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CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN AD PHARMACEUTICALS

The Board is pleased to announce that on February 8, 2024 (after trading hours), the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, Dawnrays Pharmaceutical and AD Pharmaceuticals entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 35% of the equity interest in AD Pharmaceuticals at the Consideration. Upon completion of the Acquisition, AD Pharmaceuticals will be an indirect wholly-owned subsidiary of the Company.

Through the Acquisition, the Group will implement overall planning and arrangements in relation to its future commercialization development and capacity utilization, so as to fully utilize its advantages in research and development, production and commercialization to achieve cost and synergy efficiency.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as follows:

Date

February 8, 2024

Parties

- (1) The Company;
- (2) AD Pharmaceuticals;
- (3) Dawnrays Pharmaceutical;

- (4) Akeso Biopharma Co., Ltd.* (中山康方生物醫藥有限公司), an indirect wholly owned subsidiary of the Company (as the Purchaser); and
- (5) Dawnrays Biotechnology Capital (Asia) Limited (東瑞生物投資發展(亞洲)有限公司) (as the Vendor).

As at the date of this announcement, the Vendor holds 35% equity interest in AD Pharmaceuticals, a non-wholly owned and significant subsidiary of the Company. The Vendor is a wholly-owned subsidiary of Dawnrays Pharmaceutical. Therefore, each of the Vendor and Dawnrays Pharmaceutical is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, 35% of the equity interest directly held by the Vendor in AD Pharmaceuticals.

Consideration

The Consideration is RMB267,387,280.82 (equivalent to approximately HK\$294,223,000). The Consideration shall be paid by the Purchaser to the Vendor within 120 days commencing from the 40th business day from the date of the Equity Transfer Agreement. It is expected that the Consideration shall be settled by cash with the internal resources of the Group. The Company shall guarantee the payment obligation of the Purchaser under the Equity Transfer Agreement.

The Consideration and the payment terms was determined after arm's length negotiations between the parties on normal commercial terms. In agreeing those terms, the parties have taken into account among others, the Vendor's investment in AD Pharmaceuticals, the carrying value of that investment in the accounts of Dawnrays Pharmaceutical, the stages of research and development of the two new drugs under development by AD Pharmaceuticals.

Completion of Equity Transfer

Subject to the terms of the Equity Transfer Agreement, within 40 business days from the date of the Equity Transfer Agreement, AD Pharmaceuticals and the Purchaser agree to:

- (a) complete the industry and commerce registration of the transfer of 35% equity interest in AD Pharmaceuticals from the Vendor to the Purchaser; and
- (b) complete the applicable tax filing and payment relating to the Acquisition by the Purchaser, and provide the original tax payment certificate to the Vendor.

In connection with the Acquisition, AD Pharmaceuticals shall repay the outstanding Shareholder's Loan to the Vendor, and such repayment obligation shall be guaranteed by the Purchaser. Dawnrays Pharmaceutical shall guarantee the performance of the Vendor of its obligations under the Equity Transfer Agreement.

Upon completion of the Acquisition, AD Pharmaceuticals will be an indirect wholly-owned subsidiary of the Company. The financial statements of AD Pharmaceuticals have been and will continue be consolidated into the consolidated financial statements of the Group after completion of the Acquisition. As such, it is expected that there is no impact on the financial statements of the Group and no change to the liabilities of the Group as a result of the Acquisition. The JV Agreement shall be terminated after the completion of registration of the Purchaser as the sole shareholder of AD Pharmaceuticals.

REASONS FOR AND BENEFITS OF THE ACQUISITION

AD Pharmaceuticals is a joint venture established by the Group and the Vendor in 2017, and is principally engaged in research and development of innovative drugs, including Ebronucimab (AK102, PCSK9) for the treatment of metabolic diseases, which has submitted new drug application in June 2023, and Pulocimab (AK109, VEGFR-2) for the treatment of advanced solid tumors, which is in phase II clinical trials. The Board believes the Group will fully integrate Ebronucimab and Pulocimab under AD Pharmaceuticals into its rich pipeline of oncology and non-oncology products, which will be beneficial to the acceleration and efficient operation of the subsequent clinical development and commercial plan of these two products. The Group will also implement overall planning and arrangements in relation to its future commercialization development and capacity utilization, so as to fully utilize its advantages in research and development, production and commercialization to achieve cost and synergy efficiency.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. None of the Directors who attended the Board meeting has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder and therefore, none of them was required to abstain from voting in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

Information of the Vendor

Dawnrays Biotechnology Capital (Asia) Limited (東瑞生物投資發展(亞洲)有限公司) is a company incorporated in Hong Kong and is principally engaged in the investment and development of biotech projects, mainly targeting oncology and cardiovascular diseases. It is a wholly-owned subsidiary of Dawnrays Pharmaceutical (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2348). Dawnrays Pharmaceutical (Holdings) Limited and its subsidiaries are principally engaged in the development, manufacture and sale of non-patented pharmaceutical medicines including intermediate pharmaceutical, bulk medicines and finished drugs.

Information of the Purchaser and the Group

Akeso Biopharma Co., Ltd.* (中山康方生物醫藥有限公司) is a limited liability company established under the laws of the PRC, and an indirect wholly-owned subsidiary of the Company. It is principally engaged in product research and development.

