be given to the Trustee under the Scheme: (1) after an event involving inside information of the Company, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules; (2) within 60 days immediately before the date of announcement of the Company's annual results, or the shorter period from the end of the relevant financial year to (and including) the date of such results announcement; (3) within 30 days immediately before the date of announcement of interim results, or the shorter period from the end of the relevant interim period to (and including) the date of such results announcement; and (4) when the Grantee would or might be prohibited from dealing in the shares by any applicable laws and the Listing Rules.

Source of the Shares

The Company, during the Valid Period of the Scheme, will at all times reserve or instruct in writing the Trustee to purchase existing shares on Stock Exchange to keep available such number of shares as shall be sufficient to satisfy the requirements of the Scheme. The Company will not issue new shares to satisfy the Awards under the Scheme.

Grant of Awards

The Board shall periodically approve each grant plan which shall include (1) the range or the maximum number of the shares to be granted; (2) the scope of the proposed Grantees; (3) the price range or the minimum price of the Purchase Price; and (4) the duration of the grant plan for each batch of the proposed grant under the Scheme from time to time during the Valid Period (the "**Grant Plan**") and such Grant Plan shall be proposed by the Administrator.

With prior approval of the Board, the Administrator may choose any Eligible Participant as the Grantee from time to time, such Eligible Participants shall be granted Awards within the Valid Period if relevant terms and conditions are met. When determining the Grantees, the Administrator shall consider, among other things, the Grantees' current and expected contributions to the Company, the financial situation of the Company, and the objectives and future development of the whole business of the Group.

Any grant of an Award to any Director, chief executive or substantial shareholder of any member of the Group, or any of their associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors and shall otherwise be subject to compliance with the requirements of the Listing Rules, unless exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules if the Award forms part of the relevant director's remuneration under his/her service contract.

Conditions and Vesting of Awards

The term of each Award shall be the term stated in the Award Agreement. During the Valid Period, the Administrator may, subject to all applicable laws, determine the provisions, terms, vesting standards and conditions of each Award including, but not limited to, the vesting schedule, the number of shares upon vesting of the Award, and satisfaction of any target setting. Each Award shall be subject to the terms of an Award Agreement approved by the Administrator and the Administrator shall have the right to adjust the vesting schedule of the Awards granted to the Grantees and waive any vesting conditions subject to applicable laws.

The vesting of the Awards granted under the Scheme is subject to the continuous service, the fulfillment of the vesting conditions of the relevant Grantees and any other applicable conditions stated in the Award Agreement. The Awards shall be vested in phases, which shall be determined by the Administrator and stated in the Award Agreement.

The unvested Awards in each Vesting Period shall lapse automatically and be forfeited for no consideration upon cancellation, except as otherwise determined by the Administrator in its sole discretion.

Shares granted upon settlement of an Award (or any portion thereof) shall be transferred to the Grantees in the name of the Trust.

Unless otherwise agreed by the Administrator, the specific vesting arrangements are as follows: the Awards, subject to the Two Target Adjustments (as defined below) and further reductions and restrictions as stipulated in the rule of the Scheme and the Award Agreement, shall vest in six (6) years from the Grant Date (the Grantee is available to vest and settle the shares by the Trustee subject to the satisfaction of the terms and conditions on each anniversary date from the Grant Date or any date determined by the Administrator, a "**Vesting Date**"; each of the three one-year period, a "**Vesting Period**"), provided that the Grantee (1) remains an employee in the respective Vesting Period ending on the corresponding Vesting Date, (2) has not provided notice of his or her intention to resign or be subject to any termination process on or before such date, and (3) otherwise complies with this Scheme and the Award Agreement. In accordance with this term, the following vesting schedule applies to each Award granted hereunder: the first 33.33% (one-third) of the Awards shall vest on the first Vesting Date; and the second 33.33% (one-third) of the Awards shall vest on the second Vesting Date, and the last 33.33% (one-third) of the Awards shall vest on the third Vesting Date.

The amount of the Awards vested may be further reduced by a certain percentage as specified in the Award Agreement if the following targets are not met: (1) the performance target of the Company, or (2) the performance target of the Grantee (collectively, the "**Two Targets**"; such reduction, the "**Two Target Adjustment**"). The Two Targets shall be further elaborated in the Award Agreement.

