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Sincere Pharmaceutical Group Limited

先聲藥業集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 2096)

DISCLOSEABLE TRANSACTION IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN SIMCERE ZAIMING

THE CAPITAL CONTRIBUTION

The Board is pleased to announce that on February 24, 2024, the Company, Shandong Sincere, Hainan Sincere, and Sincere Zaiming and each of its subsidiaries entered into the Capital Contribution Agreement, the Shareholders' Agreement and other relevant Transaction Documents with the Investors in respect of the Capital Contribution.

Pursuant to the Capital Contribution Agreement, the Investors have conditionally agreed to make capital contribution, by way of cash, to Sincere Zaiming in the aggregate amount of RMB970 million in return for approximately 11.45% of the enlarged issued share capital of Sincere Zaiming in aggregate. The Shareholders' Agreement shall take effect upon the Completion, and will govern the affairs, business and management of Sincere Zaiming Group, and the relationships, rights and obligations among the shareholders of Sincere Zaiming.

LISTING RULES IMPLICATIONS

Sincere Zaiming is a wholly-owned subsidiary of the Company as of the date of this announcement. It is contemplated that the percentage of the Group's shareholding interest in Sincere Zaiming will decrease from 100% to 84.12% following the Completion (with the remaining 4.43% held by the ESOP Participants assuming capital contributions by them as detailed below have been completed). Accordingly, the Capital Contribution constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Contribution exceeds 5% but is less than 25%, the Capital Contribution constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

In addition, since the exercise of the Repurchase Rights under the Shareholders' Agreement is not at the discretion of the Company, according to Rule 14.74(1) of the Listing Rules, on the grant of the Repurchase Rights, the transactions will be classified as if the Repurchase Rights had been exercised. As the highest applicable percentage ratio in respect of the grant of the Repurchase Rights exceeds 5% but is less than 25%, the grant of the Repurchase Rights constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on February 24, 2024, the Company, Shandong Simcere, Hainan Simcere, and Simcere Zaiming and each of its subsidiaries entered into the Capital Contribution Agreement, the Shareholders' Agreement and other relevant Transaction Documents with the Investors in respect of the Capital Contribution.

Pursuant to the Capital Contribution Agreement, the Investors have conditionally agreed to make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB970 million in return for approximately 11.45% of the enlarged issued share capital of Simcere Zaiming in aggregate. The Shareholders' Agreement shall take effect upon the Completion, and will govern the affairs, business and management of Simcere Zaiming Group, and the relationships, rights and obligations among the shareholders of Simcere Zaiming.

THE CAPITAL CONTRIBUTION AGREEMENT

The principal terms of the Capital Contribution Agreement are summarized below:

Date

February 24, 2024

Parties

- (1) the Company;
- (2) Shandong Simcere, a directly wholly-owned subsidiary of the Company;
- (3) Hainan Simcere, an indirectly wholly-owned subsidiary of the Company;
- (4) Simcere Zaiming, an indirectly wholly-owned subsidiary of the Company as of the date of this announcement;
- (5) each of the subsidiaries of Simcere Zaiming;
- (6) FIIF, as the Lead Investor;
- (7) Zhongshen Xinchuang, as a Co-Investor;
- (8) Apricot Xingyong, as a Co-Investor; and
- (9) Dingxin Zhonghe, as a Co-Investor.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Lead Investor and the Co-Investors and their respective ultimate beneficial owner(s) is an Independent Third Party.

Capital Contribution

Pursuant to the Capital Contribution Agreement, the Investors have conditionally agreed to make the following capital contributions to Simcere Zaiming:

- (1) FIIF has conditionally agreed to make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB800 million in return for approximately 9.45% of its enlarged issued share capital, of which RMB43,347,406 will be credited to the paid-in registered capital of Simcere Zaiming, while the remaining will be credited to its capital reserve;

- (2) Zhongshen Xinchuang has conditionally agreed to make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB100 million in return for approximately 1.18% of its enlarged issued share capital, of which RMB5,418,426 will be credited to the paid-in registered capital of Simcere Zaiming, while the remaining will be credited to its capital reserve;
- (3) Apricot Xingyong has conditionally agreed to make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB50 million in return for approximately 0.59% of its enlarged issued share capital, of which RMB2,709,213 will be credited to the paid-in registered capital of Simcere Zaiming, while the remaining will be credited to its capital reserve; and
- (4) Dingxin Zhonghe has conditionally agreed to make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB20 million in return for approximately 0.24% of its enlarged issued share capital, of which RMB1,083,685 will be credited to the paid-in registered capital of Simcere Zaiming, while the remaining will be credited to its capital reserve.

Basis of Determination of Consideration

The consideration payable by the Investors in connection with the Capital Contribution was determined after arm's length negotiations among the parties taking into account, among other things, (i) the valuation of the market value of the 11.45% equity interest in Simcere Zaiming at post-money basis (assuming the Pre-Completion Restructurings have been completed) together with the Repurchase Rights as of the Benchmark Date, being approximately RMB966.40 million, as stated in the Valuation Report issued by an independent and qualified Valuer; (ii) the historical track record as well as the business prospects and future growth of Simcere Zaiming Group; and (iii) the reasons and benefits as set out in the section headed "Reasons for and Benefits of the Capital Contribution" below.

