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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.**, you should at once hand this circular and the form of proxy of the AGM to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd..



KELUN-BIOTECH
科伦博泰

Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.

四川科倫博泰生物醫藥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6990)

- (1) 2023 FINANCIAL ACCOUNTS REPORT**
- (2) 2024 FINANCIAL BUDGET REPORT**
- (3) 2023 REPORT OF THE BOARD OF DIRECTORS**
- (4) 2023 REPORT OF THE SUPERVISORY COMMITTEE**
- (5) 2023 ANNUAL REPORT**
- (6) RE-APPOINTMENT OF AUDITORS**
- (7) REMUNERATION OF DIRECTORS AND SUPERVISORS FOR 2024**
- (8) 2023 ANNUAL PROFIT DISTRIBUTION PLAN**
- (9) ACQUISITION OF WEALTH MANAGEMENT PRODUCTS WITH IDLE SELF-OWNED FUNDS FOR 2024**
- (10) GENERAL MANDATE TO ISSUE SHARES AND SELL TREASURY SHARES**
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- (12) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW DOMESTIC SHARES UNDER THE SUBSCRIPTION SPECIFIC MANDATE**
- (13) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND**
- (14) NOTICE OF 2023 ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. will convene the AGM at 8:00 a.m. on June 20, 2024 at Meeting Room 1, R&D Building, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd., No. 666 Xinhua Avenue, Chengdu Cross-Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province, the PRC. The notice of the AGM is set out on pages 54 to 57 of this circular. The form of proxy for use at the AGM is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://kelun-biotech.com>).

Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the form of proxy of the AGM in accordance with the instructions stated thereon to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time fixed for holding the AGM (i.e. not later than 8:00 a.m. on June 19, 2024) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meeting thereof if they so wish.

References to dates and time in this circular are to Hong Kong dates and time.

May 21, 2024

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DEFINITIONS

In this circular, the following expressions have the following meanings unless defined otherwise:

“AGM”	the 2023 annual general meeting of the Company to be held at 8:00 a.m. on June 20, 2024 at Meeting Room 1, R&D Building, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd., No. 666 Xinhua Avenue, Chengdu Cross-Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province, the PRC
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board of Directors” or “Board”	the board of Directors of the Company
“Business Day”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“CCASS”	has the meaning ascribed to it in the Listing Rules as amended from time to time
“China” or “PRC”	the People’s Republic of China, for the purpose of this circular and for geographical reference only and except where the context requires, references to “China” and the “PRC” in this circular do not include Hong Kong, the Macao Special Administrative Region of the PRC or Taiwan
“Company”, “the Company” or “we”	Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (四川科倫博泰生物醫藥股份有限公司), a joint stock company established in the PRC with limited liability on November 22, 2016 and the H Shares of which are listed on the Stock Exchange (stock code: 6990) and which includes its subsidiaries (from time to time) where the context so requires
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	unlisted shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Global Offering”	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the AGM for the resolutions approving the Subscription Agreement and the transactions contemplated thereunder
“Kelun International”	Kelun International Development Co., Limited (科倫國際發展有限公司), a wholly-owned subsidiary of Kelun Pharmaceutical incorporated in Hong Kong

DEFINITIONS

“Kelun Jingchuan”	Chengdu Kelun Jingchuan Technology Co., Ltd. (成都科倫晶川科技有限公司), a limited liability company established under the laws of PRC on August 17, 2016 and a wholly-owned subsidiary of Kelun Pharmaceutical
“Kelun Pharmaceutical”	Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002422), and a controlling shareholder of the Company
“Last Trading Date”	May 7, 2024, being the last trading day prior to the signing of the Placing Agreement and the Subscription Agreement
“Latest Practicable Date”	May 17, 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Date”	July 11, 2023
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Placee(s)”	any professional, institutional or other investor whom the Placing Agents have procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of 3,648,600 Placing Shares by the Placing Agents on the terms and subject to the conditions of the Placing Agreement
“Placing Agents”	Goldman Sachs (Asia) L.L.C., Citigroup Global Markets Limited and J.P. Morgan Securities (Asia Pacific) Limited
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agents on May 8, 2024 in respect of the Placing
“Placing Price”	HK\$150.00 per Placing Share
“Placing Share(s)”	3,648,600 new H Shares to be placed pursuant to the Placing Agreement

DEFINITIONS

“Proposed Amendments”	the proposed amendments to the Articles of Association
“Prospectus”	the prospectus in connection with the Global Offering issued by the Company dated June 29, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Kelun Pharmaceutical, the subscriber of the Subscription under the Subscription Agreement
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber on May 8, 2024 in respect of the Subscription
“Subscription Price”	RMB136.21 per Subscription Share
“Subscription Share(s)”	the 4,423,870 new Domestic Shares with a nominal value of RMB1.00 each to be allotted and issued by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Specific Mandate”	the specific mandate to be sought from and, if approved, granted by the Independent Shareholders to the Directors at the AGM for the allotment and issuance of the Subscription Shares pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning attributable to it in the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)

DEFINITIONS

“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buybacks issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Treasury Shares”	treasury shares of the Company
“treasury shares”	has the meaning ascribed to it in the Listing Rules which will come into effect on June 11, 2024 and as amended from time to time
“Unlisted Foreign Share(s)”	unlisted shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than RMB
“Unlisted Share(s)”	Domestic Share(s) and/or Unlisted Foreign Share(s)
“%”	per cent

For the purpose of this circular and for illustrative purposes only, conversion of RMB into HK\$ is based on the exchange rate of RMB0.90806: HK\$1. No representation is made that the RMB amounts could be or will be converted at the rate indicated, or at all.

LETTER FROM THE BOARD OF DIRECTORS



KELUN-BIOTECH
科伦博泰

Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.
四川科倫博泰生物醫藥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6990)

*Chairman of the Board and
Non-executive Director*

Mr. LIU Gexin (劉革新)

Executive Directors

Dr. GE Junyou (葛均友)

Dr. WANG Jingyi (王晶翼)

Non-Executive Directors

Mr. LIU Sichuan (劉思川)

Mr. FENG Hao (馮昊)

Mr. ZENG Xuebo (曾學波)

Mr. LI Dongfang (李東方)

Independent Non-Executive Directors

Dr. ZHENG Qiang (鄭強)

Dr. TU Wenwei (涂文偉)

Dr. JIN Jinping (金錦萍)

Dr. LI Yuedong (李越冬)

*Registered Office, Headquarters and
Principal Place of Business in the PRC*

No. 666 Xinhua Avenue

Chengdu Cross-Strait Science and

Technology Industry Development Park

Wenjiang District, Chengdu

Sichuan Province, PRC

Principal Place of Business in Hong Kong

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

To the Shareholders

Dear Sir or Madam,

- (1) 2023 FINANCIAL ACCOUNTS REPORT**
- (2) 2024 FINANCIAL BUDGET REPORT**
- (3) 2023 REPORT OF THE BOARD OF DIRECTORS**
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- (5) 2023 ANNUAL REPORT**
- (6) RE-APPOINTMENT OF AUDITORS**
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AND**
- (14) NOTICE OF 2023 ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD OF DIRECTORS

I. INTRODUCTION

The purpose of this circular is to provide you with the notice of the AGM and information in respect of the resolutions to be proposed at the AGM to be held on June 20, 2024, so as to enable you to make an informed decision as to whether to vote in favor of or against such resolutions at the AGM.

At the AGM, ordinary resolutions will be proposed to consider and approve:

- (1) the financial accounts report of the Group for the year 2023 (the “**2023 Financial Accounts Report**”);
- (2) the financial budget report of the Group for the year 2024 (the “**2024 Financial Budget Report**”);
- (3) the report of the Board of Directors for the year 2023 (the “**2023 Report of the Board of Directors**”);
- (4) the report of the Supervisory Committee for the year 2023 (the “**2023 Report of the Supervisory Committee**”);
- (5) the annual report of the Group for the year 2023 (the “**2023 Annual Report**”);
- (6) the re-appointment of the auditors of the Company;
- (7) the remuneration of the Directors and Supervisors for the year 2024;
- (8) the annual profit distribution plan of the Company for the year 2023 (the “**2023 Annual Profit Distribution Plan**”); and
- (9) the acquisition of wealth management products with idle self-owned funds for the year 2024.

At the AGM, special resolutions will be proposed to consider and approve:

- (10) the grant of a general mandate to the Board to issue Shares and sell Treasury Shares;
- (11) the grant of a general mandate to the Board to repurchase H Shares;
- (12) the connected transaction involving the Subscription of new Domestic Shares under a specific mandate; and
- (13) the proposed amendments to the Articles of Association.

LETTER FROM THE BOARD OF DIRECTORS

In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and to make an informed decision in the circumstances where sufficient and necessary information is available, we have provided detailed information in this circular to the Shareholders. In respect of the connected transaction involving the Subscription, we have also provided:

- (a) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder;
- (b) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder; and
- (c) other information as required under the Listing Rules.

II. MATTERS TO BE CONSIDERED AT THE AGM

(1) 2023 Financial Accounts Report

An ordinary resolution will be proposed at the AGM to consider and approve the 2023 Financial Accounts Report, the full text of which is set out in the 2023 Annual Report. The 2023 Annual Report is set out and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://kelun-biotech.com>).

(2) 2024 Financial Budget Report

An ordinary resolution will be proposed at the AGM to consider and approve the following 2024 Financial Budget Report:

After comprehensively considering our operating and development situations, business objective for the year 2024, existing asset base, operating capacity, costs and expenses, industry conditions and development prospects, based on the 2023 Financial Accounts Report, the financial budget for 2024 will be mainly used for our product commercialization, clinical trials, research and development of our pipeline and daily operations, etc.

(3) 2023 Report of the Board of Directors

An ordinary resolution will be proposed at the AGM to consider and approve the 2023 Report of the Board of Directors, the full text of which is set out in the 2023 Annual Report.

LETTER FROM THE BOARD OF DIRECTORS

(4) 2023 Report of the Supervisory Committee

An ordinary resolution will be proposed at the AGM to consider and approve the 2023 Report of the Supervisory Committee, the full text of which is set out in the 2023 Annual Report.

(5) 2023 Annual Report

An ordinary resolution will be proposed at the AGM to consider and approve the 2023 Annual Report.

(6) Re-Appointment of Auditors of the Company

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of KPMG as the auditors of the Company for the year 2024, for a term commencing from the date of approval at the AGM until the conclusion of the next annual general meeting of the Company, and to authorize the Board to determine the specific matters, including but not limited to their remuneration of not more than RMB2,400,000 for the year 2024 before tax, in relation to such appointment.

(7) Remuneration of the Directors and Supervisors for 2024

An ordinary resolution will be proposed at the AGM to consider and approve the remuneration plan for the Directors and the Supervisors for the year ending December 31, 2024 formulated in accordance with the Company's internal policies and relevant regulatory requirements.