Subject to the fulfillment of all the vesting conditions of the vesting of the Awards, the Administrator may determine at its sole discretion to either: direct and procure the Trustee to transfer the number of shares underlying the vested Awards to the Grantee or its wholly owned entity or in the event of the Grantee's death, to the legal personal representative(s) of the Grantee; or direct and procure the Trustee to sell the number of shares underlying the vested Awards, by on-market transactions and pay the Grantee the actual selling price in cash arising from such sale after the full payment of the Purchase Price and tax within a reasonable time period.

Rights as a Shareholder

No Grantee shall enjoy any of the rights of a shareholder (including voting rights and the right to receive dividends) by virtue of the grant of an Award pursuant to this Scheme. The Grantee and the Trustee shall not exercise any voting rights attached to any ordinary shares of the Company in the Trust held by the Trustee (including the unvested awards). After the shares of the Company are actually transferred to the Grantee upon vesting of the Awards, the Grantee shall have all rights as a shareholder with respect to any shares delivered to the Grantee, including, without limitation, voting rights and the right to receive dividends.

Termination

The Board may in its sole determination to terminate the Scheme and the unvested Awards shall be automatically lapsed and cancelled with immediate effect if any of the following events occurred: (a) where an audit is not carried out pursuant to the procedures and requirements according to the applicable laws and regulations; (b) a certified public accountant has issued an audit report with an adverse opinion or a disclaimer of opinion for the financial accounting report of the most recent fiscal year; (c) the regulatory authorities raise significant objection to the performance or financial statements of the Company; (d) material punishment is imposed by the regulatory authorities; and/or (e) any other circumstances where the Scheme shall be terminated as required by the regulatory authorities.

Implications under the Listing Rules

The 2022 Share Award Scheme does not involve any issue of new shares or grant of options for any new securities of the Company, and therefore, it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

Supplemental Information in Relation to the 2021 Annual Report

Reference is made to the 2021 Annual Report. Unless otherwise defined, capitalized terms used in this announcement have the same meanings as defined in the 2021 Annual Report. In addition to the information provided in the 2021 Annual Report, the Company hereby provides the following supplemental information regarding the details of the Share Option Scheme:

As at the date of the 2021 Annual Report, the total number of securities available for issue under the scheme is 98,776,000 shares and the percentage of the issued shares that it represents is approximately 1.06%.

The supplemental information provided in this announcement does not affect any other information contained in the 2021 Annual Report. Save as disclosed above, the contents of the 2021 Annual Report remain unchanged.

Definitions

“2021 Annual Report”	the annual report for the year ended 31 December 2021 of the Company published on 19 April 2022
“2022 Share Award Scheme” or “Scheme”	the share award scheme of the Company approved and adopted by the Board on the Adoption Date in its present form or as amended from time to time
“Adoption Date”	25 October 2022, the date on which the Scheme was adopted by the Board in accordance with the articles of association of the Company
“Award(s)”	award(s) granted by the Board and/or the Administrator to a Eligible Participant, pursuant to the Scheme, which may vest in the form of awarded shares or the actual selling price of the awarded shares in cash, as the Board and/or the Administrator may determine in accordance with the terms of the rules of the Scheme
“Award Agreement”	the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	personnel who may participate in the Scheme, including Directors or candidate Directors (including independent non-executive Directors), senior and mid-level management, professional technicians, personnel to be introduced by the Group and other eligible participants
“Grant Date”	the date on which the Award is granted in accordance with the terms of the Scheme and prescribed in the notice that informs the Grantee that he/she shall be granted an Award
“Grantee(s)”	any Eligible Participant who receives and agrees to accept an Award under the Scheme

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Purchase Price”	the consideration for the shares to be received by the Grantee upon vesting of the Award(s), which shall be determined by the Administrator
“RMB”	Renminbi, the legal currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the trust constituted to service the Scheme
“Trustee”	the trustee appointed by the Company for the purpose of the Trust
“%”	per cent

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

Hong Kong, 26 October 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, Ms. Chen Yanling and Ms. Miao Guili; and the independent non-executive directors of the Company are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Dr. Zhu Xun.