The valuation is prepared in accordance with the International Valuation Standards as at December 31, 2023. A summary of the Valuation Report is set out below:

Valuation Methodology

The methodology adopted for valuation of the 11.45% equity interest in Simcere Zaiming is the market approach. The Valuer is of the view that the market approach is the most appropriate valuation approach for the valuation of the 11.45% equity interest in Simcere Zaiming as compared to cost approach or income approach for the following reasons:

- (1) the cost approach is inappropriate as it does not directly incorporate information about the economic benefits contributed by Simcere Zaiming Group; and
- (2) the income approach is inappropriate as this approach require detailed operational information and long-term financial projection of Simcere Zaiming Group but such information is (i) not available; and (ii) highly uncertain given Simcere Zaiming Group's loss making position in the recent years which make the projection difficult, if not impossible.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. The valuation of the market value of the 11.45% equity interest in Simcere Zaiming at post-money basis was developed through the guideline public company method. The Valuer is of the view that the guideline public companies method is the most appropriate valuation approach, as it better reflects current market expectations for the relevant industry since the pricing multiples of comparable companies under this approach are derived from market consensus and are likely to capture the potential future development of the industry where Simcere Zaiming Group operates, and it also introduces objectivity in application as publicly available inputs are used.

The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. As most of the companies engaged in R&D and manufacturing of anti-oncology pharmaceuticals are either loss-making or with fluctuating earnings whilst their sales can directly exhibit their market recognition, in order to reflect the latest operation status of Simcere Zaiming Group, which is also in loss-making position, the Valuer considered that the suitable pricing multiple in this valuation is the enterprise value-to-sales ("EV/S") multiple, among which enterprise value is defined as the sum of the market value of ordinary equity, preferred equity (if any) and debts less cash and cash equivalents of the relevant company.

The Binomial Model is adopted for valuation of the Repurchase Rights as the features of the Repurchase Rights are similar to those of a put option.

Key Assumptions

In determining the market value of the 11.45% equity interest in Simcere Zaiming at post-money basis together with the Repurchase Rights, the following key assumptions have been made:

- (1) the valuation was primarily based on the latest historical unaudited financial information of Simcere Zaiming Group made available to the Valuer;
- (2) Simcere Zaiming has, or will have, sufficient capital needed, in the financial, human and physical aspects, to achieve or contribute to current and future production;
- (3) there will be no material change in the core operations of Simcere Zaiming from what is present and/or what is expected;
- (4) all relevant laws, statutes, ordinances and regulations pertaining to Simcere Zaiming are complied with and, where applicable, are renewable upon expiry;
- (5) operational and contractual terms stipulated in the contracts and agreements associated with Simcere Zaiming will be honored;
- (6) there is no hidden or unexpected condition associated with Simcere Zaiming that might adversely affect the reported values in the Valuation Report;
- (7) there will be no material change in the existing political, legal, technological, fiscal or economic conditions from what is present and/or what is expected, which might adversely affect the business of Simcere Zaiming;
- (8) the Capital Contribution has been completed as of the Benchmark Date; and
- (9) the valuation was conducted based on a going concern assumption, under which Simcere Zaiming is viewed as continuing in business for the foreseeable future.

Comparable Companies

Selection criteria for market comparable companies include:

- (1) the comparable companies are in the industry of pharmaceuticals, biotechnology and life science;
- (2) the comparable companies are principally engaged in the R&D and manufacturing of anti-oncology pharmaceuticals and have generated revenue from sales of pharmaceuticals for treatment of lung cancer;
- (3) the comparable companies are publicly listed on the Stock Exchange; and
- (4) sufficient data, including the EV/S multiple, as of the Benchmark Date, of the comparable companies are available.

Based on the above-mentioned selection criteria, the Valuer has identified an exhaustive list of comparable companies satisfying the above criteria, details of which are set out below:

	Business description	EV as of the Benchmark Date⁽¹⁾ (USD million)	Trailing 12-Month Revenue⁽²⁾ (USD million)	EV/S multiple⁽³⁾
Company A	A R&D driven pharmaceutical company in the PRC with products of biopharmaceutical and chemical medicines in therapeutic areas such as tumors, liver diseases, respiratory diseases and surgery/analgesia.	8,614.90	4,152.30	2.07
Company B	A biopharmaceutical company engaged in discovery, development and commercialization of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases in Hong Kong and internationally.	2,620.90	757.24	3.46
Company C	A biopharmaceutical company engaged in developing, manufacturing and commercializing monoclonal antibodies and other drug assets in the fields of oncology, ophthalmology, autoimmune, and cardiovascular and metabolic diseases in the PRC.	9,222.10	721.93	12.77

	Business description	EV as of the Benchmark Date⁽¹⁾ <i>(USD million)</i>	Trailing 12-Month Revenue⁽²⁾ <i>(USD million)</i>	EV/S multiple⁽³⁾
Company D	A biopharmaceutical company engaged in research and development, manufacturing and marketing of oncology drugs in the PRC.	170.74	84.62	2.02
Company E	A biopharmaceutical company engaged in the discovery, development and commercialization of various drugs in the therapeutic areas of oncology, metabolic, autoimmune, neurologic, nervous system, and infectious diseases in the PRC.	4,425.70	173.15	25.56
Company F	A pharmaceutical company developing, producing, marketing and selling pharmaceutical products worldwide, which operates its business through four segments including the oncology drugs segment, the cardiovascular system drugs segment, the alimentary tract and metabolism drugs segment and the others segment.	2,437.30	868.18	2.81
Company G	A biopharmaceutical company focused on research, development and commercialization of immuno-oncology and precision medicines to address the unmet medical needs of cancer patients in the PRC and internationally.	263.77	69.21	3.81
Company H	A biopharmaceutical company engaged in the R&D of biologic medicines with a focus on oncology, autoimmune diseases, and ophthalmic diseases.	1,030.30	636.69	1.62
Company I	A biotechnology company focused on developing and commercializing oncology medicines worldwide.	15,861.00	2,206.80	7.19
Company J	A company engaged in the development, production and commercialization of therapeutic antibodies, focusing on the therapeutic areas of oncology, metabolism, autoimmunology and ophthalmology.	1,020.50	80.06	12.75

