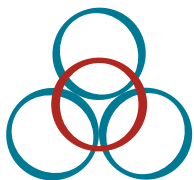


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四环医药
SihuanPharm

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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS TRANSFER OF SHARES IN XUANZHU BIOPHARM

Reference is made to the announcement of Sihuan Pharmaceutical Holdings Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) published on 25 November 2024 (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement have the same meanings as defined in the Announcement.

At the request of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), in addition to the information provided in the Announcement, the Company hereby provides the following supplemental information regarding the details of the Transfer of Shares in Xuanzhu Biopharm.

BASIS OF DETERMINATION FOR THE CONSIDERATION

Share Compensation and Transfer Agreements

As disclosed in the Announcement, in order to reduce the actual investment price per share of Xuanzhu Biopharm paid by the Series A Lead Investors, Xuanzhu (HK) shall transfer and return 24,332,920 shares of Xuanzhu Biopharm held by Xuanzhu (HK) to the Series A Lead Investors at nil consideration, increasing the number of shares of Xuanzhu Biopharm held by the Series A Lead Investors to 93,377,320 shares, such that the effective investment cost for the Series A Lead Investors would be reduced to RMB8.5674 per share.

Valuation

The transfer and return of shares is conducted according to the adjustment to the valuation of Xuanzhu Biopharm. China Faith Appraisers Co., Ltd. (北京國友大正資產評估有限公司) (the “**Valuer**”), an independent and qualified valuer, was engaged to conduct a valuation of the market value of Xuanzhu Biopharm as at 30 September 2024 (the “**Valuation**”). The Valuer is a member of the China Appraisal Society. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Valuer is an independent third party of the Company, Xuanzhu Biopharm and their respective connected persons.

There are three basic valuation approaches, namely the cost approach (asset-based approach), the income approach and the market approach. Given that Xuanzhu Biopharm is a pharmaceutical research and development (R&D) enterprise, which is an asset-light enterprise in terms of its book assets, and a number of intangible resources are difficult to be identified and quantified one by one to reflect its value, the asset-based approach is not able to reflect the intrinsic value of Xuanzhu Biopharm in a comprehensive and reasonable manner. Since it is difficult to predict and quantify Xuanzhu Biopharm’s future operating earnings and to estimate and measure the risk and return associated with the expected earnings of the enterprise, the income approach for the Valuation is also not applicable. As there are many listed companies in the pharmaceutical and biological industries to which Xuanzhu Biopharm belongs, and the number of pipelines under research, R&D investment, the stage of development and the scope of principal business are comparable to those of similar listed companies to a certain extent, the share prices and operating and financial data of these comparable companies are announced with relevant information, which is available for data collection. Therefore, the market approach is applicable to the Valuation.

Two specific methods commonly used in the market approach are the listed companies comparison method and the transaction cases comparison method. Since the metrics data of the selected comparable companies is publicly available, the Valuation adopts the listed companies comparison method, which makes the approach more practical.

Considering the characteristics of the unit being valued that are not generating significant profits, being an asset-light enterprise and in the R&D stage without realizing revenue, profit-based value ratios, asset-based value ratios or income ratios are not applicable to the Valuation. For technology-intensive growth stocks, the price-to-research (P/R) ratio should be applied to obtain a more reasonable enterprise value, and therefore the P/R ratio approach was adopted in the Valuation.

Valuation assumptions are as below:

- (i) Open market assumption: Assets can be freely traded in a fully competitive market, and the prices of them depend on the judgment of value of the asset by independent purchasers and sellers under certain market supply and demand conditions.

- (ii) Continuing operation of an enterprise: It is assumed that the business activities of a business entity can be continued on a going concern basis, and the business activities of such business entity will not be suspended or terminated within a predictable period of time in the future.
- (iii) It is assumed that the entrusted valuation subject is in strict compliance with relevant accounting standards and the financial statements as at the valuation base date are true and reliable.
- (iv) It is assumed that the financial statement data disclosed by the comparable listed companies are true and the information disclosure is sufficient and timely.
- (v) It is assumed that unless specifically stated, transactions in the capital market are open, equal, voluntary and fair.
- (vi) No significant changes are assumed in the macro political, economic and social environment of the target company's location.
- (vii) No significant changes are assumed in the existing laws, regulations, policies and socio-economic environment followed by the enterprise.

There are no limitations in the scope of the Valuation.

The comparable companies should be A-share listed companies in the pharmaceutical and biological industries in the PRC. These companies should have similar business scope, business type, risk management capabilities, and stage of corporate development as Xuanzhu Biopharm. Based on the preliminary selection results, the Valuer further eliminated the following companies: (1) those in the industry whose main business is not comparable, (2) those with excessive operating income as they are at different development stages from Xuanzhu Biopharm, (3) those with a shorter listing time than two months due to their high stock price volatility, and (4) those with the largest and smallest multiples involved. Ultimately, six comparable companies were selected. The market capitalization of the selected comparable companies and their financial data are extracted from open sources as all of them are A-share listed companies.

