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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)

**CONNECTED TRANSACTION IN RELATION
TO DISPOSAL OF SUBSIDIARIES**

THE DISPOSAL

The Board announces that on April 15, 2021 (after trading hours), the Company, EGG and Simgene entered into the Share Purchase Agreement, pursuant to which the Company agreed to sell, and EGG agreed to purchase, 100% of the total issued share capital of Simgene for a cash consideration of RMB104.17 million. Upon Closing, Simgene will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the date of this announcement, EGG is a controlling shareholder and a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Disposal contemplated under the Share Purchase Agreement entered into between the Company and EGG constitutes a connected transaction of the Company. As the highest applicable percentage ratio of the Disposal exceeds 0.1% but is less than 5%, the Company is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders and potential investors should note that Closing is subject to the fulfilment of several conditions and therefore may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

1. INTRODUCTION

As of the date of this announcement, Simgene is a wholly-owned subsidiary of the Company, which holds 100% of the total issued share capital of Simnova Biotherapeutics. Simnova Biotherapeutics respectively holds 100% of the total issued share capital of Simcere Innovation and 100% of equity interest of Shanghai Xianjing, which in turn controls Shanghai Xianbo (together with Simgene, Simnova Biotherapeutics, Simcere Innovation and Shanghai Xianjing, the “**Simgene Group**”), an entity carrying out cell therapy business (the “**Cell Therapy Business**”), through contractual arrangements. For details of the contractual arrangements, please refer to the prospectus of the Company dated October 13, 2020.

On April 15, 2021 (after trading hours), the Company, EGG and Simgene entered into the Share Purchase Agreement, pursuant to which the Company agreed to sell, and EGG agreed to purchase, 100% of the total issued share capital of Simgene for a consideration of RMB104.17 million. Upon Closing, Simgene will cease to be a subsidiary of the Company and the financial statements of Simgene Group will cease to be consolidated into the financial statements of the Company.

2. THE SHARE PURCHASE AGREEMENT

Date

April 15, 2021

Parties

Vendor: The Company

Purchaser: EGG

Target company: Simgene

Consideration and Payment

Pursuant to the Share Purchase Agreement, the consideration for the Disposal is approximately RMB104.17 million. EGG shall pay the equivalent U.S. dollar to the Company in cash upon Closing.

The Company expects that all proceeds from the Disposal will be used as the Group’s general working capital.

The consideration of the Disposal was arrived at after arm's length negotiations with reference to the inferred valuation attributed to the equity interest of Cell Therapy Business of RMB104.17 million based on the fair value of Cell Therapy Business as of January 31, 2021 as appraised by an independent valuer.

Given the valuation report, which was prepared on a discounted cash flow basis under the income approach, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Further announcement will be made by the Company within 15 business days after the publication of this announcement in accordance with Rule 14.60A and Rule 14.62 of the Listing Rules.

Conditions precedent

The Closing of the transactions contemplated under the Share Purchase Agreement is subject to, among other things, the following conditions:

1. on or before the Closing date, both the Company and EGG have fulfilled their respective commitments and obligations under the Share Purchase Agreement in all material respects;
2. the representations and warranties of both the Company and EGG are true and accurate in all material respects as of the Closing date; and
3. all third-party, governmental and regulatory approvals and waivers (whether in the PRC, Hong Kong or other relevant territories and including but not limited to declaration of concentration by business operators) required for the transactions contemplated under the Share Purchase Agreement have been obtained and have not been amended or withdrawn prior to the Closing of this transaction.

Closing

The Closing shall take place within five Business Days upon the fulfilment or waiver of all the conditions precedent under the Share Purchase Agreement. Upon Closing, the Company shall deliver to EGG the share certificate and the register of members of Simgene evidencing EGG as the registered holder of the total issued share capital of Simgene.

3. REASONS AND BENEFITS OF THE DISPOSAL

Simgene Group primarily engages in Cell Therapy Business with three kinds of main pipeline products (the “**Pipeline Products**”) which have been developed in cooperation with the external research and development partners of the Group, namely (i) CD19 CAR T-cell therapy (Indication 1) and CD19 CAR T-cell therapy (Indication 2), (ii) BCMA CAR T-cell therapy and (iii) SIM-325. The decision of the Disposal is made after consideration of the following reasons:

