
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SinoMab BioScience Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(1) CONNECTED TRANSACTION
PROPOSED ISSUE OF HK\$100,000,000 CONVERTIBLE BONDS
DUE 2022
POSSIBLE ISSUE OF SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF EGM

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



The notice convening the extraordinary general meeting of SinoMab BioScience Limited (the “**Company**”) to be held at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 19 February 2021 at 10:00 a.m. (the “**EGM**”) is appended to this circular. A form of proxy for the EGM is enclosed with this circular.

Whether or not you are able to attend and vote at the EGM, please complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 10:00 a.m. on Wednesday, 17 February 2021) (Hong Kong time) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.sinomab.com).

27 January 2021

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of Directors
“Bond Instrument”	the bond instrument to be executed by the Company upon Completion incorporating the terms and conditions of the Convertible Bonds
“Bondholder”	the person in whose name a Convertible Bond is registered on the register of Bondholders of the Company
“Completion Date”	the date of completion of the Subscription
“China” or “PRC”	the People’s Republic of China, which for the purposes of this circular excludes Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscription
“Completion Date”	the date of completion of the Subscription
“Condition(s)”	the conditions precedent set out in the Subscription Agreement for the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price per Share at which the Convertible Bonds may be converted into Shares
“Conversion Shares”	the Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds

DEFINITIONS

“Convertible Bonds”	the HK\$100,000,000 convertible bonds due 2022 to be issued by the Company pursuant to the Subscription Agreement
“Convertible Bonds Conditions”	the terms and conditions of the Convertible Bonds as set out in the Bond Instrument
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 19 February 2021 at 10:00 a.m., to consider and, if thought fit, approve the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Haiyao”	Hainan Haiyao Co., Ltd. (海南海藥股份有限公司), a limited company by share established in the PRC on 30 December 1992 and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000566)
“Haiyao Group”	Haiyao and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising Mr. George William Hunter CAUTHERLEY, Mr. Michael James Connolly HOGAN, Mr. Ping Cho Terence HON and Mr. Dylan Calo TINKER, being all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in relation to the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities
“Independent Shareholders”	Shareholders other than Haiyao and its associates

DEFINITIONS

“Investor”	Haiyao International Group Limited, a company incorporated in the PRC, a wholly owned subsidiary of Haiyao
“Issue Date”	the date of issue of the Convertible Bonds
“Issue Price”	100% of the principal amount of the Convertible Bonds
“Latest Practicable Date”	18 January 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information in this circular
“Last Trading Day”	22 December 2020
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	6 months from the date of the Subscription Agreement (or such other date as the parties to the Subscription Agreement may agree in writing)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to allot and issue up to 20,000,000 Conversion Shares (subject to adjustment)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by the Investor pursuant to the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Investor on 22 December 2020 in connection with the issue by the Company of the Convertible Bonds to the Investor
“Trading Day”	a day on which the Stock Exchange is open for business

LETTER FROM THE BOARD



SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3681)

Executive Director:

Dr. Shui On LEUNG (*Chairman and Chief Executive Officer*)

Registered Office:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Non-executive Directors:

Dr. Haigang CHEN

Mr. Xun DONG

Mr. Senlin LIU

Ms. Wenyi LIU

Mr. Huiyuan MA

Mr. Jing QIANG

Independent Non-executive Directors:

Mr. George William Hunter CAUTHERLEY

Mr. Michael James Connolly HOGAN

Mr. Ping Cho Terence HON

Mr. Dylan Carlo TINKER

27 January 2021

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION
PROPOSED ISSUE OF HK\$100,000,000 CONVERTIBLE BONDS
DUE 2022
POSSIBLE ISSUE OF SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement (the “**Announcement**”) of the Company dated 22 December 2020 in relation to, among other things, the Subscription Agreement. The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) a notice of the EGM to consider and, if thought fit, to approve the ordinary resolution in relation to the Subscription.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

On 22 December 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Investor, whereby the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100,000,000 at the Issue Price.

The principal terms of the Subscription Agreement are summarised below:

Date: 22 December 2020 (after trading hours)

Parties: The Company (the issuer)

Haiyao International Group Limited (as investor, the “**Investor**”)

Subject to the fulfilment of the Conditions set out in the Subscription Agreement as summarized below under the section headed “Conditions Precedent”, the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds at the Issue Price on the terms and subject to the conditions set out in the Subscription Agreement and the Bond Instrument.

Conditions Precedent

Completion of the Subscription is conditional upon the following conditions being fulfilled (or where capable of waiver, waived):

- (i) all necessary regulatory filings with, notifications to and waivers, consents, clearance and approvals of the relevant authorities for the Subscription Agreement and the Bond Instrument and the transactions contemplated therein having been made and obtained, and such filings, notifications, waivers, consents, clearance and approvals remaining valid and effective (and if such filings, notifications and approvals are subject to conditions, and if required by the relevant authorities, such conditions being fulfilled or satisfied before Completion);
- (ii) the passing by the Independent Shareholders at the EGM to be held of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated hereunder;
- (iii) the Company having obtained the Specific Mandate;
- (iv) the board of directors of Haiyao having approved the Subscription Agreement and transactions contemplated thereunder;

LETTER FROM THE BOARD

- (v) the Stock Exchange having granted approval for the listing of, and a permission to deal in, the Conversion Shares and such approval remaining valid and effective;
- (vi) all necessary bank and third party consents or waivers required to be obtained by any member of the Group in connection with the creation, issue and sale of the Convertible Bonds and Conversion Shares, the execution of the Subscription Agreement and the Bond Instrument, the performance by the Company of the obligations therein (if any), having been obtained on terms and conditions reasonably acceptable to the Investor;
- (vii) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an Event of Default;
- (viii) there having been no breach by the Company of any provision contained in the Subscription Agreement;
- (ix) since the date of the Subscription Agreement there having been no material adverse event;
- (x) clearance of any and all announcement(s) and circular(s) by the Stock Exchange (if required) to be issued as of the Completion Date in connection with the entry into and consummation of the transactions contemplated under the Subscription Agreement and the Bond Instrument;
- (xi) the Company's warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (xii) the Investor's warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (xiii) the Shares remaining listed and traded on the Main Board of the Stock Exchange;
- (xiv) there being no injunction, restraining order or order of similar nature by an authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement; and
- (xv) since the date of the Subscription Agreement, there having been no force majeure or a deterioration in financial markets.

As at the Latest Practicable Date, above (vi) and (x) conditions precedent have been fulfilled.

LETTER FROM THE BOARD

Completion

The Completion shall take place on the date specified in written notice from the Company to the Investor, being a date three business days after the later of (i) the date on which the last condition precedent set out in above section is satisfied or waived (if applicable); and (ii) the date on which a written notice from the Company is given to the Investor notifying that all conditions precedent are satisfied with the Company's bank account for the payment by the Investor of the HK\$100,000,000.

Termination

The Investor may give a termination notice to the Company at any time prior to the payment of the Issue Price to the Company on the Completion Date if:

- (i) any of the Company's warranties is, or any event has occurred or matter has arisen which has rendered, or would reasonably be expected to render, any of the warranties untrue or incorrect as at the date of the Subscription Agreement or at Completion;
- (ii) the Company commits any breach of or omits to observe any of its obligations or undertakings under the Subscription Agreement;
- (iii) an Event of Default has occurred (and the specific grace period in relation thereto has passed in accordance with the Convertible Bonds Conditions);
- (iv) the Company ceases to be a company listed on the Stock Exchange; or
- (v) in any relevant jurisdiction, there is adopted a new law or a change in the interpretation or application of a law which prohibits or restricts the issuance of the Convertible Bonds, capital issues or has a material adverse effect on the taxation treatment of the Convertible Bonds, Conversion Shares or the transfer thereof.

Transfer

Neither the Company nor the Investor can transfer its rights or obligations under the Subscription Agreement or the Bond Instrument.

