
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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**(i) CONNECTED TRANSACTION UNDER THE
SUPPLEMENTAL AGREEMENT TO THE BTK TRANSFER AND
COLLABORATION AGREEMENT**
**(ii) CONNECTED TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS UNDER THE
LICENSE AGREEMENT
AND
(iii) 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 Tuesday, 14 December 2021 at 10:00 a.m. (the “**EGM**”) is set out in this circular. A form of proxy for the EGM is enclosed with this circular.

Whether or not you are able to attend 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, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time fixed for holding for the EGM (i.e. not later than 10:00 a.m. on Saturday, 11 December 2021) (Hong Kong time) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they 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).

24 November 2021

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BTK inhibitor”	SN1011, the third-generation covalent reversible Bruton’s tyrosine kinase inhibitor designed for high selectivity and superior efficacy for the long-term treatment of systemic lupus erythematosus, pemphigus vulgaris, multiple sclerosis, rheumatoid arthritis and other immunological diseases
“BTK Rights”	the Immunological Rights and the Remaining IP Rights
“BTK Transfer and Collaboration Agreement”	a technology transfer and collaboration agreement entered between the Company and Suzhou Sinovent on 30 March 2019, pursuant to which the Company (as transferee) agreed to acquire, and Suzhou Sinovent (as transferor) agreed to transfer to the Company, on an exclusive basis, the techniques and applications of BTK inhibitor (which subsequently named SN1011) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 14 December 2021 at 10:00 a.m., to consider, and if thought fit, approve the Supplemental Agreement and the License Agreement and the transactions contemplated thereunder
“Everest HK”	Everest Medicines II (HK) Limited, a private company limited by shares incorporated in Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry research consultant and an independent third party
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Immunological Rights”	rights to sub-license in respect of the techniques and applications of BTK inhibitor (which was subsequently named SN1011) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it
“Independent Board Committee”	the independent board committee, comprising Mr. George William Hunter CAUTHERLEY, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER, being all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in relation to the Supplemental Agreement and the License Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “First Shanghai”	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 Mr. Jing QIANG and Ms. Wenyi LIU and their associates

DEFINITIONS

“Latest Practicable Date”	19 November 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information in this circular
“License Agreement”	the license agreement entered between the Company and Suzhou Sinovent (as the licensor) and Everest HK (as the licensee) on 16 September 2021 (after trading hours)
“licensed product(s)”	means any pharmaceutical or biological product that incorporates the SN1011, in all forms, presentations, formulations and dosage forms
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Net Sales”	the gross price billed or invoiced on sales of the licensed product by Everest HK or sublicensees, less certain usual and customary deductions as agreed by all parties
“Remaining IP Rights”	the right to all the techniques and applications of BTK inhibitor in relation to other diseases
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement entered by the Company and Suzhou Sinovent to amend the BTK Transfer and Collaboration Agreement on 16 September 2021 (after trading hours)
“Suzhou Sinovent”	Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司, formerly known as 蘇州信諾維醫藥科技有限公司), a company incorporated in the PRC with limited liability
“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. Ping Cho Terence HON
Dr. Chi Ming LEE
Mr. Dylan Carlo TINKER

24 November 2021

To the Shareholders

Dear Sir/Madam,

**(i) CONNECTED TRANSACTION UNDER THE
SUPPLEMENTAL AGREEMENT TO THE BTK TRANSFER AND
COLLABORATION AGREEMENT**

**(ii) CONNECTED TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS UNDER THE
LICENSE AGREEMENT**

INTRODUCTION

Reference is made to the announcements of the Company dated 17 September 2021 in relation to, among other things, the entering into the Supplemental Agreement and the License Agreement by the Company. The purpose of this circular is to provide you with, among other things, (i) further details of the Supplemental Agreement and the transactions contemplated thereunder; (ii) further details of the License Agreement and the transactions contemplated

LETTER FROM THE BOARD

thereunder; (iii) the recommendations of the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Agreement, the License Agreement and transactions contemplated thereunder; (iv) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the License Agreement and transactions contemplated thereunder; and (v) a notice convening the EGM.

THE SUPPLEMENTAL AGREEMENT

Principal Terms

On 16 September 2021, (after trading hours of the Stock Exchange), the Company entered into the Supplemental Agreement with Suzhou Sinovent to amend the BTK Transfer and Collaboration Agreement, the principal terms of which are as follows:

- Parties : (i) the Company; and
(ii) Suzhou Sinovent
- Date : 16 September 2021 (after trading hours)
- Principal terms amended : – The Company and Suzhou Sinovent may together or separately license-out the BTK Rights (including the Immunological Rights and/or the Remaining IP Rights), such that Suzhou Sinovent will be entitled to two-thirds (approximately 67%) and the Company will be entitled to one-third (approximately 33%) of the proceeds arising from the aforesaid license-out.

The Company has been advised by Frost & Sullivan, an industry research expert, of the estimated market size of the global oncology drug market and the estimated market size of the global autoimmune drugs and has taken into account of aforesaid information when determining the above apportionment.

- Suzhou Sinovent will have the right to represent itself and the Company in negotiating with any third party for the license-out, including but not limited to: (i) signing a list of intentions with relevant third parties; (ii) negotiating the cooperation methodology and consideration of the BTK Rights; (iii) negotiating with relevant third parties on the specific terms of technology transfer agreement, license agreement or cooperation agreement of similar nature; and (iv) engaging intermediary service agencies for the aforesaid purposes.

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- Suzhou Sinovent has the obligation to negotiate on behalf of itself and the Company for the best cooperation and pricing terms from third parties, and shall not prejudice the interest of itself and the Company by accepting such cooperation and pricing terms from third parties which are significantly worse than terms generally accepted in the market.

After Suzhou Sinovent has negotiated the commercial terms, the Company has the right to agree or not agree to any such proposed terms, and the Directors will have fiduciary duties to review and assess the fairness and reasonableness of such proposed terms.

- Either the Company or Suzhou Sinovent may independently enter into an agreement with a third party depends on its commercial needs. The party entered into such agreement shall fully disclose to the other party the details of the agreement with the third party, including but not limited to the subject rights, considerations and other arrangements.
- The payment method of revenue sharing under the Supplemental Agreement shall be determined afterwards by parties during negotiation with relevant third party. If either Suzhou Sinovent or the Company is entitled to collect all the revenue on the other party's behalf, the receiving party shall timely transfer the relevant revenue to the other party within a reasonable period of time.

For the avoidance of doubt, the revenue sharing arrangement as disclosed in the prospectus of the Company dated 31 October 2019 (the “**Prospectus**”) in section “Connected Transactions – Potential Non-exempt Continuing Connected Transactions – (3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement” will cease to apply upon the Supplemental Agreement becoming unconditional.

Save for the above amendments, all other major terms of the BTK Transfer and Collaboration Agreement remain unchanged.

The Supplemental Agreement is conditional upon:

- (1) the Company having made an announcement on and obtained independent Shareholders' approval as to the Supplemental Agreement; and

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- (2) the Company having obtained a confirmation from the Stock Exchange that the Company's entering into the Supplemental Agreement will not affect the waiver granted by the Stock Exchange to the Company as disclosed on pages 227 to 232 of the Prospectus (except for the waiver for the (3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement – (iii) In the event that we transfer any rights to sub-license in respect of the product of the Subject in the overseas markets (other than the PRC market) as disclosed in the Prospectus).

As of the Latest Practicable Date, condition (2) is satisfied by way of a letter from the Stock Exchange dated 24 September 2021.

Reasons for and benefits of the Supplemental Agreement

As of the Latest Practicable Date, the Company has had stronghold in both products and technologies in the treatment of immunological diseases. Nevertheless, the Company has continuously looked into the feasibility to widen the scope in both products and technologies resulting in (i) exposure to fields other than immunology; (ii) enrichment of our product portfolio; and (iii) increase in revenue due to success in aforesaid (i) and (ii). The Board believes that entering into of the Supplemental Agreement could achieve the above goals with the reasons entailed below:

By way of entering into of the Supplemental Agreement, the potential licensing-out opportunities for Immunological Rights could be increased, given that (i) most potential investors on market are looking for the complete BTK Rights; (ii) but for the Supplemental Agreement, Suzhou Sinovent retains the Remaining IP Rights (including but not limited to, in terms of indications related to oncological diseases); (iii) the market demand for the treatment of oncology is larger than for immunology and the commercialized BTK in the existing market is mainly for the treatment of oncological diseases; and (iv) Suzhou Sinovent possesses rich resources in introducing cooperation channel and experience in pharmaceutical field.

