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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)

**ADOPTION OF EQUITY INCENTIVE SCHEME BY SIMCERE ZAIMING
AND
CONNECTED TRANSACTION IN RELATION TO
CAPITAL CONTRIBUTIONS IN SIMCERE ZAIMING**

THE SCHEME AND THE CAPITAL CONTRIBUTIONS

Reference is made to the Announcement dated February 24, 2024 in relation to the Investor Capital Contribution Agreement entered into among the Company, Shandong Sincere, Hainan Sincere, Sincere Zaiming and each of its subsidiaries, and the Investors on February 24, 2024. As disclosed in the Announcement, as a step of Pre-Completion Restructurings, Sincere Zaiming plans to adopt an employee incentive scheme.

The Board is pleased to announce that, the board of directors and shareholders of Sincere Zaiming have resolved to adopt the Scheme to recognize the past and present contributions and to incentivize the future contributions by senior management and core employees of Sincere Zaiming Group.

On March 20, 2024, the Incentive Interest was granted to the Selected Participants by way of subscribing for registered capital in Simcere Zaiming either directly or through the ESOP Platform, subject to acceptance by the relevant Selected Participants. The Selected Participants will, subject to fulfillment of the vesting schedule and vesting conditions, make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB111,551,837, among which (i) Mr. Tang Renhong (唐任宏) will subscribe for and directly hold approximately 2.38% of the enlarged issued share capital; (ii) the ESOP Platform will in aggregate subscribe for and hold approximately 2.06% of the enlarged issued share capital for and on behalf of Selected Participants (including Mr. Tang Renhong); (iii) Mr. Li Zhengtao (李正濤) and Mr. Zhu Zhenfei (朱振飛) will subscribe for and directly hold approximately 0.30% and 0.10% of the enlarged issued share capital, respectively; and (iv) another two Selected Participants, who are Independent Third Parties, will in aggregate subscribe for and directly hold approximately 0.17% of the enlarged issued share capital.

LISTING RULES IMPLICATIONS

Adoption of the Scheme

As of the date of this announcement, Simcere Zaiming is not a “principal subsidiary” of the Company as defined under Rule 17.14 of the Listing Rules. As such, the Scheme will not be subject to the requirements of Chapter 17 of the Listing Rules.

Pursuant to Rule 14.32A of the Listing Rules, the adoption of the Scheme constitutes a deemed disposal of the Company. As the highest applicable percentage ratio in respect of the adoption of the Scheme is less than 5%, the adoption of the Scheme does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

The Capital Contributions

The Capital Contributions by the Selected Participants constitute deemed disposal of the Company under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Contributions by the Selected Participants is less than 5% on a standalone basis, and together with the Investor Capital Contribution on an aggregate basis, is less than 25%, the Capital Contributions are fully exempt from the requirements of reporting, announcement, circular and Shareholders’ approval under Chapter 14 of the Listing Rules.

Capital Contributions by Mr. Tang Renhong and the ESOP Platform

Mr. Tang Renhong is an executive Director, and therefore a connected person of the Company. As the general partner of the ESOP Platform will be Mr. Tang Renhong, who will have control over the operations and affairs of the ESOP Platform, the ESOP Platform will be an associate of Mr. Tang Renhong and therefore a connected person of the Company. Accordingly, each of the Capital Contributions by Mr. Tang Renhong himself and the ESOP Platform constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the Capital Contributions by Mr. Tang Renhong and the ESOP Platform should be aggregated. As the highest applicable percentage ratio in respect of the Capital Contributions by Mr. Tang Renhong and the ESOP Platform (both on a standalone and an aggregate basis) exceeds 0.1% but is less than 5%, such Capital Contributions are only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Capital Contributions by Mr. Li Zhengtao and Mr. Zhu Zhenfei

Mr. Li Zhengtao and Mr. Zhu Zhenfei are director and/or chief executive of certain subsidiaries of the Company, and hence both are connected persons of the Company at the subsidiary level. Mr. Li Zhengtao and Mr. Zhu Zhenfei are not connected with each other. Accordingly, each of the Capital Contributions by Mr. Li Zhengtao and Mr. Zhu Zhenfei constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As none of the applicable percentage ratios in respect of each of the Capital Contributions by Mr. Li Zhengtao and Mr. Zhu Zhenfei on a standalone basis exceeds 1%, such Capital Contributions are fully exempt from the requirements of reporting, announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Announcement dated February 24, 2024 in relation to the Investor Capital Contribution Agreement entered into among the Company, Shandong Simcere, Hainan Simcere, Simcere Zaiming and each of its subsidiaries, and the Investors on February 24, 2024. As disclosed in the Announcement, as a step of Pre-Completion Restructurings, Simcere Zaiming plans to adopt an employee incentive scheme.