Conversion Shares

In the event of full conversion of the Convertible Bonds at the initial Conversion Price, 20,000,000 Shares, approximately 1.99% of the issued Shares as at the date of this circular and approximately 1.95% of the issued Shares as enlarged by the Conversion Shares will be issued.

LETTER FROM THE BOARD

The number of Conversion Shares to be issued will in any event (i) not result in the Company failing to meet the public float requirements under the Listing Rules and (ii) be not more than 20,000,000 Shares save for customary adjustments as explained below. The Conversion Shares will rank pari passu and carry the same rights and privileges in all respects with the Shares then in issue on the relevant conversion date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:

Issuer	:	The Company
Investor	:	Haiyao International Group Limited
Principal amount of the Convertible Bonds	:	HKD100,000,000
Issue price	:	HKD5.0 for each Conversion Share (subject to adjustment)
Denomination	:	The Convertible Bonds will be issued in registered form and in the denomination of HK\$10,000,000 each and integral multiples thereof
Interest	:	4.95% per annum
Maturity date	:	The first anniversary date from the date on which Bonds are originally issued in accordance with the Subscription Agreement (the “ Maturity Date ”)
Events of Default	:	The Convertible Bonds are subject to customary events of default, including but not limited to non-payment of principal or interest, failure to deliver shares, breach of other obligations, breach of warranties in the Subscription Agreement, insolvency of the Company and its principal subsidiaries, enforcement proceedings, winding up against the Company or its principal subsidiaries, cross default of financial indebtedness of the Company and its subsidiaries, breach of applicable laws, expropriation, nationalization, illegality, change of control, suspension of the trading in the Shares of the Company for 10 consecutive Trading Days or cessation of listing of the Shares on the Stock Exchange, audit qualifications or reservations and any other analogous events (“ Events of Default ”).

LETTER FROM THE BOARD

- Conversion Price : The initial Conversion Price is HK\$5.0. The initial Conversion Price of HK\$5.0 represents (i) a premium of approximately 12.36% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date (which is HK\$4.45); (ii) a premium of approximately 25% over the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day (which is HK\$4.0); (iii) a premium of approximately 45.35% over the average closing price per Share for the last five consecutive Trading Days up to and including the day before the Last Trading Day; and (iv) a premium of approximately 37.89% over the average closing price per Share for the last five consecutive Trading Days up to and including the Last Trading Day. The initial Conversion Price is subject to adjustment for consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price (as defined in the Bond Instrument), other issues at less than current market price, modification of rights of conversion, and other offers pursuant to which the Shareholders generally are entitled to participate in such arrangements. The Conversion Price was determined after arm's length negotiations between the Company and the Investor having regard to the prevailing market price of the Shares prior to the date of the Announcement and the business performance of the Group under the prevailing market conditions. After deducting the transaction cost, the net price for each Conversion Share is HK\$4.945 (assuming full conversion of the Convertible Bonds at the initial Conversion Price and assuming no adjustment).
- Conversion Right : The Investor has the right to convert all or part of the Convertible Bonds on the Maturity Date. To the extent the Investor seeks to exercise the conversion right in relation to the Convertible Bonds, no interest shall be payable for such Convertible Bonds provided that Conversion Shares are duly issued to the Investor. Any exercise of the Conversion Right is subject to the Company's compliance with relevant public float requirements under the Listing Rules.

LETTER FROM THE BOARD

- Redemption upon an Event of Default : Following the occurrence of an Event of Default, the Bondholder shall have the right at its sole option (but is not obliged) to require the Company to redeem the Convertible Bonds in full at an amount equal to 100% of the principal amount of the Convertible Bonds and interest will be calculated at 4.95% per annum up to the date of such default redemption notice.
- Redemption at maturity : Unless previously redeemed, converted or purchased and cancelled as provided in the Convertible Bonds Conditions, the Company will redeem all the outstanding Convertible Bonds at 100% of the principal amount thereof on the Maturity Date.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Status : The Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. The Convertible Bonds are not rated and shall rank at all times pari passu and without any preference or priority among themselves. The Conversion Shares to be issued upon conversion of the Convertible Bonds shall be fully paid, free from encumbrances and rank pari passu in all respects with the then outstanding Shares of the Company and at all times with any other Shares of the Company, and immediately tradable on the Stock Exchange.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) assuming full conversion of the Convertible Bonds at the initial Conversion Price (assuming no adjustment) and assuming no Shares are issued between the date of the Latest Practicable Date and full conversion of the Convertible Bonds (other than the issue of the Conversion Shares):

Name of Shareholder	As at the Latest Practicable Date		Immediately after full conversion of the Conversion Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Skytech Technology Limited ¹	168,781,196	16.77	168,781,196	16.45
Forbest Capital Investment Group Limited ²	61,500,740	6.11	61,500,740	5.99
Apricot Entities ³	212,889,400	21.16	212,889,400	20.74
Hainan Haiyao Co., Ltd. ⁴ (海南海藥股份有限公司)	158,882,115	15.79	158,882,115	15.48
Investor	0	0	20,000,000	1.95
Grogene Technology Limited ⁵	34,831,640	3.46	34,831,640	3.39
Public Shareholders	369,355,309	36.71	369,355,309	35.99
Total	1,006,240,400	100.00	1,026,240,400	100.00

* For the avoidance of doubt, if there is any discrepancy between the total percentage and the percentage of each item, it is caused by rounding

- 1 Skytech Technology Limited is a company wholly owned by Dr. Shui On LEUNG, the chairman of the Company.
- 2 Forbest Capital Investment Group Limited is wholly held by For Best Holding Capital Group Investment Inc. which is controlled by Ms. Huimin TIAN. Ms. Tian is the spouse of Mr. Huiyuan MA, a non-executive Director of the Company.
- 3 Shares held by Apricot Capital (上海杏澤投資管理有限公司) and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) are through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited (collectively, the “Apricot Entities”), which are ultimately controlled by Ms. Wenyi LIU, a non-executive Director of the Company. Ms. Liu is the spouse of Mr. Jing QIANG (“Mr. Qiang”, a non-executive Director of the Company).
- 4 As the Investor is a wholly owned subsidiary of Haiyao, Haiyao Group will be interested in 178,882,115 Shares, representing approximately 17.43% equity interests in the Company after the full conversion of the Conversion Shares.
- 5 Grogene Technology Limited is a company wholly owned by Mr. Qiang.

LETTER FROM THE BOARD

USE OF PROCEEDS

The net proceeds from the issue of Convertible Bonds of approximately HK\$98.9 million (after deduction of all estimated expenses relating thereto) will be used as follows: (i) approximately 10% for the 2021 Phase I clinical study costs for SM17, a humanised antibody against a novel target, which aims at the treatment of asthma indications, to be started in 2021; (ii) approximately 20% for the Investigational New Drug enabling of SM17 to be started in 2021, which is mainly to contract research organization and contract manufacturing organization; (iii) approximately 30% for the construction costs for the Suzhou production base; and (iv) approximately 40% for general working capital.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities (including securities convertible into equity securities of the Company) in the past twelve months prior to the date of Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE ISSUE OF CONVERTIBLE BONDS

The Board considers that the issue of Convertible Bonds to be in the best interests of the Company and its Shareholders. The Directors are of the view that the entering into the Subscription Agreement and the Bond Instrument and transactions contemplated thereunder would strengthen the financial position of the Group and provide working capital to the Group. The terms of the Subscription Agreement and the Convertible Bonds were negotiated on an arm's length basis and the Directors (excluding the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE

A specific mandate will be sought from the Independent Shareholders to the Directors at the EGM to be held for the purpose of considering and approving the Subscription Agreement and the possible issue of new Shares pursuant to the Subscription Agreement, to allot, issue or deal with up to 20,000,000 new Shares subject to customary adjustment as set out in the Bond Instrument, in compliance with the requirements under the Listing Rules (including Chapter 14A).