Secondly, the Company will have financial benefit from license-out together with Suzhou Sinovent for the BTK Rights, for the reason that the Company will have a share of any proceeds (including upfront payment, development milestone payments, sales milestone payments and royalties) even the indication under the development of the licensee is not for immunological diseases. The revenue sharing arrangement between the Company and Suzhou Sinovent (as set out in the previous section "Principal Terms" in this circular) under the Supplemental Agreement is not limited to the licensing-out of the Company's Immunological Rights but allows the Company to benefit from the revenue generated from the Remaining IP Rights (including but not limited to, in terms of indications related to oncological diseases) owned by Suzhou Sinovent. This is expected to generate substantial income to the Company.

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Suzhou Sinovent also possesses rich experience in pharmaceutical field and rich resources in business development including but not limited to introducing cooperation channel. Suzhou Sinovent has also paid much efforts in sourcing out and carrying out negotiation with potential investor for licensing-out BTK Rights. As at the Latest Practicable Date, Suzhou Sinovent has already identified a potential investor for licensing-out the BTK Rights (“**Potential licensing-out**”), for which the Company has to license-out its Immunological Rights and Suzhou Sinovent has to license-out the Remaining IP Rights together.

In view of the above reasons and benefits to the Company, Suzhou Sinovent and the Company have consensus of implementing another revenue sharing arrangement when licensing-out the BTK Rights together. Please refer to the announcement of the Company in relation to connected transaction and continuing connected transactions under the License Agreement dated 16 September 2021 for the Potential licensing-out.

In addition, given that SM03, the Company’s flagship product, is expected to be commercialized by the second half of 2023, the Board is of the view that successful licensing-out can generate revenue and bring cash to the Company before the commercialization of the Company’s first product.

Based on the foregoing, the Board is of the view that the transaction under the BTK Transfer and Collaboration Agreement (as amended by the Supplemental Agreement) is conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE LICENSE AGREEMENT

Principal Terms

On 16 September 2021, (after trading hours of the Stock Exchange), the Company and Suzhou Sinovent (together with the Company, as the “**Licensor**”) entered into the License Agreement with Everest HK (as the licensee), the principal terms of which are as follows:

- Parties : (i) the Company;
- (ii) Suzhou Sinovent; and
- (iii) Everest HK

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, each of Everest HK and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

LETTER FROM THE BOARD

- Date : 16 September 2021 (after trading hours)
- Term : from the first business day after all the conditions precedent of the License Agreement set out below are satisfied or otherwise waived by Everest HK in writing (the “**Effective Date**”) to the last date of royalty term (as set out in below section “Royalty term” in this circular), which shall be up to year 2042.
- Subject of license-out : All patents, know-how, trademarks and technology relating to SN1011, a BTK inhibitor, in the field of treatment of renal diseases.
- Conditions precedent : The License Agreement is conditional upon:
- (i) the Company having made an announcement and obtained independent Shareholders’ approval as to the License Agreement and transactions contemplated thereunder at a general meeting;
 - (ii) the Company having obtained approvals from the independent Shareholders at a general meeting in relation to the Supplemental Agreement and the transactions contemplated thereunder; and
 - (iii) the Company having obtained the waiver granted by the Stock Exchange in relation to Rule 14A.53, details of which are set out below in the section “Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules” of this circular.
- As of the Latest Practicable Date, condition (iii) is satisfied by way of a letter from the Stock Exchange dated 24 September 2021.
- Right of first offer : In the event the Licensor or any of its affiliates intends to make an offer to or receives an offer from, a third party to grant or obtain, as applicable, a license to exploit any product containing SN1011 for use other than renal diseases, the Licensor has granted Everest HK a right of first offer with respect to such license.

LETTER FROM THE BOARD

Upfront payment : Within ten (10) business days from the Effective Date, Everest HK shall pay a non-refundable, non-creditable payment in the amount of US\$8,000,000 to Suzhou Sinovent and US\$4,000,000 to the Company.

Development milestone payments : Everest HK shall notify the Licensor in writing of the achievement of any milestone event achieved as set out below by any licensed product and pay a non-refundable, non-creditable milestone payment to each of the Company and Suzhou Sinovent separately in the way as set out in below section “Payment method” of this circular.

Everest HK shall pay to the Licensor various specified development milestone payments for the first indication and second indication, respectively, based on Everest HK’s achieving different development milestone events such as the initiation of a phase II clinical study, the initiation of a pivotal study, the receipt of first regulatory approval in the US, the EU or UK, Japan and mainland China respectively. The maximum development milestone payments payable by Everest HK to the Licensor shall be US\$129 million in aggregate.

Sales milestone payment : Everest HK shall notify the Licensor promptly after the end of the year during which a sales milestone event is achieved and pay to each of the Company and Suzhou Sinovent separately in the way as set out in below section “Payment method” of this circular.

Each of the sales milestone payments set below is payable only upon the first achievement of such milestone by the first licensed product to achieve such sales milestone event and none of the sales milestone payments will be payable more than once regardless of how many times such sales milestone event is achieved.

Everest HK shall pay to the Licensor various specified sales milestone payments, based on Everest HK’s achieving different sales milestone figures for the annual Net Sales of all licensed products worldwide, from first exceeding US\$250 million to first exceeding US\$4 billion. The maximum sales milestone payments payable by Everest HK to the Licensor shall be US\$420 million in aggregate.

LETTER FROM THE BOARD

- Royalties : The royalties will be settled on a country-by-country and licensed product-by-licensed product basis. Everest HK will pay to Licensor a royalty calculated by multiplying each amount of incremental, aggregated Net Sales of the applicable licensed product in the applicable country by the applicable tiered royalty rate shown as follows:
- Everest HK shall pay at different specified royalty rates for different portions of the aggregate annual Net Sales. To illustrate, for annual Net Sales of a licensed product of up to US\$2 billion, Everest HK shall pay to the Licensor US\$180 million in aggregate. For the portion of aggregate annual Net Sales of a licensed product greater than US\$2 billion, Everest HK shall pay royalty to the Licensor at a rate of 12%.
- Royalty term : The royalty term is settled on a country-by-country basis during the period commencing upon the first commercial sale of a licensed product in such country and ending upon the later of (i) the expiration of the last Valid Claim within the licensed patents covering specifically the composition of matter (for clarity, excluding any formulation, method of use, diagnosis or treatment or method of manufacturing claims) of such licensed product in such country, (ii) the expiry of the applicable regulatory exclusivity of such licensed product in such country; and (iii) the tenth (10th) anniversary of the first commercial sale of such licensed product in such country.
- Payment method : All parties agreed that the payment of all development milestones, sales milestones and royalties will be split one-third (approximately 33%) and two-thirds (approximately 67%) between the Company and Suzhou Sinovent, respectively. Each of the Company and Suzhou Sinovent shall issue its invoice to Everest HK separately of the amount of corresponding development milestone payment, sales milestone payment and royalties. Everest HK shall pay the amount separately to each of the Company and Suzhou Sinovent within ten (10) business days upon receipt of the invoice.
- Sublicense : Everest HK is entitled to grant sublicenses to (i) its affiliates without the Licensor's consent but with prompt written notification to the Licensor; and (ii) independent third parties with the Licensor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.
- Non-competing : Each of the Company and Suzhou Sinovent shall not directly or indirectly conduct any activity involving any competing products against licensed products.

LETTER FROM THE BOARD

Basis of consideration of the License Agreement

The amount of upfront payment, development milestone payments, sales milestone payments and royalties under the License Agreement was negotiated on an arm's length basis between all parties and have taken into account of various factors including but not limited to (i) the status of the development of SN1011 and its commercial feasibilities; and (ii) the consideration and payment terms of comparable transactions.

The payment method of splitting one-third and two-thirds of all payments development milestones, sales milestones and royalties between the Company and Suzhou Sinovent was agreed by all parties. The sharing arrangement of proceeds between the Company and Suzhou Sinovent, being one-third to the Company and two-thirds to Suzhou Sinovent of all proceeds arising from the subject license-out, was determined in accordance with the Supplemental Agreement. The Supplemental Agreement is subject to the approval by the Company's independent shareholders and the reasons and benefits for entering into of the Supplemental Agreement were set out above in the section "Reasons for and benefits of the Supplemental Agreement" in this circular.