	Business description	EV as of the Benchmark Date⁽¹⁾ <i>(USD million)</i>	Trailing 12-Month Revenue⁽²⁾ <i>(USD million)</i>	EV/S multiple⁽³⁾
Company K	A global biopharmaceutical company focused on discovering, developing and commercializing therapies to treat oncology, autoimmune disorders, infectious diseases, and neuroscience primarily in Mainland China and Hong Kong.	1,733.80	263.49	6.58
Company L	A biopharmaceutical company engaged in research, development, manufacturing and commercialization of innovative biological drugs for the treatment of major diseases like cancers, autoimmune diseases, inflammation and metabolic diseases.	4,924.50	625.99	7.87

* *Data sourced from Bloomberg.*

Notes:

- (1) EVs of the comparable companies as of the Benchmark Date were sourced from Bloomberg.
- (2) The trailing 12-month revenue of the comparable companies represented their respective revenue for the trailing 12 months as extracted from their respective latest published interim reports or quarterly reports as of the Benchmark Date, as their revenue for the year of 2023 were still unavailable as of the Benchmark Date.
- (3) The EV/S multiples of the comparable companies were derived by the respective EV as of the Benchmark Date divided by the trailing 12-month revenue.

As a result, the Valuer arrived at the valuation of the market value of the 11.45% equity interest in Simcere Zaiming at post-money basis together with the Repurchase Rights of approximately RMB966.40 million after taking into account (i) an adjusted EV/S multiple, which was determined based on the median EV/S multiple of the above identified comparable companies of 5.20 times after applying discounts for lack of marketability of the shares of Simcere Zaiming; (ii) the unaudited consolidated revenue of Simcere Zaiming Group for the year ended December 31, 2023; and (iii) the appraised value of the Repurchase Rights granted to the Investors.

Payment Arrangements

Pursuant to the Capital Contribution Agreement, within 10 business days from the date on which all the Conditions Precedent have been satisfied or waived in writing by the relevant Investor, (i) the Lead Investor shall pay its investment amount in full to an escrow account under the name of Simcere Zaiming jointly managed by Simcere Zaiming and the Lead Investor, which shall be released to Simcere Zaiming upon completion of the relevant industrial and commercial registration with respect to such capital contribution; and (ii) the Co-Investors shall pay their respective investment amount in full to an account designated by Simcere Zaiming.

Pre-Completion Restructurings

Pursuant to the Capital Contribution Agreement, the following restructurings shall be carried out prior to the Completion:

- (1) firstly, as an intragroup reorganization, Simcere Zaiming will acquire the entire equity interest in Nanjing Zaiming from Simcere Technology (a directly wholly-owned subsidiary of the Company), in consideration of which Simcere Zaiming will issue new registered capital of RMB26,062,834 to Simcere Technology, representing approximately 5.68% of its enlarged issued share capital immediately upon the Completion; and
- (2) secondly, Simcere Zaiming will issue new registered capital in the aggregate amount of RMB20,319,096 (either directly or through an employee shareholding platform) to certain senior management and core employees of Simcere Zaiming Group (the “**ESOP Participants**”) as incentives pursuant to an employee incentive scheme to be formulated and adopted by Simcere Zaiming, representing approximately 4.43% of its enlarged issued share capital immediately upon the Completion.

Further announcement in relation to the adoption of the employee incentive scheme by Simcere Zaiming and the grant of incentive shareholding interest in Simcere Zaiming to ESOP Participants under such employee incentive scheme will be published by the Company as and when necessary in accordance with the Listing Rules.

Conditions Precedent

With respect to each Investor, Completion shall be conditional upon satisfaction or waiver by such Investor in writing of each of the following Conditions Precedent:

- (1) there is no judgement, award, ruling or injunction by laws, courts, arbitration institutions or relevant government authorities of the PRC that restricts, prohibits or cancels the Capital Contribution, nor is there any pending or potential litigation, arbitration, judgement, award, ruling or injunction that has or will have a material adverse effect on the Capital Contribution;
- (2) each member of Simcere Zaiming Group has obtained the approval from its shareholders and directors for (i) the entering into of the Transaction Documents, (ii) the nomination of one (1) director of Simcere Zaiming by FIIF, and (iii) the Capital Contribution, and Zaiming Existing Shareholders have waived their exercisable pre-emptive rights and other priority rights (if any) in writing;
- (3) all third-party licenses, approvals, consents, waivers, authorizations and abstentions required for execution and implementation of the Transaction Documents have been obtained and fulfilled, including, among others, governmental procedures and approvals, third-party consents, and internal decision-making procedures and information disclosure procedures of Zaiming Existing Shareholders and the Company (where applicable);
- (4) all relevant parties have signed each of the Transaction Documents, and the relevant original copies have been delivered to the Investors;
- (5) all representations, statements and warranties made by the Covenantors under the Capital Contribution Agreement are true, complete and accurate, all covenants to be completed on or prior to the Completion Date under the Transaction Documents have been fulfilled, and the Covenantors have not committed any breach of the Transaction Documents in material aspects;
- (6) there are no events, facts, conditions, changes or other situations from the date of the Capital Contribution Agreement to the Completion Date that have had or could reasonably be foreseen to have a material adverse effect on the assets, financial structure, liabilities, business, technology, profit prospects and normal operations of Simcere Zaiming Group;

