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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 AND CONTINUING CONNECTED TRANSACTIONS UNDER THE LICENSE AGREEMENT**

Reference is made to the prospectus of SinoMab BioScience Limited (中國抗體製藥有限公司) (the “**Company**”) dated 31 October 2019 (the “**Prospectus**”) in relation to, among other things, the BTK Transfer and Collaboration Agreement and the announcement of the Company dated 17 September 2021 in relation to the supplemental agreement (the “**Supplemental Agreement**”) entered between the Company and Suzhou Sinovent.

### **INTRODUCTION**

The Board is pleased to announce that on 16 September 2021 (after trading hours), the Company has entered into a license agreement (the “**License Agreement**”) with Suzhou Sinovent (together with the Company, as the “**Licensor**”) and Everest HK (as the licensee), pursuant to which the Licensor shall grant an exclusive, sublicensable, royalty-bearing license of all patents, know-how, trademarks and technology relating to SN1011, a BTK inhibitor, in the field of treatment of renal diseases to Everest HK in worldwide. SN1011 was formerly known as XNW1011 and was subsequently named as SN1011 by the Company after the entering into of the Sinovent Agreement as referred in the Prospectus. The Licensor will receive US\$12 million in upfront (US\$4 million as to the Company and US\$8 million as to Suzhou Sinovent according to the payment method (as set out in below section “**Payment Method**” in this announcement)) and up to US\$549 million in total development and sales milestones (up to US\$183 million as to the Company and up to US\$366 million as to Suzhou Sinovent according to the said Payment Method). The Company retains all other immunological rights for all indications (other than immunological related renal diseases) relating to SN1011 and will continue its research and development, including phase II clinical study currently initiating in China.

### **PRINCIPAL TERMS OF THE LICENSE AGREEMENT**

A summary of the principal terms of the License Agreement is as follows:

- Parties : (i) the Company;
- (ii) Suzhou Sinovent; and
- (iii) Everest HK

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, each of Everest HK and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

- Date : 16 September 2021 (after trading hours)
- Term : from the first business day after all the conditions precedent of the License Agreement set out below are satisfied or otherwise waived by Everest HK in writing (the “**Effective Date**”) to the last date of royalty term (as set out in below section “Royalty term” in this announcement), which shall be up to year 2042.
- Subject of license-out : All patents, know-how, trademarks and technology relating to SN1011, a BTK inhibitor, in the field of treatment of renal diseases.
- Conditions precedent : The License Agreement is conditional upon:
- (i) the Company having made an announcement and obtained independent Shareholders’ approval as to the License Agreement and transactions contemplated thereunder at a general meeting;
  - (ii) the Company having obtained approvals from the independent Shareholders at a general meeting in relation to the Supplemental Agreement and the transactions contemplated thereunder; and
  - (iii) the Company having obtained the waiver granted by the Stock Exchange in relation to Rule 14A.53, details of which are set out below in the section “Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules” of this announcement.
- Right of first offer : In the event the Licensor or any of its affiliates intends to make an offer to or receives an offer from, a third party to grant or obtain, as applicable, a license to exploit any product containing SN1011 for use other than renal diseases, the Licensor has granted Everest HK a right of first offer with respect to such license.
- Upfront payment : Within ten (10) business days from the Effective Date, Everest HK shall pay a non-refundable, non-creditable payment in the amount of US\$8,000,000 to Suzhou Sinovent and US\$4,000,000 to the Company.
- Development milestone payments : Everest HK shall notify the Licensor in writing of the achievement of any milestone event achieved as set out below by any licensed product and pay a non-refundable, non-creditable milestone payment to each of the Company and Suzhou Sinovent separately in the way as set out in below section “Payment method” of this announcement.

Everest HK shall pay to the Licensor various specified development milestone payments for the first indication and second indication, respectively, based on Everest HK's achieving different development milestone events such as the initiation of a phase II clinical study, the initiation of a pivotal study, the receipt of first regulatory approval in the US, the EU or UK, Japan and mainland China respectively. The maximum development milestone payments payable by Everest HK to the Licensor shall be US\$129 million in aggregate.

Sales milestone payment : Everest HK shall notify the Licensor promptly after the end of the year during which a sales milestone event is achieved and pay to each of the Company and Suzhou Sinovent separately in the way as set out in below section "Payment method" of this announcement.

Each of the sales milestone payments set below is payable only upon the first achievement of such milestone by the first licensed product to achieve such sales milestone event and none of the sales milestone payments will be payable more than once regardless of how many times such sales milestone event is achieved.