LETTER FROM THE BOARD

GENERAL

The Company is a limited liability company incorporated under the laws of Hong Kong. The Shares have been listed on the Main Board of the Stock Exchange since 12 November 2019. The Group is principally engaged in the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody-based biologics.

The Investor is a company incorporated in the PRC and is principally engaged in business activities and services in relation to medicines, medical instruments and medical health. The Investor is a wholly owned subsidiary of Haiyao, a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company. The ultimate beneficial owner of Haiyao is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會).

APPLICATION FOR LISTING

An application will be made to the listing committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

IMPLICATIONS UNDER THE LISTING RULES

The Investor is a wholly owned subsidiary of Haiyao, a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company. Therefore, the Investor is a connected person of the Company. Accordingly, the Subscription Agreement and transactions contemplated thereunder constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate. An Independent Board Committee is established by the Company to consider the Subscription Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities, has been appointed in accordance with the Listing Rules to advise the Independent Board Committee and Independent Shareholders as to whether the Subscription Agreement is fair and reasonable.

Haiyao and its associates are required to abstain from voting on the resolutions in respect of the Subscription Agreement and transactions contemplated thereunder and the grant of the Specific Mandate at the EGM. To the best of the information, belief and knowledge of the Directors, save for Haiyao and its associates, no other Shareholder has any material interest in the Subscription Agreement and the grant of the Specific Mandate. None of the Directors has a material interest in the Subscription Agreement and is required to abstain from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 19 February 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e., at or before 10:00 a.m. on Wednesday, 17 February 2021 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the EGM shall demand voting on the resolution set out in the notice of EGM be taken by way of poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 17 to 38 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
SinoMab BioScience Limited
Dr. Shui On LEUNG
Chairman



SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3681)

27 January 2021

To the Independent Shareholders

CONNECTED TRANSACTION
PROPOSED ISSUE OF HK\$100,000,000 CONVERTIBLE BONDS DUE 2022
POSSIBLE ISSUE OF SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company to the Shareholders dated 27 January 2021 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on, among other things, whether the terms of the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from First Shanghai Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder as set out on pages 17 to 38 of the Circular and the letter from the Board set out on pages 4 to 14 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the matters in relation to the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder are on normal commercial terms or

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Mr. George William
Hunter CAUTHERLEY**
*Independent
Non-executive
Director*

**Mr. Michael James
Connolly HOGAN**
*Independent
Non-executive
Director*

**Mr. Ping Cho
Terence HON**
*Independent
Non-executive
Director*

**Mr. Dylan
Carlo TINKER**
*Independent
Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from First Shanghai Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.



First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

27 January 2021

*To the Independent Board Committee and the Independent Shareholders
of SinoMab BioScience Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION
PROPOSED ISSUE OF HK\$100,000,000 CONVERTIBLE BONDS DUE 2022
POSSIBLE ISSUE OF SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 27 January 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

On 22 December 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Investor, whereby the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100,000,000 at the Issue Price, due on the date falling on the first (1st) anniversary of the Issue Date. The Conversion Price is HK\$5.0 per Conversion Share and the Conversion Bonds will carry an interest of 4.95% per annum.

The Investor is a wholly owned subsidiary of Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) (“**Haiyao**”), a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company. Therefore, the Investor is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the

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Subscription Agreement and transactions contemplated thereunder constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Haiyao and its associates, shall abstain from voting on the resolutions in respect of the Subscription Agreement and transactions contemplated thereunder and the grant of the Specific Mandate at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. George William Hunter CAUTHERLEY, Mr. Michael James Connolly HOGAN, Mr. Ping Cho Terence HON and Mr. Dylan Carlo TINKER, has been established by the Company to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate) and on how the Independent Shareholders should vote on the resolution to be proposed at the EGM. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are independent from, and are not associated with the Company, the Investor, Haiyao, and any of their respective associates who are interested or involved in the connected transaction. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid to us in connection with this engagement, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party related to the aforesaid transaction. Therefore, for the purpose of Rule 13.84 of the Listing Rules, we consider we are independent to the Company and are accordingly eligible to give independent advice in respect of the connected transaction.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, facts and representations supplied, and the opinions expressed to us, by the Group, the Directors and the management of the Group. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due and careful enquiries. We have also assumed that all information, facts, representations and opinions made or referred to in the Circular were true, accurate and complete at the time they were made and will continue to be true, accurate and complete at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the management of the Group. We have been confirmed by the management of the Group that no material facts have been omitted from the information provided by or referred to in the Circular.

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We have assumed such information to be true, accurate and reliable and have not carried out any independent verification on the truth and accuracy of such information, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have reviewed sufficient information and documents to reach an informed view, to justify our reliance on the truth and accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. Based on the foregoing, we also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Subscription Agreement and all transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group

The Company is a Hong Kong-based biopharmaceutical company principally engaged in the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody (“**mAb**”)-based biologics.

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Set out below are the consolidated financial information of the Group for the six months ended 30 June 2019 and 2020 and the two years ended 31 December 2018 and 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”), respectively:

Table 1: Highlight of the financial results of the Group

	For the year ended		For the six months	
	31 December		ended 30 June	
	2018	2019	2019	2020
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–	–	–
Other income and gains	8,666	2,994	217	18,659
Research and development costs	(47,283)	(214,342)	(32,780)	(47,816)
Administrative expenses	(8,996)	(61,544)	(12,019)	(50,030)
Finance costs	(3,030)	(2,338)	(1,305)	(1,524)
Other expenses	(32,967)	(1,052)	(459)	(129)
	<hr/>	<hr/>	<hr/>	<hr/>
Loss before tax	(83,610)	(276,282)	(46,346)	(80,840)
Income tax expenses	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period	<u>(83,610)</u>	<u>(276,282)</u>	<u>(46,346)</u>	<u>(80,840)</u>

During the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Company did not have products approved for commercial sales and had not generated any revenue. According to the 2020 Interim Report, SM03, the flagship product of the Company which is a potential global first-in-target anti-CD22 mAb for the treatment of rheumatoid arthritis and potentially for the treatment of other immunological diseases, is expected to be commercialised by the end of 2021.

We note that the Group's financial results were significantly affected by its cost operating structure, which mainly comprised research and development costs (the “**R&D costs**”) and administrative expenses. With no product sales materialised, the Group recorded loss of approximately RMB276.3 million for the year ended 31 December 2019, an over 230% increase from the loss of approximately RMB83.6 million in 2018. The drastic loss in 2019 was primarily resulted from the increase in R&D costs by approximately RMB167.1 million and administrative expenses by approximately RMB52.5 million in 2019, compared to 2018. Furthermore, the increase in R&D costs was mainly arose from the intellectual property transfer fees for new products for multiple oncological targets and an additional immunological target of approximately RMB103.3 million in 2019 (2018: nil), to diversify the Group's product portfolio. The increase in administrative expenses, on the other hand, was mainly caused by the one-off listing expenses for the global offering in 2019 amounting to approximately RMB41.9 million.

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In terms of the results for the six months ended 30 June 2019 and 2020, the Group recorded loss of approximately RMB80.8 million for the six months ended 30 June 2020, compared to the loss of approximately RMB46.3 million for the corresponding period in 2019. The loss in the 2020 interim period was mainly due to an over 300% increase in administrative expenses (from approximately RMB12.0 million to RMB50.0 million for the six months ended 30 June 2019 and 2020, respectively), subsequent to the recognition of a non-cash share-based payment of approximately RMB34.9 million for the six months ended 30 June 2020.