- (7) members of Simcere Zaiming Group or their affiliates (where applicable) have entered into labor contracts, confidentiality agreements, non-compete agreements and intellectual property ownership agreements with all their core employees in such form and contents conforming to applicable laws and regulations, interests of Simcere Zaiming Group and stipulations under the Capital Contribution Agreement, and the relevant supporting documents have been provided to the Investors;
- (8) Simcere Zaiming has passed the shareholders' resolution to approve (i) the nomination of one (1) director of Simcere Zaiming by FIIF, and (ii) the composition of the board of directors of Simcere Zaiming in accordance with the Shareholders' Agreement and its articles of association;
- (9) the Pre-Completion Restructurings and the relevant industrial and commercial registrations have been completed;
- (10) an employee incentive scheme as recognized by FIIF has been duly approved by the internal decision-making body of Simcere Zaiming, and the grants of incentive shareholding interest in Simcere Zaiming to the first batch of participants have been made pursuant to such employee incentive scheme;
- (11) a former shareholder of Simcere Zaiming has issued a confirmation letter in such form and contents to the satisfaction of FIIF, confirming that the previous transfer of all the registered capital held by such former shareholder in Simcere Zaiming to Hainan Simcere has been completed without any disputes or controversies;
- (12) each of the Investors has received a payment notice from Simcere Zaiming specifying their respective investment amount and bank account information; and
- (13) Simcere Zaiming, Zaiming Existing Shareholders and the Company have issued a confirmation letter to the Investors confirming that all the abovementioned Conditions Precedent have been satisfied.

Completion

Subject to the fulfillment or waiver (as the case may be) of the Conditions Precedent, the Completion shall take place with respect to each Investor upon such Investor's payment of its investment amount in full. With effect from the Completion Date, the relevant Investor shall become a shareholder of Simcere Zaiming and shall be entitled to the shareholders' rights as provided under applicable laws and regulations and the Transaction Documents.

Potential Subsequent Investments

Within three (3) months from the Completion, Simcere Zaiming may, at its sole discretion, introduce additional investments at the same price and on the same terms and conditions as those of the Capital Contribution by the Investors, in the aggregate amount not exceeding RMB530 million in return for newly increased registered capital of Simcere Zaiming not exceeding RMB28,717,656.

Termination

The Capital Contribution Agreement may be terminated:

- (1) by unanimous written agreement among the parties;
- (2) by any Investor serving a written notice to the other parties in the following events:
 - (a) there is any material inaccuracy or omission in the representatives, statements and warranties made by the Covenantors;
 - (b) there is a material breach of the covenants, statements, representatives, warranties, undertakings or any other obligations by the Covenantors, and a failure of the Covenantors to take effective remedial measures to the satisfaction of the Investor within 20 business days after a written notice is sent by such Investor; or
 - (c) the Conditions Precedent fail to be fully satisfied or waived within six (6) months from the date of the Capital Contribution Agreement, except for the situation as specified in (3)(b) below;
- (3) by the Covenantors serving a written notice to any Investor in the following events:
 - (a) payment of the Investor's investment amount has been overdue for more 20 business days; or
 - (b) the Investor does not cooperate with execution of the relevant documents for the Completion, which causes failure of satisfaction of the Conditions Precedent within six (6) months from the date of the Capital Contribution Agreement;

- (4) by the Covenantors and/or Investors serving a written notice to the other parties if there is any change in laws, *force majeure* event or other material adverse effect that causes such party unable to achieve its commercial objectives or interests under the Capital Contribution Agreement; or
- (5) by mutual consents between Simcere Zaiming and FIIF if the Capital Contribution fails to obtain the relevant investment approval under U.S. laws (if applicable) and is required to be terminated or withdrawn.

For the avoidance of doubt, if the Capital Contribution Agreement is terminated (i) by an Investor; or (ii) by the Covenantors serving notice to an Investor, the termination shall only take effect with respect to such relevant Investor but not the other Investor.

After termination of the Capital Contribution Agreement, each party shall return any consideration received from any other party based on principles of fairness, reasonableness, honesty and good faith, and endeavour to restore the *status quo* before entering into the Capital Contribution Agreement. In the event of a termination by an Investor, if such Investor has already paid all or part of the investment amount as of the termination, Simcere Zaiming shall return all the paid amount plus an annual compound interest of 7% calculated from payment date of the investment amount.

Use of Proceeds

All the investment funds received from the Investors shall be used for the R&D, production and operations of the products within the scope of principal business of Simcere Zaiming Group, and without prior written consents of all the Investors, Simcere Zaiming Group shall not use the investment funds for any purposes other than for operations of its principal business.

THE SHAREHOLDERS' AGREEMENT

Under the Shareholders' Agreement, certain customary special rights are granted to the Investors, including, among others, the Repurchase Rights, rights of first refusal, rights of co-sale, pre-emptive rights, share transfer restrictions, anti-dilution rights, liquidation preferences, director nomination rights, rights of participation, information and inspection rights and most favorable treatment.