Everest HK shall pay to the Licensor various specified sales milestone payments, based on Everest HK's achieving different sales milestone figures for the annual Net Sales of all licensed products worldwide, from first exceeding US\$250 million to first exceeding US\$4 billion. The maximum sales milestone payments payable by Everest HK to the Licensor shall be US\$420 million in aggregate.

Royalties : The royalties will be settled on a country-by-country and licensed product-by-licensed product basis. Everest HK will pay to Licensor a royalty calculated by multiplying each amount of incremental, aggregated Net Sales of the applicable licensed product in the applicable country by the applicable tiered royalty rate shown as follows:

Everest HK shall pay at different specified royalty rates for different portions of the aggregate annual Net Sales. To illustrate, for annual Net Sales of a licensed product of up to US\$2 billion, Everest HK shall pay to the Licensor US\$180 million in aggregate. For the portion of aggregate annual Net Sales of a licensed product greater than US\$2 billion, Everest HK shall pay royalty to the Licensor at a rate of 12%.

Royalty term : The royalty term is settled on a country-by-country basis during the period commencing upon the first commercial sale of a licensed product in such country and ending upon the later of (i) the expiration of the last Valid Claim within the licensed patents covering specifically the composition of matter (for clarity, excluding any formulation, method of use, diagnosis or treatment or method of manufacturing claims) of such licensed product in such country, (ii) the expiry of the applicable regulatory exclusivity of such licensed product in such country; and (iii) the tenth (10th) anniversary of the first commercial sale of such licensed product in such country.

- Payment method : All parties agreed that the payment of all development milestones, sales milestones and royalties will be split one-third (approximately 33%) and two-thirds (approximately 66%) between the Company and Suzhou Sinovent, respectively. Each of the Company and Suzhou Sinovent shall issue its invoice to Everest HK separately of the amount of corresponding development milestone payment, sales milestone payment and royalties. Everest HK shall pay the amount separately to each of the Company and Suzhou Sinovent within ten (10) business days upon receipt of the invoice.
- Sublicense : Everest HK is entitled to grant sublicenses to (i) its affiliates without the Licensor's consent but with prompt written notification to the Licensor; and (ii) independent third parties with the Licensor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.
- Non-competing : Each of the Company and Suzhou Sinovent shall not directly or indirectly conduct any activity involving any competing products against licensed products.

## **BASIS OF CONSIDERATION**

The amount of upfront payment, development milestone payments, sales milestone payments and royalties under the License Agreement was negotiated on an arm's length basis between all parties and have taken into account of various factors including but not limited to (i) the status of the development of SN1011 and its commercial feasibilities; and (ii) the consideration and payment terms of comparable transactions.

The payment method of splitting one-third and two-thirds of all payments development milestones, sales milestones and royalties between the Company and Suzhou Sinovent was agreed by all parties. The sharing arrangement of proceeds between the Company and Suzhou Sinovent, being one-third to the Company and two-thirds to Suzhou Sinovent of all proceeds arising from the subject license-out, was determined in accordance with the Supplemental Agreement. The Supplemental Agreement is subject to the approval by the Company's independent shareholders and the reasons and benefits for entering into of the Supplemental Agreement were set out in the relevant announcement made by the Company on 17 September 2021.

## **WAIVER FROM STRICT COMPLIANCE WITH RULE 14A.53 OF THE LISTING RULES**

The royalties payable under the License Agreement will constitute continuing connected transactions of the Company. However, it is not practicable for the Company to estimate the maximum amount payable by Everest HK to the Licensor at time of this announcement or when it seeks independent Shareholders' approval at the proposed extraordinary general meeting. In addition, it would create undue uncertainty for Everest HK if the License Agreement and the transactions contemplated under it will be subject to further approval by the independent Shareholders of the Company after Everest HK has achieved Net Sales for a certain number of years.

In view of the above, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14A.53 of the Listing Rules for setting annual caps expressed in monetary terms for the License Agreement.

## **REASONS FOR AND BENEFITS OF THE LICENSE AGREEMENT**

The subject of license-out, the entire BTK rights relating to SN1011 in the field of treatment of renal diseases, is owned as to the Company for immunological rights and as to Suzhou Sinovent for the remaining rights, including but not limited to oncological rights. The Licensor agreed to license-out and the Licensee agreed to license-in the said subject.