For the year ending December 31, 2024, the proposed remuneration of independent non-executive Directors of the Company is HK\$300,000 per person before tax. The Directors other than the independent non-executive Directors shall not be entitled to any Directors' remuneration for their roles as Directors, but shall be entitled to remuneration based on their other employment in the Company or for specific services rendered by them to the Company in accordance with the Company's relevant policies and after completing the necessary decision-making procedures (if applicable).

For the year 2024, the Supervisors shall not be entitled to any Supervisors' remuneration for their roles as Supervisors, but shall be entitled to remuneration based on their other employment in the Company in accordance with the Company's relevant policies (if applicable).

All independent non-executive Directors have expressed independent opinions that indicate explicit consent to the remuneration plan for the Directors (other than the independent non-executive Directors' own remuneration) and the Supervisors.

LETTER FROM THE BOARD OF DIRECTORS

(8) 2023 Annual Profit Distribution Plan

An ordinary resolution will be proposed at the AGM to consider and approve the 2023 Annual Profit Distribution Plan.

Based on the financial status and the operation and development status of the Company, the Company did not have any profit available for distribution so far and hence the Board did not recommend the payment of a final dividend to Shareholders for the year ended December 31, 2023.

(9) Acquisition of Wealth Management Products with Idle Self-Owned Funds for 2024

An ordinary resolution will be proposed at the AGM to consider and approve a proposal of the Company to use its idle self-owned funds to purchase low-risk wealth management products. The purpose of such purchase(s) is to improve the efficiency of use of funds and improve returns on its cash assets, provided that it does not affect the Company's normal operations. Details are as follows:

(a) Investment limit

The Company intends to use its idle self-owned funds of not more than RMB2 billion in total to purchase wealth management products within the authorization period (as defined below), and the funds can be used on a rolling basis within the above limit.

(b) Investment variety

The Company will strictly control risks in accordance with relevant regulations, strictly evaluate and screen wealth management products, and select products of low risk, higher liquidity and relatively higher investment returns.

(c) Investment risk analysis and risk control measures

The purchase of wealth management products may carry certain risks, such as the following:

- (i) market fluctuations may affect the performance of the wealth management products purchased by the Company;
- (ii) the actual return on investment on the wealth management products cannot be ascertained in advance as the Company intends to purchase such products at a suitable time based on the prevailing situation of the economy and financial markets; and
- (iii) the products may face losses or other materially adverse factors due to the deterioration in financial condition of the issuer of the product.

LETTER FROM THE BOARD OF DIRECTORS

In view of the above investment risks, the Company intends to take the following risk control measures:

- (i) The financial department of the Company will establish an account to manage the wealth management products, delegate personnel to manage existing financial products and track the progress and security of the funds and report to the Company of any abnormalities, and take corresponding preservation measures to maximize the control of investment risks and ensure the safety of funds.
- (ii) The internal audit department of the Company will supervise matters in relation to wealth management products. The Company will regularly submit the accounts of purchased wealth management products to the internal audit department. The internal audit department will conduct prior review, supervision and audit of the wealth management products of the Company.

(d) Authorization period

The authorization period shall be 12 months from the date of approval of this resolution at the AGM.

The chairman of the Board or general manager of the Company shall be authorized to make purchases of wealth management products within the scope of the above investment varieties and investment limit, exercise such power of investment decision-making and execute relevant contracting documents, including but not limited to: identify qualified professional wealth management institutions as trustees, specify the amount and period for entrusted wealth management, select the types of entrusted wealth management products, sign contracts and agreements, etc.. The Company is not connected to the issuing principal of the wealth management products to be purchased.

(10) Grant of General Mandate to the Board to Issue Shares and Sell Treasury Shares

A special resolution will be proposed at the AGM to consider and approve the granting of a general mandate (the “**Issuance Mandate**”) to the Board to allot, issue and deal with additional Shares and/or to sell or transfer Treasury Shares of not exceeding 20% of the total number of Shares in issue (excluding Treasury Shares) as at the date of the passing of the resolution.

The Company may use the Issuance Mandate for the sale or transfer of Treasury Shares only after the amendments to the Listing Rules relating to treasury shares have come into effect on June 11, 2024.

LETTER FROM THE BOARD OF DIRECTORS

Details of the Issuance Mandate are as follows:

(a) *Subject of the Issuance Mandate*

- (i) the granting of an unconditional general mandate to the Board, to separately or concurrently allot, issue and deal with additional Shares and/or to sell or transfer Treasury Shares during the relevant period (as defined below), and the number of additional Shares to be allotted, issued and dealt with and Treasury Shares to be sold or transferred as approved by the Board shall not exceed 20% of the total number of Shares in issue (excluding Treasury Shares) as at the date of the passing of the resolution at the AGM (including but not limited to H shares, unlisted shares, warrants, convertible bonds and other securities with rights to subscribe for or convert into shares, and other options);
- (ii) the Board be authorized to formulate and implement issuance and/or sale or transfer plan(s) in the exercise of the Issuance Mandate, including but not limited to the type (Domestic Shares, Unlisted Foreign Shares or H Shares) and number of new Shares to be issued, pricing mechanism and/or issue price and/or sale or transfer price (including price range), form of issuance and/or sale or transfer, allottees and/or purchasers or transferees, use of proceeds, time of issuance and/or sale or transfer, period of issuance and/or sale or transfer, whether to allot and/or sell or transfer shares to existing Shareholders, and any other content which may otherwise be required by the relevant laws, regulations or the Listing Rules;
- (iii) the Board be authorized to deal with the increase in registered capital of the Company and to make corresponding amendments to the Articles of Association of the Company to reflect the shares of the Company authorized to be issued pursuant to this resolution, and to carry out relevant procedures to effect the increase in registered capital;
- (iv) the Board be authorized to engage intermediaries for matters related to the issuance and/or sale or transfer under the Issuance Mandate; to approve and execute all relevant acts, deeds, documents and other related matters necessary, appropriate, desirable and relevant for the issuance and/or sale or transfer; to review, approve and execute on behalf of the Company the agreements related to the issuance and/or sale or transfer, including but not limited to placing and underwriting agreements and intermediaries engagement agreements;
- (v) the Board be authorized to approve and execute, on behalf of the Company, documents in connection with the issuance and/or sale or transfer, to carry out required approval procedures, and to complete all necessary filings, registrations and records with the relevant authorities (if applicable);
- (vi) the Board be authorized to amend, as required by regulatory authorities within or outside the PRC, the related agreements and statutory documents; and

LETTER FROM THE BOARD OF DIRECTORS

- (vii) the Board be authorized to delegate the implementation of issuance and/or sale or transfer plan(s) to its authorized person(s), provided that the Board shall not delegate the whole or a substantial part of a share issue to its authorized persons before the share issue scheme is determined.

(b) Term of the Issuance Mandate

The relevant period is the period from the date of the passing of the resolution at the AGM until the earlier of: (a) the conclusion of the next annual general meeting of the Company; or (b) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of the Company.

As at the Latest Practicable Date, the Company had 222,844,099 Shares in issue (excluding Treasury Shares). Assuming that the number of Shares (excluding Treasury Shares) remains unchanged as at the date of the passing of the special resolution, the Company would be entitled to allot, issue and deal with and/or to sell or transfer up to 44,568,819 Shares.

(11) Grant of General Mandate to the Board to Repurchase H Shares

A special resolution will be proposed at the AGM to consider and approve the granting of a general mandate (the “**Repurchase Mandate**”) to the Board to repurchase H Shares not exceeding 10% of the total number of H Shares in issue (excluding Treasury Shares) as at the date of the passing of the resolution proposed at the Annual General Meeting.

Details of the Repurchase Mandate are as follows:

(a) Subject of the Repurchase Mandate

- (i) the granting of an unconditional general mandate to the Board, to repurchase H Shares during the relevant period (as defined below), and the number of Shares to be repurchased as approved by the Board shall not exceed 10% of the total number of H Shares in issue (excluding Treasury Shares) as at the date of the passing of the resolution at the AGM;
- (ii) the Board be authorized to formulate and implement repurchase plan(s) in the exercise of the Repurchase Mandate, including but not limited to the timing of repurchase, period of repurchase, repurchase price, repurchase quantity and purpose(s) of repurchase (including to cancel the repurchased shares or to hold the repurchased shares as Treasury Shares);
- (iii) the Board be authorized to notify creditors and make public announcements and deal with matters relating to the exercise of rights by creditors (if applicable) in accordance with the applicable laws and regulations and the Articles of Association;

LETTER FROM THE BOARD OF DIRECTORS

- (iv) the Board be authorized to open overseas stock account(s) and fund account(s) and conduct corresponding foreign exchange registration procedures;
- (v) the Board be authorized to complete relevant approval or filing procedures in accordance with applicable laws and regulations (if applicable);
- (vi) the Board be authorized to hold the repurchased shares as Treasury Shares¹ or handle the cancellation of repurchased shares, reduce the registered capital of the Company, to make corresponding amendments to the Articles of Association, and to carry out relevant procedures to effect the reduction in registered capital;
- (vii) the Board be authorized to approve and execute, on behalf of the Company, documents in connection with the issuance, to carry out required approval procedures, and if there are any changes in market conditions, except for matters involving relevant laws and regulations and the Company's Articles of Association that require a re-vote at the general meeting, the repurchase plan(s) will be adjusted and repurchase-related matters will continue to be handled in accordance with relevant national regulations, requirements of relevant government departments and securities regulatory authorities, market conditions and the actual operation of the Company;
- (viii) the Board be authorized to utilize such funds for repurchase that are compliant with relevant regulatory requirements, such as idle self-owned funds and funds raised by the Company;
- (ix) the Board be authorized to delegate the implementation of repurchase plan(s) to its authorized person(s), provided that the Board shall not delegate the whole or a substantial part of a share repurchase issue to its authorized persons before the share repurchase plan is determined.

(b) *Term of the Repurchase Mandate*

The relevant period is the period from the date of the passing of the resolution at the AGM until the earlier of: (a) the conclusion of the next annual general meeting of the Company; or (b) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of the Company.

¹ The Company may hold Treasury Shares after the relevant Listing Rules amendments have come into effect on June 11, 2024.

LETTER FROM THE BOARD OF DIRECTORS

As at the Latest Practicable Date, the Company had 130,273,005 H Shares in issue. Assuming that the number of Shares remains unchanged as at the date of the passing of the special resolution, the Company would be entitled to repurchase up to 13,027,300 H Shares.

An explanatory statement for the Repurchase Mandate is set out in Appendix I to this circular.

(12) Connected Transaction Involving Subscription of New Domestic Shares Under the Subscription Specific Mandate

Reference is made to (1) the announcement of the Company dated May 8, 2024 in relation to, among others, the Placing and the Subscription, and (2) the announcement of the Company dated May 16, 2024 in relation to the completion of the Placing.

