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SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3681)

CONNECTED TRANSACTION

PROPOSED ISSUE OF HK\$100,000,000 CONVERTIBLE BONDS DUE 2022 POSSIBLE ISSUE OF SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

The Subscription Agreement

On 22 December 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Investor, whereby the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100,000,000 at the Issue Price.

In the event of full conversion of the Convertible Bonds at the initial Conversion Price, 20,000,000 Shares, approximately 1.99% of the issued Shares as at the date of this announcement and approximately 1.95% of the issued Shares as enlarged by the Conversion Shares will be issued.

A specific mandate will be sought from the independent Shareholders to the Directors at the EGM to be held for the purpose of considering and approving the Subscription Agreement and the possible issue of new Shares pursuant to the Subscription Agreement, to allot, issue or deal with up to 20,000,000 new Shares subject to customary adjustment as set out in the Bond Instrument, in compliance with the requirements under the Listing Rules (including Chapter 14A).

Listing Rules Implications

The Investor is a wholly owned subsidiary of Haiyao, a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company.

Therefore, the Investor is a connected person of the Company. Accordingly, the Subscription Agreement and transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate. An independent board committee comprising all the independent non-executive Directors will be established by the Company to consider the Subscription Agreement and the transactions contemplated thereunder and to advise the independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed in accordance with the Listing Rules to advise the independent board committee and independent Shareholders as to whether the Subscription Agreement is fair and reasonable.

A circular containing, among other things, information relating to the Subscription Agreement, a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 14 January 2021.

Completion of the Subscription Agreement is subject to certain conditions precedent and the Investor's termination rights as set out below in the section headed "Subscription Agreement". As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

On 22 December 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Investor, whereby the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100,000,000 at the Issue Price.

THE SUBSCRIPTION AGREEMENT

Date: 22 December 2020

Parties: The Company (the issuer)

Haiyao International Group Limited (as investor, the "**Investor**")

Subject to the fulfilment of the Conditions set out in the Subscription Agreement as summarized below under the section headed "Conditions Precedent", the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds at the Issue Price on the terms and subject to the conditions set out in the Subscription Agreement and the Bond Instrument.

Conditions Precedent

Completion of the Subscription is conditional upon the following conditions being fulfilled (or where capable of waiver, waived):

- (i) all necessary regulatory filings with, notifications to and waivers, consents, clearance and approvals of the relevant authorities for the Subscription Agreement and the Bond Instrument and the transactions contemplated therein having been made and obtained, and such filings, notifications, waivers, consents, clearance and approvals remaining valid and effective (and if such filings, notifications and approvals are subject to conditions, and if required by the relevant authorities, such conditions being fulfilled or satisfied before Completion);

- (ii) the passing by the independent Shareholders at the EGM to be held of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated hereunder;
- (iii) the Company having obtained the Specific Mandate;
- (iv) the board of directors of Haiyao having approved the Subscription Agreement and transactions contemplated thereunder;
- (v) the Stock Exchange having granted approval for the listing of, and a permission to deal in, the Conversion Shares and such approval remaining valid and effective;
- (vi) all necessary bank and third party consents or waivers required to be obtained by any member of the Group in connection with the creation, issue and sale of the Convertible Bonds and Conversion Shares, the execution of the Subscription Agreement and the Bond Instrument, the performance by the Company of the obligations therein (if any), having been obtained on terms and conditions reasonably acceptable to the Investor;
- (vii) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an Event of Default;
- (viii) there having been no breach by the Company of any provision contained in the Subscription Agreement;
- (ix) since the date of the Subscription Agreement there having been no material adverse event;
- (x) clearance of any and all announcement(s) and circular(s) by the Stock Exchange (if required) to be issued as of the Completion Date in connection with the entry into and consummation of the transactions contemplated under the Subscription Agreement and the Bond Instrument;
- (xi) the Company's warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (xii) the Investor's warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (xiii) the Shares remaining listed and traded on the Main Board of the Stock Exchange;
- (xiv) there being no injunction, restraining order or order of similar nature by an authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement; and
- (xv) since the date of the Subscription Agreement, there having been no force majeure or a deterioration in financial markets.

Both the Company and the Investor shall make reasonable effort to satisfy above conditions precedent before the Long Stop Date.