Table 2: Highlight of the financial position of the Group

	As at 31 December		As at
	2018	2019	30 June
	(audited)	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS	38,549	69,123	90,323
– Property, plant and equipment	5,808	17,077	20,646
– Right-of-use assets	32,601	25,091	37,706
– Other non-current assets	140	26,955	31,971
CURRENT ASSETS	50,270	1,215,042	1,131,483
– Cash and cash equivalents	41,512	1,200,868	1,036,496
CURRENT LIABILITIES	28,419	106,675	41,174
– Other payables and accruals	1,146	98,635	26,887
– Lease liabilities	17,273	8,040	11,787
NON-CURRENT LIABILITIES	32,994	45,574	76,367
– Lease liabilities	32,994	25,292	20,423
– Interest-bearing bank borrowings	–	20,282	55,944
TOTAL ASSETS	88,819	1,284,165	1,221,806
TOTAL LIABILITIES	61,413	152,249	117,541
NET ASSETS	27,406	1,131,916	1,104,265

According to the 2019 Annual Report and the 2020 Interim Report, the Group recorded net assets of approximately RMB27.4 million, RMB1.1 billion and RMB1.1 billion as at 31 December 2018, 31 December 2019 and 30 June 2020, respectively. The improvement in net assets position from 31 December 2018 to 31 December 2019 was mainly due to the net proceeds of approximately HK\$1.3 billion raised from the Company's listing on the Stock Exchange in November 2019 (the "Listing"). We also noted that subsequent to the Listing, cash and cash equivalents of the Group increased from approximately RMB41.5 million as at 31 December 2018 to RMB1.2 billion as at 31 December 2019, then slightly decreased to approximately RMB1.0 billion as at 30 June 2020.

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In addition, interest-bearing bank borrowings and other borrowings increased from approximately RMB10.0 million as at 31 December 2018 to approximately RMB20.3 million as at 31 December 2019 and further to approximately RMB58.4 million as at 30 June 2020.

2. Reasons for and benefits of the issue of the Convertible Bonds

According to the Letter from the Board, the Board considers that the issue of Convertible Bonds to be in the best interests of the Company and its Shareholders and the Directors are of the view that the entering into the Subscription Agreement and the Bond Instrument and transactions contemplated thereunder would strengthen the financial position of the Group and provide working capital to the Group.

We were further advised by the management of the Group that the issue of the Convertible Bonds not only provides additional funding to the Group at the terms where management considers fair and reasonable, but also demonstrates Haiyao's, the substantial Shareholder, confidence in the Group's future development.

We noted from the 2020 Interim Report that, as at 30 June 2020, the Group had cash and cash equivalents of approximately RMB1.0 billion, subsequent to the Listing in November 2019. We have discussed with the management of the Group and noted that on the even date, unutilised net proceeds from the Listing amounted to approximately HK\$1.0 billion, which are mainly used for the research and development and commercialisation of the Group's drug candidates, construction of production base in Suzhou, collaboration for novel drug targets identification, as well as general working capital purpose. In particular, unutilised net proceeds for general working capital purpose as at 30 June 2020 amounted to HK\$35.7 million. It is also expected that all the net proceeds from the Listing will be utilised by the end of 2023. We also understood from the management of the Group that as at 30 November 2020, unutilised net proceeds from the Listing amounted to approximately HK\$861.1 million, among which approximately HK\$378.9 million for the research and development and commercialization of drug candidates, approximately HK\$435.6 million for the construction of Suzhou production base; approximately HK\$27.2 million for general working capital and approximately HK\$19.4 million for collaboration for novel drug targets identification.

Furthermore, with reference to the Letter from the Board, the net proceeds from the issue of Convertible Bonds of approximately HK\$98.9 million (after deduction of all estimated expenses relating thereto), will be used as follows: (i) approximately 10% for the 2021 Phase I clinical study costs for SM17, a humanised antibody against a novel target, which aims at the treatment of asthma indications, to be started in 2021; (ii) approximately 20% for the Investigational New Drug enabling of SM17 to be started in 2021, which is mainly to contract research organization and contract manufacturing organization; (iii) approximately 30% for the construction costs for the Suzhou production base; and (iv) approximately 40% for general working capital.

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Notwithstanding the Group had unutilized net proceeds of approximately HK\$378.9 million as at 30 November 2020 for the research and development and commercialization of drug candidates, we noted that such usage is mainly for the Group's flagship product SM03 whilst the aggregate of approximately 30% proceeds from the issuance of the Convertible Bonds will be used for clinical costs and research and development and commercialization of SM17. We further noted from the 2020 Interim Report that the Group expects to enter into human clinical trials for SM17 by the first quarter of 2021.

In terms of proceeds used for the Suzhou production base, being the Group's headquarters in the PRC as well as the research and development center and second production base in Suzhou in the future, we understood from the management of the Group and noted from the press release on the Company's website and the 2020 Interim Report that the Group had acquired a land parcel of 43,158 sq.m. from Suzhou Dushu Lake Higher Education Town in June 2020 and commenced the construction of the Suzhou production base in November 2020. The construction is expected to be completed in 2.5 years and the estimated total investment is approximately RMB1.0 billion. The Directors also expect, in 2021 solely, capital expenditures for the construction as well as purchase of equipment for the Suzhou production base will be over HK\$400 million. According to the 2020 Interim Report, the Group had allocated approximately HK\$509.2 million from the Listing proceeds for the construction of the Suzhou production base and we noted that as of 30 November 2020, the unutilised proceeds from the Listing in this regard of approximately HK\$435.6 million barely covers the expected costs to be paid in 2021. The Directors are also of the view that the fund raised from the issue of Convertible Bonds provides sufficient funding to the Group to cope with unexpected costs increment or incidents that may lead to costly delay of the construction.

In respect of the intended use of proceeds for working capital (i.e. approximately 40% of the proceeds from the issuance of the Convertible Bonds), as advised by the management of the Group, notwithstanding the Group had approximately RMB1.0 billion cash and cash equivalents as at 30 June 2020, only approximately HK\$35.7 million were designated for general working capital purposes and as of 30 November 2020, the unutilised Listing proceeds for this purpose decreased to approximately HK\$27.2 million. As stated in the "1. Information of the Group" above, the Group recorded loss of approximately RMB276.3 million for the year end 31 December 2019 and RMB80.8 million for the six months ended 30 June 2020. Had the one-off listing expense and share-based payment been taken out in the corresponding period, Group still suffered from considerable loss of approximately RMB234.4 million for the year ended 31 December 2019 and RMB45.9 million for the six months ended 30 June 2020. Furthermore, with reference to the 2019 Annual Report and 2020 Interim Report, net cash flows used in operating activities amounted to approximately RMB222.5 million for the year ended 31 December 2019 and RMB73.9 million for the six months ended 30 June 2020. The Directors therefore consider that additional funding is needed to support the Group's operations in 2021 on top of the HK\$27.2 million unutilised proceeds for working capital purposes from the Listing as of 30 November 2020.

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Having considered the above and the expectation of the commercialization of the Group's first product not until the end of 2021, we concurred with the view of the Directors that entering into of the Subscription Agreement and the Bond Instrument and transactions contemplated thereunder would strengthen the financial position of the Group and provide working capital to the Group.

3. Alternative financing

As advised by the management of the Group, the Company has considered other alternative financing methods, including bank borrowings, and rights issue or open offer.

In respect of bank borrowings, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with financial institutions. The Directors consider that it is impracticable to obtain third party financing on terms favourable to the Group in the absence of material assets as security, let alone the loss making position of the Group. As further advised by the Directors, the banking facilities of RMB200 million granted in July 2019 was a preferential facilities offered by the financial institution for the current production base in Suzhou (utilized banking facilities as of 30 June 2020: approximately RMB58.4 million) and the unutilized banking facilities cannot be used to fund the construction of the Group's second production base in Suzhou (i.e. the 43,158 sq.m. land purchased from Suzhou Dushu Lake Higher Education Town in June 2020) or for other purposes. The Company did explore opportunities to seek for potential banking facility or bank loans. However, up to the date of the Subscription Agreement, the Company did not receive any positive response.

In relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process. The Directors believe that the time cost would be higher for the Company to conduct placing or pre-emptive issues such as rights issue or open offer as compared to the issue of Convertible Bonds, as additional time will be needed for the Company to identify underwriter(s) and the placing agent and for the financial institutions to identify potential placees, and a pre-emptive issue typically runs a longer timetable due to the need to issue prospectus, closure of the register of members to determine entitlement of Shareholders and allow a minimum subscription period. In addition, rights issue or open offer is subject to underwriting uncertainty and market risk and it may incur a high underwriting fee/placing commission. The administrative costs involved would also be higher due to the need to issue prospectus, application forms and fees to professional parties.