The Board announced that on May 8, 2024 (before trading hours), the Company entered into the Placing Agreement and the Subscription Agreement for the placing of 3,648,600 new H Shares and the subscription and issue of 4,423,870 new Domestic Shares to the Placees and the Subscriber, respectively, at the same price of HK\$150.00 (or RMB136.21) per Share. The Board also announced that on May 16, 2024, the Placing was completed.

Independent Shareholders' approval is required for the Subscription.

Details of the terms of the Subscription are set out below.

The Subscription

The Subscription Agreement

Date: May 8, 2024

Parties: (1) the Company (as the issuer); and
(2) Kelun Pharmaceutical (as the subscriber)

The Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 4,423,870 new Domestic Shares with a nominal value of RMB1.00 each at the Subscription Price of RMB136.21 per Subscription Share, equivalent to HK\$150.00 per Subscription Share, which is the same as the Placing Price.

LETTER FROM THE BOARD OF DIRECTORS

After the completion of the Subscription, assuming there will be no other change in the share capital of the Company from the Latest Practicable Date and up to the completion date of the Subscription, the Subscriber's shareholding² (when added together with the shareholding held by its wholly-owned subsidiary Kelun International) in the Company will remain at approximately 54.80%.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription, the Subscription Shares represent:

- (i) approximately 1.99% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 1.95% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares is RMB4,423,870.

The Subscription Price

The Subscription Price for the Subscription Shares is RMB136.21 per Subscription Share, equivalent to HK\$150.00 per Subscription Share, which is the same as the Placing Price, and represents:

- (i) a discount of approximately 6.83% to the closing price of HK\$161.00 per Share as quoted on the Stock Exchange on the Last Trading Date; and
- (ii) a discount of approximately 10.19% to the average closing price of HK\$167.02 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date.

The Subscription Price was determined with reference to the prevailing market price of the H Shares. The Directors (excluding Mr. LIU Gexin, Dr. GE Junyou, Mr. LIU Sichuan and Mr. FENG Hao who each has a material interest in the Subscription, and the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee contained in this circular) consider that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The aggregate consideration for the Subscription will be payable by the Subscriber in cash.

² Kelun Pharmaceutical is also entitled to exercise the voting rights attaching to 30,000,000 Shares held by the four employee incentive platforms of the Company (the "Employee Incentive Platform Shares") by virtue of the fact that the general partner of these four employee incentive platforms of the Company is Kelun Jingchuan, a wholly-owned subsidiary of Kelun Pharmaceutical. However, the Employee Incentive Platform Shares are held by the employee incentive platforms for the benefit of the participants. Therefore, for the purpose of this Subscription, the Employee Incentive Platform Shares were excluded when calculating Kelun Pharmaceutical's existing shareholding in the Company.

LETTER FROM THE BOARD OF DIRECTORS

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares then in issue.

Conditions of the Subscription

Completion of the Subscription is conditional upon the following conditions being fulfilled or waived by the Subscriber (except that conditions (i), (ii) and (v) cannot be waived):

- (i) the proposed Subscription having been duly approved by (a) the Board and (b) the Independent Shareholders;
- (ii) the proposed Subscription having been duly approved by the board of directors of the Subscriber;
- (iii) the Subscription Agreement having been duly executed by the Company and the Subscriber;
- (iv) the Placing having been completed pursuant to the Placing Agreement;
- (v) the registration procedures of the proposed issue of Subscription Shares by the Company to the Subscriber with the China Securities Regulatory Commission having been duly completed;
- (vi) there having been no laws, regulatory requirements of the place where the issuer is listed, verdicts, awards or injunctions of any courts, arbitration agencies or relevant governmental authorities restricting, prohibiting or canceling the Subscription, and no pending or potential lawsuits, arbitrations, judgments, verdicts, awards or injunctions which have or will have material adverse effects on the Issuance;
- (vii) the representations and warranties made by the Company under the Subscription Agreement remaining true, complete and accurate from the date of the Subscription Agreement to the date of payment of the consideration (the “**Payment Date**”), and the Company having performed the undertakings to be performed on or before the Payment Date pursuant to the Subscription Agreement, and the Company having not materially breached any terms of the Subscription Agreement; and

LETTER FROM THE BOARD OF DIRECTORS

- (viii) the shareholding in the Company held by public (as defined under the Listing Rules) Shareholders immediately before the Payment Date is at such percentage so that the Subscription will not result in the Company failing to meet the minimum public float requirement prescribed by the Stock Exchange (being 22.09%).

As at the Latest Practicable Date, save for conditions (i)(a), (ii), (iii) and (iv) above, none of the conditions precedent to the Subscription had been fulfilled or waived (except that conditions (i)(b), (ii) and (v) cannot be waived).

Termination of the Subscription Agreement

The Subscription Agreement may be terminated in the following manner:

- (i) The Subscription Agreement may be terminated upon unanimous written consent of the parties (including determining the time of termination);
- (ii) If any of the conditions precedent is not satisfied or waived within 12 months from the date of the Subscription Agreement (or such longer period as both parties agree), each party has the right to unilaterally terminate the Subscription Agreement by written notice; or
- (iii) If any Force Majeure Event (as defined in the Subscription Agreement) or the effect of a Force Majeure Event prevents a party from fulfilling all or part of its obligations under the Subscription Agreement for a period of more than one month, the other party free from the effect of the Force Majeure Event shall have the right to request the discharge of the Subscription Agreement and be exempt from part of its obligations under the Subscription Agreement or delay the performance of the Subscription Agreement.

Completion of the Subscription

Subject to the conditions mentioned above, the completion of the Subscription shall take place on the date upon which the registration procedures of the Subscription Shares have been completed with the China Securities Depository and Clearing Corporation Limited.

Subscription Specific Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Subscription Specific Mandate to be sought from the Independent Shareholders at the AGM. As the completion of the Subscription is conditional upon the satisfaction or waiver (if applicable) of certain conditions, including but not limited to the registration procedures of the proposed issue of Subscription Shares by the Company to the Subscriber with the

LETTER FROM THE BOARD OF DIRECTORS

China Securities Regulatory Commission having been duly completed, the Subscription Specific Mandate, if approved, will be valid for 12 months from the date of the AGM so as to allow time for the satisfaction of other conditions.

Shareholding Structure of the Company

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Subscription, assuming that there will be no change in the share capital of the Company from the Latest Practicable Date and up to the completion date of the Subscription (other than as a result of the allotment and issue of the Subscription Shares):

	As at the date of the Subscription Agreement		As at the Latest Practicable Date		Immediately after the completion of the Subscription	
	No. of Shares	Approximate % ⁽¹⁾ (Note)	No. of Shares	Approximate % ⁽¹⁾ (Note)	No. of Shares	Approximate % ⁽¹⁾ (Note)
The Subscriber ⁽²⁾	115,555,685	52.72	115,555,685	51.85	119,979,555	52.79
Kelun International	4,567,700	2.08	4,567,700	2.05	4,567,700	2.01
Sub-total	<u>120,123,385</u>	<u>54.80</u>	<u>120,123,385</u>	<u>53.90</u>	<u>124,547,255</u>	<u>54.80</u>
Kelun Jingchuan ⁽³⁾	30,000,000	13.69	30,000,000	13.46	30,000,000	13.20
Placees	–	–	3,648,600	1.64	3,648,600	1.61
Other Shareholders	<u>69,072,114</u>	<u>31.51</u>	<u>69,072,114</u>	<u>31.00</u>	<u>69,072,114</u>	<u>30.39</u>
Total	<u><u>219,195,499</u></u>	<u><u>100.00</u></u>	<u><u>222,844,099</u></u>	<u><u>100.00</u></u>	<u><u>227,267,969</u></u>	<u><u>100.00</u></u>

Notes:

- (1) The percentages may not add up to subtotal or total due to rounding.
- (2) As of the Latest Practicable Date, Mr. LIU Gexin held a 23.67% interest in Kelun Pharmaceutical, and together with his concert parties controlled a 25.62% interest in Kelun Pharmaceutical. Therefore, Mr. LIU Gexin is deemed as the actual controller of Kelun Pharmaceutical and a controlling shareholder of the Company.
- (3) Kelun Jingchuan, a wholly-owned subsidiary of Kelun Pharmaceutical, is the general partner of the four employee incentive platforms of the Company, which in turn hold 30,000,000 Shares in aggregate (the “**Employee Incentive Platform Shares**”). The Employee Incentive Platform Shares are held by the employee incentive platforms for the benefit of the participants. Therefore, for the purpose of this Subscription, the Employee Incentive Platform Shares were excluded when calculating Kelun Pharmaceutical’s existing shareholding in the Company.

LETTER FROM THE BOARD OF DIRECTORS

Equity Fund Raising Activities in the Past 12 Months

The Company conducted the Global Offering in July 2023. The net proceeds from the Global Offering and the full exercise of the Over-allotment Option (as defined in the Prospectus) amounted to approximately HK\$1,454.9 million, after deducting the underwriting commissions and other estimated expenses payable by the Company in connection with the Global Offering and the full exercise of the Over-allotment Option. The Company has utilized, and expects to utilize, the net proceeds from the Global Offering and the full exercise of the Over-allotment Option in accordance with the intended uses previously disclosed in the Prospectus (following pro rata adjustment based on the actual net proceeds received). For more details of the utilization of the net proceeds as of December 31, 2023, please refer to the 2023 Annual Report.

The Company completed the Placing on May 16, 2024, the net proceeds of which were approximately HK\$541.4 million. For further details of the use of proceeds of the Placing, please refer to the announcements of the Company dated May 8, 2024 and May 16, 2024.

Save as disclosed above, the Company had not conducted any fund raising exercise by issuing equity securities in the 12 months immediately before the Latest Practicable Date.

Reasons for and Benefits of the Subscription and Use of Proceeds

As a biopharmaceutical company principally engaged in the research and development, manufacturing and commercialization of novel drugs in oncology, immunology and other therapeutic areas, the Company is adhered to an innovation-driven development strategy and has been actively exploring new approaches to cutting-edge technology and the treatment of major diseases. In the past years, the Company has made encouraging progress in its business and has been continuously validating the clinical value of its products. For the Company's future development, the Company will accelerate the arrival of multiple milestones for new drug development and marketing. It will also continue to improve its "end-to-end" drug development capabilities, production capabilities, and commercialization system construction, to form an industry chain that covers the entire cycle of innovative drug development, and to further actively promote the Company's global strategic cooperation to maximize the global value of its pipelines.