Completion

The Completion shall take place on the date specified in written notice from the Company to the Investor, being a date three business days after the later of (i) the date on which the last condition precedent set out in above section is satisfied or waived (if applicable); and (ii) the date on which a written notice from the Company is given to the Investor notifying that all conditions precedent are satisfied with the Company's bank account for the payment by the Investor of the HK\$100,000,000.

Termination

The Investor may give a termination notice to the Company at any time prior to the payment of the Issue Price to the Company on the Completion Date if:

- (i) any of the Company's warranties is, or any event has occurred or matter has arisen which has rendered, or would reasonably be expected to render, any of the warranties untrue or incorrect as at the date of the Subscription Agreement or at Completion;
- (ii) the Company commits any breach of or omits to observe any of its obligations or undertakings under the Subscription Agreement;
- (iii) an Event of Default has occurred (and the specific grace period in relation thereto has passed in accordance with the Convertible Bond Conditions);
- (iv) the Company ceases to be a company listed on the Stock Exchange; or
- (v) in any relevant jurisdiction, there is adopted a new law or a change in the interpretation or application of a law which prohibits or restricts the issuance of the Convertible Bonds, capital issues or has a material adverse effect on the taxation treatment of the Convertible Bonds, Conversion Shares or the transfer thereof.

Transfer

Neither the Company nor the Investor can transfer its right or obligations under the Subscription Agreement or the Bond Instrument.

Conversion Shares

The Conversion Shares will represent:

in the event of full conversion of the Convertible Bonds at the initial Conversion Price, 20,000,000 Shares, approximately 1.99% of the issued Shares as at the date of this announcement and approximately 1.95% of the issued Shares as enlarged by the Conversion Shares will be issued.

The number of Conversion Shares to be issued will in any event (i) not result in the Company failing to meet the public float requirements under the Listing Rules and (ii) be not more than 20,000,000 Shares as explained below. The Conversion Shares will rank *pari passu* and carry the same rights and privileges in all respects with the Shares then in issue on the relevant conversion date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:

Issuer	:	The Company
Investor	:	Haiyao International Group Limited
Principal amount of the Convertible Bonds	:	HKD100,000,000
Issue price	:	HKD5.0 for each Conversion Share (subject to adjustment)
Denomination	:	The Convertible Bonds will be issued in registered form and in the denomination of HK\$10,000,000 each and integral multiples thereof.
Interest	:	4.95% per annum
Maturity date	:	The first anniversary date from the date on which Bonds are originally issued in accordance with the Subscription Agreement (the “ Maturity Date ”)
Events of Default	:	The Convertible Bonds are subject to customary events of default, including but not limited to non-payment of principal or interest, failure to deliver shares, breach of other obligations, breach of warranties in the Subscription Agreement, insolvency of the Company and its principal subsidiaries, enforcement proceedings, winding up against the Company or its principal subsidiaries, cross default of financial indebtedness of the Company and its subsidiaries, breach of applicable laws, expropriation, nationalization, illegality, change of control, suspension of the trading in the Shares of the Company for 10 consecutive Trading Days or cessation of listing of the Shares on the Stock Exchange, audit qualifications or reservations and any other analogous events (“ Events of Default ”).

Conversion Price : The initial Conversion Price is HK\$5.0. The initial Conversion Price of HK\$5.0 represents (i) a premium of approximately 25% over the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day (which is HK\$4.0); (ii) a premium of approximately 45.35% over the average closing price per Share for the last five consecutive Trading Days up to and including the day before the Last Trading Day; and (iii) a premium of approximately 37.89% over the average closing price per Share for the last five consecutive Trading Days up to and including the Last Trading Day.

The initial Conversion Price is subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price (as defined in the Bond Instrument), other issues at less than current market price, modification of rights of conversion, other offers to Shareholders and other dilutive events as described in the Bond Instrument.

The Conversion Price was determined after arm's length negotiations between the Company and the Investor having regard to the prevailing market price of the Shares prior to the date of this announcement and the business performance of the Group under the prevailing market conditions.

After deducting the transaction cost, the net price for each Conversion Share is HK\$4.945 (assuming full conversion of the Convertible Bonds at the initial Conversion Price and assuming no adjustment).

Conversion Right : The Investor has the right to convert all or part of the Convertible Bonds on the Maturity Date. To the extent the Investor seeks to exercise the conversion right in relation to the Convertible Bonds, no interest shall be payable for such Convertible Bonds provided that Conversion Shares are duly issued to the Investor. Any exercise of the Conversion Right is subject to the Company's compliance with relevant public float requirements under the Listing Rules.