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Having considered the above and (i) the issue of Convertible Bonds will be fully subscribed by the Investors, demonstrating the confidence of Haiyao, the substantial Shareholder, in the Company's future development; (ii) the Subscription can raise immediate funding for the Group without imposing immediate dilution on the shareholding of the existing Shareholders, or at unfavorable terms given the financial condition of the Group, to enhance its working capital; and (iii) the Group has not received any concrete feedback from banks, we concur with the management of the Group that the issue of the Convertible Bonds would be the most appropriate and timely fund raising method to meet the financial needs of the Company and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholders as a whole.

4. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Further details are set out in the Letter from the Board under the section headed "The Subscription Agreement".

Date: 22 December 2020 (after trading hours)

Parties: The Company (the issuer)
Haiyao International Group Limited (as investor, the "Investor")

The Investor is a wholly owned subsidiary of Haiyao, a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.79% equity interests in the Company. The ultimate beneficial owner of Haiyao is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中國國務院國有資產監督管理委員會).

Subject matter

Subject to the fulfilment of the Conditions set out in the Subscription Agreement as summarized below under the section headed "Conditions Precedent", the Company agrees to issue and the Investor agrees to subscribe for the Convertible Bonds at the Issue Price on the terms and subject to the conditions set out in the Subscription Agreement and the Bond Instrument.

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Conditions Precedent

Completion of the Subscription is conditional upon the following conditions being fulfilled (or where capable of waiver, waived):

- (i) all necessary regulatory filings with, notifications to and waivers, consents, clearance and approvals of the relevant authorities for the Subscription Agreement and the Bond Instrument and the transactions contemplated therein having been made and obtained, and such filings, notifications, waivers, consents, clearance and approvals remaining valid and effective (and if such filings, notifications and approvals are subject to conditions, and if required by the relevant authorities, such conditions being fulfilled or satisfied before Completion);
- (ii) the passing by the Independent Shareholders at the EGM to be held of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated hereunder;
- (iii) the Company having obtained the Specific Mandate;
- (iv) the board of directors of Haiyao having approved the Subscription Agreement and transactions contemplated thereunder;
- (v) the Stock Exchange having granted approval for the listing of, and a permission to deal in, the Conversion Shares and such approval remaining valid and effective;
- (vi) all necessary bank and third party consents or waivers required to be obtained by any member of the Group in connection with the creation, issue and sale of the Convertible Bonds and Conversion Shares, the execution of the Subscription Agreement and the Bond Instrument, the performance by the Company of the obligations therein (if any), having been obtained on terms and conditions reasonably acceptable to the Investor;
- (vii) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an Event of Default;
- (viii) there having been no breach by the Company of any provision contained in the Subscription Agreement;
- (ix) since the date of the Subscription Agreement there having been no material adverse event;

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- (x) clearance of any and all announcement(s) and circular(s) by the Stock Exchange (if required) to be issued as of the Completion Date in connection with the entry into and consummation of the transactions contemplated under the Subscription Agreement and the Bond Instrument;
- (xi) the Company's warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (xii) the Investor's warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (xiii) the Shares remaining listed and traded on the Main Board of the Stock Exchange;
- (xiv) there being no injunction, restraining order or order of similar nature by an authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement; and
- (xv) since the date of the Subscription Agreement, there having been no force majeure or a deterioration in financial markets.

As at the Latest Practicable Date, above (vi) and (x) conditions precedent have been fulfilled.

Transfer

Neither the Company nor the Investor can transfer its rights or obligations under the Subscription Agreement or the Bond Instrument.

Conversion Shares

The Conversion Shares will represent:

In the event of full conversion of the Convertible Bonds at the initial Conversion Price, 20,000,000 Shares, approximately 1.99% of the issued Shares as at the date of this circular and approximately 1.95% of the issued Shares as enlarged by the Conversion Shares will be issued.

The number of Conversion Shares to be issued will in any event (i) not result in the Company failing to meet the public float requirements under the Listing Rules and (ii) be not more than 20,000,000 Shares save for customary adjustments as explained below. The Conversion Shares will rank pari passu and carry the same rights and privileges in all respects with the Shares then in issue on the relevant conversion date.

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5. Principal terms of the Convertible Bonds

Set out below is a summary of the principal terms of the Convertible Bonds. Further details are set out in the Letter from the Board under the section headed “Principal Terms of the Convertible Bonds”.

Issuer:	The Company
Investor:	Haiyao International Group Limited
Principal amount of the Convertible Bonds:	HKD100,000,000
Issue price:	HKD5.0 for each Conversion Share (subject to adjustment)
Interest:	4.95% per annum
Maturity date:	The first anniversary date from the date on which Bonds are originally issued in accordance with the Subscription Agreement (the “ Maturity Date ”)
Conversion Price:	The initial Conversion Price is HK\$5.0, subject to adjustment for consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price (as defined in the Bond Instrument), other issues at less than current market price, modification of rights of conversion, and other offers pursuant to which the Shareholders generally are entitled to participate in such agreements.

The Conversion Price was determined after arm’s length negotiations between the Company and the Investor having regard to the prevailing market price of the Shares prior to the date of this announcement and the business performance of the Group under the prevailing market conditions. After deducting the transaction cost, the net price for each Conversion Share is HK\$4.945 (assuming full conversion of the Convertible Bonds at the initial Conversion Price and assuming no adjustment).

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Conversion Right: The Investor has the right to convert all or part of the Convertible Bonds on the Maturity Date. To the extent the Investor seeks to exercise the conversion right in relation to the Convertible Bonds, no interest shall be payable for such Convertible Bonds provided that Conversion Shares are duly issued to the Investor. Any exercise of the Conversion Right is subject to the Company's compliance with relevant public float requirements under the Listing Rules.

Redemption at maturity: Unless previously redeemed, converted or purchased and cancelled as provided in the Convertible Bonds Conditions, the Company will redeem all the outstanding Convertible Bonds at 100% of the principal amount thereof on the Maturity Date.

6. Evaluation of the terms of the Convertible Bonds

In considering the fairness and reasonableness of the terms of the Convertible Bonds, we have conducted the following analysis:

(i) Review on Conversion Price

We note that the Conversion Price of HK\$5.0 per Conversion Share represents:

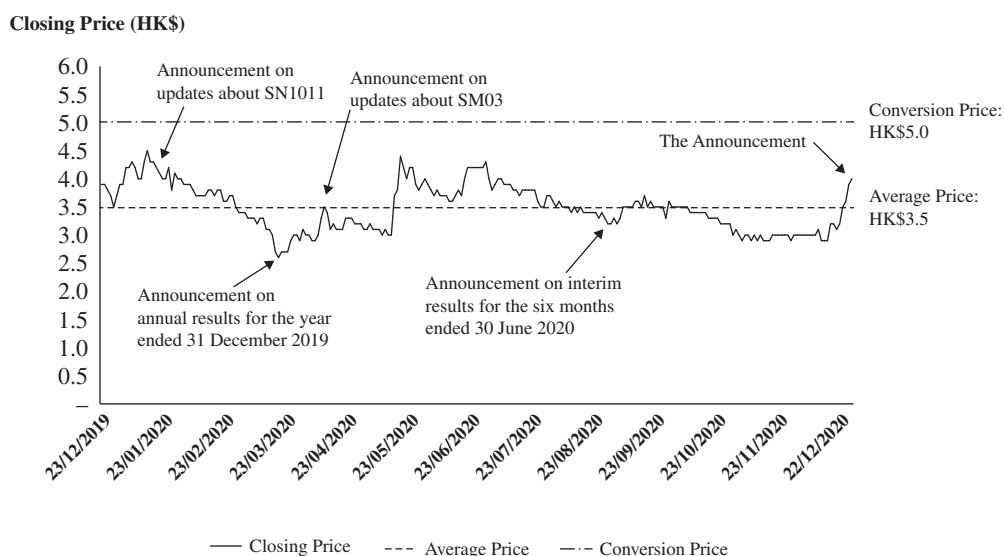
- (a) a premium of approximately 24.69% over the closing of HK\$4.0 as quoted on the Stock Exchange on the Last Trading Day, being the date of the Subscription Agreement;
- (b) a premium of approximately 37.89% over the average closing price of approximately HK\$3.6 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 61.08% to the average closing price of approximately HK\$3.1 per Share as quoted on the Stock Exchange for last thirty trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 57.44% to the average closing price of approximately HK\$3.2 per Share as quoted on the Stock Exchange for last three months immediately prior to and including the Last Trading Day; and
- (e) a premium of approximately 12.36% over the closing price of HK\$4.45 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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(ii) Review on Share price performance