The Group is a leading company in the research, development, manufacturing and commercialization of the world's first or best-in-class innovative biological drugs. Since the establishment in 2012, the Company has built a unique end-to-end Akeso comprehensive new drugs research and development platform (ACE Platform), established a research and development and innovation system based on Tetrabody bi-specific antibody development technology, ADC Technology Platform, mRNA Technology Platform and Cell Therapy Technology, an international-standard GMP production system and an commercialization system with advanced operation mode, and has become a globally competitive innovative biopharmaceutical company.

The Group has developed more than 50 innovative drug candidates for the treatment of major diseases like cancers, autoimmune diseases, inflammation and metabolic diseases. 19 of the drug candidates have entered clinical stage (including 6 FIC/BIC bi-specific antibodies), 3 new drugs have been commercially marketed, and 4 new drugs are in the review and approval stage.

Through highly effective and ground-breaking research and development and innovations, Akeso's vision is to become a global leading biopharmaceutical company, developing new drugs that are first-in-class and best-in-class therapies.

Information of AD Pharmaceuticals

AD Pharmaceuticals is an innovative biopharmaceutical company integrating the development, production and sales of antibody drugs. It was established as a joint venture in December 2016 with the injection of technology and products by the Purchaser and capital by the Vendor. AD Pharmaceuticals keeps abreast of the scientific advancements and focuses on the development of innovative drugs and combination therapies for cardiovascular, tumor and other major diseases. It integrates and leverages on its resources and through continued research, development, production and commercialization of innovative drugs to develop high-quality innovative pharmaceutical products.

The financial information of AD Pharmaceuticals for the two years ended December 31, 2021 and 2022 and for the nine months ended September 30, 2023 were as follows:

	For the year ended December 31,		For the nine months ended September 30,
	2022	2021	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	34,337	—	28,347
Net loss before tax	181,023	124,241	84,791
Net loss after tax	181,023	124,241	84,791

Note: The figures for the two years ended December 31, 2021 and 2022 are audited and the figures for the nine months ended September 30, 2023 are unaudited.

The unaudited consolidated total asset value and net liabilities of AD Pharmaceuticals as at September 30, 2023 was approximately RMB658.6 million and RMB197.9 million, respectively.

AD Pharmaceuticals was established in the PRC as a joint venture company by the Vendor and the Purchaser whereby the Vendor and the Purchaser shall pay up 35% and 65% of the capital of AD Pharmaceuticals as initial shareholders, respectively. As such, there was no original acquisition cost of AD Pharmaceuticals to the Vendor.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Vendor is a substantial shareholder of AD Pharmaceuticals, which is not an insignificant subsidiary under Rule 14A.09(1) of the Listing Rules. The Vendor is a wholly-owned subsidiary of Dawnrays Pharmaceutical. Each of the Vendor and Dawnrays Pharmaceutical is a connected person of the Company at the subsidiary level. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) certain of the applicable percentage ratios in relation to the Equity Transfer Agreement and the transactions contemplated thereunder is more than 1% but less than 5%; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 35% of the equity interest in AD Pharmaceuticals by the Purchaser from the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
“AD Pharmaceuticals”	AD Pharmaceuticals Co., Ltd.* (康融東方(廣東)醫藥有限公司), a limited liability company established under the laws of the PRC on February 22, 2017 and a non-wholly owned subsidiary of the Company as of the date of this announcement
“Board”	the board of Directors
“Company”, “our Company”	Akeso, Inc. (康方生物科技(開曼)有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	consideration of the Acquisition, being RMB267,387,280.82 (equivalent to approximately HK\$294,223,000)
“Dawnrays Pharmaceutical”	a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2348)
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the agreement dated February 8, 2024 entered into between the Company, the Vendor, the Purchaser, Dawnrays Pharmaceutical and AD Pharmaceuticals in relation to the Acquisition and the Guarantee
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by (a) the Company in respect of the payment obligation of the Purchaser under the Equity Transfer Agreement (including the consideration for the Acquisition); and (b) the Purchaser to guarantee the repayment of the outstanding Shareholder’s Loan by AD Pharmaceuticals to the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“independent third party(ies)”	a person or entity who is not a connected person of the Company under the Listing Rules
“JV Agreement”	the agreement dated December 14, 2016 and the supplemental agreements entered into between the Vendor and the Purchaser in relation to the formation of AD Pharmaceuticals
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Akeso Biopharma Co., Ltd.* (中山康方生物醫藥有限公司), a limited liability company established under the laws of the PRC on March 19, 2012, and an indirect wholly-owned and significant subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.00001 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the unsecured shareholders’ loans owed by AD Pharmaceuticals to the Vendor, the outstanding amount of which was RMB122,612,719.18, which is equivalent to the sum of (i) the outstanding aggregate principal amount of RMB115,500,000 and (ii) the accrued interest of the loans of RMB7,112,719.18 as of the date of the Equity Transfer Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Vendor”	Dawnrays Biotechnology Capital (Asia) Limited (東瑞生物投資發展(亞洲)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Dawnrays Pharmaceutical
“%”	per cent

* For identification purpose only

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.100364 has been used, where applicable, for illustration purpose only and does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

By order of the Board
Akeso, Inc.
Dr. XIA Yu
Chairwoman and executive Director

Hong Kong, February 9, 2024

As at the date of this announcement, the Board comprises Dr. XIA Yu as chairwoman and executive director, Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell and Mr. XIA Yu (Ph.D.) as executive directors, Dr. ZHOU Yi and Mr. XIE Ronggang as non-executive directors, and Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo as independent non-executive directors.