Redemption upon an Event of Default : Following the occurrence of an Event of Default, the Bondholder shall have the right at its sole option (but is not obliged) to require the Company to redeem the Convertible Bonds in full at an amount equal to 100% of the principal amount of the Convertible Bonds and interest will be calculated at 4.95% per annum up to the date of such default redemption notice.

Redemption at maturity : Unless previously redeemed, converted or purchased and cancelled as provided in the Convertible Bonds Conditions, the Company will redeem all the outstanding Convertible Bonds at 100% of the principal amount thereof on the Maturity Date.

Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Status : The Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. The Convertible Bonds are not rated and shall rank at all times pari passu and without any preference or priority among themselves.

The Conversion Shares to be issued upon conversion of the Convertible Bonds shall be fully paid, free from encumbrances and rank pari passu in all respects with the then outstanding Shares of the Company and at all times with any other Shares of the Company, and immediately tradable on the Stock Exchange.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement, (ii) assuming full conversion of the Convertible Bonds at the initial Conversion Price (assuming no adjustment) and assuming no Shares are issued between the date of this announcement and full conversion of the Convertible Bonds (other than the issue of the Conversion Shares):

Name of Shareholder	As at the date of this announcement		Immediately after full conversion of the Conversion Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Skytech Technology Limited ¹	168,781,196	16.77	168,781,196	16.45
Forbest Capital Investment Group Limited ²	61,500,740	6.11	61,500,740	5.99
Apricot Capital (上海杏澤投資管理有限公司) ³	212,889,400	21.16	212,889,400	20.74
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)	158,882,115	15.79	178,882,115	17.43
Grogene Technology Limited ⁴	34,831,640	3.46	34,831,640	3.39
Public Shareholders	369,355,309	36.71	369,355,309	35.99
Total	<u>1,006,240,400</u>	<u>100.00</u>	<u>1,026,240,400</u>	<u>100.00</u>

Notes:

1. Skytech Technology Limited is a company wholly owned by Dr. Shui On LEUNG, the chairman of the Company.
2. Forbest Capital Investment Group Limited is wholly held by For Best Holding Capital Group Investment Inc. which is controlled by Ms. Huimin TIAN. Ms. Tian is the spouse of Mr. Huiyuan MA, a non-executive Director of the Company.

3. Shares held by Apricot Capital (上海杏澤投資管理有限公司) are through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Wenyi LIU, a non-executive Director of the Company. Ms. Liu is the spouse of Mr. Jing QIANG (“**Mr. Qiang**”, a non-executive Director of the Company).
4. Grogene Technology Limited is a company wholly owned by Mr. Qiang.

USE OF PROCEEDS

The proceeds from the proposed issue of Convertible Bonds, after deduction of all estimated expenses relating thereto, are expected to amount to approximately HK\$98,899,100. The Company intends to apply all proceeds of the Convertible Bonds towards clinical costs, construction of a comprehensive base located in the PRC, research and development and commercialization of the Company’s products or drug candidates and replenishment of working capital.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities (including securities convertible into equity securities of the Company) in the past twelve months prior to the date of this announcement.

REASONS FOR AND BENEFITS OF THE ISSUE OF CONVERTIBLE BONDS

The Board considers that the issue of Convertible Bonds to be in the best interests of the Company and its Shareholders.

The Directors are of the view that the entering into of the Subscription Agreement and the Bond Instrument and transactions contemplated thereunder would strengthen the financial position of the Group and provide working capital to the Group.

The terms of the Subscription Agreement and the Convertible Bonds were negotiated on an arm’s length basis and the Directors (excluding the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE

A specific mandate will be sought from the independent Shareholders to the Directors at the EGM to be held for the purpose of considering and approving the Subscription Agreement and the possible issue of new Shares pursuant to the Subscription Agreement, to allot, issue or deal with up to 20,000,000 new Shares subject to customary adjustment as set out in the Bond Instrument, in compliance with the requirements under the Listing Rules (including Chapter 14A).

GENERAL

The Company is a limited liability company incorporated under the laws of Hong Kong. The Shares have been listed on the Main Board of the Stock Exchange since 12 November 2019.