As of today, the Company has had stronghold in both products and technologies in the treatment of immunological diseases. Nevertheless, the Company has continuously looked into the feasibility to widen our scope in both products and technologies resulting in (i) exposure to fields other than immunology; (ii) enrichment of our product portfolio; and (iii) increase in revenue due to success in aforesaid (i) and (ii). The Board believes that entering into of the License Agreement could achieve the above goals with the reasons entailed below:

First, the subject license-out is only for the indications in the field for renal diseases, the Company retains all other immunological rights for all indications relating to SN1011 (including but not limited to the indications currently under development by the Company) and will continue its research and development, including phase II clinical study currently initiating in China. The existing pipeline and the continuous research and development by the Company on the retained immunological rights will not be affected.

Second, the subject license-out is a recognition of the potential of SN1011 and could demonstrate the strength and rapid advancement of the Company's pipeline.

Third, the Company will have financial benefit from entering into of the License Agreement, for the reason that the Company will have a share of any proceeds (including upfront payment, development milestone payments, sales milestone payments and royalties) even the indication under the development of the licensee is not for immunological diseases. The Company will receive US\$4 million in upfront (as to one-third of the total upfront payments of US\$12 million) and up to US\$183 million for the development and sales milestone payments (as to one-third of the total development and sales milestone payments of up to US\$549 million).

Lastly, given that SM03, the Company's flagship product, is expected to be commercialized by the second half of 2023, the Board is of the view that the upfront payment, development milestone payments, sales milestone payments and royalties can bring cash and generate revenue for the Company before the commercialization of the Company's first product.

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

## INFORMATION OF THE PARTIES

### 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	
	Number of Shares	Approx. %
Skytech Technology Limited <sup>1</sup>	153,341,196	15.24
Forbest Capital Investment Group Limited <sup>2</sup>	31,313,528	3.11
Apricot Entities <sup>3</sup>	212,889,400	21.16
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) <sup>4</sup>	158,882,115	15.79
Grogene Technology Limited <sup>5</sup>	46,711,640	4.64
Public Shareholders	403,102,521	40.06
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.
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. Ms. LIU is the spouse of Mr. Jing QIANG (“**Mr. Qiang**”), a non-executive Director.
4. Pursuant to a share charge where Hainan Haiyao Co., Ltd (海南海藥股份有限公司) (“**Hainan Haiyao**”) charged 158,882,115 Shares to China Citic Bank Co., Ltd., Haikou Branch (“**China Citic Bank**”), China Citic Bank had a security interest in 158,882,115 Shares which were beneficially owned by Hainan Haiyao.
5. Grogene Technology Limited is a company wholly owned by Mr. Qiang.

## **Suzhou Sinovent**

Suzhou Sinovent is a limited liability company incorporated under the law of the PRC and is principally engaged in the development of innovative medicines to fulfill unmet clinical needs for the treatment of cancer, metabolic diseases and infectious disease, with its headquarters located in Suzhou with a global presence of branches established in Beijing, Shanghai, Australia and Boston. As of the date of this announcement, Mr. Jing QIANG (“**Mr. Qiang**”), one of the non-executive Directors and the spouse of Ms. Wenyi LIU (“**Ms. Liu**”), another non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent.

Specifically, as of the date of this announcement, Mr. Qiang directly held approximately 0.52% in Suzhou Sinovent; Mr. Qiang indirectly controlled in aggregate approximately 38.75% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)\* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan bonded port Youxiao Business Management Center, L.P.\* (寧波梅山保稅港區猷霄企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Yinji Equity Investment Partnership (Limited Partnership)\* (寧波梅山保稅港區胤基股權投資合夥企業(有限合夥))), Suzhou Youyao Business Management Center, L.P.\* (蘇州佑曜企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Boyu Jian'n Equity Investment Partnership (Limited Partnership)\* (寧波梅山保稅港區博裕儉安股權投資合夥企業(有限合夥))), Ningbo Meishan bonded port Chenghuaiyangguan Business Management Center, L.P.\* (寧波梅山保稅港區騁懷仰觀企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Baichuan Lecheng Equity Investment Partnership (Limited Partnership)\* (寧波梅山保稅港區百川樂成股權投資合夥企業(有限合夥))) and Shanghai Xingwei Investment Partnership (Limited Partnership)\* (上海杏微投資合夥企業(有限合夥)), each a limited partnership incorporated in the PRC and was ultimately controlled by Mr. Qiang as its general partner.

