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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)

**CONTINUING CONNECTED TRANSACTION
REVISION OF TERMS AND ANNUAL CAPS FOR
AUXILIARY R&D SERVICES FRAMEWORK AGREEMENT**

INTRODUCTION

Reference is made to the Prospectus in relation to, among others, the Auxiliary R&D Services Framework Agreement. Under the existing Auxiliary R&D Services Framework Agreement, the Group agrees to procure from or provide to Kelun Pharmaceutical (for itself and on behalf of the Remaining Kelun Group) the Auxiliary R&D Services for a term commencing from the Listing Date until December 31, 2025 (both days inclusive).

Taking into account the availability for sale of certain R&D and other miscellaneous equipment and materials by the Group and the Remaining Kelun Group from time to time, on August 19, 2024, the Company and Kelun Pharmaceutical (for itself and on behalf of the Remaining Kelun Group) entered into the Supplemental Agreement to revise the existing service scope, pricing policy and, for the years ended December 31, 2024 and 2025, the annual caps under the Auxiliary R&D Services Framework Agreement. All other existing terms of the Auxiliary R&D Services Framework Agreement remain unchanged.

LISTING RULES IMPLICATIONS

As (i) the terms of the Supplemental Agreement constitutes a material change to the terms of the Auxiliary R&D Services Framework Agreement, and (ii) the revised annual caps are adopted in place of the existing annual caps for the years ended December 31, 2024 and 2025, the Company is required to re-comply with Chapter 14A of the Listing Rules in relation to the continuing connected transaction under the Auxiliary R&D Services Framework Agreement pursuant to Rule 14A.54 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the revised annual caps for the years ended December 31, 2024 and 2025 is more than 0.1% but less than 5%, the Auxiliary R&D Services Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement 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 Supplemental Agreement and the transactions contemplated thereunder in view of his material interest by being the chairman and actual controller of Kelun Pharmaceutical. Dr. GE Junyou, Mr. LIU Sichuan, Mr. LAI Degui and Mr. FENG Hao, being the Directors, have abstained from voting on the Company's board resolution(s) for approving the Supplemental Agreement and the transactions contemplated thereunder in view of their material interest by being directors and/or senior management and/or shareholders of Kelun Pharmaceutical. Save as aforesaid, no other Director has any material interest in the Supplemental Agreement and the transactions contemplated thereunder and was required to abstain from voting.

INTRODUCTION

Reference is made to the Prospectus in relation to, among others, the Auxiliary R&D Services Framework Agreement. Under the existing Auxiliary R&D Services Framework Agreement, the Group agrees to procure from or provide to Kelun Pharmaceutical (for itself and on behalf of the Remaining Kelun Group) the Auxiliary R&D Services for a term commencing from the Listing Date until December 31, 2025 (both days inclusive).

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SUPPLEMENTAL AGREEMENT

Revision of Service Scope

Pursuant to the Supplemental Agreement, the existing service scope under the Auxiliary R&D Services Framework Agreement was revised to include the Auxiliary R&D Equipment that the Group sells and purchases to/from the Remaining Kelun Group.

Revision of Pricing Policy

Pursuant to the Supplemental Agreement, the existing pricing policy under the Auxiliary R&D Services Framework Agreement was revised to include an additional pricing policy in respect of the Auxiliary R&D Equipment.

The consideration of the Auxiliary R&D Equipment will be negotiated on an arm's length basis between the Group and the Remaining Kelun Group on normal commercial terms with reference to the book value of the R&D equipment and materials and the prevailing market prices of similar equipment and materials sold by independent third party vendors.

The R&D equipment and materials to be sold by the Remaining Kelun Group can be readily sourced from third-party suppliers. The Group will continue to purchase R&D equipment and materials from the Remaining Kelun Group only if they are provided to the Group on normal commercial terms or better when compared with other third-party suppliers.

Revision of Annual Caps

Historical Transaction Amounts

Set out below are the historical transaction amounts under the Auxiliary R&D Services Framework Agreement paid or payable by (i) the Group to the Remaining Kelun Group in respect of the Group's procurement of the Auxiliary R&D Services from the Remaining Kelun Group; and (ii) the Remaining Kelun Group to the Group in respect of the Group's provision of the Auxiliary R&D Services to the Remaining Kelun Group:

	Historical Transaction Amounts	
	From the commencement date of the term of the agreement (being the Listing Date) to December 31, 2023	For the six months ended June 30, 2024
	(audited)	(unaudited)
	(RMB '000)	(RMB '000)
Procurement of Auxiliary R&D Services from the Remaining Kelun Group	11,369	12,350
Provision of Auxiliary R&D Services to the Remaining Kelun Group	2,597	2,665

As disclosed in the 2023 Annual Report, the actual transaction amounts under the Auxiliary R&D Services Framework Agreement for the year ended December 31, 2023 did not exceed the annual cap for the same year. As at the date of this announcement, the actual transaction amounts under the Auxiliary R&D Services Framework Agreement in the year of 2024 have not exceeded the existing annual caps for the same year.