- (1) ***The Latest Clinical Research Progress of the New Candidate Product in Cell Therapy Area Will Decrease the Potential Value of the Pipeline Products.*** According to the recent clinical research data of CAR-NK (natural killer cell) (the “**New Candidate Product**”), a new candidate product in cell therapy area, published by a competitor of the Company engaging in cellular immunotherapy for cancer and immune diseases, the New Candidate Product achieved positive clinical data in respect of the evaluation of safety, efficiency, pharmacokinetics and curative effect. As a substitute product to the Pipeline Products, it is anticipated that the New Candidate Product will be massively manufactured with high potential and will have significant lower side effects and costs compared with the Pipeline Products. The Company is of the view that, although there are uncertainties in relation to the successful launch of the New Candidate Product, once launched, the New Candidate Product will have greater advantages and more market potential than the Pipeline Products, which will significantly decrease the potential value of the Pipeline Products and the necessity to continuously research and develop the Pipeline Products;
- (2) ***The Pipeline Products Face Significant Competition from Other Companies with the Same or Similar Products.*** The number of companies engaging in research and development of same or similar products to the Pipeline Products has significantly increased in recent years, some of which have achieved progress ahead of the Company. For instance, BCMA CAR T-cell therapy of the Company is currently in the early stage of phase I clinical trial while three of the competitors of the Company have already conducted phase II clinical trial and one of the competitors filed biologics license application for the same product to U.S. Food and Drug Administration last year. In consideration of the advanced progress of competitors and the increasing number of the same or similar products in the market, the Company believes that even if the Pipeline Products are launched ultimately, the competitiveness of them will be insufficient in face of fierce market competition;

- (3) ***The Policies Trend Make the Market Prospect of the Pipeline Products Less Promising.*** According to the results of the fifth medical insurance negotiations (the “**Negotiations**”) conducted by the government of the PRC by the end of 2020, several anti-PD-1/PD-L1 therapy pharmaceuticals will be covered by the national medical insurance with the sales price decreased significantly. With years of development, the indications of most anti-PD-1/PD-L1 therapy pharmaceuticals available in the market are basically the same with the efficacies and safety quiet similar, and the differences between such pharmaceuticals are relatively small. The policies trend reflected by such Negotiations indicated that the future market opportunities of anti-PD-1/PD-L1 therapy pharmaceuticals which is lack of innovativeness will be substantially reduced. In consideration of the circumstances mentioned in (1) and (2) above, the Company believes that the Pipeline Products is currently confronted with the same market prospect with the aforementioned anti-PD-1/PD-L1 therapy pharmaceuticals. As such, given such policies trend making the future prospect of the Pipeline Products less promising, the Company is of the view that, once launched, the sales price of the Pipeline Products is likely to be reduced significantly in the foreseeable future.

Therefore, the Company decided to dispose the Cell Therapy Business by disposal of the entire equity interest of Simgene with a view to concentrate the Company’s existing resources and manpower to better focus on its business strategies and to ensure the quality and competitiveness of the Company’s other pipeline products.

4. FINANCIAL IMPACT OF THE DISPOSAL

Set out below is the unaudited consolidated financial information of Simgene Group for the two years ended December 31, 2019 and 2020.

	For the year ended December 31,	
	2019	2020
	RMB’000	RMB’000
Revenue	–	–
Net loss before and after taxation	14,357	228,121
	As of December 31,	
	2019	2020
	RMB’000	RMB’000
Net liability value	14,291	240,171

Upon Closing, Simgene will no longer be a subsidiary of the Company and the financial statements of Simgene Group will cease to be consolidated into the financial statements of the Company.

Upon Closing, the Company expects to record a net gain (before tax) of approximately RMB384.19 million, which is calculated based on the differences between the consideration under the Share Purchase Agreement and the net liability of Simgene Group as of March 31, 2021. The calculation is only an estimate provided for illustrative purposes, and the actual gain or loss as a result of the disposal to be recorded by the Company is subject to any changes to the financial position of Simgene Group as at closing date and final audit, and hence may or may not be the same as the aforesaid net gain.

5. INFORMATION OF THE PARTIES

The Company is a company engaged in the R&D, production and commercialization of pharmaceuticals with the national key laboratory of translational medicine and innovative pharmaceuticals. The Company has a diversified product portfolio in strategically focused therapeutic areas, including, (i) oncology, (ii) central nervous system diseases and (iii) autoimmune diseases, with leading positions in their respective therapeutic segments and/or established track record.

EGG, one of the Company's controlling shareholders, is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 19, 2018. It is a holding vehicle with no actual business which is wholly owned by Mr. Ren as of the date of this announcement.