The Board is pleased to announce that, the board of directors and shareholders of Simcere Zaiming have resolved to adopt the Scheme to recognize the past and present contributions and to incentivize the future contributions by senior management and core employees of Simcere Zaiming Group.

On March 20, 2024, the Incentive Interest was granted to the Selected Participants by way of subscribing for registered capital in Simcere Zaiming either directly or through the ESOP Platform, subject to acceptance by the relevant Selected Participants. The Selected Participants will, subject to fulfillment of the vesting schedule and vesting conditions, make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB111,551,837, among which (i) Mr. Tang Renhong (唐任宏) will subscribe for and directly hold approximately 2.38% of the enlarged issued share capital; (ii) the ESOP Platform will in aggregate subscribe for and hold approximately 2.06% of the enlarged issued share capital for and on behalf of Selected Participants (including Mr. Tang Renhong); (iii) Mr. Li Zhengtao (李正濤) and Mr. Zhu Zhenfei (朱振飛) will subscribe for and directly hold approximately 0.30% and 0.10% of the enlarged issued share capital, respectively; and (iv) another two Selected Participants, who are Independent Third Parties, will in aggregate subscribe for and directly hold approximately 0.17% of the enlarged issued share capital.

THE SCHEME AND THE CAPITAL CONTRIBUTIONS

The principal terms of the Scheme are summarized below:

Purpose

The purpose of the Scheme is to attract, retain and incentivize, and form a long-term link with, core talents of Simcere Zaiming Group in the form of share awards in Simcere Zaiming, in order to promote the fast development and achievement of medium and long-term strategic objectives of Simcere Zaiming Group, and to realize a win-win situation among its shareholdings, group members and employees.

Participants

The participants of the Scheme shall be the senior management and core employees of Simcere Zaiming Group as selected and approved by the board of directors of Simcere Zaiming, taking into consideration factors including, among others, the development objectives of Simcere Zaiming Group and the significance and scarcity of the talents, focusing on the most core and top ones.

The specific list of Selected Participants and the Incentive Interest granted to each of the Selected Participants shall be assessed and determined by the board of directors of Simcere Zaiming in accordance with the Scheme.

Incentive Interest to be Granted under the Scheme

Pursuant to the Scheme, the total Incentive Interest to be granted under the Scheme shall be RMB20,319,096 newly increased registered capital of Simcere Zaiming to be subscribed for by the Selected Participants (either directly or through the ESOP Platform) under the Scheme, representing approximately 5% of the enlarged issued share capital of Simcere Zaiming immediately upon completion of the Capital Contributions.

The Selected Participants will, subject to fulfillment of the vesting schedule and vesting conditions, make capital contribution, by way of cash, to Simcere Zaiming in the aggregate amount of RMB111,551,837, of which RMB20,319,096 will be credited to the paid-in registered capital of Simcere Zaiming, while the remaining will be credited to its capital reserve. Among the Incentive Interest to be subscribed for by the Selected Participants under the Scheme:

- (1) Mr. Tang Renhong, as a Selected Participant, will subscribe for and directly hold approximately 2.38% of the enlarged issued share capital of Simcere Zaiming;
- (2) the ESOP Platform, the general partner of which will be Mr. Tang Renhong, and the limited partners of which will be Selected Participants under the Scheme, will in aggregate subscribe for and hold approximately 2.06% of the enlarged issued share capital of Simcere Zaiming for and on behalf of the Selected Participants (including Mr. Tang Renhong);
- (3) Mr. Li Zhengtao, as a Selected Participant, will subscribe for and directly hold approximately 0.30% of the enlarged issued share capital of Simcere Zaiming;
- (4) Mr. Zhu Zhenfei, as a Selected Participant, will subscribe for and directly hold approximately 0.10% of the enlarged issued share capital of Simcere Zaiming; and
- (5) another two Selected Participants will in aggregate subscribe for and directly hold 0.17% of the enlarged issued share capital of Simcere Zaiming.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Selected Participants determined at the date of this announcement other than the Connected Participants is an Independent Third Party.