Revised Annual Caps

In view of the revised service scope under the Auxiliary R&D Services Framework Agreement to include the sales and/or purchases of the Auxiliary R&D Equipment, the transaction amounts under the Auxiliary R&D Services Framework Agreement is expected to increase. Therefore, the existing annual caps is expected to be insufficient to fulfill the additional previously unforeseen transactions that may take place under the Auxiliary R&D Services Framework Agreement for the financial years ending December 31, 2024 and 2025.

The following table sets forth the revised annual caps under the Auxiliary R&D Services Framework Agreement (as supplemented by the Supplemental Agreement) paid or payable by (i) the Group to the Remaining Kelun Group in respect of procurement of Auxiliary R&D Services and/or purchases of the Auxiliary R&D Equipment from the Remaining Kelun Group; and (ii) the Remaining Kelun Group to the Group in respect of the Group's provision of Auxiliary R&D Services and/or sales of the Auxiliary R&D Equipment to the Remaining Kelun Group:

	Existing Annual Caps		Revised Annual Caps	
	For the year ending		For the year ending	
	December 31,		December 31,	
	2024	2025	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Procurement of Auxiliary R&D Services and/or purchases of Auxiliary R&D Equipment from the Remaining Kelun Group	18,000	15,000	19,000	17,000
Provision of Auxiliary R&D Services and/or sales of Auxiliary R&D Equipment to the Remaining Kelun Group	16,000	16,000	17,000	18,000

The revised annual caps were determined based on the following factors:

- (i) the fee rates of the Auxiliary R&D Services and Auxiliary R&D Equipment charged by the Group and the Remaining Kelun Group, and the expected fluctuation in the rate;
- (ii) the historical transaction amounts in respect of the Group's procurement/provision of the Auxiliary R&D Services from/to the Remaining Kelun Group;
- (iii) the anticipated demand for the Auxiliary R&D Services and Auxiliary R&D Equipment from the Group and the Remaining Kelun Group. For the Group, anticipated demand is driven by its R&D progress of its product candidates through 2025, taking into account the strengths, limitations and anticipated improvement of the Group's existing R&D capabilities;
- (iv) the relevant service provision capacity of the Remaining Kelun Group and the Group in providing Auxiliary R&D Services; and
- (v) the anticipated availability of Auxiliary R&D Equipment of the Group and the Remaining Kelun Group and expected fluctuation in market value of the Auxiliary R&D Equipment.

Save as disclosed above, the existing terms of the Auxiliary R&D Services Framework Agreement (including but not limited to the Term) remain unchanged. Other major terms are set out in the section headed "Connected Transactions – Partially Exempt Continuing Connected Transactions – Procurement And Provision Of Auxiliary R&D Services" in the Prospectus.

The Group will continue to ensure that each of the transactions contemplated under the Auxiliary R&D Services Framework Agreement (as supplemented by the Supplemental Agreement) adhere to the pricing policies under the terms of the Auxiliary R&D Services Framework Agreement (as supplemented by the Supplemental Agreement). For further details on the Group's corporate governance measures, please refer to the section headed "Connected Transactions – Partially Exempt Continuing Connected Transactions – Procurement And Provision Of Auxiliary R&D Services – Corporate Governance Measures" in the Prospectus and the section headed "Corporate Governance Report – Internal Control" in the 2023 Annual Report.

REASONS FOR AND BENEFITS OF REVISION OF TERMS AND ANNUAL CAPS

The Group has procured and provided the Auxiliary R&D Services from/to the Remaining Kelun Group for a number of years. The two parties are familiar with and meet each other's R&D practices and quality requirement. Over the course of the Group's co-operation with the Remaining Kelun Group, it has come to the Group's attention that, in connection with the Auxiliary R&D Services, the Remaining Kelun Group has R&D equipment and materials available for sale from time to time, which is suitable to meet the R&D needs of the Group. At the same time, the Group may have available R&D equipment and materials which is suitable to the R&D needs of the Remaining Kelun Group.