The Group is principally engaged in the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody-based biologics.

The Investor is a company incorporated in the PRC and is principally engaged in business activities and services in relation to medicines, medical instruments and medical health. The Investor is a wholly owned subsidiary of Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) (“**Haiyao**”), a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company. The ultimate beneficial owner of Haiyao is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中國國務院國有資產監督管理委員會).

APPLICATION FOR LISTING

An application will be made to the listing committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

IMPLICATIONS UNDER THE LISTING RULES

The Investor is a wholly owned subsidiary of Haiyao, a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company. Therefore, the Investor is a connected person of the Company. Accordingly, the Subscription Agreement and transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholder’s approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate. An independent board committee comprising all the independent non-executive Directors will be established by the Company to consider the Subscription Agreement and the transactions contemplated thereunder and to advise the independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed in accordance with the Listing Rules to advise the independent board committee and independent Shareholders as to whether the Subscription Agreement is fair and reasonable.

Haiyao and its associates are required to abstain from voting on the resolutions in respect of the Subscription Agreement and transactions contemplated thereunder and the grant of the Specific Mandate at the extraordinary general meeting. To the best of the information, belief and knowledge of the Directors, save for Haiyao and its associates, no other Shareholder has any material interest in the Subscription Agreement and the grant of the Specific Mandate. None of the Directors has a material interest in the Subscription Agreement and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among other things, information relating to the Subscription Agreement, a notice of EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 14 January 2021.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “Subscription Agreement” above for further information. As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

DEFINITIONS

“Board”	The board of Directors of the Company;
“Bond Instrument”	the bond instrument to be executed by the Company upon Completion incorporating the terms and conditions of the Convertible Bonds;
“Bondholder”	the person in whose name a Convertible Bond is registered on the register of Bondholders of the Company;
“China” or “PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Company”	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on Stock Exchange (stock code: 03681);
“Completion”	completion of the Subscription;
“Completion Date”	the date of completion of the Subscription;
“Condition(s)”	the conditions precedent set out in the Subscription Agreement for the Subscription;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Conversion Price”	the price per Share at which the Convertible Bonds may be converted into Shares;
“Conversion Shares”	the Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds;
“Convertible Bonds”	the HK\$100,000,000 convertible bonds due 2022 to be issued by the Company pursuant to the Subscription Agreement;
“Convertible Bonds Conditions”	the terms and conditions of the Convertible Bonds as set out in the Bond Instrument;

“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the possible issue of new Shares pursuant to the Subscription Agreement, to allot, issue or deal with up to 20,000,000 new Shares (subject to adjustment);
“Group”	the Company and its subsidiaries;
“Haiyao”	Hainan Haiyao Co., Ltd. (海南海藥股份有限公司), a limited company by share established in the PRC on 30 December 1992 and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000566);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Issue Date”	the date of issue of the Convertible Bonds;
“Issue Price”	100% of the principal amount of the Convertible Bonds;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Last Trading Day”	22 December 2020;
“Long Stop Date”	6 months from the date of the Subscription Agreement (or such other date as the parties to the Subscription Agreement may agree in writing);
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Specific Mandate”	the specific mandate to be sought from the independent Shareholders (being Shareholders other than Haiyao and its associates) at the EGM to allot and issue up to 20,000,000 Conversion Shares (subject to adjustment);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Convertible Bonds by the Investor pursuant to the terms and subject to the conditions of the Subscription Agreement;

“Subscription Agreement” the subscription agreement entered into between the Company and the Investor on 22 December 2020 in connection with the issue by the Company of the Convertible Bonds to the Investor; and

“Trading Day” a day on which the Stock Exchange is open for business

By Order of the Board
SinoMab BioScience Limited
Dr. Shui On LEUNG
Executive Director, Chairman and Chief Executive Director

Hong Kong, 22 December 2020

As at the date of this announcement, the executive Director is Dr. Shui On LEUNG, the non-executive Directors are Dr. Haigang CHEN, Mr. Xun DONG, Mr. Senlin LIU, Ms. Wenyi LIU, Mr. Huiyuan MA and Mr. Jing QIANG, and the independent non-executive Directors are Mr. George William Hunter CAUTHERLEY, Mr. Michael James Connolly HOGAN, Mr. Ping Cho Terence HON and Mr. Dylan Carlo TINKER.

* *For identification purposes only*