Simcere Pharmaceutical Group Limited
先聲藥業集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock code: 2096)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus (the "**Prospectus**") issued by Simcere Pharmaceutical Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") dated October 13, 2020 relating to the global offering (the "**Global Offering**") of the Company's shares for the listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited, (ii) the announcement of offer price and allotment results dated October 23, 2020 (the "**Allotment Results Announcement**"), (iii) the announcement of partial exercise of the over-allotment option, stabilizing actions and end of stabilization period dated November 18, 2020 (the "**Over-allotment Option Announcement**"), (iv) announcement of annual results for the year ended December 31, 2020 (the "**Annual Results Announcement**") in which the utilization of the net proceeds from the Global Offering and the partial exercise of the over-allotment option as of December 31, 2020 was disclosed, and (v) announcement of connected transaction in relation to disposal of subsidiaries dated April 15, 2021. Unless otherwise defined, the capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus.

As set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and as disclosed in the Allotment Results Announcement, Over-allotment Option Announcement and Annual Results Announcement, the net proceeds raised from the Listing and the partial exercise of the over-allotment option were approximately HK$3,513.09 million (the "**Net Proceeds**"). As of March 31, 2021, the Net Proceeds utilized was approximately HK$895.41 million and the remaining Net Proceeds was approximately HK$2,617.68 million. The Board intends to reallocate the Net Proceeds amounted to approximately HK$325.62 million for the selected cell therapy product candidates, including CD19 CAR T-cell therapy (Indication 1), CD19 CAR T-cell therapy (Indication 2), BCMA CAR T-cell therapy and SIM-325 (the "**Pipeline Products**"), to the selected oncology product candidates that are currently under development, including G1 Trilaciclib (Indication 1, Indication 2 and Indication 3), SIM-395 (Kazia-Paxalisib) and SIM-364 (Docetaxel Polymeric Micellar for Injection) (the "**New Selected Products**").

Set out below is the utilization of the Net Proceeds as of March 31, 2021 and the proposed change of use of the unutilized Net Proceeds:

Purpose	Percentage of the total amount	Net Proceeds received *(HK$ in million)*	Net Proceeds utilized as of March 31, 2021 *(HK$ in million)*	Net Proceeds unutilized as of March 31, 2021 *(HK$ in million)*
Purpose 1: Continued research and development of selected product candidates in the Company's strategically focused therapeutic areas[(1)]	60%	2,107.85	95.32	2,012.53
Purpose 2: Reinforcement of the Company's sales and marketing capabilities	10%	351.31	139.68	211.63
Purpose 3: Investment in companies in the pharmaceutical or biotechnology sector with a view to broadening the Company's product portfolio	10%	351.31	0.00	351.31
Purpose 4: Repayment of certain outstanding bank loans	10%	351.31	351.31	0.00
Purpose 5: Working capital and other general corporate purposes	10%	351.31	309.10	42.21
Total	**100%**	**3,513.09**	**895.41**	**2,617.68**

Notes:

(1) As of March 31, 2021, the Net Proceeds of HK$325.62 million previously allocated to the Pipeline Products were unutilized and will be reallocated to the New Selected Products under Purpose 1. As of March 31, 2021, save as the aforementioned changes, there is no other change in the use of the Net Proceeds. Save as disclosed herein, the Company intends to apply the unutilized Net Proceeds as of March 31, 2021 in the manner and proportion set out in the Prospectus.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The reallocation of the Net Proceeds for the Pipeline Products was primarily due to the disposal of the entire equity interest of Simgene Group Limited. For details, please refer to the announcement of the Company dated April 15, 2021 with regard to connected transaction in relation to disposal of subsidiaries.

The decision of disposal of the entire equity interest of Simgene Group Limited 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 and pharmaceuticals 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 anti-PD-1/PD-L1 therapy pharmaceuticals. As such, given such policies trend making the future prospect of the Pipeline Products unpromising, 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 Group Limited 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. As such, the allocation of the Net Proceeds to Pipeline Products is no longer required.

In addition, given oncology is one of the Company's strategically focused therapeutic areas, the Company targets to constantly devote sufficient resources into this area. In consideration that the New Selected Products have entered or will enter into certain critical development stages which will further expand the breadth of the Company's oncology product pipeline, the Company believes that the New Selected Products have promising prospects and will allocate the Net Proceeds to accelerate their future research and development. Details of the New Selected Products and their respective stages were set out as below:

Products Name	**Introduction of the Products**	**Stage of the Research and Development**
G1 Trilaciclib	***Indication 1*** This is a First-in-Class product for the treatment of chemotherapy-induced myelosuppression (transient CDK4/6 inhibitor for injection), and is the first product to be used for bone marrow (red blood cells, neutrophils, platelets) protection prior chemotherapy for anti-tumor treatment. This product was granted breakthrough therapy designation by the U.S. Food and Drug Administration (FDA) and was approved on February 12, 2021 (U.S. time) to decrease the incidence of chemotherapy-induced myelosuppression in adult patients when administered prior to a platinum/etoposide-containing regimen or topotecan-containing regimen for extensive-stage small cell lung cancer.	The Company obtained a clinical trial approval on January 18, 2021 for the development of this product in China for small cell lung cancer.

Products Name	Introduction of the Products	Stage of the Research and Development
	Indication 2 This is a product indicated for bone marrow protection in patients with colorectal cancer. There is currently no similar competitive product developed for this indication.	The Company plans to join the global multi-center phase III study sponsored by G1 therapeutics, Inc. and obtained the clinical trial approval on April 14, 2021. The patient recruitment has been initiated outside of China while the enrolment in China is expected to start in third quarter of this year.
	Indication 3 This is a product indicated for patients with triple negative breast cancer (TNBC). The results of a phase II study of this product indicated that Trilaciclib administrated prior to chemotherapy (gemcitabine combined with carboplatin) has clinical significant improvements in progression-free survival and overall survival.	The Company plans to join the global multi-center phase III study sponsored by G1 therapeutics, Inc. The clinical trial application of this product has been accepted in April 2021. The first patient enrollment worldwide will be initiated in April 2021 and the enrollment completion is expected in the first half of 2022.
SIM-395 (Kazia-Paxalisib)	Paxalisib is an effective inhibitor of the PI3K pathway and can penetrate the blood-brain barrier. It has not yet been approved for commercialization in any countries. The results of the phase IIa study targeted glioblastoma multiforme show that this product largely improve patients' progression-free survival and overall survival.	The Company plans to join its phase II/III global clinical registration study and is currently preparing for the investigational new drug (IND) application. The IND approval is expected to be obtained this year to carry out registered clinical trials.
SIM-364 (Docetaxel Polymeric Micellar for Injection)	Compared with traditional docetaxel, Docetaxel-Polymeric Micellar replaced the toxic cosolvents with polymeric micelles. This will simplify pre-treatment process, reduce adverse events like allergic reactions, alcohol toxicity, skin toxicity, and improve the tolerance.	This product is currently being investigated in a phase I clinical trial.

In view of the above, the Board considers that the aforesaid change in the use of the Net Proceeds will facilitate an effective use of the financial resources of the Group, strengthen the future development of the Group and is in the best interest of the Company and its shareholders as a whole. The Directors confirm that there is no material effect on the Group's business strategies or material change in the nature of business of the Group as set out in the Prospectus. Save for the aforesaid changes, there is no other change in the use of the Net Proceeds.

By order of the Board of
Simcere 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.