Waiver from strict compliance with Rule 14A.53 of the Listing Rules

The royalties payable under the License Agreement will constitute continuing connected transactions of the Company. However, it is not practicable for the Company to estimate the maximum amount payable by Everest HK to the Licensor at time of this circular or when it seeks independent Shareholders' approval at the proposed extraordinary general meeting. In addition, it would create undue uncertainty for Everest HK if the License Agreement and the transactions contemplated under it will be subject to further approval by the independent Shareholders of the Company after Everest HK has achieved Net Sales for a certain number of years.

In view of the above, the Company has applied to the Stock Exchange and the Stock Exchange has granted the Company a waiver from strict compliance with Rule 14A.53 of the Listing Rules for setting annual caps expressed in monetary terms for the License Agreement, subject to the following conditions:

- (i) the Company will comply with the announcement, circular and independent Shareholder approval requirements under Chapter 14A of the Listing Rules if there are any material changes to the terms of the License Agreement;
- (ii) the Company will designate a team to execute and ensure that the transactions contemplated under the License Agreement are undertaken in accordance with its terms;
- (iii) the chief executive officer of the Company will use his best endeavours to supervise the compliance with the terms of the License Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

LETTER FROM THE BOARD

- (iv) the independent non-executive directors and the auditors of our Company will review the transactions in relation to the License Agreement on an annual basis and confirm in the Company's annual reports the matters set out in Rule 14A.55 and Rule 14A.56 of the Listing Rules;
- (v) the Company will disclose in the circular the background for entering into the License Agreement, the material terms of the License Agreement, the grounds for the waiver sought and the Company's directors' and the independent financial adviser's views on the fairness and reasonableness of the transactions under the License Agreement;
- (vi) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the grant of the requested waiver on the continuing connected transactions under the License Agreement, the Company will take immediate steps to ensure compliance with such new requirements to the extent not affecting its performance of its contractual obligations owed to Everest HK under the License Agreement; and
- (vii) apart from setting fixed monetary annual caps to which the present waiver relates, the Company will comply with other applicable requirements under Chapter 14A of the Listing Rules.

Waiver from strict compliance with Rule 14A.70(13) and paragraph 43(2) of Appendix 1B to the Listing Rules

In the view of rationales as set out in below table, the Company has applied to the Stock Exchange and the Stock Exchange has granted the Company a waiver from strict compliance with Rule 14A.70(13) and paragraph 43(2)(c) of Appendix 1B to the Listing Rules to redact certain information in the version of the License Agreement to be published for online display.

I. Technical Know-how

Terms reference	Rationale for redaction
Section 1.100 Schedule 1.27 Schedule 1.70 Schedule 1.71 Schedule 1.73	<ul style="list-style-type: none">• It is information that:<ul style="list-style-type: none">o (i) has either actual or potential independent economic value by virtue of not being generally known by the public,o (ii) has value to others who cannot legitimately obtain such information (for instance, to competitors in the emerging BTK market), ando (iii) the Company and Everest HK have taken efforts to maintain its secrecy.

LETTER FROM THE BOARD

Terms reference

Rationale for redaction

- Constitutes trade secret as it entails sensitive commercial information of the Company, including the estimated timeframe/speed of the clinical study for the licensed product, likelihood of successful development of the licensed product in specific territory, expected commercial benefits to the licensor and licensee in specific clinical and/or development stage, and marketing strategy of the licensee.
- Disclosing these information would cause serious competitive harm to the Company for the following reasons:
 - o competitors could use the Licensed Know-how to replicate SN1011 (i.e. the whole process of production of SN1011, including the raw materials required and formula used – from how to make/compose/transform raw materials to immediate product, to active pharmaceutical ingredients (API, also known as Drug Substance), to addition of excipient, and to the final Drug Product;
 - o disclosure of safety data, clinical data and chemistry, manufacturing and control data were not published before and could reveal the likelihood of success of the product, specific pros and cons of the product derived from the data which the Company has no obligation to disclose. Moreover, the Licensed Product Data are considered to be the results of the long process of research and development of the Company. If disclosure of such data is required, competitors (including but not limited to those who also in the process of developing BTK inhibitor) could access and use such data/information for free and it would cause unfair competition and be detrimental to the Company;
 - o competitors (especially for those who are in the development of BTK) could use details of potential indications of the Licensee and Licensor for free. For instance, competitor may know for free of any identified potential indications for similar BTK product. To reiterate, the Company considers such information are results of the long process of research and development of the Company and form part of its trade secret.

LETTER FROM THE BOARD

II. *Financial and Payment Terms*

Terms reference	Rationale for redaction
Section 4.1 Section 4.5 Section 4.6(a)(iii) Section 4.6(b)(i) Section 6.1(b) Section 6.1(c) Section 6.2 Section 6.4(a) Section 6.4(c) Section 6.5(a) Section 6.5(b) Section 6.5(c) Section 6.5(d) Section 6.6(b) Section 6.9 Section 7.4(e) Section 13.4(f)(ii) Section 13.4(i) Section 13.4(j)(i) Section 13.4(j)(ii) Section 13.4(j)(iii)	<ul style="list-style-type: none">• It is information that:<ul style="list-style-type: none">o (i) has either actual or potential independent economic value by virtue of not being generally known by the public,o (ii) has value to others who cannot legitimately obtain such information (for instance, to competitors in the emerging BTK market), ando (iii) the Company and Everest HK have taken efforts to maintain its secrecy.• Constitutes trade secret as it entails sensitive commercial information of the Company, including the estimated timeframe/speed of the clinical study for the licensed product, likelihood of successful development of the licensed product in specific territory, expected commercial benefits to the licensor and licensee in specific clinical and/or development stage, and marketing strategy of the licensee. In addition, disclosure of the Payment Information could potentially reveal the estimated market size and margin for the licensed product of Everest HK, which in turn is a trade secret of the Company as regards its business strategy.• Represents the commercial arrangement between the Company and Everest HK.• Involves highly sensitive commercial information of Everest HK and these information (including specific amounts of development and sales milestones, royalty rates, etc.) vary from one transaction to another due to various factors, such as the specific stage and estimated likeliness of success of the asset/product, the stage of competitive products, the intellectual property landscape, the estimated sales price and sales volume for the product, and the negotiation process, which would in turn harm and prejudice Company's ability to collaborate with future licensees.

LETTER FROM THE BOARD

Terms reference	Rationale for redaction
	<ul style="list-style-type: none">• Negatively impact Everest HK in conducting future negotiations with other potential licensors because they could use the disclosed economics to negotiate against Everest HK and put Everest HK in a difficult situation to negotiate for terms that are more commercially favorable to the licensor.• May also reveal the business strategy that is being formulated and analysed by the licensor and licensee and could reveal the best potential market identified by them. As a result, the Company's competitors could utilise such data to unfairly compete with the Company in the BTK market and harm the Company's prospects of commercial success.• if the Stock Exchange denies this requested waiver and requires that the License Agreement be made publicly available without the redactions requested, such disclosure would be inconsistent with the practices of the U.S. Securities and Exchange Commission which allows for redaction of confidential information identified by biotechnology company issuers when they make similar license agreements publicly available and disadvantage companies that list on or transact with companies listed on the Stock Exchange.

III. Negotiated Operational Terms

Terms reference	Rationale for redaction
Section 1.41 Section 1.79	<ul style="list-style-type: none">• Bespoke and heavily negotiated terms that catered specifically for the situation of the Company and Everest HK in terms of their business development, strategies and operational needs.• Represents the commercial arrangement between the Company and Everest HK.

LETTER FROM THE BOARD

Terms reference	Rationale for redaction
	<ul style="list-style-type: none">• Involves highly sensitive commercial information of Everest HK and these information (including specific amounts of development and sales milestones, royalty rates, etc.) vary from one transaction to another due to various factors, such as the specific stage and estimated likeliness of success of the asset/product, the stage of competitive products, the intellectual property landscape, the estimated sales price and sales volume for the product, and the negotiation process, which would in turn harm and prejudice Company's ability to collaborate with future licensees.• Negatively impact Everest HK in conducting future negotiations with other potential licensors because they could use the disclosed economics to negotiate against Everest HK and put Everest HK in a difficult situation to negotiate for terms that are more commercially favorable to the licensor.• May also reveal the business strategy that is being formulated and analysed by the licensor and licensee and could reveal the best potential market identified by them. As a result, the Company's competitors could utilise such data to unfairly compete with the Company in the BTK market and harm the Company's prospects of commercial success.

IV. Company Contact Information

Terms reference	Rationale for redaction
Section 15.3	The contact information of Licensor and Licensee and their counsels are not intended to be made public due to business operation considerations. Contact information is only for the purpose for serving notice between contracting parties, specially to the subject deal under the License Agreement, and not intended to be published to the public. Disclosure of such private contact information may create unnecessary contact between the public (other than the contracting parties for the said purpose) and the contact persons of Licensor and Licensee.