Subscription Price and Basis of Determination

The subscription price of RMB5.49 per share for the Incentive Interest is determined based on the unaudited consolidated net assets of Simcere Zaiming Group of RMB2,121,146,000 as of December 31, 2023.

Vesting Schedule and Vesting Conditions

Pursuant to the Scheme and the specific terms and conditions provided in each grant letter, the Incentive Interest granted to each Selected Participant shall vest in four (4) equal tranches on the first, second, third and fourth anniversary from the Grant Date, respectively, subject to fulfillment of certain vesting conditions including, among others, maintaining his/her employment relationship with Simcere Zaiming Group, as well as satisfaction of the performance milestones and targets set for both Simcere Zaiming Group and the relevant Selected Participant.

Payment of Subscription Price

Upon vesting of the relevant Incentive Interest granted to the Selected Participant, such Selected Participant is obliged to pay the subscription price and make capital contribution to Simcere Zaiming according to the specific terms (including the payment schedule) provided in the vesting notice. Failure to fully pay up capital contribution with respect to the vested Incentive Interest in accordance with the vesting notice will result in lapse of the relevant grant and forfeit of the relevant Incentive Interest held by the Selected Participant.

REASONS FOR AND BENEFITS OF THE SCHEME AND THE CAPITAL CONTRIBUTIONS

The participants shall be the senior management and core employees who are vital to the development of Simcere Zaiming Group and who have made and will continue to make significant contributions to Simcere Zaiming Group. The Group considers employees to be its most valuable assets, and the granting of the Incentive Interest will provide an additional incentive for the participants to continue to make contributions to Simcere Zaiming Group.

The proceeds from the Capital Contributions are intended to be applied for the general working capital of Simcere Zaiming Group.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the grant of Incentive Interest and the Capital Contributions were entered into on normal commercial terms (although not in the ordinary and usual course of business of the Group), and that the conditions and terms thereof (including, but not limited to, the consideration) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Tang Renhong, an executive Director, is a subscriber for the Incentive Interest himself and the general partner of the ESOP Platform, and is therefore considered to have a material interest in the Capital Contributions. Mr. Tang Renhong has abstained from voting at the relevant Board resolution approving the Capital Contributions. Apart from Mr. Tang Renhong, none of the other Directors has any material interest in the Capital Contributions and has abstained from voting on the relevant Board resolution.

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 46.97%, 46.28% and 6.75% by Shandong Simcere, Hainan Simcere and Simcere Technology, respectively, all of which are wholly-owned subsidiaries of the Company. Simcere Zaiming has twelve (12) 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).

Set out below is the unaudited consolidated financial information of Simcere Zaiming Group for the two years ended December 31, 2022 and 2023:

	For the year ended December 31, 2022	For the year ended December 31, 2023
	<i>RMB'000</i>	
	(Unaudited)	
Revenue	1,347,501	1,524,326
(Loss) before taxation	(484,708)	(423,715)
(Loss) after taxation	(453,596)	(301,997)

The unaudited consolidated net assets of Simcere Zaiming Group as of December 31, 2023 amounted to RMB2,121,146,000.

Information on the ESOP Platform

The ESOP Platform will be a limited partnership established in the PRC. Taking into consideration the grants under the Scheme at the date of this announcement, it is expected that immediately upon establishment of the ESOP Platform, (i) its general partner will be Mr. Tang Renhong, an executive Director, who will hold approximately 74.50% of the partnership interest, among which approximately 68.52% will be held for and on behalf of future Selected Participants; and (ii) its limited partners will consist of seven Selected Participants determined under the Scheme at the date of this announcement, who have accepted the relevant grants and will in aggregate hold approximately 25.50% of the partnership interest. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of these seven Selected Participants who will be limited partners of the ESOP Platform is an Independent Third Party.

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.