The principal terms of certain key special rights granted to the Investors under the Shareholders' Agreement are summarized below:

Repurchase Rights

Each of the Investors shall have the right to require the Company and/or Simcere Zaiming (the "**Repurchase Obligor**"), jointly and severally, to repurchase all or part of its shares in Simcere Zaiming (the "**Repurchase Interest**") within 90 days after receipt of the written notice from such Investor (the "**Notice Date**"), after occurrence of any of the following trigger events (the "**Trigger Events**") but in any event no later than August 20, 2035:

- (1) Simcere Zaiming fails to consummate a qualified initial public offering (the "**QIPO**") by December 31, 2028;
- (2) Simcere Zaiming fails to submit an application for a QIPO by June 30, 2027;
- (3) there is a change in the *de facto* controller of Simcere Zaiming;
- (4) information provided by the Covenantors for the Capital Contribution is significantly deviated from the facts or is incomplete, misleading, misrepresented or fraudulent;
- (5) any or more of the Covenantors commits a material breach of the covenants, statements, representatives, warranties or undertakings under the Transaction Documents, and such party fails to carry out effective remedial measures within 30 days;
- (6) any material integrity issue arises on the part of the Covenantors and/or management of Simcere Zaiming Group, including without limitation, any off-book cash sales income of Simcere Zaiming Group, capital occupying, unfair related party transactions and material internal control deficiencies intentionally caused by any of the Covenantors and/or management of Simcere Zaiming Group;
- (7) any or more of Zaiming Existing Shareholders, the Company and the *de factor* controller of Simcere Zaiming commits a criminal offense which has an adverse effect on the QIPO, or commits any material corruption behavior including without limitation, misappropriation of assets of Simcere Zaiming Group;
- (8) there is a material change to the principal business of Simcere Zaiming Group, or Simcere Zaiming Group loses or is unable to renew the requisite qualifications and licenses for the operations of its existing principal business;

- (9) half or majority of the core employees of Simcere Zaiming Group resign;
- (10) Simcere Zaiming or its creditor files a petition with court for its bankruptcy reorganization procedure, or any reason for its dissolution as prescribed by law occurs;
or
- (11) any shareholder of Simcere Zaiming exercises its Repurchase Rights in accordance with the relevant agreements.

The repurchase price (the “**Repurchase Price**”) shall be the higher of (i) the investment amount paid by the Investor with respect to the Repurchase Interest, plus an annual compound interest of 7% calculated from the payment date of its investment amount to the payment date of the Repurchase Price by the Repurchase Obligors, plus any declared but undistributed dividends with respect to the Repurchase Interest as of the Notice Date, and minus any dividends already paid to the Investor with respect to the Repurchase Interest as of the Notice Date; and (ii) the audited consolidated net book asset value of Simcere Zaiming as of the end of the most recent quarter prior to the Notice Date attributable to the Repurchase Interest. The Repurchase Price shall be paid by cash.

Rights of First Refusal and Rights of Co-sale

If any shareholder of Simcere Zaiming other than the Investors proposes to, directly or indirectly, transfer to a third party any registered capital held by it in Simcere Zaiming, the Investors shall have the rights of first refusal to purchase all or part of such registered capital at the same price and on the same conditions. In addition, the Investors shall have the rights of co-sale to participate in the transfer and sell all or part of its registered capital in Simcere Zaiming to the third-party transferee on the same conditions.

Pre-emptive Rights

If Simcere Zaiming proposes to increase its registered capital and issue any new shares, convertible bonds or options (except for any capital contribution for implementation of employee incentive plans), the Investors shall have the rights to pre-emptively subscribe for the increased registered capital in proportion to their existing shareholdings in Simcere Zaiming on the same conditions.

Share Transfer Restrictions

Unless obtaining prior written consents of all the Investors or otherwise prescribed in the Transaction Documents, each of Zaiming Existing Shareholders and the Company shall not, directly or indirectly, dispose of (either by transfer, pledge or any other means) the registered capital directly or indirectly held by it in Simcere Zaiming. In addition, without prior written consents of all the Investors, core employees of Simcere Zaiming Group and the ESOP Participants shall not dispose of (either by transfer, pledge or any other means) their direct or indirect interest in Simcere Zaiming.

Anti-dilution Rights

Except for transfers among parties under common control or implementation of employee incentive plans, without prior written consents of the Investors, Simcere Zaiming shall not issue any new shares or increase its registered capital which would result in any form of dilution of the Investors' interests therein, nor shall Zaiming Existing Shareholders (including the ESOP Participants), directly or indirectly, transfer their interest in Simcere Zaiming at a price lower than the subscription price paid by the Investors in relation to the Capital Contribution.

In the event that the subscription price for any issuance of shares or capital increase by Simcere Zaiming is lower than the Investor's subscription price, the Investors shall be entitled to demand an adjustment to their subscription price either through issuance of new compensation shares by Simcere Zaiming or transferring of compensation shares from Zaiming Existing Shareholders to the Investors at nil or the lowest price as permitted by applicable laws.

Liquidation Preference

If Simcere Zaiming is liquidated for any reason such as bankruptcy, reorganization, dissolution, merger, demerger or acquisition, the remaining distributable properties of Simcere Zaiming after payment of various expenses and settlement of debts and taxes shall be distributed to the Investors in cash in preference to the other shareholders, at an amount equal to the higher of (i) the remaining properties attributable and distributable to such Investor calculated in proportion to its shareholding percentage; and (ii) the total investment amount of such Investor, plus an annual compound interest of 7% calculated from the payment date of its investment amount to the payment date of the such liquidation properties.