Based on the differences between these six companies and Xuanzhu Biopharm, adjustments were made in terms of operating scale, debt-paying ability, and growth. The relevant adjustments are calculated with reference to several financial indicators, such as business scale (operating income, total assets), debt-paying ability (current ratio, debt-to-asset ratio), and growth (number of pipelines). The Valuer compared each indicator of the comparable companies with Xuanzhu Biopharm and rated them. Subsequently, the total score of Xuanzhu Biopharm is divided by the total score of the comparable companies to calculate the adjustment factor. Based on the above, the Valuer arrived at a weighted revised P/R ratio of 4.03 for the comparable companies.

To illustrate the calculation method, the calculation details of the weighted revised P/R ratio are as follows:

	Company A	Company B	Company C	Company D	Company E	Company F
Original P/R ratio	1.82	4.36	2.93	6.75	5.98	2.49
Operation scale adjustment	100.0/100.0	100.0/101.0	100.0/105.0	100.0/103.5	100.0/100.5	100.0/101.0
Debt repayment capacity adjustment	100.0/103.5	100.0/96.5	100.0/98.5	100.0/96.5	100.0/103.5	100.0/100.5
Growth adjustment	100.0/96.0	100.0/97.0	100.0/100.0	100.0/102.0	100.0/100.0	100.0/97.0
Revised P/R ratio	1.83	4.61	2.83	6.63	5.75	2.53
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Weighted revised P/R ratio				4.03		

According to the management accounts of Xuanzhu Biopharm, the accumulated R&D costs of Xuanzhu Biopharm (from 2019 to the valuation base date of 30 September 2024) were RMB1,576.6022 million. Upon calculation and applying a non-liquidity discount rate of 38.13%, the market value of Xuanzhu Biopharm was valued at RMB3.9 billion as at 30 September 2024 (the “**Adjusted Valuation**”). The non-liquidity discount rate was determined by referring to the Valuer’s collection and comparative analysis of minority equity transactions and mergers of non-listed companies in the pharmaceutical and bioproduct manufacturing industries during 2023, along with the differences in the price-to-earnings ratio data of listed companies.

Information on the Comparable Companies

Company A, incorporated in the PRC, has been listed since 2022. It is principally engaged in the development of Best-in-class and First-in-class drugs with significant clinical needs.

Company B, incorporated in the PRC, has been listed since 2021. It is principally engaged in the R&D, production and sales of innovative drugs.

Company C, incorporated in Cayman Islands, has been listed since 2022. It is principally engaged in the R&D, production and commercialization of innovative drugs.

Company D, incorporated in the PRC, has been listed since 2020. It is principally engaged in the innovation-driven R&D of new chemical and biological drugs in multiple therapeutic areas such as tumors, bleeding and blood diseases and hepatobiliary diseases.

Company E, incorporated in the PRC, has been listed since 2022. It is principally engaged in the development of small molecular innovative drugs in clinical research stage.

Company F, incorporated in the PRC, has been listed since 2022. It is principally engaged in the discovery, development and commercialization of innovative drugs targeting unmet clinical needs.

Unit: RMB ten thousand

	Company A	Company B	Company C	Company D	Company E	Company F
Average market capitalization for the 30 trading days prior to 30 September 2024	263,051.44	1,519,267.57	1,000,149.56	1,535,651.60	509,071.27	259,550.55
Accumulated R&D costs from 2019 to 30 September 2024	144,289.94	348,637.61	341,113.21	227,427.67	85,192.22	104,097.89

The calculation formulas in relation to the total number of shares of Xuanzhu Biopharm to be transferred and returned to the Series A Lead Investors (N4) and the adjusted actual investment price per share of Xuanzhu Biopharm paid by the Series A Lead Investors (P) are as follows:

$$(1) \quad I/V \times N1 = N2$$

$$(2) \quad N2 - N3 = N4$$

$$(3) \quad I/N2 = P$$

Where:

I: Total investment amount of Series A Lead Investors

V: Adjusted Valuation

N1: Total number of shares of Xuanzhu Biopharm

N2: Total number of shares to be held by the Series A Lead Investors after the transfer and return of shares of Xuanzhu Biopharm

N3: Total number of shares previously held by the Series A Lead Investors

N4: Total number of shares of Xuanzhu Biopharm to be transferred and returned to the Series A Lead Investors

P: Adjusted actual investment price per share of Xuanzhu Biopharm paid by the Series A Lead Investors

Equity Transfer Agreement

As disclosed in the Announcement, according to the Equity Transfer Agreement, Xuanzhu (HK), a subsidiary of the Company, shall transfer 36,049,144 equity interests in Xuanzhu Biopharm held by it to the Employee Incentive Platforms at nominal value as consideration, totalling RMB36,049,144.

