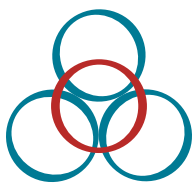


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四环医药
SihuanPharm

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 AND CONNECTED TRANSACTION DISPOSAL OF EQUITY INTERESTS IN JILIN JIAHUI CHEMICAL CO., LTD.

BACKGROUND

Reference is made to the Announcement on Adjustment of Organizational Structure of the Company dated 16 August 2022 with respect to, among others, that the Company will focus its management and resources on business segments with higher growth, and gradually dispose of partial generic drug business that does not meet performance expectations and other non-core healthcare businesses, so as to improve the operational efficiency of the Group.

The Group is continuously implementing its strategy regarding adjustment of organizational structure accordingly. Notwithstanding the Target Company's year-on-year improvement on and successful achievement in 2022 of profitability, the overall profit performance of the Target Company in the past three years has fallen short of the Company's original expected performance target due to the overall continuous changes in the pharmaceutical market environment and the increasing transportation costs in recent years. Accordingly, upon several rounds of negotiation, the Company and Lianben Technology ultimately agreed that Jilin Shengtong would enter into the Equity Transfer Agreement with Lianben Technology and transfer 75% equity interests in the Target Company to Lianben Technology at a consideration of approximately RMB18.75 million. Meanwhile, the Purchaser agreed to repay the Target Company's borrowing of RMB45,294,292.16 in total due to the Seller in installment on behalf of the Target Company, and committed that the Target Company would procure all the Seller's surplus inventories at book value and pay for the goods within a term of 45 days.

As the Purchaser is a connected person of the Company, according to the applicable Listing Rules, on an aggregated basis, the Equity Transfer constitutes a connected and discloseable transaction subject to the relevant reporting and announcement requirements under the applicable Listing Rules.

After due and careful consideration, the Directors are of the view that the Equity Transfer is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole, and it is also beneficial to the overall development strategy of the Company.

FINANCIAL EFFECT OF THE EQUITY TRANSFER

Based on (1) the Target Company's unaudited net liabilities of approximately RMB1.39 million as at 30 November 2022; (2) the consideration of the Equity Transfer of approximately RMB18.75 million; and (3) the Group's derecognised goodwill of RMB3.551 million, it is expected that the Company will record a gain of approximately RMB16.589 million from the Equity Transfer. The calculation is for reference only and is subject to the audited annual financial statements of the Company.

USE OF PROCEEDS OF THE EQUITY TRANSFER

The proceeds of the Equity Transfer will be used for the general working capital of the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

Reasons for the transfer are disclosed by the Company in the "Background" section of this announcement. The Directors are of the view that the Equity Transfer will facilitate the Company to focus its management on the medical aesthetics and innovative drug business segments with higher growth, accelerate the promotion of the Group's two-wheel drive strategy of medical aesthetics and biopharmaceutical businesses, and improve the operational efficiency of the Group.

Financial Data of the Target Company

The followings are certain key financial data extracted from the unaudited financial statements of the Target Company for the years ended 31 December 2020 and 2021 and the eleven months ended 30 November 2022, respectively:

(1) Value of the Target Company's net liabilities and total assets (book value) as at 30 November 2022

	As at 30 November 2022 (RMB'000)
Jilin Jiahui	
Net assets (liabilities)	(1,387)
Total assets	158,093

(2) Profit/(loss) (before and after tax) of the Target Company for the years ended 31 December 2020 and 2021 and the eleven months ended 30 November 2022

	For the year ended 31 December 2020 <i>(RMB'000)</i>	For the year ended 31 December 2021 <i>(RMB'000)</i>	For the eleven months ended 30 November 2022 <i>(RMB'000)</i>
Jilin Jiahui			
Profit/(loss) before tax	(4,277)	(15,070)	11,472
Profit/(loss) after tax	(4,277)	(15,070)	11,472

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date:

30 December 2022

Parties:

The Purchaser

The Seller (being a wholly-owned Subsidiary of the Company)

Underlying Equity Interests:

Pursuant to the Equity Transfer Agreement, the Seller agreed to sell and transfer, and the Purchaser agreed to acquire 75% equity interests in the Target Company. Upon the completion of the Equity Transfer, the Group will cease to hold any interest in the Target Company and the Target Company will cease to be a Subsidiary of the Company, and the assets and liabilities as well as the results of the Target Company will cease to be consolidated into the financial statements of the Group.

Consideration:

Pursuant to the Equity Transfer Agreement, the consideration payable by the Purchaser is approximately RMB18.75 million, which will be paid to the Seller in cash within 30 days after entering into of the agreement. All taxes and fees arising from the Equity Transfer shall be borne by the Purchaser and the Seller in corresponding proportion as required by laws. The consideration, after considering the consideration of acquiring the Target Company by the Group and the financial data and operating conditions of the Target Company, is determined between the Group and the Purchaser upon thorough negotiation.

The Directors believe that the consideration is determined based on the arm's length negotiation, which is fair and reasonable and on normal commercial terms, and therefore, the entering into of the Equity Transfer Agreement and the proposed transaction thereof are in the interests of the Company and its Shareholders as a whole.