Corporate Governance Arrangement

The board of directors of Simcere Zaiming shall consist of five (5) directors, among which four (4) directors shall be nominated by Zaiming Existing Shareholders and one (1) director shall be nominated by FIIF.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Company believes that entering into the Capital Contribution Agreement and the Shareholders' Agreement is beneficial to the future growth and success of Simcere Zaiming Group, and would deliver benefits to Simcere Zaiming Group by (i) replenishing the working capital and expanding the capital base of Simcere Zaiming Group to support its operations, development and expansion of business; and (ii) diversifying the corporate profile of Simcere Zaiming, thereby enhancing its reputation and increasing its ability to attract future investors and strategic partners who can produce synergies for Simcere Zaiming.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Contribution Agreement and Shareholders' Agreement were entered into on normal commercial terms, and that the terms thereof (including, but not limited to, the consideration and the grant of Repurchase Rights) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION ON THE PARTIES

Information on Simcere Zaiming Group

Simcere Zaiming is a limited liability company established in the PRC on December 3, 2020. As of the date of this announcement, Simcere Zaiming is owned as to 50.37% and 49.63% by Shandong Simcere and Hainan Simcere, respectively, both of which are wholly-owned subsidiaries of the Company. Simcere Zaiming has eleven (11) wholly-owned subsidiaries as of the date of this announcement. Simcere Zaiming Group is principally engaged in R&D, manufacturing and sales of pharmaceutical products in the field of anti-oncology (except for cell therapy and gene diagnosis and treatment technologies).

Financial information of Simcere Zaiming Group

Set out below is the unaudited consolidated financial information of Simcere Zaiming Group for the two years ended December 31, 2021 and 2022:

	For the year ended December 31, 2021	For the year ended December 31, 2022
	<i>RMB'000</i> (Unaudited)	
Revenue	1,175,439	1,347,501
(Loss) before taxation	(328,578)	(484,708)
(Loss) after taxation	(339,800)	(453,596)

The unaudited consolidated net assets of Simcere Zaiming Group as of June 30, 2023 amounted to RMB1,154,150,000.

Shareholding Structure of Simcere Zaiming

Set out below is the shareholding structure of Simcere Zaiming as of the date of this announcement and immediately upon the Completion:

Shareholders	As of the date of this announcement		Immediately upon the Completion ⁽¹⁾	
	Registered capital (RMB)	Shareholding percentage (%)	Registered capital (RMB)	Shareholding percentage (%)
Shandong Simcere	181,338,352	50.37	181,338,352	39.51
Hainan Simcere	178,661,648	49.63	178,661,648	38.93
Simcere Technology	–	–	26,062,834	5.68
ESOP Participants	–	–	20,319,096	4.43
FIIF	–	–	43,347,406	9.45
Zhongshen Xinchuang	–	–	5,418,426	1.18
Apricot Xingyong	–	–	2,709,213	0.59
Dingxin Zhonghe	–	–	1,083,685	0.24
Total	360,000,000	100.00	458,940,660	100.00

Note:

- (1) Assuming the capital increase by Simcere Technology and capital contributions by the ESOP Participants as described under the paragraph headed “Pre-Completion Restructurings” have been completed as of the Completion.

Information on the Investors

FIIF

FIIF is a limited partnership established in the PRC on June 18, 2019. The general partner and manager of FIIF is CS Capital Co., Ltd. (國投招商投資管理有限公司) (“**CS Capital**”), which holds 0.09% partnership interest therein, and FIIF has 36 limited partners, among whom the Ministry of Finance of the PRC (中華人民共和國財政部) and State Development & Investment Corporation (國家開發投資集團有限公司) (a company wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)) holds 25.00% and 10.04% of the partnership interest, respectively, and none of the other limited partners holds more than 10% of the partnership interest of FIIF. The largest shareholders of CS Capital are China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國國投高新產業投資有限公司) and China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司), each holding 20% of its equity interest. None of the shareholders of CS Capital holds 30% or more equity interest in CS Capital. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of FIIF, its general partner and limited partners and their ultimate beneficial owners (if any) is an Independent Third Party.

CS Capital is an independent private equity fund manager, the team of which manages over RMB100 billion of capital in aggregate from diversified investors, including financial institutions, insurance companies, private enterprises and state-owned enterprises. CS Capital focuses on four investment sectors, including life science, intelligent NEV, smart manufacturing as well as information & communication technology.

Zhongshen Xinchuang

Zhongshen Xinchuang is a limited partnership established in the PRC on August 21, 2019. The general partner of Zhongshen Xinchuang is Shenzhen Youyue Consulting Partnership (Limited Partnership) (深圳優嶽諮詢合夥企業(有限合夥)) (“**Shenzhen Youyue**”). Shenzhen Qianhai Sanhe Equity Fund Management Co., Ltd. (深圳前海三合股權基金管理有限公司) (the “**Youshan Capital**”) is the general partner of Shenzhen Youyue, which is controlled by Mr. Chen Yingjiu (陳迎九), who is also the largest limited partner of Shenzhen Youyue holding 33.08% partnership interest therein. Zhongshen Xinchuang has 18 limited partners, among which Shenzhen Guiding Fund Investment Co., Ltd. (深圳市引導基金投資有限公司) (a company wholly-owned by the Shenzhen Finance Bureau (深圳市財政局)) is the largest limited partner holding 23.55% of partnership interest therein. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Zhongshen Xinchuang, its general partner and limited partners and their ultimate beneficial owners is an Independent Third Party.

Zhongshen Xinchuang is an investment fund backed by Youshan Capital. Youshan Capital is an independent private equity fund manager, which manages funds comprising of investors who are well-known professional institutions including financial institutions, privately-owned listed companies and/or their shareholders as well as market-oriented master funds. Youshan Capital focuses on the investment in growing enterprises in the technology empowered industries including high-end equipment manufacturing, new energy, healthcare and artificial intelligence.