The availability of the raised funds from the Subscription will support the healthy and sustainable development of the Company and help the Group grow its business over the long run. The estimated net proceeds from the Subscription (after deducting all fees, costs and expenses incurred by the Company in connection with the Subscription) is expected to be approximately RMB601.1 million, equivalent to approximately HK\$661.9 million. The net proceeds from the Subscription will be used with: (i) approximately 70%, or RMB420.8 million (equivalent to approximately HK\$463.4 million), for the research and development, clinical trials, registration filings, manufacturing and

LETTER FROM THE BOARD OF DIRECTORS

commercialization of its Core Products and other products, including (a) approximately 35%, or RMB210.4 million (equivalent to approximately HK\$231.7 million), for its Core Products and (b) approximately 35%, or RMB210.4 million (equivalent to approximately HK\$231.7 million), for other products of the Company; (ii) approximately 25%, or RMB150.3 million (equivalent to approximately HK\$165.5 million), to enhance its internal research and development technology capabilities, strengthen external collaboration, and expand its product pipeline portfolio; and (iii) approximately 5%, or RMB30.1 million (equivalent to approximately HK\$33.1 million), to replenish working capital and for general corporate purposes.

The shareholding interests of the existing other Shareholders (other than the controlling Shareholders and the Placees) as at the Latest Practicable Date would be diluted by approximately 0.61% immediately after completion of the Subscription on the assumption that there are no other changes in the share capital of the Company since the Latest Practicable Date. The Company values the protection of the interests of the minority Shareholders. Despite of such potential dilution effect, the Subscription is aimed to support the Company's long-term development so as to provide Shareholders with better return in the long run. From such perspective, the Subscription is also beneficial to the fundamental interests of the minority Shareholders.

Furthermore, the Subscription demonstrates the strong confidence of the Subscriber (being a controlling shareholder of the Company) in the Company's long-term business development and prospects and recognition of the value of the Company, which is conducive to boosting market confidence in the Company and safeguarding the interests of the small and medium-sized Shareholders of the Company.

As such, the Directors consider that the Subscription represents a suitable financing option for the Company to raise further funding to support the Group's continuous development and business growth, which is in the interest of the Company and its Shareholders as a whole.

The Directors (excluding Mr. LIU Gexin, Dr. GE Junyou, Mr. LIU Sichuan and Mr. FENG Hao, who each have a material interest in the Subscription, and the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee contained in this circular) also consider the terms of the Subscription Agreement to be fair and reasonable in the interests of the Company and the Shareholders as a whole and that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber.

LETTER FROM THE BOARD OF DIRECTORS

Listing Rules Implications

The Subscriber is Kelun Pharmaceutical, a substantial shareholder and a controlling shareholder of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. LIU Gexin, being a Director, has abstained from voting on the Company's board resolution(s) for approving the grant of the Subscription Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder in view of his material interest in the Subscription by being the chairman and actual controller of Kelun Pharmaceutical. Dr. GE Junyou, Mr. LIU Sichuan and Mr. FENG Hao, being the Directors, have abstained from voting on the Company's board resolution(s) for approving the grant of the Subscription Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder in view of their material interest in the Subscription by being incumbent directors and/or senior management and/or shareholders of Kelun Pharmaceutical. Save as aforesaid, no other Director has any material interest in the Subscription and was required to abstain from voting.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Subscription Shares will be allotted and issued under the Subscription Specific Mandate to be approved by a special resolution to be proposed for passing by the Independent Shareholders at the AGM. The Subscriber and its associates, having material interests in the Subscription, will abstain from voting on the relevant resolution(s) at the AGM.

Information on the Parties to the Subscription

The Company is a biopharmaceutical company, principally engaged in the R&D, manufacturing and commercialization of novel drugs in oncology, immunology and other therapeutic areas.

Kelun Pharmaceutical is a controlling shareholder of the Company. Kelun Pharmaceutical is principally engaged in the manufacturing of IV (intravenous) fluids solution products and generic drugs and listed on the Shenzhen Stock Exchange (stock code: 002422). As of the Latest Practicable Date, Mr. LIU Gexin, a Director, held a 23.67% interest in Kelun Pharmaceutical, and together with his concert parties controlled a 25.62% interest in Kelun Pharmaceutical. Therefore, Mr. LIU Gexin is deemed as the actual controller of Kelun Pharmaceutical.

LETTER FROM THE BOARD OF DIRECTORS

(13) Proposed Amendments to the Articles of Association

Reference is made to the announcement of the Company dated May 8, 2024 in relation to, among others, the Proposed Amendments to the Articles of Association.

(a) Proposed Amendments reflecting the change in registered capital and share capital structure of the Company which resulted from the completion of the Placing

A special resolution will be proposed at the AGM to consider and approve the Proposed Amendments reflecting the change in registered capital and share capital structure of the Company which resulted from the completion of the Placing.

The Board announced that on May 16, 2024, the Placing was completed. The Proposed Amendments reflecting the change in registered capital and share capital structure of the Company which resulted from the completion of the Placing are set out below. Subject to the passing of the special resolution, the following amendments are proposed to take effect upon the conclusion of the AGM.

Article No.	After Proposed Amendments
Article 6	The registered capital of the Company is RMB222,844,099.
Article 20	The total number of shares of the Company is 222,844,099, all of which are ordinary shares, comprising 92,571,094 unlisted shares and 130,273,005 H shares.

(b) Proposed Amendments reflecting the change in registered capital and share capital structure of the Company which will result from the completion of the Subscription

A special resolution will be proposed at the AGM to consider and approve the Proposed Amendments reflecting the change in registered capital and share capital structure of the Company which will result from the completion of the Subscription.

The Proposed Amendments reflecting the change in registered capital and share capital structure of the Company which will result from the completion of the Subscription are set out below. Subject to the passing of the special resolution and the satisfaction of the conditions precedent in the Subscription Agreement, the following amendments are proposed to take effect upon the completion of the Subscription.

Article No.	After Proposed Amendments
Article 6	The registered capital of the Company is RMB227,267,969.
Article 20	The total number of shares of the Company is 227,267,969, all of which are ordinary shares, comprising 96,994,964 unlisted shares and 130,273,005 H shares.

LETTER FROM THE BOARD OF DIRECTORS

Shareholders should be aware that the Articles of Association are written in Chinese. In the event of discrepancies between the Chinese version and the English translation of the Articles of Association, the Chinese version shall prevail.

III. THE AGM

The AGM will be held at 8:00 a.m. on June 20, 2024 at Meeting Room 1, R&D Building, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd., No. 666 Xinhua Avenue, Chengdu Cross-Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province, the PRC by the Company. The notice convening the AGM is set out on pages 54 to 57 of this circular and published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://kelun-biotech.com>).

The Subscriber and its associates, having material interests in the Subscription, are required to abstain from voting on the resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the AGM.

As at the Latest Practicable Date, the Subscriber and its associates held a total of 150,123,385 Shares, representing approximately 68.49% of the issued share capital of the Company. The Subscriber is entitled to exercise the voting rights attaching to the aforementioned Shares.

Save as disclosed above, to the best of the Directors' knowledge and belief, having made all reasonable enquiries, none of the Shareholders are required to abstain from voting on the proposed resolutions at the AGM.

IV. CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from June 17, 2024 to June 20, 2024, both days inclusive, during which period no transfer of Shares will be registered. To be eligible to attend and vote at the AGM, unregistered Shareholders shall ensure all transfer documents accompanied by the relevant share certificates are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on June 14, 2024 for registration.

V. PROXY ARRANGEMENT

The form of proxy of the AGM is published on the websites of the Stock Exchange and the Company.

LETTER FROM THE BOARD OF DIRECTORS

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the form of proxy of the AGM in accordance with the instructions stated thereon. The form of proxy should be returned to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time fixed for holding the AGM (i.e. not later than 8:00 a.m. on June 19, 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or at any adjourned meeting should you so wish.

VI. VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules and the Articles of Association, any vote of Shareholders at the general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company shall publish the poll results announcement in the manner prescribed under Rule 13.39(5) of the Listing Rules. Accordingly, the chairman of the AGM will exercise his or her power under the Articles of Association to demand a poll in relation to all the proposed resolutions at the AGM.

VII. RECOMMENDATION

The Board of Directors (including the independent non-executive Directors) considers that all the resolutions proposed at the AGM are in the best interests of the Company and the Shareholders as a whole.

In respect of the connected transaction involving the Subscription, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its advice to the Independent Shareholders in connection with the Subscription Agreement and the connected transaction contemplated thereunder; (ii) the letter from Gram Capital set out on pages 29 to 40 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the connected transaction contemplated thereunder, and the principal factors and reasons taken into consideration in arriving at its advice; and (iii) the additional information set out in Appendix II to this circular.

The Board (excluding Mr. LIU Gexin, Dr. GE Junyou, Mr. LIU Sichuan and Mr. FENG Hao, who have abstained from voting on the relevant board resolution(s) of the Company, and the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee contained in this circular) after reviewing and considering the advice of Gram Capital in this circular, considers that the Subscription Specific Mandate, the Subscription Agreement and the connected transaction contemplated thereunder are in the best interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

LETTER FROM THE BOARD OF DIRECTORS

Accordingly, the Board of Directors recommends the Shareholders to vote in favor of these proposed resolutions at the AGM.

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. As the completion of the Subscription may or may not take place, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.
LIU Gexin
Chairman of the Board and Non-executive Director

Hong Kong, May 21, 2024

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the connected transaction contemplated thereunder.



KELUN-BIOTECH
科伦博泰

Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.
四川科倫博泰生物醫藥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6990)

May 21, 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW DOMESTIC
SHARES UNDER THE SUBSCRIPTION SPECIFIC MANDATE**

We refer to the circular dated May 21, 2024 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Gram Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Gram Capital has taken into consideration in giving such advice, are set out in the “Letter from Gram Capital” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in Appendix II hereto.

Having taken into account the terms of the Subscription Agreement and the connected transaction contemplated thereunder and the advice of Gram Capital, we are of the opinion that although the entering into of the Subscription Agreement and the connection transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, and the Subscription Agreement and the connected transaction contemplated thereunder is on normal commercial terms and in the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favor of the resolutions to be proposed at the AGM to approve the Subscription Agreement and the connected transaction contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Dr. ZHENG Qiang (鄭強)

Dr. TU Wenwei (涂文偉)

Dr. JIN Jinping (金錦萍)

Dr. LI Yuedong (李越冬)

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

21 May 2024

To: The independent board committee and the independent shareholders of
Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.

Dear Sir/Madam,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW DOMESTIC SHARES UNDER THE SUBSCRIPTION SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 May 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 May 2024, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 4,423,870 Subscription Shares at the Subscription Price of RMB136.21 per Subscription Share, equivalent to HK\$150.00 per Subscription Share. The Subscription Price is the same as the Placing Price in respect of the Placing Agreement entered into on even date among the Company and the Placing Agents.

The Placing is not conditional on completion of the Subscription. The Subscription is conditional on, amongst others, completion of the Placing.

