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Keymed Biosciences Inc.

康諾亞生物醫藥科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2162)

**CONNECTED AND DISCLOSEABLE TRANSACTION
ACQUISITION OF REMAINING EQUITY INTEREST IN
A NON-WHOLLY OWNED SUBSIDIARY**

The Board is pleased to announce that on June 26, 2023, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Purchaser agreed to purchase 18.6992% equity interest in Chengdu Kangnuo Xing (a non-wholly owned subsidiary of the Company) from the Vendors. The Consideration for the Acquisition was RMB150,598,904.11. Upon completion of the Acquisition, Chengdu Kangnuo Xing will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Furthermore, as of the date of this announcement, Chengdu High-tech is a substantial shareholder of Chengdu Kangnuo Xing and a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) Chengdu High-tech is a connected person at the subsidiary level; (2) the Board has approved the transactions contemplated under Equity Transfer Agreement; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and such agreement is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on June 26, 2023, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Purchaser agreed to purchase 18.6992% equity interest in Chengdu Kangnuo Xing (a non-wholly owned subsidiary of the Company) from the Vendors. The Consideration for the Acquisition was RMB150,598,904.11. Upon completion of the Acquisition, Chengdu Kangnuo Xing will become a wholly-owned subsidiary of the Company.

The Public Tender for the 18.6992% equity interest in Chengdu Kangnuo Xing was organized by the SWUEE. The Purchaser was the sole party who submitted a proposal for the Public Tender, and has received notice from SWUEE confirming that it was selected as the successful party for the Public Tender.

EQUITY TRANSFER AGREEMENT

Date	June 26, 2023
Parties	Chengdu High-tech (as a Vendor of 16.2602% equity interest in Chengdu Kangnuo Xing); Chengdu Bio-town (as a Vendor of 2.4390% equity interest in Chengdu Kangnuo Xing); and The Purchaser.
Subject matter	18.6992% equity interest in Chengdu Kangnuo Xing, a non-wholly owned subsidiary of the Company.
Consideration	<p>The Consideration for the Acquisition is RMB150,598,904.11. The Consideration will be paid to each of Chengdu High-tech and Chengdu Bio-town in proportion to the respective equity interest in Chengdu Kangnuo Xing sold by the two Vendors.</p> <p>The Consideration was based on the successful offer made by the Purchaser under a public tender held in accordance with the relevant PRC laws and regulations. In determining the tender offer price, the Group has considered a number of factors, such as (i) the historical financial performance of the Chengdu Kangnuo Xing and its significance to the Group; (ii) the minimum tender price required under the Public Tender; (iii) the prevailing market conditions; and (iv) the other reasons as detailed in the section headed “Reasons for and Benefits of the Acquisition” below.</p> <p>The Consideration shall be paid by the Purchaser in cash by internal resources of the Group. For the avoidance of doubt, the Consideration is not financed from the proceeds received from the Company’s Global Offering.</p>

Payment terms A deposit of RMB30,000,000 has been paid to SWUEE and such deposit shall be applied to settle part of the Consideration upon signing the Equity Transfer Agreement and the relevant SWUEE expenses of RMB425,898.36.

The remaining balance of the Consideration, being RMB121,024,802.47, shall be paid by the Purchaser to the designated settlement account of SWUEE within five business days after the Equity Transfer Agreement is entered into and becomes effective.

Completion The Vendors and Purchaser shall jointly complete the relevant industrial and commercial registration on change in shareholders of Chengdu Kangnuo Xing within 15 working days after the SWUEE has issued the transaction certificate.

INFORMATION OF THE GROUP

The Group

The Group focuses on the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. The Group has multiple clinical-stage assets, each of them being a leading contender within its respective competitive landscape.

INFORMATION OF THE PARTIES

The Purchaser

The Purchaser is a wholly-owned subsidiary of the Company established in September 2016, and it is principally engaged in the research and development of the Group's drug candidates.

The Vendors

Chengdu High-tech

Chengdu High-tech is an investment-holding company indirectly wholly-owned by Chengdu High-tech Investment Group Co., Ltd.* (成都高新投資集團有限公司), which is an investment company and is in turn owned as to 90% by the Chengdu High-tech Industrial Development Zone Financial Bureau* (成都高新技術產業開發區財政局) and 10% by the Sichuan Provincial Financial Department* (四川省財政廳), each of which is a PRC governmental body within the meaning of the Listing Rules. As Chengdu High-tech is a substantial shareholder of Chengdu Kangnuo Xing, it is a connected person of the Company at the subsidiary level. Chengdu High-tech obtained its equity interest in Chengdu Kangnuo Xing in July 2019 by subscribing in its registered capital for a consideration of RMB100 million.