Apricot Xingyong

Apricot Xingyong is a limited partnership established in the PRC on December 12, 2022. The general partner of Apricot Xingyong is Suzhou Apricot Equity Investment Center (Limited Partnership) (蘇州杏澤股權投資中心(有限合夥)) (“**Suzhou Apricot**”), and among the five limited partners of Apricot Xingyong, Zhangjiagang Yueyuan Equity Investment Partnership (Limited Partnership) (張家港月緣股權投資合夥企業(有限合夥)) (“**Zhangjiagang Yueyuan**”) is the largest limited partner holding 43.00% of the partnership interest. Both Suzhou Apricot and Zhangjiagang Yueyuan are ultimately controlled by Ms. Liu Wenyi (劉文溢). Apricot Xingyong is managed by Shanghai Apricot Investment Management Co., Ltd. (上海杏澤投資管理有限公司) (“**Apricot Capital**”), which is controlled by Ms. Liu Wenyi as to 46.67%. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Apricot Xingyong, its general partner and limited partners and their ultimate beneficial owners is an Independent Third Party.

Established in 2015, Apricot Capital is committed to becoming the best venture partners in the life and healthcare area. Named as “Apricot,” Apricot Capital aspires to integrating the healthcare industry resources and advancing development of the whole industry to benefit mankind through equity investment and leveraging the power of capital. The funds under management of Apricot Capital zero in on incubating opportunities of China in healthcare sector, focusing on cutting-edge early and growth-stage enterprises in innovation areas. The investment sectors of Apricot Capital cover biomedicine, medical equipment and innovative service industry chain.

Dingxin Zhonghe

Dingxin Zhonghe is a limited partnership established in the PRC on October 13, 2023. The general partner of Dingxin Zhonghe is Splendid Zhonghe (Beijing) Capital Co., Ltd. (錦繡中和(北京)資本管理有限公司) (“**Zhonghe Capital**”), which is controlled by Mr. Zhang Jingting (張敬庭) as to 30.80%. The limited partner of Dingxin Zhonghe is Anshun Zhonghe (Tianjin) Asset Management Co., Ltd. (安順中和(天津)產管理有限公司) holding 90.91% of the partnership interest, which is in turn wholly owned by Zhonghe Capital. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Dingxin Zhonghe, its general partner and limited partner and their ultimate beneficial owners is an Independent Third Party.

Zhonghe Capital, established in 2012, is one of the most competitive investment institutions focusing on the whole industry chain in the Chinese capital market, devoted to investment in sectors including, among others, non-publicly issued shares of listed companies, unlisted enterprises equity and convertible/exchangeable bonds of listed companies. Zhonghe Capital, with a managed fund scale exceeding RMB20 billion in aggregate, has invested in more than 200 listed companies and outstanding growing enterprises and gained widespread industry recognition. Zhonghe Capital has ranked No.1 among the Best Private Placement Investment Institution in China (中國最佳私募定增投資機構) for six consecutive years.

Information on the Group

The Company is an innovation and R&D-driven pharmaceutical company and has established a “State Key Laboratory of Neurology and Oncology Drug Development.” The Company focuses on the therapeutic areas of oncology, nervous system, autoimmune and anti-infection, with forward-looking layout of disease areas that may have significant clinical needs in the future, aiming to achieve the mission of “providing today’s patients with medicines of the future.” Driven by its in-house R&D efforts and synergistic innovation, the Company has established strategic cooperation partnerships with many innovative companies and research institutes.

Shandong Sincere is a limited liability company established in the PRC on March 28, 2022 and a directly wholly-owned subsidiary of the Company as of the date of this announcement. Shandong Sincere is an investment company established for development of a pharmaceutical manufacturing industrial park of the Group in Yantai, Shandong Province.

Hainan Sincere is a limited liability company established in the PRC on April 28, 1993 and an indirectly wholly-owned subsidiary of the Company as of the date of this announcement. Hainan Sincere is principally engaged in manufacturing and sales of pharmaceutical products.

FINANCIAL EFFECTS OF THE CAPITAL CONTRIBUTION

Upon the Completion, Sincere Zaiming will be a non-wholly owned subsidiary of the Company and the financial results of the Sincere Zaiming Group will continue to be consolidated into the financial statements of the Group. As the Capital Contribution will not result in the Group's loss of control over Sincere Zaiming Group, there is no expected gain or loss resulting from the initial recognition of the Capital Contribution.

LISTING RULES IMPLICATIONS

Sincere Zaiming is a wholly-owned subsidiary of the Company as of the date of this announcement. It is contemplated that the percentage of the Group's shareholding interest in Sincere Zaiming will decrease from 100% to 84.12% following the Completion (with the remaining 4.43% held by the ESOP Participants assuming capital contributions by them have been completed). Accordingly, the Capital Contribution constitutes a deemed disposal of the Company under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Contribution exceeds 5% but is less than 25%, the Capital Contribution constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

In addition, since the exercise of the Repurchase Rights under the Shareholders' Agreement is not at the discretion of the Company, according to Rule 14.74(1) of the Listing Rules, on the grant of the Repurchase Rights, the transactions will be classified as if the Repurchase Rights had been exercised. As the highest applicable percentage ratio in respect of the grant of the Repurchase Rights exceeds 5% but is less than 25%, the grant of the Repurchase Rights constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Apricot Xingyong”	Suzhou Apricot Xingyong Emerging Medical Industry Investment Fund Management Partnership (Limited Partnership) (蘇州杏澤興湧新興醫療產業投資基金管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 12, 2022 and a co-Investor
“Benchmark Date”	being December 31, 2023
“Board”	the board of Directors
“business day(s)”	day(s) on which banks in the PRC are generally open to the public (excluding Saturdays, Sundays, and statutory holidays)
“Capital Contribution”	the proposed subscription for, in aggregate, RMB970 million newly increased registered capital of Simcere Zaiming by the Investors pursuant to the Capital Contribution Agreement
“Capital Contribution Agreement”	the Capital Contribution Agreement entered into by the Company, Shandong Simcere, Hainan Simcere, and Simcere Zaiming and each of its subsidiaries with the Investors in relation to the Capital Contribution, as more particularly described in the section headed “The Capital Contribution Agreement” in this announcement