With reference to the Board Letter, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Dr. ZHENG Qiang, Dr. TU Wenwei, Dr. JIN Jinping and Dr. LI Yuedong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Subscription is conducted in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Subscription at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationship or interest between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is a biopharmaceutical company, principally engaged in the research and development (“R&D”), manufacturing and commercialization of novel drugs in oncology, immunology and other therapeutic areas.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2023 as extracted from the Company’s annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”):

	For the year ended 31 December 2023	For the year ended 31 December 2022	Year-on-year change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue	1,540,493	803,933	91.62
– <i>from license and collaboration agreements</i>	<i>1,531,699</i>	<i>785,902</i>	<i>94.90</i>
– <i>from provision of R&D service</i>	<i>8,794</i>	<i>18,031</i>	<i>(51.23)</i>
Gross profit	759,185	527,105	44.03
Loss for the year attributable to equity shareholders of the Company	(574,134)	(616,099)	(6.81)

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As shown in the above table, the Group's revenue increased from approximately RMB803.9 million for the year ended 31 December 2022 ("FY2022") to approximately RMB1,540.5 million for the year ended 31 December 2023 ("FY2023"), representing an increase of approximately 91.62%. With reference to the 2023 Annual Report, such increase was primarily attributable to revenue from the licensing and collaboration agreement which the Group entered into with Merck Sharp & Dohme LLC (together with its affiliates, "MSD") to develop up to seven preclinical antibody drug conjugate ("ADC") assets for the treatment of cancer.

The Group's gross profit for FY2023 increased by approximately 44.03% as compared to that for FY2022 (with gross profit margin decreased from approximately 65.57% for FY2022 to approximately 49.28% for FY2023 which was mainly a result of the R&D activities carried out between the Group and collaboration partners pursuant to the licensing and collaboration agreements).

The Group's loss for FY2023 attributable to equity shareholders of the Company decreased by approximately 6.81% as compared to that for FY2022. With reference to the 2023 Annual Report, such decrease was mainly due to (i) increase in revenue and gross profit as aforementioned; (ii) recognition of other net income for FY2023 (mainly attributable to the interest income from bank deposits and net foreign exchange gains); and (iii) decrease in finance costs, partially offset by increase in administrative expenses, R&D expenses and income tax expense.

With reference to the 2023 Annual Report, the Group's cash and cash equivalents and net assets were approximately RMB1,528.8 million and RMB2,329.5 million respectively as at 31 December 2023.

With reference to the 2023 Annual Report, the Group has two ADC drugs as its core products, namely, SKB264 and A166. SKB264 is a novel NDA-stage TROP2 ADC positioned as a late-line monotherapy and part of early-line combination therapies for treating various advanced solid tumors. A166 is a differentiated NDA-stage HER2 ADC positioned as a late-line monotherapy to treat advanced HER2-positive (HER2+) solid tumors. As at 25 March 2024 (being the date of the Company's annual results announcement for FY2023), the Group was also developing no less than 10 non-core clinical-stage assets in its pipeline.

Information on the Subscriber

With reference to the Board Letter, the Subscriber is principally engaged in the manufacturing of IV (intravenous) fluids solution products and generic drugs and listed on the Shenzhen Stock Exchange (stock code: 002422). The Subscriber is a controlling shareholder of the Company and thus a connected person of the Company.

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Reasons for and benefits of the Subscription

With reference to the Board Letter, the availability of the raised funds from the Subscription will support the healthy and sustainable development of the Company and help the Group grows its business over the long run. The Subscription also demonstrates the confidence of the Subscriber (being a controlling shareholder of the Company) in the Company's long-term business development and prospects. Detailed reasons for the Subscription were set out in the sub-section headed "Reasons for and Benefits of the Subscription and Use of Proceeds" under the section headed "(12) Connected Transaction Involving Subscription of New Domestic Shares Under the Subscription Specific Mandate" of the Board Letter.

Financing alternatives

Upon our enquiry, the Directors advised us that they also considered other forms of fund-raising means for the Group, such as debt financing and other equity financing.

As advised by the Directors, as the Group is a biopharmaceutical company that is still in the R&D stage and currently has no commercialized products, debt financing would incur financial burden, including interest payment and repayment deadline, on the Group.

In respect of equity financing, the Directors considered that:

- (i) it is the Company's intention to introduce new investors to further enlarge the Shareholders' equity base and optimize the capital structure of the Company, whereas the structure of rights issue/open offer is limited by the shareholding of the existing Shareholders; and
- (ii) there might be uncertainty in engaging underwriter(s) for rights issue/open offer and the results of rights issue/open offer would be uncertain if they are not underwritten. In addition, it might take a relatively longer timeframe when compared to subscription or placing of new shares.

Based on the above, the Directors opted for the Placing and the Subscription as optimal fund-raising means for the Group. As aforementioned, the Subscription, being conducted together with the Placing, also demonstrates the confidence of the Subscriber (being a controlling shareholder of the Company) in the Company's long-term business development and prospects. Accordingly, we concur with the Directors' view that the Subscription is an appropriate financing means currently available to the Group.

Use of proceeds

With reference to the Board Letter, the gross proceeds and the estimated net proceeds (after deducting all fees, costs and expenses incurred by the Company in connection with the Subscription), from the Subscription will be approximately RMB602.6 million (equivalent to approximately HK\$663.6 million) and approximately RMB601.1 million (equivalent to approximately HK\$661.9 million) respectively, which are intended to be used with (i)

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approximately 70%, or RMB420.8 million (equivalent to approximately HK\$463.4 million), for the R&D, clinical trials, registration filings, manufacturing and commercialization of the Group's core products and other products, including (a) approximately 35%, or RMB210.4 million (equivalent to approximately HK\$231.7 million), for core products and (b) approximately 35%, or RMB210.4 million (equivalent to approximately HK\$231.7 million), for other products; (ii) approximately 25%, or RMB150.3 million (equivalent to approximately HK\$165.5 million), to enhance the Group's internal R&D technology capabilities, strengthen external collaboration, and expand its product pipeline portfolio; and (iii) approximately 5%, or RMB30.1 million (equivalent to approximately HK\$33.1 million), to replenish working capital and for general corporate purposes.

With reference to the 2023 Annual Report, the Company received net proceeds of approximately HK\$1,454.9 million (equivalent to approximately RMB1,335.4 million) from the Global Offering and the full exercise of the over-allotment option, intended to be applied as to (1) 45% for the research, development and commercialization of the Group's core products, namely, SKB264 and A166; (2) 30% for the research, development and commercialization of the Group's other key products; (3) 12% for the continued development of the Group's technology platforms, advance the Group's other existing pipeline assets, and explore and development new drug candidates; (4) 8% for funding the expansion of the Group's manufacturing capabilities and quality control system to support the anticipated commercialization of the Group's late-stage assets; and (5) 5% for the working capital and general corporate purposes. As at 31 December 2023, the unutilised proceeds from the Global Offering and the full exercise of over-allotment option were approximately RMB620.9 million in aggregate, among which approximately RMB317.9 million are expected to be fully utilised in 2024 and approximately RMB303.0 million are expected to be fully utilised in 2025.

The Group continued to develop its products and had made certain progress since the beginning of 2023. Details of the progress made are set out in the section headed "Management Discussion and Analysis" of the 2023 Annual Report.

With reference to the 2023 Annual Report, the Group continued to develop its products and made certain progress. The Group also intends to capitalize on its competitive strengths by pursuing the following development strategies: (i) advancing its differentiated pipelines targeting indications with significant medical needs; (ii) innovating on optimized payload-linker strategies, novel ADC designs and structures, and expanded application to non-oncology diseases; (iii) enhancing its end-to-end drug development capabilities and advancing towards commercialization; (iv) expanding global footprints and strategic partnerships to maximize the value of its pipelines; and (v) optimizing its operation system to become a leading global biopharmaceutical company.

Given that the Group currently has no commercialized products and it is the Group's intention to commercialize its products and achieve sales, we are of the view that the intended use of proceeds from the Subscription are in line with the Group's development strategies.

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Having considered the above, we are of the view that although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole.

Principal terms of the Subscription

Set out below are the principal terms of the Subscription, details of which are set out in the sub-section headed “The Subscription” under the section headed “(12) Connected Transaction Involving Subscription of New Domestic Shares Under the Subscription Specific Mandate” of the Board Letter:

Date of Subscription Agreement

8 May 2024

Parties

- (1) The Company (as the issuer)
- (2) Kelun Pharmaceutical (as the subscriber)

Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 4,423,870 new Domestic Shares with a nominal value of RMB1.00 each at the Subscription Price of RMB136.21 per Subscription Share, equivalent to HK\$150.00 per Subscription Share, which is the same as the Placing Price in respect of the Placing Agreement entered into on even date between the Company and the Placing Agents.

Subscription Price

The Subscription Price of RMB136.21 per Subscription Share (equivalent to approximately HK\$150.00 per Subscription Share) represents:

- (i) a discount of approximately 12.13% to the closing price of HK\$170.70 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 6.83% to the closing price of HK\$161.00 per H Share as quoted on the Stock Exchange on the Last Trading Date (the “**LTD Discount**”);
- (iii) a discount of approximately 10.19% to the average closing price of approximately HK\$167.02 per H Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Date (the “**5 Days Discount**”);

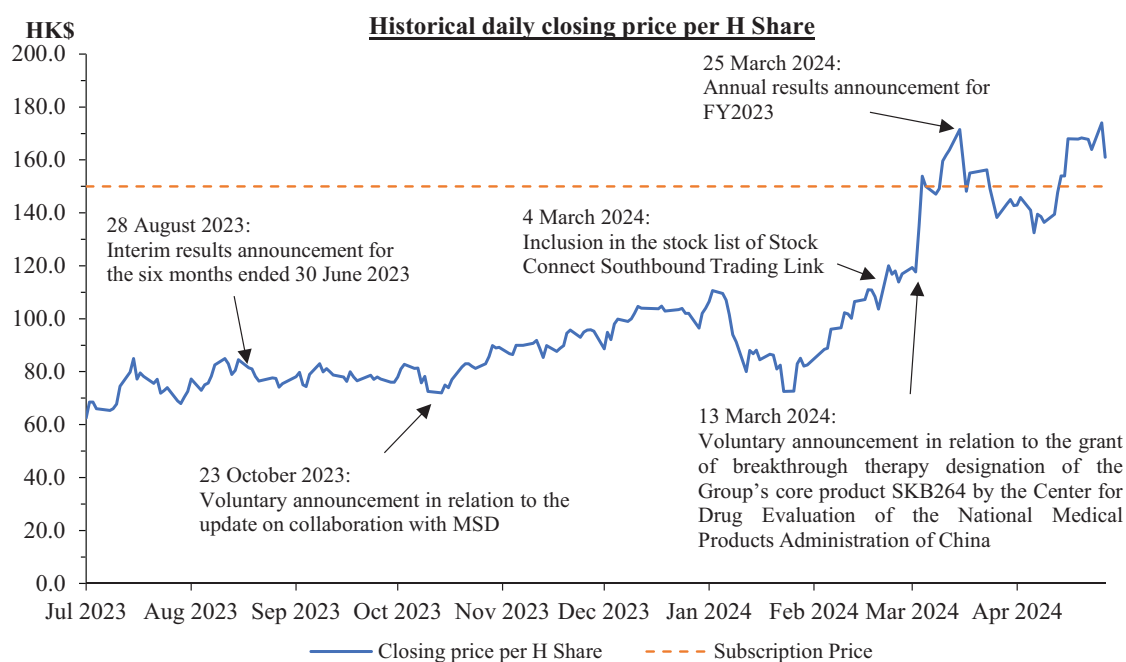
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- (iv) a discount of approximately 1.72% to the average closing price of approximately HK\$152.63 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days prior to and including the Last Trading Date; and
- (v) a premium of approximately 1,181.37% over the Company's audited consolidated net asset value per Share of approximately RMB10.63 as at 31 December 2023 (calculated based on the Company's total equity attributable to equity shareholders of the Company of approximately RMB2,329.5 million as at 31 December 2023 and 219,195,499 Shares in issue as at the Latest Practicable Date).