Reasons for and benefits of the License Agreement

The subject of license-out, the entire BTK rights relating to SN1011 in the field of treatment of renal diseases, is owned as to the Company for immunological rights and as to Suzhou Sinovent for the remaining rights, including but not limited to oncological rights. The Licensor agreed to license-out and the Licensee agreed to license-in the said subject.

LETTER FROM THE BOARD

As of the Latest Practicable Date, the Company has had stronghold in both products and technologies in the treatment of immunological diseases. Nevertheless, the Company has continuously looked into the feasibility to widen our scope in both products and technologies resulting in (i) exposure to fields other than immunology; (ii) enrichment of our product portfolio; and (iii) increase in revenue due to success in aforesaid (i) and (ii). The Board believes that entering into of the License Agreement could achieve the above goals with the reasons entailed below:

First, the subject license-out is only for the indications in the field for renal diseases, the Company retains all other immunological rights for all indications relating to SN1011 (including but not limited to the indications currently under development by the Company) and will continue its research and development, including phase II clinical study currently initiating in China. The existing pipeline and the continuous research and development by the Company on the retained immunological rights will not be affected.

Second, the subject license-out is a recognition of the potential of SN1011 and could demonstrate the strength and rapid advancement of the Company's pipeline.

Third, the Company will have financial benefit from entering into of the License Agreement, for the reason that the Company will have a share of any proceeds (including upfront payment, development milestone payments, sales milestone payments and royalties) even the indication under the development of the licensee is not for immunological diseases. The Company will receive US\$4 million in upfront (as to one-third of the total upfront payments of US\$12 million) and up to US\$183 million for the development and sales milestone payments (as to one-third of the total development and sales milestone payments of up to US\$549 million).

Lastly, given that SM03, the Company's flagship product, is expected to be commercialized by the second half of 2023, the Board is of the view that the upfront payment, development milestone payments, sales milestone payments and royalties can bring cash and generate revenue for the Company before the commercialization of the Company's first product.

The Board is of the view that the transactions under the License Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the License Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The proceeds from the License Agreement including:

- (i) upfront payment (US\$4,000,000);
- (ii) development milestone payments (maximum development milestone payments payable by Everest HK to the Licensor shall be US\$129 million in aggregate);

LETTER FROM THE BOARD

- (iii) sales milestone payment (maximum sales milestone payments payable by Everest HK to the Licensor shall be US\$420 million in aggregate); and
- (iv) royalties (Everest HK shall pay at different specified royalty rates for different portions of the aggregate annual Net Sales. To illustrate, for annual Net Sales of a licensed product of up to US\$2 billion, Everest HK shall pay to the Licensor US\$180 million in aggregate. For the portion of aggregate annual Net Sales of a licensed product greater than US\$2 billion, Everest HK shall pay royalty to the Licensor at a rate of 12%), will be used as follow:

For the R&D and commercialisation of the Company's key product, SN1011, to fund clinical trials for SN1011 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in the PRC; and (iv) New Drug Application registration filings and the commercial launch of SN1011.

INFORMATION OF THE PARTIES

The Company

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 commercialization of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody-based biologics. Shareholding structure of the Company is set out as below:

Name of Shareholder	As at the Latest Practicable Date	
	Number of Shares	Approx. %
Skytech Technology Limited ¹	155,841,196	15.49
Forbest Capital Investment Group Limited ²	31,313,528	3.11
Apricot Entities ³	212,889,400	21.16
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) ⁴	158,882,115	15.79
Grogene Technology Limited ⁵	46,711,640	4.64
Public Shareholders	400,602,521	39.81
Total	<u>1,006,240,400</u>	<u>100.00</u>

1. Skytech Technology Limited is a company wholly owned by Dr. Shui On LEUNG, the chairman of the Company.

LETTER FROM THE BOARD

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.
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 (“**Ms. Liu**”), a non-executive Director. Ms. Liu is the spouse of Mr. Jing QIANG (“**Mr. Qiang**”, a non-executive Director).
4. Pursuant to a share charge where Hainan Haiyao Co., Ltd (海南海藥股份有限公司) (“**Hainan Haiyao**”) charged 158,882,115 Shares to China Citic Bank Co., Ltd., Haikou Branch (“**China Citic Bank**”), China Citic Bank had a security interest in 158,882,115 Shares which were beneficially owned by Hainan Haiyao.
5. Grogene Technology Limited is a company wholly owned by Mr. Qiang.

Suzhou Sinovent

Suzhou Sinovent is a limited liability company incorporated under the law of the PRC and is principally engaged in the development of innovative medicines to fulfill unmet clinical needs for the treatment of cancer, metabolic diseases and infectious disease, with its headquarters located in Suzhou with a global presence of branches established in Beijing, Shanghai, Australia and Boston. As of the Latest Practicable Date, Mr. Qiang, one of the non-executive Directors and the spouse of Ms. Liu, another non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent.

Specifically, as of the Latest Practicable Date, Mr. Qiang directly held approximately 0.52% in Suzhou Sinovent; Mr. Qiang indirectly controlled in aggregate approximately 38.75% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan bonded port Youxiao Business Management Center, L.P.* (寧波梅山保稅港區猷霄企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Yinji Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區胤基股權投資合夥企業(有限合夥))), Suzhou Youyao Business Management Center, L.P.* (蘇州佑曜企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Boyu Jian'n Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區博裕儉安股權投資合夥企業(有限合夥))), Ningbo Meishan bonded port Chenghuaiyangguan Business Management Center, L.P.* (寧波梅山保稅港區騁懷仰觀企業管理中心(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Baichuan Lecheng Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區百川樂成股權投資合夥企業(有限合夥))) and Shanghai Xingwei Investment Partnership (Limited Partnership)* (上海杏微投資合夥企業(有限合夥)), each a limited partnership incorporated in the PRC and was ultimately controlled by Mr. Qiang as its general partner.

In addition, as of the Latest Practicable Date, Suzhou Sinovent was held as to 4.70% by Shanghai Xingze Xinghe Startup Investment Center (Limited Partnership)* (上海杏澤興禾創業投資中心(有限合夥)), and as to 0.53% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)* (杭州杏澤興福投資管理合夥企業(有限合夥)), a limited

LETTER FROM THE BOARD

partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Ms. Liu, as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 55.50% as of Latest Practicable Date.

Everest HK

Everest HK is a private company limited by shares incorporated in Hong Kong and is principally engaged in investment holdings. It is wholly owned by Everest Medicines Limited, a company listed on the Stock Exchange (stock code: 1952) owned by Mr. Fu Wei (傅唯) with 44.29% equity interests. The group of Everest Medicines Limited is a biopharmaceutical company that integrates discovery, licensing, clinical development, commercialization and manufacturing of potentially novel or differentiated therapies to address critical unmet medical needs in initially Asia Pacific markets, and eventually around the world.

IMPLICATIONS UNDER THE LISTING RULES

Each of Mr. Qiang and Ms. Liu has abstained from voting on the board resolutions approving the Supplemental Agreement and the License Agreement. Save as disclosed above, none of the other Directors has a material interest in or is required to abstain from voting on the Supplemental Agreement and the License Agreement.

Suzhou Sinovent is a close associate of Mr. Qiang and Ms. Liu, both are non-executive Director and are therefore, the Company's connected person. Accordingly, the transactions under the License Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Given that one or more percentage ratio(s) in respect of the maximum total value of the development milestone payments and sales milestone payments under the License Agreement exceeds 5%, and one or more of percentage ratio(s) in respect of the potential royalties under the License Agreement exceeds 5%, the transaction contemplated under the License Agreement is subject to the announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As disclosed in the "Connected Transactions – Application for Waivers – (i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements" in the Prospectus, the Company will re-comply with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the BTK Transfer and Collaboration Agreement. As the Supplemental Agreement amends the material terms of the BTK Transfer and Collaboration Agreement, it is subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM to approve the Supplemental Agreement and the License Agreement and the transactions contemplated thereunder. An Independent Board Committee is established by the Company to consider the Supplemental Agreement and the License Agreement and the transactions contemplated thereunder and to advise the Independent

LETTER FROM THE BOARD

Shareholders as to whether the Supplemental Agreement and the License 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, has been appointed in accordance with the Listing Rules to advise the Independent Board Committee and Independent Shareholders as to whether the Supplemental Agreement and the License Agreement and the transactions contemplated thereunder are fair and reasonable.