In addition, as of the date of this announcement, Suzhou Sinovent was held as to 4.70% by Shanghai Xingze Xinghe Startup Investment Center (Limited Partnership)\* (上海杏澤興禾創業投資中心(有限合夥)), and as to 0.53% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)\* (杭州杏澤興福投資管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Ms. Liu, as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 55.50% as of the date of this announcement.

## **Everest HK**

Everest HK is a private company limited by shares incorporated in Hong Kong and is principally engaged in investment holdings. It is wholly owned by Everest Medicines Limited, a company listed on the Stock Exchange (stock code: 1952) owned by Mr. Fu Wei (傅唯) with 44.29% equity interests. The group of Everest Medicines Limited is a biopharmaceutical company that integrates discovery, licensing, clinical development, commercialization and manufacturing of potentially novel or differentiated therapies to address critical unmet medical needs in initially Asia Pacific markets, and eventually around the world.

## **IMPLICATIONS UNDER THE LISTING RULES**

Each of Mr. Qiang and Ms. Liu has abstained from voting on the board resolutions approving the License Agreement. Save as disclosed above, none of the other Directors has a material interest in or is required to abstain from voting on the License Agreement.

Suzhou Sinovent is a close associate of Mr. Qiang and Ms. Liu, both are non-executive Director and are therefore, the Company's connected person. Accordingly, the transactions under the License Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that one or more percentage ratio(s) in respect of the maximum total value of the development milestone payments and sales milestone payments under the License Agreement exceeds 5%, and one or more of percentage ratio(s) in respect of the maximum royalties under the License Agreement exceeds 5%, the transaction contemplated under the License Agreement is subject to the announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

An extraordinary general meeting will be convened and held for the independent Shareholders to consider and, if thought fit, to approve the License Agreement and the transactions contemplated thereunder. A circular containing, among others, further details of (i) the License Agreement and the transactions contemplated thereunder; (ii) a letter of recommendations from the independent Board committee to the independent Shareholders in respect of the License Agreement; (iii) a letter of advice from the independent financial adviser to the independent Board committee and the independent Shareholders in respect of the License Agreement and its longer than three years' term; and (iv) a notice convening the extraordinary general meeting, will be despatched to the Shareholders on or before 12 October 2021.

## DEFINITIONS

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

“Board”	the board of Directors of the Company;
“BTK inhibitor”	the third-generation covalent reversible Bruton's tyrosine kinase inhibitor designed for higher selectivity with superior efficacy and safety profile. Please refer to the Prospectus for further details;
“BTK Transfer and Collaboration Agreement”	a technology transfer and collaboration agreement entered between the Company and Suzhou Sinovent on 30 March 2019, pursuant to which the Company (as transferee) agreed to acquire, and Suzhou Sinovent (as transferor) agreed to transfer to the Company, on an exclusive basis, the techniques and applications of BTK inhibitor (which subsequently named SN1011) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it;
“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 the Stock Exchange (stock code: 03681);



“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Everest HK”	Everest Medicines II (HK) Limited, a private company limited by shares incorporated in Hong Kong;
“Group”	the Company 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;
“licensed product(s)”	means any pharmaceutical or biological product that incorporates the SN1011, in all forms, presentations, formulations and dosage forms;
“Net Sales”	the gross price billed or invoiced on sales of the licensed product by Everest HK or sublicensees, less certain usual and customary deductions as agreed by all parties;
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Suzhou Sinovent”	Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司, formerly known as 蘇州信諾維醫藥科技有限公司), a company incorporated the PRC with limited liability; and
“Trading Day”	a day on which the Stock Exchange is open for business.

“Valid Claim”

Means either (a) a claim of an issued and unexpired patent included within the licensed patents from the Licensor to Everest HK, which has not been permanently revoked or declared unenforceable or invalid by an unreversed and unappealable or unreversed and unappealed decision of a court or other appropriate body of competent jurisdiction, or (b) a claim of a pending patent application included within the aforesaid licensed patents, which claim was filed in good faith, has not been pending for more than seven (7) years from its priority date, and has not been abandoned or finally disallowed without the possibility of appeal or refiling of such application.

By Order of the Board  
**SinoMab BioScience Limited**  
**Dr. Shui On LEUNG**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 17 September 2021

*As at the date of this announcement, the executive director of the Company is Dr. Shui On LEUNG, the non-executive directors of the Company 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 of the Company are Mr. George William Hunter CAUTHERLEY, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER.*

\* *For identification purposes only*