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analyses:

H Share price performance

Set out below is a chart showing the movement of the closing prices of the H Shares during the period from 11 July 2023 (i.e. the Listing Date) to 7 May 2024, being the period from the Listing Date up to and including the Last Trading Date (the "**H Shares Review Period**"), to illustrate the general trend and level of movement of the closing prices of the H Shares:



Source: *the Stock Exchange's website*

Note: trading in the H Shares was halted with effect from 1:00 p.m. on 20 October 2023 and resumed at 9:00 a.m. on 24 October 2023

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During the H Shares Review Period, the highest and lowest closing prices of H Shares as quoted on the Stock Exchange were HK\$171.50 and HK\$62.50 recorded on 25 March 2024 and 11 July 2023 respectively. The Subscription Price of RMB136.21 (equivalent to approximately HK\$150.00) falls within the closing price range of H Shares and is closer to the upper range of the closing prices of H Shares during the H Shares Review Period.

From the start of the H Shares Review Period up to 20 October 2023, the closing price of H Shares fluctuated between HK\$62.50 per H Share to HK\$85.00 per H Share. From 24 October 2023, the closing prices of H Shares formed a general increasing trend and reached HK\$110.60 per H Share on 12 January 2024. The closing price of H Shares dropped thereafter.

On 13 March 2024 and 14 March 2024, the closing price of H Shares surged and reached HK\$153.80 per H Share on 14 March 2024. Thereafter, the closing price of H Shares continued an increasing trend and reached the highest closing price of HK\$171.50 per H Share during the H Shares Review Period on 25 March 2024.

After 25 March, the closing price of H Shares formed a decreasing trend and dropped to HK\$132.50 per H Share on 16 April 2024 before it rebounded and reached HK\$161.00 per H Share on the Last Trading Date.

Comparable transactions

As part of our analysis, we searched for transactions in relation to issuance/subsorption of domestic shares for cash with indicated issue/subsorption price which were not lapsed or terminated up to the Last Trading Date as announced by companies listed on the Stock Exchange (excluding (i) PRC incorporated banking corporations and non-bank financial institutions which were subject to the then prevailing specific rules and regulations in determining the issue/subsorption price; and (ii) companies which the underlying shares were suspended for trading for over 30 consecutive trading days prior to the date of the relevant transaction announcement) (“**Comparable Transactions**”) during one year from 8 May 2023 up to and including the Last Trading Date. To the best of our knowledge and as far as we are aware of, we only found 2 transactions which met the said criteria. We consider the number of Comparable Transactions was not sufficient for us to perform a meaningful analysis on the Subscription Price. Accordingly, we extended our review period to five years from 8 May 2019 up to and including the Last Trading Date. To the best of our knowledge and as far as we are aware of, we found 7 transactions which met the said criteria and they are exhaustive. As we found sufficient Comparable Transactions over a relatively long period of time and they are exhaustive, we consider that the Comparable Transactions are fair and representative. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions.

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Company name (stock code)	Date of announcement	Premium/(discount) of the issue/subscription price to the closing price per H share on the date of the agreement in relation to the respective issuance/subscription of domestic shares (%)	Premium/(discount) of the issue/subscription price to the average closing price per H share for the five consecutive trading days prior to and including the date of the agreement in relation to the respective issuance/subscription of domestic shares (%)
Guangdong Adway Construction (Group) Holdings Company Limited (6189)	9 May 2019	(2.18)	(2.86)
Xinte Energy Co., Ltd. (1799)	5 August 2021	(13.79)	(11.78)
Tianjin TEDA Biomedical Engineering Company Limited (8189)	21 June 2022	(16.67)	(5.54)
Harbin Electric Company Limited (1133)	28 December 2022	11.00	14.49
Chongqing Hongjiu Fruit Co., Limited (6689)	4 April 2023	(29.28)	(32.03)
AviChina Industry & Technology Company Limited (2357)	9 May 2023	0.93	0.09
Zhejiang Leapmotor Technology Co., Ltd. (9863)	19 January 2024	69.77 <i>(Note)</i>	59.45 <i>(Note)</i>
Maximum (excluding outlier):		11.00	14.49
Minimum (excluding outlier):		(29.28)	(32.03)
Average (excluding outlier):		(8.33)	(6.27)
Median (excluding outlier):		(7.98)	(4.20)
The Subscription		(6.83)	(10.19)

Source: the Stock Exchange's website

Note: the premium of the relevant transaction was exceptionally high and considered as an outlier.

According to the above table:

- The issue/subscription prices of the Comparable Transactions (excluding outlier) ranged from a discount of approximately 29.28% to a premium of approximately 11.00% to the respective closing prices of the H shares on the date of agreement in

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relation to the respective issuance/subscription of domestic shares (the “**LTD Discount/Premium Market Range**”). The LTD Discount is within the LTD Discount/Premium Market Range.

- The issue/subscription prices of the Comparable Transactions (excluding outlier) ranged from a discount of approximately 32.03% to a premium of approximately 14.49% to the respective average closing prices of the shares for the five consecutive trading days prior to and including the date of agreement in relation to the respective issuance/subscription of domestic shares (the “**5 Days Discount/Premium Market Range**”). The 5 Days Discount is within the 5 Days Discount/Premium Market Range.

Having considered that:

- (i) the Subscription price falls within the closing price range of H Shares and is closer to the upper range of the closing prices of H Shares during the H Shares Review Period;
- (ii) the LTD Discount and 5 Days Discount are within the respective premium/discount range of the Comparable Transactions; and
- (iii) the Subscription Price is the same as the Placing Price in respect of the Placing Agreement entered into on even date between the Company and the Placing Agents (the Placing Shares were subscribed by independent third parties of the Company),

we are of the view that the Subscription Price is fair and reasonable.

Having considered the principal terms of the Subscription as set out above, we are of the view that the terms of the Subscription are on normal commercial terms and are fair and reasonable.

Possible dilution effect on the shareholding interests of the existing other Shareholders

With reference to the sub-section headed “Shareholding Structure of the Company” under the section headed “(12) Connected Transaction Involving Subscription of New Domestic Shares Under the Subscription Specific Mandate” of the Board Letter, the Placing was completed on 16 May 2024. The shareholding interests of the existing other Shareholders (other than the controlling Shareholders and the Placees) as at the Latest Practicable Date would be diluted by approximately 0.61 percentage points immediately after completion of the Subscription on the assumption that there were no other changes in the share capital of the Company since the Latest Practicable Date. In light of the reasons and benefit of the Subscription as mentioned above, we consider the said level of dilution to the shareholding interests of other Shareholders as a result of the Subscription to be acceptable.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the Subscription and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

This appendix serves as an explanatory statement, as required by the Listing Rules, to enable the Shareholders to make an informed decision on whether to vote for or against the grant of the Repurchase Mandate.

I. LISTING RULES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below. The Company is empowered by the Articles of Association to repurchase its own securities.

II. SHARE CAPITAL

As at the Latest Practicable Date, the total number of Shares issued by the Company was 222,844,099 (comprising 87,157,052 Domestic Shares, 5,414,042 Unlisted Foreign Shares and 130,273,005 H Shares). Subject to the passing of the special resolution granting the Repurchase Mandate and on the basis that the number of Shares remains unchanged as at the date of the passing of the special resolution, the Company may repurchase pursuant to the Repurchase Mandate a maximum of 13,027,300 H Shares, being up to 10% of the total H Shares (excluding Treasury Shares) in issue as at the date of the passing of the resolution.

III. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

IV. FUNDING OF REPURCHASES

In repurchasing its H Shares, the Company may only apply funds from the Company's internal resources legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws, rules and regulations of the PRC, including but not limited to surplus funds and undistributed profits of the Company. The Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

V. IMPACT ON WORKING CAPITAL

Subject to the compliance with the Listing Rules and all applicable laws and regulations, the Company may cancel any H Shares it repurchased and/or hold them as Treasury Shares subject to, for example, market conditions and its capital management needs at the relevant time of the repurchases (the Company may hold Treasury Shares after the relevant Listing Rules amendments have come into effect on June 11, 2024).

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended December 31, 2023 in the event that the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels.

VI. GENERAL

None of the Directors and, to the best of knowledge of the Directors having made all reasonable enquiries, their close associates (as defined in the Listing Rules) have any present intention to sell to the Company any of the H Shares in the Company, in the event that the Repurchase Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell any H Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is granted to the Company.

For any Treasury Shares deposited with CCASS pending resale on the Stock Exchange, the Company shall (i) procure its broker not to give any instructions to Hong Kong Securities Clearing Company Limited (HKSCC) to vote at general meetings for the Treasury Shares deposited with CCASS; and (ii) in the case of dividends or distributions, withdraw the Treasury Shares from CCASS, and either re-register them in the Company's own name as Treasury Shares or cancel them, in each case before the record date for the dividends or distributions or take any other measures to ensure that it will not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as Treasury Shares.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the PRC and the Articles of Association.

VII. IMPLICATIONS UNDER THE TAKEOVERS CODE

If as a result of a repurchase of Shares by the Company pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, the Directors are not aware of any consequence which would arise under the Takeovers Code or any similarly applicable laws as a result of any repurchases to be made under the Repurchase Mandate. Moreover, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would result in the aggregate number of Shares held by public Shareholders falling below the prescribed minimum percentage required by the Stock Exchange.

VIII. REPURCHASE OF SHARES BY THE COMPANY

The Company had not purchased any H Shares on the Stock Exchange or otherwise during the six months immediately preceding the Latest Practicable Date.