The Company has determined the consideration based on the following key factors: (1) Xuanzhu Biopharm stands as one of the Company's most vital subsidiaries and the Company is confident that by incentivising the employees of Xuanzhu Biopharm, it will foster the growth of Xuanzhu Biopharm, which in turn will significantly contribute to the overall development of the Company; and (2) to ensure the utmost effectiveness of the employee incentive scheme, the Company shall minimise the costs of the incentive shares, so the Company provided the incentive shares at the lowest price possible, which was equivalent to the nominal value of the share of Xuanzhu Biopharm.

PAYMENT TERMS UNDER THE EQUITY TRANSFER AGREEMENT

As disclosed in the Announcement, according to the Equity Transfer Agreement, within 24 months after the Equity Transfer Agreement is signed and becomes effective, the consideration of transferring the Subject Equity shall be paid to the bank account designated by Xuanzhu (HK).

Considering the cross-border payment is subject to review and approval of the foreign exchange management authorities in Mainland China, which is beyond control of each party to the Equity Transfer Agreement, the Group and the Employee Incentive Platforms agreed on the prolonged payment term of 24 months to allow greater flexibility. However, despite the prolonged payment term, the Employee Incentive Platforms have finished the payment prior to the first submission of the listing application of Xuanzhu Biopharm to the Stock Exchange.

INFORMATION ON PREVIOUS INVESTORS

Each of MIIF and FIIF is a limited partnership formed under the laws of the PRC, the general partner and manager of which is CS Capital Co., Ltd. (國投招商投資管理有限公司) (“**CS Capital**”). CS Capital is an equity investment management institution with affluent investment experience in biotech and healthcare sectors, including but not limited to Innovent Biologics, a company listed on the Stock Exchange (stock code: 1801), Ascentage Pharma, a company listed on the Stock Exchange (stock code: 6855), CanSino Biologics, a company listed on the Stock Exchange (stock code: 6185) and the Shanghai Stock Exchange (stock code: 688185), Peijia Medical, a company listed on the Stock Exchange (stock code: 9996), Kelun-Biotech, a company listed on the Stock Exchange (stock code: 6990). As of the date of the Announcement, CS Capital and its affiliates managed nearly RMB100 billion of capital.

As of the date of the Announcement, MIIF and FIIF had approximately 20 and over 30 limited partners, respectively, and hold less than 30% interest in each partnership which therefore was an independent third party.

Shijiazhuang Keshuo (formerly known as Shijiazhuang Keshuo Equity Investment Fund Centre (Limited Partnership) (石家莊科碩股權投資基金中心(有限合夥))) is a limited partnership established in the PRC and mainly focuses on investment holding. As of the date of the Announcement, the general partner of Shijiazhuang Keshuo was Shijiazhuang Kehong Investment Management Co., Ltd. (石家莊科弘投資管理有限公司), which was ultimately owned by the Department of Finance of Shijiazhuang Hi-tech Industrial Development District (石家莊高新技術產業開發區財政局). The sole limited partner of Shijiazhuang Keshuo is Shijiazhuang Hi-tech District Technology Investment Co., Ltd. (石家莊高新區科發投資有限公司), which is also ultimately owned by the Department of Finance of Shijiazhuang Hi-tech Industrial Development District.

Beijing Tonghe is a limited partnership established in the PRC engaged in investment holding. As of the date of the Announcement, the general partner of Beijing Tonghe was Beijing Tonghedingtai Capital Management Co., Ltd. (北京同合鼎泰資本管理有限公司), ultimately held by Xue Ming (薛明), Li Jidong (李繼東), Lian Kui (連馮) and Wang Yanwei (王硯偉), each being an independent third party. As of the date of the Announcement, except for Beijing Zhiliang Ecological Technology Co., Ltd. (北京致良生態科技有限公司) (an independent third party and also ultimately controlled by Lian Kui), which held approximately 31.01% partnership interest in Beijing Tonghe, none of the limited partners of Beijing Tonghe owned over 30% partnership interest and each of them was an independent third party.