Mr. Qiang and Ms. Liu and their associates are required to abstain from voting on the resolutions in respect of the Supplemental Agreement and the License Agreement and the transactions contemplated thereunder at the EGM. To the best of the information, belief and knowledge of the Directors, save for Mr. Qiang and Ms. Liu and their associates, no other Shareholder has any material interest in the Supplemental Agreement and the License Agreement.

Since the License Agreement term is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the License Agreement requires a period longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged First Shanghai as the Independent Financial Adviser.

EGM

A notice convening the EGM to be held at 10:00 a.m. on Tuesday, 14 December 2021 at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolutions 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, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM (i.e., at or before 10:00 a.m. on Saturday, 11 December 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 resolutions set out in the notice of EGM be taken by way of poll.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 24 to 25 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 26 to 48 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

Executive Director, Chairman and Chief Executive Officer



SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3681)

24 November 2021

To the Independent Shareholders

**(i) CONNECTED TRANSACTION UNDER THE
SUPPLEMENTAL AGREEMENT TO THE BTK TRANSFER AND
COLLABORATION AGREEMENT**

**(ii) CONNECTED TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS UNDER THE
LICENSE AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 24 November 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 Supplemental Agreement and the License Agreement 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 Supplemental Agreement and the License Agreement and the transactions contemplated thereunder as set out on pages 26 to 48 of the Circular and the letter from the Board set out on pages 4 to 23 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Supplemental Agreement and the License Agreement and the transactions contemplated thereunder are on normal commercial terms or 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 resolutions the Supplemental Agreement and the License Agreement 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. Ping Cho
Terence HON**
*Independent
Non-executive
Director*

**Dr. Chi Ming
LEE**
*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 for inclusion in the circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24 November 2021

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

Dear Sir or Madam,

**(i) CONNECTED TRANSACTION UNDER THE
SUPPLEMENTAL AGREEMENT TO THE BTK TRANSFER AND
COLLABORATION AGREEMENT; AND
(ii) CONNECTED TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS UNDER THE
LICENSE AGREEMENT**

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 entering into the Supplemental Agreement and the License Agreement by the Company, 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 24 November 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.

Reference is made to announcements of the Company dated 17 September 2021 in relation to, among other things, the entering into the Supplemental Agreement and the License Agreement by the Company and the prospectus of the Company dated 13 October 2019 (the “**Prospectus**”) in relation to, among other things, the BTK Transfer and Collaboration Agreement with Suzhou Sinovent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 16 September 2021, the Company has entered into a supplemental agreement with Suzhou Sinovent (the “**Supplemental Agreement**”) to amend the revenue sharing arrangement of licensing out the techniques and applications in connection to SN1011, a BTK inhibitor related to immunological diseases and all proprietary rights and interests attaching to it with Suzhou Sinovent under the BTK Transfer and Collaboration Agreement.

On the same date, the Company has entered into a license agreement (the “**License Agreement**”) with Suzhou Sinovent (together with the Company, as the “**Licensor**”) and Everest HK (as the licensee), pursuant to which the Licensor shall grant an exclusive, sublicensable, royalty-bearing license of all patents, know-how, trademarks and technology relating to SN1011, a BTK inhibitor, in the field of treatment of renal diseases to Everest HK in worldwide.

As disclosed in the “Connected Transactions – Application for Waivers – (i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements” in the Prospectus, the Company will re-comply with the announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the BTK Transfer and Collaboration Agreement. As the Supplemental Agreement amends the material terms of the BTK Transfer and Collaboration Agreement, it is subject to the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Suzhou Sinovent is a close associate of Mr. Qiang and Ms. Liu, both are non-executive Director and are therefore, the Company’s connected person. Accordingly, the transactions under the License Agreement also constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Given that one or more percentage ratio(s) in respect of the maximum total value of the development milestone payments and sales milestone payments under the License Agreement exceeds 5%, and one or more of percentage ratio(s) in respect of the potential royalties under the License Agreement exceeds 5%, the transaction contemplated under the License Agreement is subject to the announcement and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. Qiang and Ms. Liu are required to abstain from voting on the board resolutions in respect of the Supplemental Agreement and the License Agreement. Save as disclosed above, none of the other Directors has a material interest in or is required to abstain from voting on the Supplemental Agreement and the License Agreement.

The Independent Board Committee, comprising all of the independent non-executive directors of the Company, namely Mr. George William Hunter CAUTHERLEY, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER, has been established by the Company to advise the Independent Shareholders as to whether the Supplemental Agreement and the License 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. We, First Shanghai Capital Limited, have been appointed in accordance with the Listing Rules as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

The Independent Shareholders should note that, within the past two years prior to the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for the connection transaction in relation to the proposed issue of HK\$100,000,000 convertible bonds due 2022 possible issue of shares under specific mandate in January 2021.

Apart from normal professional fees paid or payable to us in connection with the aforesaid engagement (the “**Previous Engagement**”), we did not have any other relationships or interests with the Group. Given (i) our independent roles in the Previous Engagement; (ii) none of the members of our parent group is a direct party to the aforesaid transaction; and (iii) our fee for this present engagement with the Company, in addition to those for the Previous Engagement, represented an insignificant percentage of revenue of our parent group, 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 advise 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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Supplemental Agreement, the License 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 and recommendation, we have taken into consideration the following principal factors and reasons set out below:–

I. THE SUPPLEMENTAL AGREEMENT

1. Principal terms of the Supplemental Agreement

We have obtained and reviewed the BTK Transfer and Collaboration Agreement and the Supplemental Agreement. According to the BTK Transfer and Collaboration Agreement as disclosed in the Prospectus, the Company acquired the techniques and applications of BTK inhibitor (which was subsequently named SN1011 by the Group) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it from Suzhou Sinovent. In addition, the Company will pay one-third (approximately 33%) of the proceeds from transferring any rights to sub-license in respect of the techniques and applications in connection to SN1011 related to immunological diseases and all proprietary rights and interests attaching to it (the “**Immunological Rights**”) to Suzhou Sinovent. Suzhou Sinovent retains the ownership of all the techniques and applications of BTK inhibitor in relation to other diseases (the “**Remaining IP Rights**”, together with the Immunological Rights, the “**BTK Rights**”). The aforesaid terms in relation to the sub-licensing arrangement has been amended under the Supplemental Agreement. A summary of the principal terms of the Supplemental Agreement are set forth below:

Parties	:	(i) the Company; and (ii) Suzhou Sinovent
Date	:	16 September 2021 (after trading hours)
Principal terms amended	:	The Company and Suzhou Sinovent may together or separately license-out the BTK Rights (including the Immunological Rights and/or the Remaining IP Rights), such that Suzhou Sinovent will be entitled to two-thirds (approximately 67%) and the Company will be entitled to one-third (approximately 33%) of the proceeds arising from the aforesaid license-out.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Suzhou Sinovent will have the right to represent itself and the Company in negotiating with any third party for the license-out, including but not limited to: (i) signing a list of intentions with relevant third parties; (ii) negotiating the cooperation methodology and consideration of the BTK Rights; (iii) negotiating with relevant third parties on the specific terms of technology transfer agreement, license agreement or cooperation agreement of similar nature; and (iv) engaging intermediary service agencies for the aforesaid purposes.

Suzhou Sinovent has the obligation to negotiate on behalf of itself and the Company for the best cooperation and pricing terms from third parties, and shall not prejudice the interest of itself and the Company by accepting such cooperation and pricing terms from third parties which are significantly worse than terms generally accepted in the market.

After Suzhou Sinovent has negotiated the commercial terms, the Company has the right to agree or not agree to any such proposed terms, and the Directors will have fiduciary duties to review and assess the fairness and reasonableness of such proposed terms.

Either the Company or Suzhou Sinovent may independently enter into an agreement with a third party depends on its commercial needs. The party entered into such agreement shall fully disclose to the other party the details of the agreement with the third party, including but not limited to the subject rights, considerations and other arrangements.

The payment method of revenue sharing under the Supplemental Agreement shall be determined afterwards by parties during negotiation with relevant third party. If either Suzhou Sinovent or the Company is entitled to collect all the revenue on the other party's behalf, the receiving party shall timely transfer the relevant revenue to the other party within a reasonable period of time.