IX. H SHARE PRICES

The highest and lowest prices at which the H Shares have traded on the Stock Exchange during each of the calendar months from the Listing Date up to and including the Latest Practicable Date were as follows:

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2023		
July (from the Listing Date)	86.95	60.60
August	89.60	65.85
September	84.50	72.10
October	85.55	62.00
November	98.35	78.95
December	108.00	85.30
2024		
January	113.00	78.10
February	115.50	63.65
March	177.90	103.60
April	180.00	129.20
May (up to the Latest Practicable Date)	192.80	153.90

X. CONFIRMATION

The Company confirms that neither this explanatory statement nor the Repurchase Mandate has any unusual features.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

II. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**(a) Interests of Directors, Supervisors and Chief Executive of the Company**

As at the Latest Practicable Date, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors and chief executive of the Company are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “**Model Code**”) were as follows:

(i) Interest in the Shares of the Company

Name of Director, Supervisor or chief executive	Position	Nature of Interest	Number and types of Shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾ (%)	Approximate percentage of shareholding in the total issued Shares ⁽¹⁾ (%)
LIU Gexin	Chairman of the Board and non-executive Director	Interest in controlled corporation ⁽²⁾	71,345,543 H Shares (L) ⁽²⁾	54.77	32.02
		Interest in controlled corporation ⁽³⁾	78,777,842 Unlisted Shares (L) ⁽³⁾	85.10	35.35

Name of Director, Supervisor or chief executive	Position	Nature of Interest	Number and types of Shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾ (%)	Approximate percentage of shareholding in the total issued Shares ⁽¹⁾ (%)
WANG Jingyi	Executive Director	Beneficial owner	2,850,000 H Shares (L)	2.19	1.28
		Beneficial owner	2,850,000 Unlisted Shares (L)	3.08	1.28
GE Junyou	Executive Director and general manager	Other ⁽⁴⁾	675,000 H Shares (L) ⁽⁴⁾	0.52	0.30
		Other ⁽⁴⁾	1,575,000 Unlisted Shares (L) ⁽⁴⁾	1.70	0.71
FENG Hao	Non-executive Director	Other ⁽⁵⁾	139,500 H Shares (L) ⁽⁵⁾	0.11	0.06
		Other ⁽⁵⁾	325,500 Unlisted Shares (L) ⁽⁵⁾	0.35	0.15
LAI Degui	Chairman of the Supervisory Committee and Supervisor	Other ⁽⁶⁾	139,500 H Shares (L) ⁽⁶⁾	0.11	0.06
		Other ⁽⁶⁾	325,500 Unlisted Shares (L) ⁽⁶⁾	0.35	0.15
LIAO Yihong	Supervisor	Other ⁽⁷⁾	51,000 H Shares (L) ⁽⁷⁾	0.04	0.02
		Other ⁽⁷⁾	119,000 Unlisted Shares (L) ⁽⁷⁾	0.13	0.05
SONG Hongmei	Supervisor	Other ⁽⁸⁾	138,000 H Shares (L) ⁽⁸⁾	0.11	0.06
		Other ⁽⁸⁾	322,000 Unlisted Shares (L) ⁽⁸⁾	0.35	0.14
YANG Qiuyan	Supervisor	Other ⁽⁹⁾	96,000 H Shares (L) ⁽⁹⁾	0.07	0.04
		Other ⁽⁹⁾	224,000 Unlisted Shares (L) ⁽⁹⁾	0.24	0.10

Name of Director, Supervisor or chief executive	Position	Nature of Interest	Number and types of Shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾ (%)	Approximate percentage of shareholding in the total issued Shares ⁽¹⁾ (%)
QING Yan	Supervisor	Other ⁽¹⁰⁾	120,000 H Shares (L) ⁽¹⁰⁾	0.09	0.05
		Other ⁽¹⁰⁾	280,000 Unlisted Shares (L) ⁽¹⁰⁾	0.30	0.13

Notes:

- (1) As at the Latest Practicable Date, the Company had a total of 222,844,099 issued Shares, consisting of (i) 92,571,094 Unlisted Shares, comprising 87,157,052 Domestic Shares and 5,414,042 Unlisted Foreign Shares, and (ii) 130,273,005 H Shares.
- (2) Mr. LIU Gexin is deemed as the actual controller of Sichuan Kelun Pharmaceutical Co., Ltd. (“**Kelun Pharmaceutical**”). Kelun Pharmaceutical is interested in a total of 71,345,543 H Shares, comprising (i) 57,777,843 H Shares directly held as beneficial owner; (ii) 4,567,700 H Shares held by Kelun International Development Co., Limited (“**Kelun International**”), a wholly-owned subsidiary of Kelun Pharmaceutical and (iii) 9,000,000 H Shares held by the four Employee Incentive Platforms, the general partner of which is Chengdu Kelun Jingchuan Technology Co., Ltd. (“**Kelun Jingchuan**”), a wholly-owned subsidiary of Kelun Pharmaceutical.
- (3) Mr. LIU Gexin is deemed as the actual controller of Kelun Pharmaceutical. Kelun Pharmaceutical is interested in a total of 78,777,842 Unlisted Shares, comprising (i) 57,777,842 Unlisted Shares directly held as beneficial owner and (ii) 21,000,000 Unlisted Shares held by the four Employee Incentive Platforms, the general partner of which is Kelun Jingchuan, a wholly-owned subsidiary of Kelun Pharmaceutical. Pursuant to the Subscription Agreement, Kelun Pharmaceutical also agreed to subscribe for 4,423,870 Unlisted Shares subject to satisfaction of certain conditions. As of the Latest Practicable Date, the Subscription has not been completed.
- (4) Dr. GE Junyou has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Chengdu Kelun Huicai Enterprise Management Center Limited Partnership (成都科倫匯才企業管理中心(有限合夥)) (“**Kelun Huicai**”) and Chengdu Kelun Huizhi Enterprise Management Center Limited Partnership (成都科倫匯智企業管理中心(有限合夥)) (“**Kelun Huizhi**”), two of the Employee Incentive Platforms. Kelun Huicai held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Dr. GE Junyou held 28.00% partnership interest in Kelun Huicai, corresponding to 630,000 H Shares and 1,470,000 Unlisted Shares. Kelun Huizhi held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Dr. GE Junyou held 2.00% partnership interest in Kelun Huizhi, corresponding to 45,000 H Shares and 105,000 Unlisted Shares.
- (5) Mr. FENG Hao has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Kelun Huicai, one of the Employee Incentive Platforms. Kelun Huicai held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Mr. FENG Hao held 6.20% partnership interest in Kelun Huicai, corresponding to 139,500 H Shares and 325,500 Unlisted Shares.
- (6) Mr. LAI Degui has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Kelun Huicai, one of the Employee Incentive Platforms. Kelun Huicai held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Mr. LAI Degui held 6.20% partnership interest in Kelun Huicai, corresponding to 139,500 H Shares and 325,500 Unlisted Shares.
- (7) Ms. LIAO Yihong has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Kelun Huicai, one of the Employee Incentive Platforms. Kelun Huicai held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Ms. LIAO Yihong held 2.27% partnership interest in Kelun Huicai, corresponding to 51,000 H Shares and 119,000 Unlisted Shares.

- (8) Dr. SONG Hongmei has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Kelun Huizhi, one of the Employee Incentive Platforms. Kelun Huizhi held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Dr. SONG Hongmei held 6.13% partnership interest in Kelun Huizhi, corresponding to 138,000 H Shares and 322,000 Unlisted Shares.
- (9) Ms. YANG Qiuyan has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Chengdu Kelun Huineng Enterprise Management Center Limited Partnership (成都科倫匯能企業管理中心(有限合夥)) (“**Kelun Huineng**”), one of the Employee Incentive Platforms. Kelun Huineng held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Ms. YANG Qiuyan held 4.27% partnership interest in Kelun Huineng, corresponding to 96,000 H Shares and 224,000 Unlisted Shares.
- (10) Dr. QING Yan has been granted share awards under the Pre-IPO Employee Incentive Scheme held by Kelun Huicai, one of the Employee Incentive Platforms. Kelun Huicai held a total of 2,250,000 H Shares and 5,250,000 Unlisted Shares. Dr. QING Yan held 5.33% partnership interest in Kelun Huicai, corresponding to 120,000 H Shares and 280,000 Unlisted Shares.
- (L) Long position.

(ii) *Interest in the shares of associated corporations*

Name of associated corporation	Name of Director	Position	Nature of Interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the total issued share capital of the associated corporation
					(%)
Kelun Pharmaceutical ⁽²⁾	LIU Gexin	Chairman of the Board and non-executive Director	Beneficial owner	379,128,280 (L)	23.67 ⁽¹⁾
	GE Junyou	Executive Director and general manager	Beneficial owner	295,000 (L)	0.02 ⁽¹⁾
	LIU Sichuan	Non-executive Director	Beneficial owner	8,346,286 (L)	0.52 ⁽¹⁾
	FENG Hao	Non-executive Director	Beneficial owner	511,068 (L)	0.03 ⁽¹⁾
	LAI Degui	Chairman of the Supervisory Committee and Supervisor	Beneficial owner	525,698 (L)	0.03 ⁽¹⁾
	LIAO Yihong	Supervisor	Beneficial owner	121,667 (L)	0.01 ⁽¹⁾
	WAN Peng	Supervisor	Beneficial owner	10,000 (L)	0.01 ⁽¹⁾

Name of associated corporation	Name of Director	Position	Nature of Interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the total issued share capital of the associated corporation
					(%)
Zhejiang Keyun ⁽³⁾	FENG Hao	Non-executive Director	Beneficial owner	2,000,000 (L)	10.00 ⁽⁵⁾
			Interest in controlled corporation ⁽⁴⁾	3,200,000 (L) ⁽⁴⁾	16.00 ⁽⁵⁾
	LAI Degui	Chairman of the Supervisory Committee and Supervisor	Beneficial owner	2,000,000 (L)	10.00 ⁽⁵⁾
			Interest in controlled corporation ⁽⁴⁾	3,200,000 (L) ⁽⁴⁾	16.00 ⁽⁵⁾

Notes:

- (1) As at the Latest Practicable Date, Kelun Pharmaceutical had a total of 1,601,592,173 issued shares.
 - (2) Kelun Pharmaceutical is the holding company of the Company and therefore an associated corporation of the Company.
 - (3) Zhejiang Keyun IOT Technology Co., Ltd. (浙江科運物聯科技有限公司) (“**Zhejiang Keyun**”) is a subsidiary of Kelun Pharmaceutical and therefore an associated corporation of the Company.
 - (4) Each of Lishui Keyun Yaotong Logistics Technology Limited Partnership (麗水市科運耀通物流科技合夥企業(有限合夥)) (“**Keyun Yaotong**”) and Lishui Keyun Rentong Logistics Technology Limited Partnership (麗水市科運仁通物流科技合夥企業(有限合夥)) (“**Keyun Rentong**”) held RMB1,600,000 registered capital of Zhejiang Keyun. Mr. FENG Hao and Mr. LAI Degui each held 50% partnership interest in each of Kelun Yaotong and Keyun Rentong and is therefore deemed to be interested in the registered capital of Zhejiang Keyun held by Kelun Yaotong and Keyun Rentong.
 - (5) As of the Latest Practicable Date, Zhejiang Keyun had a total of RMB20,000,000 registered capital.
- (L) Long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

