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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)

**ANNOUNCEMENT
CONNECTED TRANSACTION UNDER LEASE AGREEMENT**

INTRODUCTION

The Lease Agreement

On 22 March 2021, Hainan SinoMab (as lessee), a wholly owned subsidiary of the Company, entered into the Lease Agreement with Haikou Pharmaceutical (as lessor), a subsidiary of Haiyao which is a substantial Shareholder of the Company, to lease the Property for a term of 20 years commencing from 1 April 2021 to 31 March 2041.

Listing Rules Implications

In accordance with HKFRS 16, the Group will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Property under the Lease Agreement. Accordingly, the transaction under the Lease Agreement will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules.

Haiyao is the substantial shareholder of the Company holding approximately 15.79% of the total number of issued shares of the Company, and is therefore a connected person of the Company. Haikou Pharmaceutical is a subsidiary of Haiyao and also a connected person of the Company. Accordingly, the transaction under the Lease Agreement constitutes a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the total value of the right-of-use assets to be recognised by the Group under the Lease Agreement is more than 0.1% but less than 5%, the transaction under the Lease Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE LEASE AGREEMENT

- Parties : (a) Hainan SinoMab (as lessee)
(b) Haikou Pharmaceutical (as lessor)
- Date : 22 March 2021
- Property : No. 6 Building (SinoMab Building) located in Haiyao Industry Park (built by Haiyao Group), 192 Nanhai Avenue, Xiuying District, Haikou City, Hainan Province with a total gross floor area of 14,637 square meters and a land area of approximately 6,550 square meters attached to the building, together with the existing fixtures, improvements and public facilities and equipment attached to the building and the land.
- Term : 20 years from 1 April 2021 to 31 March 2041
- Rent : The annual rent payable of the Property is RMB3,392,500 according to a framework agreement where the parties principally agreed on the pricing basis of the Lease Agreement (exclusive of management fee, other outgoing charges and expenses).

The rent will be funded by the Group's internal resources.
- Payment arrangement : The rent shall be paid in RMB on an annual basis. Hainan SinoMab shall pay the annual rent by the end of March of each year (or otherwise agreed by both parties in written) in cash or cheque.
- Renewal : Hainan SinoMab is entitled to renew the Lease Agreement under same terms and conditions one month before the expiration of the Lease Agreement.
- Exclusivity : Hainan SinoMab has the exclusive possession right and unrestricted access to the Property during the term of the Lease Agreement.
- Maintenance : Haikou Pharmaceutical shall bear the cost of maintenance of the Property. If Haikou Pharmaceutical fails to repair and maintain the Property in a timely manner, Hainan SinoMab shall have the right to complete such maintenance itself or by engaging a third party, the cost of which shall be borne by Haikou Pharmaceutical.
- Sublease : Hainan SinoMab shall not sublease the Property without Haikou Pharmaceutical's consent.
- Tax : Each of Hainan SinoMab and Haikou Pharmaceutical shall bear its tax related to the Lease Agreement respectively according to law.

VALUE OF THE RIGHT-OF-USE ASSETS

In accordance with HKFRS 16, the total value of the right-of-use assets to be recognised by the Group in respect of the lease of the Property under the Lease Agreement is approximately RMB44,728,100, calculated based on the present value of the total lease payments under the Lease Agreement at a discount rate of 4.9%.

REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT

The entering into of the Lease Agreement can provide the Group with enhanced and necessary office, research and development and production premises to satisfy its business operation needs for SM03. SM03 is the flagship product of the Company, the Company plans to file its Biologics Licence Application with the National Medical Products Administration of the PRC and expects to commercialize SM03 by the end of 2021 at the earliest. The rents under the Lease Agreement have been arrived at after arm's length negotiations between the parties with reference to the prevailing market rents of similar properties in the location.

The Board (including the independent non-executive Directors), is of the view that the transaction under the Lease Agreement is conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

Hainan SinoMab is a wholly owned subsidiary of the Company. 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. Shareholding structure of the Company is set out as below:

Name of Shareholder	As at the date of this announcement	
	<i>Number of Shares</i>	<i>Approx.%</i>
Skytech Technology Limited ¹	168,781,196	16.77
Forbest Capital Investment Group Limited ²	61,500,740	6.11
Apricot Entities ³	212,889,400	21.16
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)	158,882,115	15.79
Grogene Technology Limited ⁴	34,831,640	3.46
Public Shareholders	369,355,309	36.71
Total	<u>1,006,240,400</u>	<u>100.00</u>

- 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) and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) are through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited (collectively, the “**Apricot Entities**”), 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.

Haikou Pharmaceutical is a limited liability company incorporated under the law of the PRC and is principally engaged in the research, development, manufacture and sale of medicines and Class II medical instrument. Its main products consist of antibiotics, gastrointestinal medicines, anti-tumor medicines, medical devices and health products. It is owned by Haiyao with 98.42% equity interests and Hainan Communications Investment Holdings Co., Ltd.* (海南省交通投資控股有限公司) (“**Hainan Communications**”) with 1.58% equity interests. 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 which 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). The ultimate beneficial owner of Hainan Communications is Hainan Transportation Department which is controlled by the People’s Government of Hainan Province.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16, the Group will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Property under the Lease Agreement. Accordingly, the transaction under the Lease Agreement will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules.

Haiyao is the substantial shareholder of the Company holding approximately 15.79% of the total number of issued shares of the Company, and is therefore a connected person of the Company. Haikou Pharmaceutical is a subsidiary of Haiyao and also a connected person of the Company. Accordingly, the transaction under the Lease Agreement constitutes a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

Given that one or more percentage ratio(s) in respect of the value of the right-of-use assets under the Lease Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Lease Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As none of the Directors had a material interest in the Lease Agreement and the transactions contemplated thereunder, no Director abstained from voting on the relevant board resolutions of the Company.

DEFINITIONS

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

“Board”	The board of Directors 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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Haikou Pharmaceutical”	Haikou Pharmaceutical Factory Co., Ltd. (海口市製藥廠有限公司), a limited liability company, is owned as to 98.42% equity interests by Haiyao and 1.58% by an independent third party
“Hainan SinoMab”	Hainan SinoMab Biotech Co., Ltd.* (海南賽樂敏生物科技有限公司), a wholly owned subsidiary of the Company
“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)
“Haiyao Group”	Haiyao and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Property”	No. 6 Building (SinoMab Building) located in Haiyao Industry Park, 192 Nanhai Avenue, Xiuying District, Haikou City, Hainan Province with a total gross floor area of 14,637 square meters and a land area of approximately 6,550 square meters attached to the building, together with the existing fixtures, improvements and public facilities and equipment attached to the building and the land
“Shares”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 22 March 2021

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*