Save for the above amendments, all other major terms of the BTK Transfer and Collaboration Agreement remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under the BTK Transfer and Collaboration Agreement, the Company is only entitled to license out the Immunological Rights of the BTK inhibitor by paying one-third of the sub-licensing proceeds to Suzhou Sinovent. However, under the Supplemental Agreement, the Company and Suzhou Sinovent may now together or separately license-out the BTK Rights (including the Immunological Rights held by the Company and/or the Remaining IP Rights held by Suzhou Sinovent), such that Suzhou Sinovent will be entitled to two-thirds and the Company will be entitled to one-third of the proceeds arising from the license-out.

According to the Letter from the Board, the revised revenue sharing arrangement was determined after the consideration of, among other things, the estimated market size of the global oncology drug market and the estimated market size of the global autoimmune drugs, as advised by Frost & Sullivan. We are further advised by the Directors that Immunological Rights of the BTK inhibitor the Company possess is mainly used for developing autoimmune drugs. We have obtained and reviewed the industrial information that the Directors made reference to, and noted that the global oncology drug market grew from approximately US\$83.2 billion in 2015, to approximately US\$143.5 billion in 2019, represented CAGR of approximately 14.6% and is expected to reach approximately US\$391.1 billion in 2030, represented CAGR of approximately 9.5% from 2019 to 2030. The market size of global autoimmune drugs, on the other hand, grew from approximately US\$87.2 billion in 2015 to approximately US\$116.9 billion in 2019, represented CAGR of approximately 7.6%, and is expected to further increase to approximately US\$163.8 billion in 2030, represented CAGR of approximately 3.1% from 2019 to 2030. It is noted that the global market size of oncology drugs is expected to experience a faster growth than that of autoimmune drugs and in 2030, the global market size of oncology drugs will be more than double than that of the autoimmune drugs. In other words, by 2030, global autoimmune drugs market size will account for approximately one-third of the global oncology and autoimmune drugs market altogether. According to the management of the Company, the proceed apportionment under the Supplemental Agreement (i.e. one-third to the Company and two-thirds to Suzhou Sinovent) is formulated having considered the estimated market size as abovementioned.

To assess the fair and reasonableness of the revised revenue sharing arrangement in relation to sub-licensing the BTK Rights, we have obtained and reviewed an industry research report with respect to global BTK inhibitor market prepared by QY Research, Inc., an independent research company (the “**QY Research**”, and the report, the “**QY Research Report**”). QY Research is established in 2007 with over 180 experienced analysts in various offices including Canada, USA and China. QY Research principally engages in providing management consulting, IPO consulting, industrial research, customised research, data base and seminar services over a wide range of industries including chemical, medical devices, pharmaceuticals, software and services and consumer goods industries. They issue over 5,000 research report annually.

In reviewing the QY Research Report, we have complied with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules. In particular, we have conducted an interview with QY Research. It is confirmed that QY Research is independent from the Company and all information contained in the QY Research Report was solely from themselves with no

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assistance from the Company. We also obtained its credentials and reviewed its scope of research, and note that it is appropriate to the opinion required to be given and we are not aware of any circumstances which might have an adverse impact on the degree of assurance given by the QY Research Report. We also discussed and reviewed the research methodology of the QY Research Report and understood that it contains extensive primary and secondary data sources and involved study of a number of factors affecting the global BTK inhibitor industry including government policy, market environment, competitive landscape, historical data, future trends and technologies development, etc. We understood from QY Research that the underlying data were obtained through research on annual financial reports, press releases, journals issued by key market players, and their extensive interviews with industry experts such as experienced front-line staffs, directors, chief executive officers and marketing executives of key market players. In addition, the underlying data also include information from PDB Database, which is a database of China National Pharmaceutical Industry Information Center. In terms of the market size estimation, we understood that both top-down and bottom-up approaches were used to validate the global BTK inhibitors market size. Both primary and secondary researches were performed to identify key market players and obtain their market revenue information. We also learnt that in forecasting the market size, QY Research had considered the pipeline of BTK inhibitor products of key market players.

As part of our independent assessment, we researched and reviewed the annual reports, company websites and other related websites of the key market players identified by QY Research, to ascertain the accuracy of relevant information contained in the QY Research Report and if it is in line with the information related to the key market players, including the principal business and financials of the key market players, and their BTK inhibitor products launched and/or under development, etc. Based on the above, we are satisfied with the information contained in the QY Research Report. We also conducted desktop search on the PDB Database and understand the website is a platform with comprehensive medication information in relation to a number of medical market information as well as relevant financial data.

According to the QY Research Report, BTK inhibitors are currently applied on clinical studies for oncological diseases and immunological diseases only and there are currently no other clinical studies except for applications for oncological diseases and immunological diseases using BTK inhibitors. Market size of the global BTK inhibitors is expected to increase from approximately US\$7,186 million in 2020, to approximately US\$21,926 million in 2027, representing a CAGR of approximately 17.3% from 2020 to 2027. In particular, we note that in 2020, all of the market share of BTK inhibitors was generated from the products for oncological diseases. In 2027, among the forecasted global BTK inhibitor market of approximately US\$21,926 million, market size of BTK inhibitor applications used for immunological diseases is expected to be approximately US\$110 million, amounted for approximately 0.5% of the global market size of BTK inhibitors. The global market size of BTK inhibitor applications used for oncological diseases is much larger than that of the applications used for immunological diseases, of almost 200 times in 2027.

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Based on the market data and analysis on the global market size of BTK inhibitors by applications (i.e. oncological diseases and immunological diseases), we noted that (i) the market demand for BTK inhibitors for oncological diseases is larger than for immunological diseases as both of the current and expected market size of BTK inhibitor applications for oncological diseases are significantly larger than those for immunological diseases; and (ii) the commercialised BTK inhibitors in the existing market is mainly for the treatment of oncological diseases. Therefore, we concur with the Company that the revised revenue sharing arrangement which the Company and Suzhou Sinovent may together or separately license-out the BTK Rights such that the Company will be entitled to one-third (approximately 33%) and Suzhou Sinovent will be entitled to two-thirds (approximately 67%) of the proceeds arising from the aforesaid license-out is fair and reasonable.

2. Reason for and benefits of the Supplemental Agreement

The Company is a Hong Kong-based biopharmaceutical company, and the Group is principally engaged in the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody (“mAb”)-based biologics. The Group has been dedicated to research and development and have built a pipeline of mAb-based biologics and new chemical entities addressing indications against a plethora of immunological diseases.

According to the Letter from the Board, as of the Latest Practicable Date, the Company has had stronghold in both products and technologies in the treatment of immunological diseases. Nevertheless, the Company has continuously looked into the feasibility to widen the scope in both products and technologies resulting in (i) exposure to fields other than immunology; (ii) enrichment of its product portfolio; and (iii) increase in revenue due to success in aforesaid (i) and (ii). By way of entering into of the Supplemental Agreement, the Directors consider that the potential licensing-out opportunities for Immunological Rights could be increased, given that (i) most potential investors on market are looking for the complete BTK Rights; (ii) but for the Supplemental Agreement, Suzhou Sinovent retains the Remaining IP Rights (including but not limited to, in terms of indications related to oncological diseases); (iii) the market demand for the treatment of oncology is larger than for immunology and the commercialised BTK in the existing market is mainly for the treatment of oncological diseases; and (iv) Suzhou Sinovent possesses rich resources in introducing cooperation channel and experience in pharmaceutical field.

In terms of the licensing-out opportunities for Immunological Rights, we understood from the management of the Company that, since the Company’s listing in November 2019, the management had endeavored to reach out to potential investors for licensing-out the Immunological Rights. However, most of the potential investors prefer the complete BTK Rights rather than the Immunological Rights only. Since the Company’s listing and up to the Latest Practicable Date, no sub-licensing of Immunological Rights of the Company has been materialized. In fact, as discussed in section under “II. The License Agreement” below, on 16 September 2021, the Company, together with Suzhou Sinovent, entered into the License Agreement with Everest HK to license-out the BTK Rights in the field of treatment of renal

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diseases. As advised by the management of the Company, for the research and development of BTK inhibitor in the field of treatment of renal diseases, both Immunological Rights and the Remaining IP Rights are needed by Everest HK. The entering of the License Agreement demonstrated that complete BTK Rights are more preferred by the potential investors in the market, than the Immunological Rights alone.