Simgene is an exempted company with limited liability incorporated under the laws of Cayman Islands on April 9, 2020 and a subsidiary of the Company as of the date of this announcement. Simgene held 100% of the total issued share capital of Simnova Biotherapeutics which in turn held 100% of equity interest of Shanghai Xianjing and 100% of the total issued share capital of Simcere Innovation, respectively. Shanghai Xianjing controlled Shanghai Xianbo, an entity carrying out Cell Therapy Business, through a series of contractual arrangements. The Pipeline Products developed by Simgene Group is currently in a relatively early stage, and thus no revenue was generated from Cell Therapy Business in addition to research and development costs. For details of Simgene Group's financial conditions, please see the section headed "Financial Impact of the Disposal" of this announcement. CD19 CAR T-cell therapy (Indication 1), being developed for the treatment of r/r CD19 positive B-cell non-Hodgkin's lymphoma, is currently in phase I clinical trials in China, while CD19 CAR T-cell therapy (Indication 2), being developed for the treatment of r/r CD19 positive B-cell acute lymphoblastic leukemia, is currently preparing for phase I clinical trials. BCMA CAR T-cell therapy has been developed for the treatment of r/r multiple myeloma, which is currently in the early stage of phase I clinical trial, and SIM-325 has been developed for the treatment of cervical cancer, which is currently in the stage of pre-clinical development.

6. RELATIONSHIP BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

As the date of this announcement, EGG is a controlling shareholder and a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Disposal contemplated under the Share Purchase Agreement entered into between the Company and EGG constitutes a connected transaction of the Company.

As the highest applicable percentage ratio of the Disposal exceeds 0.1% but is less than 5%, the Company is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. BOARD OPINION

The Board has passed resolutions to approve the Disposal. The Board (including the independent non-executive Directors) is of the view that the terms of the Disposal (including the consideration for the Disposal) are fair and reasonable and on normal commercial terms and the Disposal contemplated thereunder are in the interests of the Company and its shareholders as a whole despite that the Disposal is not made in the ordinary and usual course of business of the Company. Save for Mr. Ren, an executive Director and also the sole shareholder of EGG, who has abstained from voting on the Board resolutions for approving the Disposal, none of the Directors had a material interest in the transactions contemplated under the Share Purchase Agreement and no Director was required to abstain from voting on the relevant board resolutions to approve the Share Purchase Agreement.

Shareholders and potential investors should note that Closing is subject to the fulfilment of several conditions and therefore may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

8. DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	means a day other than a Saturday or Sunday or public holiday in the PRC
“Closing”	completion of the transactions contemplated under the Share Purchase Agreement
“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
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the transaction contemplated under the Share Purchase Agreement, pursuant to which the Company agreed to sell, and EGG agreed to purchase, 100% of the total issued share capital of Simgene
“EGG”	Excel Good Group Limited (先益集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 19, 2018, and one of the Company’s controlling shareholders
“Group”	the Company and its subsidiaries from time to time and Shanghai Xianbo which is the consolidated affiliated entity of the Group as of the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Ren”	Mr. Ren Jinsheng (任晉生), the founder of the Group, the chairman of the Board, an executive Director and the chief executive officer of the Company, and one of the Controlling Shareholders
“PRC”	solely for the purpose of the Share Purchase Agreement and this announcement, the People’s Republic of China (excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan)
“RMB”	the lawful currency of the PRC
“Sincere Innovation”	Sincere Innovation, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware of the United States on March 22, 2019 and a subsidiary of Simnova Biotherapeutics as of the date of this announcement
“Simgene”	Simgene Group Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 9, 2020 and a subsidiary of the Company as of the date of this announcement
“Simnova Biotherapeutics”	Simnova Biotherapeutics Limited, formerly known as Sincere Industrial Co., Limited (先聲實業有限公司), a company with limited liability incorporated under the laws of Hong Kong on August 28, 2017 and a subsidiary of Simgene as of the date of this announcement
“Shanghai Xianbo”	Shanghai Xianbo Biological Technology Co., Ltd. (上海先博生物科技有限公司), a limited liability company established in the PRC on April 22, 2020 controlled by Shanghai Xianjing through a series of contractual arrangements
“Shanghai Xianjing”	Shanghai Xianjing Biological Technology Co., Ltd. (上海先競生物科技有限公司), a limited liability company established in the PRC on April 23, 2020 and a subsidiary of Simnova Biotherapeutics as of the date of this announcement
“Shareholders”	holders of the shares of the Company

“Share Purchase Agreement”	the agreement dated April 15, 2021 entered into among the Company, EGG and Simgene with regard to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

By order of the Board of
Sincere Pharmaceutical Group Limited
Mr. Ren Jinsheng
Chairman and executive Director

Hong Kong, April 15, 2021

As at the date of this announcement, the Board comprises Mr. REN Jinsheng as the Chairman and executive Director, Mr. WAN Yushan and Mr. TANG Renhong as the executive Directors; Mr. ZHAO John Huan as the non-executive Director; and Mr. SONG Ruilin, Mr. WANG Jianguo and Mr. WANG Xinhua as the independent non-executive Directors.