In addition, in order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 23 December 2019 up to and including the Last Trading Day, being a twelve-month period prior to the date of the Subscription Agreement (the “**Review Period**”). The following diagram sets out the daily closing prices of the shares on the Stock Exchange during the Review Period:

Chart 1: Share price performance against the Conversion Price during the Review Period



Source: The Stock Exchange

During the Review Period, the lowest and highest closing prices of the shares as quoted on the Stock Exchange were HK\$2.6 recorded on 19 March 2020 and HK\$4.5 recorded on 16 January 2020 respectively, whilst the average closing price was HK\$3.5. The Conversion Price is at approximately 11.11% higher than the highest closing price and approximately 42.85% over than the average closing price during the Review Period.

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(iii) Review on trading liquidity of Shares

Month	Total trading volume (shares)	Number of trading days (days)	Average daily trading volume (shares) (Note 1)	Percentage of the average daily trading volume over total number of issued Shares (Note 2)
2019				
From 23 December to 31 December	3,031,300	5	606,260	0.06%
2020				
January	17,125,200	20	856,260	0.09%
February	8,415,100	20	420,755	0.04%
March	9,904,800	22	450,218	0.04%
April	5,269,800	19	277,358	0.03%
May	54,537,900	20	2,726,895	0.27%
June	19,883,900	21	946,852	0.09%
July	12,167,100	22	553,050	0.05%
August	6,711,100	21	319,576	0.03%
September	12,846,800	22	583,945	0.06%
October	2,456,200	18	136,456	0.01%
November	2,325,900	21	110,757	0.01%
December	20,793,600	22	945,164	0.09%
2021				
From 1 January to 18 January (up to the Last Practicable Date)	9,570,000	11	870,000	0.09%
Average for the above period				0.07%

Source: The Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculated based on the total number of Shares in issue at the end of each month/period.

As illustrated in the above table, the average daily trading volume of the Shares had been rather thin during the above period, ranging from a minimum of approximately 0.01% of total number of issued Shares (in October and November 2020) to a maximum of approximately 0.27% of total number of issued Shares (in May 2020).

The relatively low liquidity of the Shares may imply lack of interest from potential investors when the Company tried to pursue fund raising exercise by way of right issue or open offer.

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(iv) Market comparable analysis

To assess the fairness and reasonableness of the key terms of the Convertible Bonds, including: (i) interest rate; (ii) term to maturity; and (iii) conversion price, we have conducted a research, on a best effort basis, of recent proposed issue of convertible bond(s) or convertible note(s) under specific mandate by companies listed on the Stock Exchange (excluding the issuance for acquisition, the issuance of A share convertible bonds and perpetual convertible bonds) that were announced during the three-month period prior to the date of the Subscription Agreement to provide a general reference for the recent market practice in relation to the key terms of the convertible bond(s) or convertible note(s) under similar market condition. Based on such criteria, we have identified a total of 13 comparable issues of convertible bond(s) or convertible note(s) (the “**Comparable Issues**”). We consider that the three-month comparison period is adequate and appropriate in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar market conditions, given that (i) the timeframe is sufficient in generating a reasonable and meaningful amount of samples for the purpose of our analysis; and (ii) the inclusion of all Comparable Issues without any artificial selection or filtering on our part represents a true and fair view of the recent market trends for similar transactions conducted by other listed issuers in Hong Kong.

Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies undertaking the Comparable Issues may not be the same as those of the Company, and we have not conducted any in-depth investigation into their businesses and operations. As the Comparable Issues can provide a general reference of the key terms for similar transactions in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the Comparable Issues are exhaustive, fair and indicative in assessing the fairness and reasonableness of the key terms of the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3: Analysis of the Comparable Issues

Company name (stock code)	Connected Transaction	Date of announcement	Maturity (Years)	Interest rate per annum (%)	Premium/(discount) of the conversion price to closing price per share on the date of/the date immediately prior to the agreement in relation to the respective subscription of convertible bonds/notes (%)	Premium/(discount) of the conversion price to average closing price per share for the last five consecutive trading days immediately prior to/and including the date of the agreement in relation to the respective subscription of convertible bonds/notes (%)
Eagle Ride Investment Holdings Limited (901)	No	10/9/2020	1.0	8.00	23.46	70.45
Chinese Strategic Holdings Limited (8089)	No	14/9/2020	1.0	24.00	(14.10)	(14.10)
China Ocean Industry Group Limited (651)	No	18/9/2020	2.0	10.00	8.70	5.71
Wai Chun Bio-Technology Limited (660)	No	21/9/2020	3.0	4.00	-	(6.25)
China LotSynergy Holdings Limited (1371)	Yes	9/10/2020	2.0	9.50	(9.46)	(10.07)
China Regenerative Medicine International Limited (8158)	Yes	20/10/2020	3.0	-	(1.48)	0.50
Grand Field Group Holdings Limited (115)	Yes	17/11/2020	1.5	5.00	2.60	2.80
Union Medical Healthcare Limited (2138)	No	18/11/2020	5.0	2.50	7.77	11.74
Union Medical Healthcare Limited (2138)	No	18/11/2020	5.0	2.50	(1.33)	2.32
CAR Inc. (699)	Yes	3/12/2020	5.0	5.00	5.82	6.10
New Concepts Holdings Limited (2221)	No	14/12/2020	3.0	6.00	5.27	11.74
Viva Biotech Holdings (1873)	No	18/12/2020	5.0	1.00	35.00	39.40
North Mining Shares Company Limited (433)	No	22/12/2020	2.0	8.00	6.67	3.90
Overall						
Maximum				24.00	35.00	70.45
Minimum				-	(14.10)	(14.10)
Median				5.00	5.27	3.90
Average				6.58	5.30	9.56
For Connected Comparable Issues						
Maximum				9.50	5.82	6.10
Minimum				-	(9.46)	(10.07)
Median				5.00	0.56	1.65
Average				4.88	(0.63)	(0.17)
<i>The Company</i>				4.95	24.69	37.89

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) *Interest rate*

As shown in the table above, we note that the interest rates of the Comparable Issues ranged from 0 to 24.00% per annum. Accordingly, the interest rate of the Convertible Bonds of 4.95% falls within the range and is lower than both the average interest rate and median interest rate of the Comparable Issues.

We also undertook a further analysis in considering only the issue of convertible bond(s) or convertible note(s) to connected person(s) (the “**Connected Comparable Issues**”) and note that the interest rates of the Connected Comparable Issues ranged from 0 to 9.50%. The interest rate of the Convertible Bonds also falls within such range and is slightly higher than the average interest rate but lower than the median interest rate of the Connected Comparable Issues.

(b) *Term to maturity*

The terms to maturity of the Comparable Issues ranged from one year to five years, with an average term of approximately three years. Thus, the term to maturity of the Convertible Bonds which is one year falls within the range and are in line with the terms of the Comparable Issues.