In terms of the market demand for the treatment of oncological and immunological diseases, as discussed in section under “I. The Supplemental Agreement – 1. Principal terms of the Supplemental Agreement” above, the whole global market of BTK inhibitors in 2020 of approximately US\$7,186 million was contributed by applications for oncological diseases (including chronic lymphocytic leukemia (CLL), small lymphocytic lymphoma (SLL), mantle cell lymphoma (MCL) and Waldenstrom’s macroglobulinemia (WM)). By 2027, applications of BTK inhibitors for immunological diseases will be increased from nil in 2020 to approximately US\$110 million in 2027, mainly for rheumatoid arthritis (RA) and systemic lupus erythematosus (SLE). It is therefore considered that BTK inhibitors are principally used for treatment of oncological diseases and the fact that Company had difficulties in finding license-out opportunities of Immunological Rights over the years are also self-explained. Under the dominant applications for oncological diseases in the global BTK inhibitor market, we concurred with the Directors that, the Company would be financially benefited from licensing-out together with Suzhou Sinovent for the complete BTK Rights, for the reason that the Company would have a share of any proceeds (including upfront payment, development milestone payments, sales milestone payments and royalties) even the indication under the development of the licensee is not for immunological diseases. We also noted that the Company targeted to develop BTK inhibitors for the treatment of two immunological diseases namely RA and SLE, which is different from the BTK inhibitor for the treatment of renal diseases to be licensed out to Everest HK. The revenue sharing arrangement under the Supplemental Agreement allows the Company to benefit from the revenue generated from the Remaining IP Rights (including but not limited to, indications related to oncological diseases) owned by Suzhou Sinovent.

In terms of the experience of Suzhou Sinovent, according to the Letter from the Board, Suzhou Sinovent is a limited liability company incorporated under the law of the PRC and is principally engaged in the development of innovative medicines to fulfill unmet clinical needs for the treatment of cancer, metabolic diseases and infectious disease, with its headquarters located in Suzhou with a global presence of branches established in Beijing, Shanghai, Australia and Boston. Suzhou Sinovent also possesses rich experience in pharmaceutical field and rich resources in business development including but not limited to introducing cooperation channel. We learnt from the website of Suzhou Sinovent that it focuses on discovery and development of innovative medicines for major debilitating diseases, including cancer, autoimmune diseases, and diseases caused by bacteria. They currently have seven products in pipeline, among which four are under clinical trials, for indications including gout, anti-infection and oncological diseases. According to the QY Research Report, notwithstanding the fact that Suzhou Sinovent has not yet generated revenue for its BTK inhibitors in 2020, it is considered one of the key players in the global BTK inhibitors market.

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Last but not least, the Supplemental Agreement is expected to generate substantial income to the Company. According to the Letter from the Board, up to the date of this letter, the Company has not commercialised any of its products. We also noted from the listing documents and annual reports of the Company that it has been in loss positions since 2017. According to the Letter from the Board, SM03, the Company's flagship product, is expected to be commercialised by the second half of 2023. By entering into the Supplemental Agreement and the License Agreement which requires the licensing-out of the complete BTK Rights as discussed above and in section under "II. The License Agreement" below, the Company will receive US\$4 million in upfront payment and up to US\$183 million for the development and sales milestone payments and royalties. In other words, by entering into the Supplemental Agreement and the License Agreement, the Company is able to generate revenue and bring cash to the Company before the commercialisation of the Company's first product SM03. According to the Letter from the Board, the proceeds from the License Agreement will be used for the research and development and commercialization of the Company's key product, SN1011, to fund clinical trials for SN1011, including, ongoing and planned clinical trials, additional clinical trials to be initiated in the PRC for additional indications, new drug application registration filings and commercial launch of SN1011 as well as to further support the Company's business development.

Taking into account the above factors, the Directors consider, and we concur, the revenue sharing arrangement under the Supplemental Agreement entered into between the Company and Suzhou Sinovent, to licensing-out the BTK Rights together, the Company will have a fair and reasonable share of any proceeds from the revenue sharing arrangement, even the indication under the development of the license product is not only for immunological diseases. Such arrangement will also widen the scope in both products and technologies and increase market penetration, which in turn is expected to benefit the business of the Group. The arrangement under the Supplemental Agreement is in line with the Group's development strategy, is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole.

II. THE LICENSE AGREEMENT

1. Principal terms of the License Agreement

A summary of the principal terms of the License Agreement are set forth below:

- Parties : (i) the Company;
- (ii) Suzhou Sinovent; and
- (iii) Everest HK

The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge, information and belief, each of Everest HK and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

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- Date : 16 September 2021 (after trading hour)
- Terms : from the first business day after all the conditions precedent of the License Agreement set out below are satisfied or otherwise waived by Everest HK in writing (the “**Effective Date**”) to the last date of royalty term (as set out in below section “Royalty term” in the Circular), which shall be up to year 2042.
- Subject of license-out : All patents, know-how, trademarks and technology relating to SN1011, a BTK inhibitor, in the field of treatment of renal diseases.
- Conditions precedent : The License Agreement is conditional upon:
- (i) the Company having made an announcement and obtained independent Shareholders’ approval as to the License Agreement and transactions contemplated thereunder at a general meeting;
 - (ii) the Company having obtained approvals from the independent Shareholders at a general meeting in relation to the Supplemental Agreement and the transactions contemplated thereunder; and
 - (iii) the Company having obtained the waiver granted by the Stock Exchange in relation to Rule 14A.53, details of which are set out below in the section “Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules” of the Circular.
- As of the Latest Practicable Date, condition (iii) is satisfied by way of a letter from the Stock Exchange dated 24 September 2021.
- Right of first offer : In the event the Licensor or any of its affiliates intends to make an offer to or receives an offer from, a third party to grant or obtain, as applicable, a license to exploit any product containing SN1011 for use other than renal diseases, the Licensor has granted Everest HK a right of first offer with respect to such license.

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Upfront payment : Within ten (10) business days from the Effective Date, Everest HK shall pay a non-refundable, non-creditable payment in the amount of US\$8,000,000 to Suzhou Sinovent and US\$4,000,000 to the Company.

Development milestone payments : Everest HK shall notify the Licensor in writing of the achievement of any milestone event achieved as set out below by any licensed product and pay a non-refundable, noncreditable milestone payment to each of the Company and Suzhou Sinovent separately in the way as set out in below section “Payment method” of the circular.

Everest HK shall pay to the Licensor various specified development milestone payments for the first indication and second indication, respectively, based on Everest HK’s achieving different development milestone events such as the initiation of a phase II clinical study, the initiation of a pivotal study, the receipt of first regulatory approval in the US, the EU or UK, Japan and mainland China respectively. The maximum development milestone payments payable by Everest HK to the Licensor shall be US\$129 million in aggregate.

Sales milestone payment : Everest HK shall notify the Licensor promptly after the end of the year during which a sales milestone event is achieved and pay to each of the Company and Suzhou Sinovent separately in the way as set out in below section “Payment method” of this circular.

Each of the sales milestone payments set below is payable only upon the first achievement of such milestone by the first licensed product to achieve such sales milestone event and none of the sales milestone payments will be payable more than once regardless of how many times such sales milestone event is achieved.

Everest HK shall pay to the Licensor various specified sales milestone payments, based on Everest HK’s achieving different sales milestone figures for the annual Net Sales of all licensed products worldwide, from first exceeding US\$250 million to first exceeding US\$4 billion. The maximum sales milestone payments payable by Everest HK to the Licensor shall be US\$420 million in aggregate.

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- Royalties : The royalties will be settled on a country-by-country and licensed product-by-licensed product basis. Everest HK will pay to Licensor a royalty calculated by multiplying each amount of incremental, aggregated Net Sales of the applicable licensed product in the applicable country by the applicable tiered royalty rate shown as follows:
- Everest HK shall pay at different specified royalty rates for different portions of the aggregate annual Net Sales. To illustrate, for annual Net Sales of a licensed product of up to US\$2 billion, Everest HK shall pay to the Licensor US\$180 million in aggregate. For the portion of aggregate annual Net Sales of a licensed product greater than US\$2 billion, Everest HK shall pay royalty to the Licensor at a rate of 12%.
- Royalty term : The royalty term is settled on a country-by-country basis during the period commencing upon the first commercial sale of a licensed product in such country and ending upon the later of (i) the expiration of the last Valid Claim within the licensed patents covering specifically the composition of matter (for clarity, excluding any formulation, method of use, diagnosis or treatment or method of manufacturing claims) of such licensed product in such country, (ii) the expiry of the applicable regulatory exclusivity of such licensed product in such country; and (iii) the tenth (10th) anniversary of the first commercial sale of such licensed product in such country.
- Payment method : All parties agreed that the payment of all development milestones, sales milestones and royalties will be split one-third (approximately 33%) and two-thirds (approximately 67%) between the Company and Suzhou Sinovent, respectively. Each of the Company and Suzhou Sinovent shall issue its invoice to Everest HK separately of the amount of corresponding development milestone payment, sales milestone payment and royalties. Everest HK shall pay the amount separately to each of the Company and Suzhou Sinovent within ten (10) business days upon receipt of the invoice.
- Sublicense : Everest HK is entitled to grant sublicenses to (i) its affiliates without the Licensor's consent but with prompt written notification to the Licensor; and (ii) independent third parties with the Licensor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.
- Non-competing : Each of the Company and Suzhou Sinovent shall not directly or indirectly conduct any activity involving any competing products against licensed products.