FINANCIAL EFFECTS OF THE CAPITAL CONTRIBUTIONS

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

LISTING RULES IMPLICATIONS

Adoption of the Scheme

As of the date of this announcement, Simcere Zaiming is not a “principal subsidiary” of the Company as defined under Rule 17.14 of the Listing Rules. As such, the Scheme will not be subject to the requirements of Chapter 17 of the Listing Rules.

Pursuant to Rule 14.32A of the Listing Rules, the adoption of the Scheme constitutes a deemed disposal of the Company. As the highest applicable percentage ratio in respect of the adoption of the Scheme is less than 5%, the adoption of the Scheme does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

The Capital Contributions

The Capital Contributions by the Selected Participants constitute deemed disposal of the Company under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Contributions by the Selected Participants is less than 5% on a standalone basis, and together with the Investor Capital Contribution on an aggregate basis, is less than 25%, the Capital Contributions are fully exempt from the requirements of reporting, announcement, circular and Shareholders’ approval under Chapter 14 of the Listing Rules.

Capital Contributions by Mr. Tang Renhong and the ESOP Platform

Mr. Tang Renhong is an executive Director, and therefore a connected person of the Company. As the general partner of the ESOP Platform will be Mr. Tang Renhong, who will have control over the operations and affairs of the ESOP Platform, the ESOP Platform will be an associate of Mr. Tang Renhong and therefore a connected person of the Company. Accordingly, each of the Capital Contributions by Mr. Tang Renhong himself and the ESOP Platform constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the Capital Contributions by Mr. Tang Renhong and the ESOP Platform should be aggregated. As the highest applicable percentage ratio in respect of the Capital Contributions by Mr. Tang Renhong and the ESOP Platform (both on a standalone and an aggregate basis) exceeds 0.1% but is less than 5%, such Capital Contributions are only subject to the reporting and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Capital Contributions by Mr. Li Zhengtao and Mr. Zhu Zhenfei

Mr. Li Zhengtao and Mr. Zhu Zhenfei are director and/or chief executive of certain subsidiaries of the Company, and hence both are connected persons of the Company at the subsidiary level. Mr. Li Zhengtao and Mr. Zhu Zhenfei are not connected with each other. Accordingly, each of the Capital Contributions by Mr. Li Zhengtao and Mr. Zhu Zhenfei constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As none of the applicable percentage ratios in respect of each of the Capital Contributions by Mr. Li Zhengtao and Mr. Zhu Zhenfei on a standalone basis exceeds 1%, such Capital Contributions are fully exempt from the requirements of reporting, announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated February 24, 2024 in relation to, among others, the Investor Capital Contribution Agreement
“Board”	the board of Directors
“Capital Contribution(s)”	the proposed subscription for, in aggregate, RMB20,319,096 newly increased registered capital of Sincere Zaiming by the Selected Participants (either directly or through the ESOP Platform) under the Scheme
“Company”	Sincere 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 Participants”	the determined Selected Participants who are connected persons of the Company, being Mr. Tang Renhong, Mr. Li Zhengtao and Mr. Zhu Zhenfei
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“ESOP Platform”	a limited partnership to be established in the PRC as the shareholding platform for the Selected Participants under the Scheme
“Grant Date”	the date on which the Incentive Interest is granted to the Selected Participants
“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
“Incentive Interest”	the RMB20,319,096 newly increased registered capital of Simcere Zaiming to be subscribed for by the Selected Participants (either directly or through the ESOP Platform) under the Scheme
“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 investor(s) who have conditionally agreed to make capital contribution to Simcere Zaiming, as more particularly described in the Announcement
“Investor Capital Contribution”	the subscription for, in aggregate, RMB970 million newly increased registered capital of Simcere Zaiming by the Investors pursuant to the Investor Capital Contribution Agreement, as more particularly disclosed in the Announcement

“Investor 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 Investor Capital Contribution, as more particularly described in the Announcement
“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
“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 restructurings to be completed prior to the completion of the Investor Capital Contribution, as more particularly described in the Announcement
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the share incentive scheme of Simcere Zaiming adopted by its board of directors and shareholders
“Selected Participant(s)”	participant(s) eligible to subscribe for Incentive Interest under the Scheme, who are senior management and core employees of Simcere Zaiming Group, selected by the board of directors of Simcere Zaiming to subscribe for Incentive Interest under the Scheme at its discretion
“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
“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
“%”	per cent

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

Hong Kong, March 20, 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.