Chengdu Bio-town

Chengdu Bio-town is an investment-holding company directly wholly owned by Chengdu Tianfu International Bio-Town Development Group Co., Ltd.* (成都天府國際生物城發展集團有限公司), which is in turn owned as to 54% by the Chengdu High-tech Industrial Development Zone Financial Bureau* (成都高新技術產業開發區財政局), 36% by the Chengdu Shuangliu District State-owned Assets Supervision and Administration and Financial Work Bureau* (成都市雙流區國有資產監督管理和金融工作局) and 10% by the Sichuan Provincial Financial Department* (四川省財政廳), each of which is a PRC governmental body within the meaning of the Listing Rules.

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, saved as disclosed in this announcement, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Chengdu Kangnuo Xing

Chengdu Kangnuo Xing is a non-wholly owned subsidiary of the Company established in the PRC in November 2017 with a registered capital of RMB12,300,000, principally engaged in the development and manufacturing of the Group's drug candidates. As of the date of this announcement, the Chengdu Kangnuo Xing is owned as to 81.3008% by the Purchaser, 16.2602% by Chengdu High-tech, and 2.4390% by Chengdu Bio-town.

The total assets and negative net assets of Chengdu Kangnuo Xing as of December 31, 2022 (prepared and audited in accordance with the PRC generally accepted accounting principles (the "PRC GAAP")) were RMB1,173,280,182 and RMB84,634,154, respectively. The audited net loss (before and after taxation) of Chengdu Kangnuo Xing for the two years ended December 31, 2021 and 2022 (prepared and audited in accordance with the PRC GAAP) are set out below:

	For the year ended December 31, 2021 (RMB)	For the year ended December 31, 2022 (RMB)
Net loss before taxation	3,410,763	75,214,366
Net loss after taxation	3,410,763	75,214,366

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group focuses on the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. The Group has multiple clinical-stage assets including those developed by Chengdu Kangnuo Xing, which is currently a non-wholly owned subsidiary of the Company. The Group has control over the operations and business affairs of Chengdu Kangnuo Xing and has a good understanding of its business and the status of the research and development of its drug candidates. The Acquisition will enable the Group to take full control of Chengdu Kangnuo Xing and benefit from its future business developments, and it is expected that Chengdu Kangnuo Xing will continue to engage in the development and manufacturing of the Group's drug candidates after completion of the Acquisition.

None of the Directors has any material interest in the transactions contemplated under the Equity Transfer Agreement and is required to abstain from voting on resolutions in relation to the Equity Transfer Agreement.

The Board has approved the transactions contemplated under the Equity Transfer Agreement. The Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interest of the Company and the terms of the Acquisition are on normal commercial terms or better in the ordinary course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes an acquisition under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Furthermore, as of the date of this announcement, Chengdu High-tech is a substantial shareholder of Chengdu Kangnuo Xing and a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) Chengdu High-tech is a connected person at the subsidiary level; (2) the Board has approved the transactions contemplated under the Equity Transfer Agreement; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and such agreement is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms used herein have the following meanings:

“Acquisition”	the acquisition of 18.6992% equity interest in Chengdu Kangnuo Xing by the Purchaser pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Chengdu Bio-town”	Chengdu Bio-Town Equity Investment Co., Ltd.* (成都生物城股權投資有限公司), a Vendor of the Acquisition
“Chengdu High-tech”	Chengdu High-tech New Economy Venture Capital Co., Ltd.* (成都高新新經濟創業投資有限公司), a Vendor of the Acquisition
“Chengdu Kangnuo Xing”	Chengdu Kangnuoxing Biopharma, Inc.* (成都康諾行生物醫藥科技有限公司), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Company”	Keymed Biosciences Inc. (康諾亞生物醫藥科技有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2162)

“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	an agreement dated June 26, 2023 entered into between the Purchaser and the Vendors in respect of the Acquisition
“Global Offering”	the offer of the shares of the Company for subscription as described in the prospectus of the Company dated June 25, 2021
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Public Tender”	the solicitation of offers for the sale of the 18.6992% equity interest in Chengdu Kangnuo Xing through a public tender process conducted by SWUEE in accordance with the relevant laws and regulations of the PRC
“Purchaser”	Keymed Bioscience (Chengdu) Co., Ltd.* (康諾亞生物醫藥科技(成都)有限公司), a company established in the PRC and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWUEE”	Southwest United Equity Exchange* (西南聯合產權交易所)

“Vendor(s)”

Chengdu High-tech and Chengdu Bio-town

“%”

percent

By order of the Board
Keymed Biosciences Inc.
Dr. Bo CHEN
Chairman

Hong Kong, June 26, 2023

As at the date of this announcement, the Board comprises Dr. Bo CHEN, Dr. Changyu WANG and Dr. Gang XU as executive Directors; Mr. Qi CHEN, Dr. Min Chuan WANG and Mr. Yilun LIU as non-executive Directors; Prof. Xiao-Fan WANG, Prof. Yang KE, Mr. Cheuk Kin Stephen LAW and Prof. Linqing LIU as independent non-executive Directors.

* *For identification purpose only*