The entry into the Supplemental Agreement to revise the service scope, pricing policy and, for the years ended December 31, 2024 and 2025, the annual caps under the Auxiliary R&D Services Framework Agreement would enable the Group to purchase and sell such R&D equipment and materials from/to the Remaining Kelun Group. Purchases made by the Group would enable the Group to steadily build on its existing R&D capabilities and improve its day-to-day operational efficiency. Further, continuous procurement and provision of the Auxiliary R&D Services and purchases/sales of the Auxiliary R&D Equipment from/to the Remaining Kelun Group can reduce the Group's costs associated with prolonged negotiations with new service providers and customers, provide a reliable and cost-effective source of R&D equipment and materials for both parties, giving the Group flexibility to purchase or sell such equipment and materials as and when the need arises, and thereby enabling the Group and the Remaining Kelun Group to fine-tune and optimize its allocation of R&D resources. Taken as a whole, the enhancement of the Group's R&D function capabilities through the Auxiliary R&D Services and the Auxiliary R&D Equipment will ultimately support the continued advancement of the Group's drug development programs and commercialization objectives.

Taking the above into consideration, the Directors (including the independent non-executive Directors) are of the view that the terms of the Auxiliary R&D Services Framework Agreement (as supplemented by the Supplemental Agreement) and the revised annual caps for the years ended December 31, 2024 and 2025 are fair and reasonable, the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Kelun Pharmaceutical is a controlling shareholder of the Company. Therefore, Kelun Pharmaceutical is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Auxiliary R&D Services Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitutes a continuing connected transaction for the Company under the Listing Rules.

As (i) the terms of the Supplemental Agreement constitutes a material change to the terms of the Auxiliary R&D Services Framework Agreement, and (ii) the revised annual caps are adopted in place of the existing annual caps for the years ended December 31, 2024 and 2025, the Company is required to re-comply with Chapter 14A of the Listing Rules in relation to the continuing connected transaction under the Auxiliary R&D Services Framework Agreement pursuant to Rule 14A.54 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the revised annual caps for the years ended December 31, 2024 and 2025 is more than 0.1% but less than 5%, the Auxiliary R&D Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement 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 Supplemental Agreement and the transactions contemplated thereunder in view of his material interest by being the chairman and actual controller of Kelun Pharmaceutical. Dr. GE Junyou, Mr. LIU Sichuan, Mr. LAI Degui and Mr. FENG Hao, being the Directors, have abstained from voting on the Company's board resolution(s) for approving the Supplemental Agreement and the transactions contemplated thereunder in view of their material interest by being directors and/or senior management and/or shareholders of Kelun Pharmaceutical. Save as aforesaid, no other Director has any material interest in the Supplemental Agreement and the transactions contemplated thereunder and was required to abstain from voting.

INFORMATION ON THE PARTIES

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 antibiotics intermediates and listed on the Shenzhen Stock Exchange (stock code: 002422). As of the date of this announcement, Mr. LIU Gexin, a Director, is the actual controller of Kelun Pharmaceutical.

DEFINITIONS

“2023 Annual Report”	the annual report of the Company for the year ended December 31, 2023
“Auxiliary R&D Equipment”	auxiliary R&D and other miscellaneous equipment and materials, which include, without limitation, laboratory equipment, instruments and machines, engineering materials, reagents and consumables

“Auxiliary R&D Services”	auxiliary R&D services, which include process development and optimization, sample purification, crystallization screening, GMP batch release testing, packing material and releasing testing from the Remaining Kelun Group, and have provided auxiliary R&D services, which include preclinical animal studies (including toxicology, pharmacokinetics, pharmacodynamic and screening studies), clinical biostatistics, data management, quality control and clinical audit, and other supporting services to the Remaining Kelun Group
“Auxiliary R&D Services Framework Agreement”	the auxiliary R&D services framework agreement dated June 1, 2024, between the Company and Kelun Pharmaceutical (for itself and on behalf of the Remaining Kelun Group) (which expression shall include such agreement as amended and supplemented by the Supplemental Agreement dated August 19, 2024, as the context requires)
“Board”	the board of directors of the Company
“Company”	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 PRC with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 6990)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Listing Date”	July 11, 2023
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall not include Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus issued by the Company dated June 29, 2023
“Remaining Kelun Group”	Kelun Pharmaceutical and its subsidiaries, excluding the Group

“Shareholder(s)”	holder(s) of ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each
“Supplemental Agreement”	a supplemental agreement dated August 19, 2024, between the Company and Kelun Pharmaceutical (for itself and on behalf of the Remaining Kelun Group) to amend certain terms of the Auxiliary R&D Services Framework Agreement
“Term”	the term of the Auxiliary R&D Services Framework Agreement, being a term commencing from the Listing Date until December 31, 2025 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, August 19, 2024

As at the date of this announcement, the Board comprises Mr. LIU Gexin as the chairman of the Board and non-executive Director, Dr. GE Junyou as executive Director, Mr. LIU Sichuan, Mr. LAI Degui, 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.