Undertaking of Claims and Liabilities and Inventory Disposal:

As of 30 November 2022, a borrowing of RMB66,794,292.16 was owed to the Seller by the Target Company. In view of Mr. Li's transfer of RMB2,000,000 to the Seller in June 2022 and Jilin Renben Technology Company Limited's accumulated transfer of RMB19,500,000 to the Seller from July 2022 to September 2022, and considering that both Mr. Li and Jilin Renben Technology Company Limited are related parties of the Purchaser and the Target Company, all parties agree that, the above RMB21,500,000 will be turned into repayment of borrowing to the Seller by related parties on behalf of the Target Company. Upon the deduction of the deemed repayment, a net borrowing of RMB45,294,292.16 is still owed to the Seller by the Target Company. The Target Company will enter into a borrowing agreement with the Seller separately to repay the borrowing due to the Seller in instalment, with an annual interest rate of 4.75%. Detailed payment scheme is set out as follows:

payable before 31 January 2023: RMB11,250,000;

payable before 31 December 2023: RMB20,000,000; and

payable before 30 June 2024: RMB14,044,292.16, with interests to be fully paid.

Besides, the Target Company will enter into a procurement contract with the Seller separately to procure the Seller's surplus inventories at book value in 18 months after signing the Equity Transfer Agreement and pay for the goods within a term of 45 days. Overdue payment will be deemed as borrowing due to the Seller by the Target Company.

Assurance and Guarantee:

The Purchaser will pledge the 75% equity interests in the Target Company it holds upon the completion of the Equity Transfer to the Seller, so as to guarantee the repayment of current accounts. The Purchaser and its related party Beijing Lianben Pharm-chemicals Tech. Co., Ltd. will guarantee the repayment of borrowings and interests due to the Seller by the Target Company.

DIRECTORS' CONFIRMATION ON THE EQUITY TRANSFER

The Directors (including the independent non-executive Directors) have reviewed the Equity Transfer and are of the view that the Equity Transfer is on normal commercial terms, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Equity Transfer has been approved by the Board, and none of the Directors has, or is deemed to have, a material interest in the transaction contemplated under the Equity Transfer Agreement.

INFORMATION ABOUT THE TARGET COMPANY, THE PURCHASER, THE SELLER AND THE COMPANY

Information about the Target Company

The Target Company is Jilin Jiahui, a company established in the PRC with limited liability and an indirect non-wholly-owned Subsidiary of the Company as at the date of this announcement. Its principal business is the manufacture of pharmaceutical products in Mainland China.

Information about the Purchaser

The Purchaser is Lianben Technology, a company established in the PRC with limited liability, and its controlling shareholder is Mr. Li as at the date of this announcement. Its principal business is the marketing of pharmaceutical products in Mainland China.

Information about the Seller

The Seller is Jilin Shengtong, a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company as at the date of this announcement. Its principal business is the manufacture of pharmaceutical products in Mainland China.

Information about the Company

Founded in 2001 and listed on the Main Board of the Stock Exchange in 2010, Sihuan Pharmaceutical is an international medical aesthetic and biopharmaceutical company led and driven by innovation, with an independent and leading research and development technology platform, a rich global product pipeline, strong product registration capability, a full dosage form production platform with high efficiency and low cost and a mature and excellent sales system. Adhering to the overall strategic objective of “full promotion of a two-wheel drive strategy of its medical aesthetics and biopharmaceutical businesses”, Sihuan Pharmaceutical endeavours to build itself into a leading medical aesthetics and biopharmaceutical company in the PRC.

CONNECTED RELATIONSHIPS AND LISTING RULES IMPLICATIONS

Reference is made to the announcement of the Company dated 3 October 2022 in relation to, among other things, the disposal of equity interests in two Subsidiaries by the Company (the “**Previous Equity Transfer**”). Pursuant to Rule 14A.81 of the Listing Rules, as the Previous Equity Transfer and the Equity Transfer were entered into between a Subsidiary of the Company and the same person, such disposals shall be aggregated. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Equity Transfers exceeds 5% but is less than 25% on an aggregated basis, the Equity Transfers constitute discloseable transactions of the Company under the Listing Rules.

As at the date of this announcement, Mr. Li is the controlling shareholder of the Purchaser. Since Mr. Li was a director of the Seller within the past twelve months, and the Seller is a Material Subsidiary of the Company, the Purchaser is therefore a connected person of the Company. The transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company according to Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Equity Transfer shall be subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, as (1) the Purchaser is a connected person at the subsidiary level; (2) the Board has approved the Equity Transfer; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer are fair and reasonable and the Equity Transfer is on normal commercial terms or better and is in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

“Board”	the board of Directors of the Company
“Company” or “Sihuan Pharmaceutical”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer”	acquisition of 75% equity of Jilin Jiahui by the Purchaser at consideration
“Equity Transfer Agreement”	the agreement entered into by the Seller and the Purchaser in respect of the Equity Transfer as at 30 December 2022
“Group”	the Company and its Subsidiaries
“Jilin Jiahui”	Jilin Jiahui Chemical Co., Ltd., a company established in the PRC with limited liability and an indirect non-wholly-owned Subsidiary of the Company as at the date of this announcement
“Jilin Shengtong”	Jilin Shengtong Chemical Co., Ltd., a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company as at the date of this announcement
“Lianben Technology”	Beijing Lianben Technology Development Co., Ltd., a company established in the PRC with limited liability, and its controlling shareholder is Mr. Li as at the date of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Subsidiary”	Subsidiary of the Company that is not an “insignificant subsidiary” (as defined in Rule 14A.09 of the Listing Rules) of the Company
“Mr. Li”	Mr. Li Gongben (李攻本)
“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
“Purchaser”	Lianben Technology
“RMB”	Renminbi, the legal currency of the PRC
“Seller”	Jilin Shengtong
“Shareholder(s)”	holder(s) of shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Jilin Jiahui
“%”	per cent

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

Hong Kong, 3 January 2023

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.