(c) *Conversion Price*

As illustrated in the table 3 above, we note that

- (i) the conversion price to the closing price on the last trading day prior to the announcements in relation to the respective Comparable Issues ranged from a discount of approximately 14.10% to a premium of approximately 35.00%, with an average premium of approximately 5.30%. The Conversion Price, on the other hand, represented a premium of 24.69% over the closing price per Share on the Last Trading Day, which falls within the range and above the average of the Comparable Issues; and
- (ii) the average closing price of the last five (5) trading days prior to the announcements in relation to the respective Comparable Issues ranged from a discount of 14.10% to a premium of approximately 70.45%, with an average premium of approximately 9.56%. The Conversion Price represented a premium of 37.89% over the average closing price per Share for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day, which falls within the range and above the average of the Comparable Issues.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the Connected Comparable Issues, we noted that

- (i) the conversion price to the closing price on the last trading day prior to the announcements in relation to the respective Connected Comparable Issues ranged from a discount of approximately 9.46% to a premium of approximately 5.82%, with an average discount of approximately 0.63%. The Conversion Price, on the other hand, represented a premium of 24.69% over the closing price per Share on the Last Trading Day, which is above both the range and the average of the Connected Comparable Issues; and
- (ii) the average closing price of the last five (5) trading days prior to the announcements in relation to the respective Connected Comparable Issues ranged from a discount of 10.07% to a premium of approximately 6.10%, with an average discount of approximately 0.17%. The Conversion Price represented a premium of 37.89% over the average closing price per Share for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day, which is above both the range and the average of the Connected Comparable Issues.

With a fixed monetary value, a lower conversion price would lead to more shares to be issued upon conversion of the conversion bonds. As such, the premiums of the Conversion Price as stated above imply that the dilution effect to the shareholding of the existing public Shareholders from the conversion of the Convertible Bonds at the Conversion Price will be relatively less than those of the Connected Comparable Issues.

Having considered the above, we are of the view that the terms of the Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

7. Financial effects of the Subscription

(i) Effects on earnings

As the Convertible Bonds carries an interest of 4.95% per annum and will mature on the first anniversary date of the Issue Date, the Directors expect that the future financial results of the Group will be affected by the amount of interest expenses on Convertible Bonds of approximately HK\$4.95 million per annum before maturity or otherwise converted into Convertible Shares.

On the other hand, assuming the conversion option derivative measured at fair value with changes in fair value was recognised in consolidated statement of profit or loss, there would be impact on the Group's earnings due to the fair value measurement at each of the financial year ended upon the maturity of Convertible Bonds. However, having considered the Convertible Bonds will be matured in one year, the Directors expect that there will not be any material adverse changes to the earnings of the Group as a result. We have obtained and reviewed the calculation of estimated change in fair value of the Convertible Bonds and concur with the view of the Directors thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Effects on net asset value

The Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which will be subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards. On the other hand, it is expected that the net asset value of the Company will increase upon conversion of the Convertible Bonds by the Investor into Conversion Shares as a result of the decrease in liabilities and increase in share capital if the conversion rights attached to Convertible Bonds are exercised. If the conversion rights attaching to the Convertible Bonds are not exercised upon maturity of the Convertible Bonds, the Company will have to repay the loan to the Investor with cash. The net asset value of the Group would therefore be decreased on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

(iii) Effects on gearing ratio

According to 2020 Interim Report, the Group's gearing ratio was defined to be total debt over shareholders' equity and was approximately 5% as at 30 June 2020. The Directors expect that the gearing ratio of the Group would be increased as a result of the issue of Convertible Bonds subject to the new valuation report which to be prepared by an independent valuer.

If the conversion rights attaching to the Convertible Bonds are exercised, the gearing position of the Group would be improved. If the conversion rights attaching to the Convertible Bonds are not exercised upon maturity of the Convertible Bonds, the Company will have to repay the loan to the Investor with cash. The gearing position of the Group would still be improved on the condition that all other financial factors remain constant and the cash position of the Group by then is sufficient to repay the loan as well as to maintain the operation of the Group.

In view of (i) the funding needs of the Group as described in the section headed "2. Reasons for and benefits of the issue of the Convertible Bonds" above; and (ii) the lengthy application procedures in obtaining other alternative sources of financing, which may carry a higher transaction costs, as discussed in the section headed "3. Alternative financing" above, we are of the view that the negative effect on earnings and gearing ratio caused by the effective interest of the Convertible Bonds is justifiable.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. Effect on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) assuming full conversion of the Convertible Bonds at the initial Conversion Price (assuming no adjustment) and assuming no Shares are issued between the date of the Latest Practicable Date and full conversion of the Convertible Bonds (other than the issue of the Conversion Shares):

Name of Shareholder	Note	As at the Latest Practicable Date		Immediately after full conversion of the Conversion Shares	
		Number of Shares	Approx. %	Number of Shares	Approx. %
Skytech Technology Limited	1	168,781,196	16.77	168,781,196	16.45
Forbest Capital Investment Group Limited	2	61,500,740	6.11	61,500,740	5.99
Apricot Entities	3	212,889,400	21.16	212,889,400	20.74
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)	4	158,882,115	15.79	158,882,115	15.48
Investor	4	–	–	20,000,000	1.95
Grogene Technology Limited	5	34,831,640	3.46	34,831,640	3.39
Public Shareholders		369,355,309	36.71	369,355,309	35.99
Total		<u>1,006,240,400</u>	<u>100.00</u>	<u>1,026,240,400</u>	<u>100.00</u>

* For the avoidance of doubt, if there is any discrepancy between the total percentage and the percentage of each item, it is caused by rounding

Notes:

- Skytech Technology Limited is a company wholly owned by Dr. Shui On LEUNG, the chairman of the Company.
- Forbest Capital Investment Group Limited is wholly held by For Best Holding Capital Group Investment Inc. which is controlled by Ms. Huimin TIAN. Ms. Tian is the spouse of Mr. Huiyuan MA, a non-executive Director of the Company.
- Shares held by Apricot Capital (上海杏澤投資管理有限公司) and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合伙)) are through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited (collectively, the “**Apricot Entities**”), which are ultimately controlled by Ms. Wenyi LIU, a non-executive Director of the Company. Ms. Liu is the spouse of Mr. Jing QIANG (“**Mr. Qiang**”, a non-executive Director of the Company).
- As the Investor is a wholly owned subsidiary of Haiyao, Haiyao Group will be interested in 178,882,115 Shares, representing approximately 17.43% equity interests in the Company after the full conversion of the Conversion Shares.
- Grogene Technology Limited is a company wholly owned by Mr. Qiang.

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As shown in the table above, assuming full conversion of the Convertible Bonds at the initial Conversion Price (assuming no adjustment) and assuming no Shares are issued between the Latest Practicable Date and full conversion of the Convertible Bonds (other than the issue of the Conversion Shares), the shareholding in the Company held by existing public Shareholders will be diluted from approximately 36.71% as at the Latest Practicable Date to approximately 35.99%, representing a dilution of approximately 0.7%.

Having considered (i) the Subscription and the use of proceeds thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole as set out in the section headed “2. Reasons for and benefits of the issue of the Convertible Bonds” in this letter; and (ii) the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable as far as the Independent Shareholders are concerned, we are of the view that the dilution to the shareholding of the existing public Shareholders is acceptable.

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that although the entering into of the Subscription Agreement was not in the ordinary and usual course of business of the Group, the Subscription Agreement and all transactions contemplated thereunder, the issue of the Convertible Bonds in accordance with the Subscription Agreement and obtaining the Specific Mandate are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions be proposed at the EGM to approve the Subscription Agreement and all transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Kenneth Yam
Director
Corporate Finance

Mr. Kenneth Yam are licensed persons registered with the Securities and Futures Commission of Hong Kong and the responsible officers of First Shanghai Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Kenneth Yam has over eight years of experience in corporate finance industry.