“Co-Investors”	Zhongshen Xinchuang, Apricot Xingyong and Dingxin Zhonghe
“Company”	Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (Stock Code: 2096), a company incorporated under the laws of Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Capital Contribution, as more particularly described in the paragraph headed “Completion” in this announcement
“Completion Date”	the date of Completion
“Condition(s) Precedent”	the condition(s) precedent to the Completion, as more particularly described in the paragraph headed “Conditions Precedent” in this announcement
“controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Covenantors”	Simcere Zaiming Group, Zaiming Existing Shareholders and the Company
“Dingxin Zhonghe”	Quanzhou Dingxin Zhonghe Investment Partnership (Limited Partnership) (泉州鼎信中和投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 13, 2023 and a co-Investor
“Director(s)”	the director(s) of the Company
“FIIF” or “Lead Investor”	Future Industry Investment Fund II (Limited Partnership) (先進製造產業投資基金二期(有限合夥)), a limited partnership established in the PRC on June 18, 2019 and the Lead Investor
“Group”	the Company and its subsidiaries

“Hainan Simcere”	Hainan Simcere Pharmaceutical Co., Ltd. (海南先聲藥業有限公司) (formerly known as Sanya Haifu Pharmaceutical Co., Ltd. (三亞海富製藥有限公司), Hainan Haifu Pharmaceutical Co., Ltd. (海南海富製藥有限公司) and Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司)), a limited liability company established in the PRC on April 28, 1993 and an indirectly wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Investor(s)”	the Lead Investor and the Co-Investors
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Nanjing Zaiming”	Nanjing Zaiming Pharmaceutical Co., Ltd. (南京再明醫藥有限公司), a limited liability company established in the PRC on January 17, 2023 and wholly owned by Simcere Technology as of the date of this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Completion Restructurings”	the intragroup restructuring among Simcere Zaiming, Simcere Technology and Nanjing Zaiming, and the capital contributions by the ESOP Participants, as more particularly described in the paragraph headed “Pre-Completion Restructurings” in this announcement

“R&D”	research and development
“Repurchase Rights”	the repurchase rights granted to the Investors under the Shareholders’ Agreement, as more particularly described in the paragraph headed “Repurchase Rights” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Simcere”	Simcere Pharmaceutical (Shandong) Co., Ltd. (先聲藥業(山東)有限公司), a limited liability company established in the PRC on March 28, 2022 and a directly wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement entered into among the Company, Zaiming Existing Shareholders, Simcere Zaiming Group and the Investors on February 24, 2024 in connection with the Capital Contribution, as more particularly described in the section headed “The Shareholders’ Agreement” in this announcement
“Simcere Technology”	Jiangsu Simcere Pharmaceutical Technology Co., Ltd. (江蘇先聲醫藥科技有限公司), a limited liability company established in the PRC on August 14, 2017 and a directly wholly-owned subsidiary of the Company
“Simcere Zaiming”	Hainan Simcere Zaiming Pharmaceutical Co., Ltd. (海南先聲再明醫藥股份有限公司) (formerly known as Simcere Zaiming Pharmaceutical Co., Ltd. (先聲再明醫藥有限公司)), a limited liability company established in the PRC on December 3, 2020 and converted into a joint stock company with limited liability on February 2, 2024, and an indirectly wholly-owned subsidiary of the Company as of the date of this announcement
“Simcere Zaiming Group”	Simcere Zaiming and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“Transaction Documents”	the Capital Contribution Agreement, the Shareholders’ Agreement, the articles of association of Sincere Zaiming, and each of the other agreements, resolutions and documents otherwise required in connection with implementation of the transactions contemplated by any of the foregoing
“Valuation Report”	the valuation report issued by the Valuer on February 23, 2024 in respect of the valuation of the 11.45% equity interest in Sincere Zaiming together with the Repurchase Rights
“Valuer”	Jones Lang La Salle Corporate Appraisal and Advisory Limited, an independent and qualified valuer
“Zaiming Existing Shareholders”	as of the date of this announcement, being Shandong Sincere and Hainan Sincere, and after completion of the Pre-Completion Restructurings, being Shandong Sincere, Hainan Sincere, Sincere Technology and the ESOP Participants
“Zhongshen Xinchuang”	Shenzhen Zhongshen Xinchuang Equity Investment Partnership (limited Partnership) (深圳中深新創股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 21, 2019 and a co-Investor
“%”	per cent

By order of the Board
Sincere Pharmaceutical Group Limited
Mr. Ren Jinsheng
Chairman and Chief Executive Officer

Hong Kong, February 24, 2024

As of the date of this announcement, the Board comprises Mr. REN Jinsheng as the Chairman and executive Director, Mr. TANG Renhong, Mr. WAN Yushan and Ms. WANG Xi as the executive Directors; Mr. SONG Ruilin, Mr. WANG Jianguo, Mr. WANG Xinhua and Mr. SUNG Ka Woon as the independent non-executive Directors.