To the best knowledge of the Company based on public information, as at the Latest Practicable Date, the interests or short positions of the following persons (other than the Directors, Supervisors and chief executive of the Company) in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which any such persons other than the Directors, Supervisors and chief executive of the Company are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest	Number and class of Shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾ (%)
Kelun Pharmaceutical	Beneficial owner	57,777,843 H Shares (L)	44.35	25.93
	Interest in controlled corporations ⁽²⁾	13,567,700 H Shares (L) ⁽²⁾	10.41	6.09
	Beneficial owner ⁽³⁾	57,777,842 Unlisted Shares (L) ⁽³⁾	62.41	25.93
	Interest in controlled corporation ⁽³⁾	21,000,000 Unlisted Shares (L) ⁽³⁾	22.69	9.42
Kelun Jingchuan	Interest in controlled corporations ⁽⁴⁾	9,000,000 H Shares (L) ⁽⁴⁾	6.91	4.04
	Interest in controlled corporations ⁽⁴⁾	21,000,000 Unlisted Shares (L) ⁽⁴⁾	22.69	9.42
Kelun Huicai	Beneficial owner	5,250,000 Unlisted Shares (L)	5.67	2.36
Kelun Huide	Beneficial owner	5,250,000 Unlisted Shares (L)	5.67	2.36

Name of Shareholder	Nature of Interest	Number and class of Shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾ (%)
Kelun Huineng	Beneficial owner	5,250,000 Unlisted Shares (L)	5.67	2.36
Kelun Huizhi	Beneficial owner	5,250,000 Unlisted Shares (L)	5.67	2.36
Merck & Co., Inc. ⁽⁵⁾	Interest in controlled corporation ⁽⁵⁾	13,443,693 H Shares (L)	10.32	6.03
Merck Sharp & Dohme LLC ⁽⁵⁾	Beneficial owner	13,443,693 H Shares (L)	10.32	6.03

Notes:

- (1) As at the Latest Practicable Date, the Company had a total of 222,844,099 issued Shares, consisting of (i) 92,571,094 Unlisted Shares, comprising 87,157,052 Domestic Shares and 5,414,042 Unlisted Foreign Shares, and (ii) 130,273,005 H Shares.
 - (2) Kelun Pharmaceutical is interested in a total of 71,345,543 H Shares, comprising (i) 57,777,843 H Shares directly held as beneficial owner; (ii) 4,567,700 H Shares held by Kelun International, a wholly-owned subsidiary of Kelun Pharmaceutical and (iii) 9,000,000 H Shares held by the four Employee Incentive Platforms, the general partner of which is Kelun Jingchuan, a wholly-owned subsidiary of Kelun Pharmaceutical.
 - (3) Kelun Pharmaceutical is interested in a total of 78,777,842 Unlisted Shares, comprising (i) 57,777,842 Unlisted Shares directly held as beneficial owner and (ii) 21,000,000 Unlisted Shares held by the four Employee Incentive Platforms, the general partner of which is Kelun Jingchuan, a wholly-owned subsidiary of Kelun Pharmaceutical.
 - (4) Kelun Jingchuan is the general partner of the four Employee Incentive Platforms, which in aggregate held 9,000,000 H Shares and 21,000,000 Unlisted Shares.
 - (5) Merck Sharp & Dohme LLC is a wholly-owned subsidiary of Merck & Co., Inc., a company listed on the New York Stock Exchange (stock code: MRK).
- (L) Long position.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the Directors, Supervisor and chief executive of the Company as set out in the sub-section headed “(a) Interests of Directors, Supervisors and Chief Executive of the Company” in this appendix) had any interests or short positions in the shares, underlying shares of the Company which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

III. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business apart from the Group's business which competed or would be likely to compete, either directly or indirectly, with the Group's business.

IV. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, our Company has entered into a service agreement or an appointment letter with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

The principal particulars of these service agreements and appointment letters are: (a) each of the agreements or the appointment letters is for a term of three years following his/her respective effective date of his/her appointment; and (b) each of the agreements or the appointment letters is subject to termination in accordance with their respective terms. The service agreements and appointment letters may be renewed in accordance with the Articles of Association and the applicable rules.

Save as disclosed above, none of the Directors had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

V. DIRECTORS', SUPERVISORS' AND EXPERT'S INTERESTS IN ASSETS

None of the Directors, Supervisors or the expert (as named in this circular) had any interest, direct or indirect, in any asset which had, since December 31, 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

VI. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

Save for the Auxiliary R&D Services Framework Agreement, R&D-related Drugs and Consumables Framework Agreement and the Licensing Agreement disclosed under the sub-section headed "Connected Transactions" in the 2023 Annual Report, none of the Directors or Supervisors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

VII. EXPERT QUALIFICATION AND CONSENT

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since December 31, 2023, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

VIII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

IX. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<https://kelun-biotech.com>) for a period of not less than 14 days before the date of the AGM:

- (a) the Subscription Agreement; and
- (b) the written consent from the expert referred to under the paragraphs headed “VII. EXPERT QUALIFICATION AND CONSENT” in this appendix.

NOTICE OF 2023 ANNUAL GENERAL MEETING



KELUN-BIOTECH
科伦博泰

Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. **四川科倫博泰生物醫藥股份有限公司**

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6990)

NOTICE OF 2023 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2023 annual general meeting (the “**AGM**”) of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (the “**Company**”) will be held at 8:00 a.m. on June 20, 2024 at Meeting Room 1, R&D Building, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd., No. 666 Xinhua Avenue, Chengdu Cross-Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province the People’s Republic of China for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the financial accounts report of the Group for the year 2023.
2. To consider and approve the financial budget report of the Group for the year 2024.
3. To consider and approve the report of the Board of Directors for the year 2023.
4. To consider and approve the report of the Supervisory Committee for the year 2023.
5. To consider and approve the annual report of the Group for the year 2023.
6. To consider and approve the re-appointment of KPMG as the auditors of the Company for the year 2024, for a term commencing from the date of approval of this resolution until the conclusion of the next annual general meeting of the Company, and to authorize the Board of Directors to determine the specific matters, including but not limited to their remuneration of not more than RMB2,400,000 for the year 2024 before tax, in relation to such appointment.
7. To consider and approve the remuneration of the Directors and Supervisors for the year 2024.
8. To consider and approve the annual profit distribution plan of the Company for the year 2023.
9. To consider and approve the acquisition of wealth management products with idle self-owned funds for the year 2024, with the details as set out in the circular of the Company dated May 21, 2024 (the “**Circular**”).

NOTICE OF 2023 ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

10. To consider and approve the grant of a general mandate to the Board to issue Shares and sell Treasury Shares, with the details of the general mandate as set out in the Circular.
11. To consider and approve the grant of a general mandate to the Board to repurchase H Shares, with the details of the general mandate as set out in the Circular.
12. (a) To consider and approve the grant of a specific mandate (the “**Subscription Specific Mandate**”) for a validity period of 12 months from the date of approval at the AGM to issue 4,423,870 new Domestic Shares at the subscription price of RMB136.21 per Domestic Share in accordance with the terms and conditions of the Subscription Agreement dated May 8, 2024 and entered into by the Company as issuer and Kelun Pharmaceutical as Subscriber, including:

- (a) **Type of Shares to be issued**

- The shares to be issued are unlisted domestic ordinary shares, denominated in RMB (“**Domestic Shares**”).

- (b) **Nominal value of Shares to be issued**

- The nominal value of the new Domestic Shares to be issued is RMB1.00.

- (c) **Method of issuance**

- The Domestic Shares to be issued will be subscribed by Kelun Pharmaceutical.

- (d) **Number of Shares to be issued**

- The number of new Domestic Shares to be issued is 4,423,870.

- (e) **Subscription price**

- The subscription price for the new Domestic Shares to be issued is RMB136.21 per Domestic Share, equivalent to HK\$150.00 per Domestic Share, which is the same as the price per H Share under the Placing.

- (f) **Method of subscription**

- The aggregate consideration for the Subscription will be payable by the Subscriber in cash.

NOTICE OF 2023 ANNUAL GENERAL MEETING

(g) **Arrangement in relation to undistributed retained profits**

The undistributed retained profits of the Company before the completion of issuance of new Domestic Shares under the Subscription Specific Mandate and the Subscription will be shared by the Shareholders after the completion of the Subscription in proportion to their respective shareholdings in the Company.

(h) **Use of proceeds**

The Company intends to use the estimated net proceeds of the Subscription (i) for the research and development, clinical trials, registration filings, manufacturing and commercialization of its Core Products (as defined in the Prospectus) and other products; (ii) to enhance its internal research and development technology capabilities, strengthen external collaboration, and expand its product pipeline portfolio; and (iii) to replenish working capital and for general corporate purposes.

- (b) To consider and approve the authorization to the Board and persons authorized by the Board to deal with all matters in relation to the issue of new Domestic Shares under the Subscription Specific Mandate as set out in special resolution 12.
13. (a) To consider and approve the proposed amendments to the articles of association of the Company as set out in the Circular which result from the completion of the Placing (as defined in the Circular).
- (b) To consider and approve the proposed amendments to the articles of association of the Company as set out in the Circular which will result from the completion of the Subscription (as defined in the Circular).

By order of the Board
Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.
LIU Gexin
Chairman of the Board and Non-executive Director

Hong Kong, May 21, 2024

NOTICE OF 2023 ANNUAL GENERAL MEETING

Notes:

1. All resolutions at the AGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The results of the poll will be published on the websites of the Company at <https://kelun-biotech.com> and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the AGM.
2. Any Shareholder entitled to attend and vote at the AGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be completed and returned to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), at least 24 hours before the AGM (i.e. before 8:00 a.m. on June 19, 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the AGM or any adjourned meeting thereof should he/she so wish.
4. For the purpose of determining the list of Shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from June 17, 2024 to June 20, 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered Shareholders shall ensure all transfer documents accompanied by the relevant share certificates are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 14, 2024 for registration.
5. In the case of joint Shareholders, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
6. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
7. A Shareholder or his/her proxy should produce proof of identity when attending the AGM.
8. Contact information of the meeting:

Contact person: Zhuo Chen
Telephone: +86-18084866369
Email: yfchengz@kelun.com
Address: No. 666 Xinhua Avenue, Chengdu Cross-Strait Science and Technology Industry Development Park, Wenjiang District, Chengdu, Sichuan Province, PRC
9. Further details of the resolutions are set out in the circular of the Company dated May 21, 2024. Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular.
10. References to dates and time in this notice are to Hong Kong dates and time.

As at the date of this notice, the Board comprises Mr. LIU Gexin as the chairman of the Board and non-executive Director, Dr. GE Junyou and Dr. WANG Jingyi as executive Directors, Mr. LIU Sichuan, Mr. FENG Hao, Mr. ZENG Xuebo and Mr. LI Dongfang as non-executive Directors, and Dr. ZHENG Qiang, Dr. TU Wenwei, Dr. JIN Jinping and Dr. LI Yuedong as independent non-executive Directors.