1. 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to 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 and short positions which they were taken or deemed to have under such provisions of SFO), or were required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

Long Positions in the Shares

Name of Director/ chief executive	Capacity	Number of Shares	Approximate percentage of shareholding as at Latest Practicable Date
Dr. Shui On LEUNG ⁽¹⁾	Interest in a controlled corporation	168,781,196	16.77
Ms. Wenyi LIU ⁽²⁾	Interest in a controlled corporation and interest of spouse	247,721,040	24.62
Mr. Huiyuan MA ⁽³⁾	Interest of spouse	61,500,740	6.11
Mr. Jing QIANG ⁽⁴⁾	Interest of spouse and interest in a controlled corporation	247,721,040	24.62

(1) These Shares were held by Skytech Technology, which is wholly owned by Dr. Leung.

(2) 212,889,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Liu. Ms. Liu is deemed to be interested in these Shares for the purposes of the SFO. The interest in the other 34,831,640 Shares were held through Grogene Technology Limited (格擎生物科技有限公司) which is wholly owned by Mr. Jing QIANG. Ms. Liu is the spouse of Mr. Qiang who is deemed to have an interest in the 34,831,640 Shares for the purposes of the SFO.

(3) These Shares were held by Mr. Ma's spouse, Ms. Huimin TIAN, through Forbest Capital Investment Group Limited (致譽投資集團有限公司), in which Mr. Ma is deemed to be interested for the purposes of the SFO.

(4) Mr. Qiang is the spouse of Ms. Wenyi LIU who is deemed to have an interest in 212,889,400 Shares for the purpose of the SFO. The interest in the other 34,831,640 Shares were held by Grogene Technology Limited, which is wholly owned by Mr. Qiang.

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to 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 and short positions which he is taken or deemed to have under such provisions of SFO), or were required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the following persons (other than a Director or a chief executive of a Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long Positions in the Shares

Name of shareholder	Capacity	Number of Shares	Approximate percentage of shareholding as at Latest Practicable Date
Skytech Technology ⁽¹⁾	Beneficial interest	168,781,196	16.77%
For Best Holding Capital Group Investment Inc. ⁽²⁾	Interest in a controlled corporation	61,500,740	6.11%
Forbest Capital Investment Group Limited ⁽²⁾	Beneficial interest	61,500,740	6.11%
Ms. Huimin TIAN ⁽²⁾	Interest in a controlled corporation	61,500,740	6.11%
Mr. Kang WENG ⁽²⁾	Interest in a controlled corporation	61,500,740	6.11%
Apricot Capital (上海杏澤投資管理有限公司) ⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation	212,889,400	21.16%
Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合伙)) ⁽³⁾⁽⁵⁾	Interest in a controlled corporation	212,889,400	21.16%

Name of shareholder	Capacity	Number of Shares	Approximate percentage of shareholding as at Latest Practicable Date
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)	Beneficial interest	158,882,115	15.79%
Apricot Oversea Holdings Limited ⁽³⁾	Beneficial interest	108,316,600	10.76%
West Biolake Holdings Limited ⁽⁴⁾	Beneficial interest	72,349,000	7.19%
Ms. Sijia XU	Beneficial interest	89,802,105	8.92%
Yunnan Baiyao Group Co., Ltd* (雲南白藥集團股份有限公司)	Beneficial interest	51,599,400	5.13%

* For identification purpose only

- (1) Skytech Technology Limited is a company wholly owned by Dr. Shui On LEUNG.
- (2) Forbest Capital Investment Group Limited was wholly held by For Best Holding Capital Group Investment Inc. which was held by Ms. Huimin TIAN and Mr. Kang WENG as to 90% and 10%, respectively. Under the SFO, each of Ms. Tian and Mr. Weng is deemed to be interested in the Shares held by Forbest Capital Investment Group Limited.
- (3) Apricot Oversea Holdings Limited is the overseas holding platform of Xingze Xinghe and Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥)) (“**Jianyi Xinghe**”), holding as to approximately 9.26% and 1.51% of the issued Shares, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) (“**Yueyi Investment**”) are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea.
- (4) West Biolake Holdings Limited is the overseas holding platform of Xingze Xingzhan. Apricot Capital is the general partner of Xingze Xingzhan. For the purpose of the SFO, Apricot Capital is deemed to have an interest in the Shares held by West Biolake Holdings Limited.
- (5) Save as Apricot Capital’s deemed interest in West Biolake Holdings Limited and Apricot Oversea Holdings Limited pursuant to the SFO, Apricot Capital is the general partner of Xingze Xingzhan. Apricot BioScience Holdings, L.P. held approximately 1.31% of the issued Shares. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.09% and 0.80% of the issued Shares, respectively. Apricot Capital was owned by Ms. Wenyi LIU, a non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* (上海佐禾投資管理有限公司) (“**Zuohe Investment**”) as to 40% and 60%, respectively. Zuohe Investment was owned by Ms. Liu and an independent third party as to 51% and 49%, respectively. For the purpose of the SFO, Ms. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

5. 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 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

Name	Qualification
First Shanghai Capital Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, First Shanghai Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by First Shanghai Capital Limited are given as of the date of this circular for incorporation herein.

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) Save as disclosed in the section “General Information – Disclosure of interests” of this circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) The registered office of the Company is at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (e) The Company’s share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

- (f) The company secretary of the Company is Ms. Pui Yin Peony WONG who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's office at Units 303 and 305-307, No. 15 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 15 to 16 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 38 of this circular;
- (d) the consent letter as referred to in the section headed "Qualification and Consent of Expert" in this Appendix; and
- (e) this circular.

NOTICE OF EGM



SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3681)

Notice is hereby given that an extraordinary general meeting of SinoMab BioScience Limited (the “**Company**”) will be held at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 19 February 2021 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

“THAT:

- (a) the convertible bonds subscription agreement (the “**Subscription Agreement**”) dated 22 December 2020 entered into between the Company and Haiyao International Group Limited in relation to the Company’s proposed issue of convertible bonds in the aggregate principal amount of HK\$100,000,000 (the “**Convertible Bonds**”) (a copy of the Subscription Agreement, marked as “A” and signed by the Chairman of the meeting for the purpose of identification, was produced to the meeting) and the transactions contemplated thereunder, and the specific mandate to allot and issue the conversion shares upon an exercise of the conversion rights attaching to the Convertible Bonds (the “**Conversion Shares**”), be and are hereby approved, confirmed and ratified; and
- (b) any director(s) of the Company be and is/are hereby authorised for and on behalf of the Company to take any action and execute (and, if necessary, affix the common seal of the Company, in accordance with the articles of association of the Company) such other documents as he/she/they consider(s) necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder and the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares.”

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

Hong Kong, 27 January 2021

NOTICE OF EGM

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or if he/she is the holder of two or more shares, more than one proxy to attend and on a poll, vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the form of proxy and any authority, if any, under which it is signed, or a copy of such power or authority, must be deposited at the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 10:00 a.m. on Wednesday, 17 February 2021 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Friday, 12 February 2021 to Friday, 19 February 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 February 2021.
5. If a tropical cyclone warning signal number 8 or above is hoisted, or “extreme conditions” caused by super typhoons or a black rainstorm warning is/are in force at or at any time after 6:00 a.m. on Friday, 19 February 2021, the EGM will not be held on 19 February 2021 but will be postponed to a later date and if postponed, the Company will as soon as practicable post an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Company. Shareholders may contact Customer Service Hotline of Computershare Hong Kong Investor Services Limited at (852) 2862 8555 from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding public holidays) for any enquiry regarding the aforesaid arrangement.
6. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive Director is Dr. Shui On LEUNG, the non-executive Directors are Dr. Haigang CHEN, Mr. Xun DONG, Mr. Senlin LIU, Ms. Wenyi LIU, Mr. Huiyuan MA and Mr. Jing QIANG, and the independent non-executive Directors are Mr. George William Hunter CAUTHERLEY, Mr. Michael James Connolly HOGAN, Mr. Ping Cho Terence HON and Mr. Dylan Carlo TINKER.