Shanghai Yunxin is a limited partnership established in the PRC, focusing on the biotech investment. As of the date of the Announcement, the general partner of Shanghai Yunxin was Shanghai Yonzinc Enterprise Management Co., Ltd. (上海雲鋅企業管理有限公司), a company ultimately controlled by Mr. Liu Lingyun (劉凌雲), an independent third party; the single largest limited partner of Shanghai Yunxin was Tianjin Zhongji Wantai Investment Management Co., Ltd. (天津中冀萬泰投資管理有限公司), which held approximately 25.00% partnership interest in Shanghai Yunxin. Tianjin Zhongji Wantai Investment Management Co., Ltd. (天津中冀萬泰投資管理有限公司) was a wholly owned subsidiary of China Zhongji Investment Co., Ltd. (中冀投資股份有限公司), which was in turn owned as to approximately 52.22% and 31.65% respectively by RiseSun Real Estate Development Co., Ltd. (榮盛房地產發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002146) and Hebei Yangyuan ZhiHui Beverage Co., Ltd. (河北養元智匯飲品股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603156). As of the date of the Announcement, none of the limited partners of Shanghai Yunxin owned over 30% partnership interest and each limited partner was an independent third party.

INFORMATION ON THE EMPLOYEE INCENTIVE PLATFORMS

The Employee Incentive Platforms are two limited partnerships established in the PRC, namely Tianjin Zhenxuan and Tianjin Guoding. The shareholdings held by Tianjin Zhenxuan and Tianjin Guoding in the SpinCo as of the date of this announcement are approximately 8.0000% and 0.2126%, respectively.

The general partner of Tianjin Zhenxuan is Mr. Che Yuxuan (車雨軒) (“**Mr. Che**”), the assistant to the chairperson of the Spin-off Group and the son of Dr. Che Fengsheng, the controlling shareholder of the Company. As of the date of the Announcement, Tianjin Zhenxuan had 11 limited partners, all of whom were employees of the Spin-off Group, including Mr. He Chengming (何成明), Ms. Xu Yanjun (徐艷君), Ms. Chen Yanling (陳燕玲), Mr. Lu Benyu (盧本玉) and Mr. Wang Xiaoping (王曉平), holding approximately 12.58%, 9.40%, 5.03%, 5.03% and 5.03% of the partnership interest, respectively, and six other employees of the Spin-off Group. As of the date of the Announcement, none of the limited partners of Tianjin Zhenxuan owned over 30% partnership interest.

Considering that Mr. Che’s role as the general partner of Tianjin Zhenxuan is by virtue of his capacity as the employee of Xuanzhu Biopharm, and that Mr. Che, despite his general partner role, does not have *de facto* decision-making power over Tianjin Zhenxuan according to the documents governing the limited partnership as explained below, Tianjin Zhenxuan does not constitute the connected person of the Company. Tianjin Zhenxuan, the incentive plan platform, mainly carries out three key functions, none of which shall be determined by the general partner. To be specific: the allocation of incentive shares shall be determined by the board of directors of Xuanzhu Biopharm. Exercise of voting rights in Xuanzhu Biopharm with respect to the shares allocated to Tianjin Zhenxuan requires the unanimous consent from all partners in the partners’ meeting comprising all twelve (12) partners (including general partner and limited partners) and the general partner has no special voting arrangement or casting vote at the partners’ meeting. After the partners’ meeting makes a decision, Mr. Che will exercise the voting rights on behalf of the partners’ meeting in his capacity as general partner. Similarly, future disposal of incentive shares must be made in accordance with Xuanzhu Biopharm’s incentive scheme and requires the unanimous consent from all partners in the partners’ meeting of Tianjin Zhenxuan. After the partners’ meeting makes a decision, Mr. Che will exercise the voting rights on behalf of the partners’ meeting in his capacity as general partner.

The general partner of Tianjin Guoding is Mr. Duan Xiaobo (段曉波), the sales director of the Spin-off Group. As of the date of the Announcement, Tianjin Guoding had six limited partners, all of whom were employees of the Spin-off Group, including Ms. Zhuang Jianling (莊建玲), the director of quality assurance department of the Spin-off Group, and Ms. Xu Yanjun holding approximately 38.79% and 10.65% of the partnership interest, respectively, and four other employees of the Spin-off Group. Save as disclosed, as of the date of the Announcement, none of the limited partners of Tianjin Guoding owned over 30% partnership interest.

INFORMATION ON XUANZHU BIOPHARM

For the consolidated financial information of Xuanzhu Biopharm, please see the table below:

- (1) The net assets and total assets as at 30 June 2024 (carrying value)

	As at 30 June 2024 (Audited) <i>RMB'000</i>
Net assets	1,029,365
Total assets	1,238,796

- (2) Profit/(loss) for the financial years ended 31 December 2022 and 2023 (before and after tax)

	For the year ended 31 December 2022 (Audited) <i>RMB'000</i>	For the year ended 31 December 2023 (Audited) <i>RMB'000</i>
Profit/(loss) before tax	(512,260)	(300,556)
Profit/(loss) after tax	(512,265)	(300,562)

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

Hong Kong, 10 January 2025

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. Tsang Wah Kwong, Dr. Zhu Xun and Mr. Wang Guan.