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According to the Letter from the Board, the License Agreement was entered into between the Licensor and Everest HK, and each of Everest HK and its ultimate beneficial owners are third parties independent to the Company and its connected persons (as defined in the Listing Rules). Furthermore, according to the Letter from the Board, the amount of upfront payment, development milestone payments, sales milestone payments and royalties under the License Agreement was negotiated on an arm's length basis between the Licensor and Everest HK who is an independent third party and have taken into account of various factors including but not limited to (i) the status of the development of SN1011 and its commercial feasibilities; and (ii) the consideration and payment terms of comparable transactions. The payment method of splitting one-third and two-thirds of all payments development milestones, sales milestones and royalties between the Company and Suzhou Sinovent was agreed by all parties. For the sharing arrangement of proceeds between the Company and Suzhou Sinovent, being one-third to the Company and two-thirds to Suzhou Sinovent of all proceeds arising from the subject of license-out, it was determined in accordance with the Supplemental Agreement as discussed in the section under "I. The Supplemental Agreement" above.

(i) Consideration Payable

According to the License Agreement, total consideration excluding royalties of licensing out the BTK Rights to Everest HK is up to US\$561 million, comprising of (i) upfront payment of US\$12 million; (ii) development milestone payments of US\$129 million; (iii) sales milestone payment of not more than US\$420 million. The royalties will be settled on a country-by-country and licensed product-by-licensed product basis at different royalty rates for different portions of the aggregate annual net sales. As advised by the Directors, such consideration was negotiated between the Licensor with the Everest HK, an independent third party on arm's length basis and taking into account of, among others (i) the status of the development of SN1011 and its commercial feasibilities; (ii) research and development expenses in relation to SN1011 and (iii) the consideration and payment terms of comparable transactions, with reference to other BTK inhibitors licensing agreements in worldwide market since 2014 (the "**Reference BTK License Agreements**").

In relation to the Reference BTK License Agreements which the Licensor made reference to for entering into the License Agreement, we have obtained and reviewed the list of Reference BTK License Agreements and on our best effort basis, conducted desktop research on the Reference BTK License Agreements in relation to the relevant contract parties including review pipeline of the BTK inhibitor licensed products mentioned from the websites of the contract parties. Based on the information provided by the Company and our desktop research, we noted that the Reference BTK License Agreements were license agreements in relation to BTK inhibitors since 2014 and were entered in to by companies listed in United States, United Kingdom, Korea, Japan and the PRC. It is also noted that these Reference BTK License Agreements were entered into during phase one or preclinical stage of the BTK inhibitors licensed products, which is

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similar to the under development stage of the BTK Rights under the License Agreement, we have also conducted desktop search and noted the period of the relevant news published were consistent with the period of the Reference BTK License Agreements entered into.

Furthermore, we noted that the consideration (i.e. the upfront payment, development milestone payment and sales milestone payment, in aggregate) of the Reference BTK License Agreements for licensing out the BTK inhibitors ranged from approximately US\$40 million to approximately US\$805 million, with median of approximately US\$520 million. The total consideration of the License Agreement, excluding the royalties (i.e. the upfront payment, development milestone payment and sales milestone payment, in aggregate) of approximately US\$561 million is within the range of the considerations of the Reference BTK License Agreements and is approximate to the median of consideration of the Reference BTK License Agreements.

We also understand from the Directors that, different stage of the clinical studies serves different purposes. Phase one is carried on a relative small sample size of healthy subjects (participants who are free from relevant diseases), mainly to evaluate the safety and dosage of the medical products; phase two is carried on a medium sample size of patients (for instance, not include healthy subjects), mainly to evaluate the efficacy and side effects of the drug; and phase three is carried on a large sample size of patients, mainly to evaluate the efficacy and monitoring of adverse reaction of the drug. For the subject of licensed-out, it is expected to go through phases and the clinical data will be submitted to corresponding medical authorities (for instance, Food and Drug Administration (FDA) is an agency of the United States Department of Health and Human Services, National Medical Products Administration (NMPA) in PRC), for their assessment of approval of the drug.

Further advised by the Directors, since there is no BTK licensed product in the field of renal diseases in the global market, the Directors considered that it is reasonable to determine the consideration of the License Agreement, which comprised of the aggregate amount of upfront payment, development and sales milestone payment with reference to all BTK licensed products in the global market. We have consulted and were confirmed by the QY Research that, up to the date of this letter, no BTK inhibitor for renal disease in the global market and no BTK inhibitor license agreement for renal disease was identified.

Having considered (i) the License Agreement was negotiated on an arm's length basis between the Licensor and Everest HK who is an independent third party; (ii) there is no BTK licensed product for renal diseases; and (iii) development stages during the time when the Reference BTK License Agreements entered into were similar to that of development stage of the BTK Rights under the License Agreement, we concur with the Directors that it is reasonable to determine the consideration of the License Agreement with reference to the Reference BTK License Agreements.

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In addition, under the License Agreement, royalties will be settled on a country-by-country and licensed product-by-licensed product basis and the royalty rates range from 7% to 12%, multiplying each amount of incremental, aggregated Net Sales of the applicable licensed product in the applicable country by the applicable tiered royalty rate. The applicable tiered royalty rate is determined with reference to the annual net sales amount achieved during the corresponding financial year. As advised by the Directors, the royalty rates under the License Agreement proposed by the Licensor was determined after taking into account of the royalty rates charged with reference to royalties arrangement among the Reference BTK License Agreements together with the abovementioned sales milestone payment.

We noted from the Reference BTK License Agreements that there is only one reference license agreement with two BTK inhibitors licensed involved royalty rate, ranging from 10% to 12% and the rest of the license agreements among the Reference BTK License Agreements remained silence on royalties arrangement. As further advised by the Directors, the Company used the royalty rate of that reference case mentioned from the Reference BTK License Agreements as the base to negotiate with Everest HK. Taking into account the sales milestone payments will also bring considerable income to the Company when Everest HK achieves different sales milestone figures for the annual Net Sales of all licensed products worldwide, the Company and Everest HK agreed to apply the royalty rates range from 7% to 12% with the calculation by multiplying each amount of incremental, aggregated Net Sales of the applicable licensed product in the applicable country by the applicable tiered royalty rate shown above in the principal terms of the License Agreement.

Having considered (i) the royalty rate was negotiated between Licensor and Everest HK, who is an independent third party on an arm's length basis; (ii) the royalty rates adopted (i.e. 7% to 12%) together with the sales milestone payments are still comparable to the reference license agreement identified; and (iii) the royalties will further enhance the Group's profit and bring considerable income to the Company, we concurred with the Directors that the basis to determine the royalty rates under the License Agreement is fair and reasonable.

(ii) Payment Terms and Contract Term

As to the fair and reasonableness of the principal terms of the License Agreement, i.e. the payment terms and the contract term (from the Effective Date to year 2042, or of approximately 20 years), we have conducted a research, on a best effort basis, searched on the website of the Stock Exchange and identified announcements published by all listed biotech companies since their dates of listing on the Stock Exchange under Chapter 18A of the Listing Rules (except for the Company and those listed companies satisfied the market capitalisation/revenue test under 8.05(3) of the Listing Rules, which the "B" marker has been removed from the stock short name) in relation to license agreements of patents, products and technologies. Based on such criteria, we have identified a total of 6 comparable license agreements (the "**Comparable Agreements**").

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We consider that the research scope is adequate and appropriate in providing a general reference for the recent market practice in relation to the key terms of the Comparable Agreements under similar transactions. Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies undertaking the Comparable Agreements 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 Agreements (i) were selected after our research on announcements published by all listed biotech companies (except for the Company and those listed companies satisfied the market capitalisation/revenue test under 8.05(3) of the Listing Rules, which the “B” marker has been removed from the stock short name) since their dates of listing on Stock Exchange under Chapter 18A of the Listing Rules of similar transactions, and (ii) 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 Agreements are exhaustive, fair and representative in assessing the fairness and reasonableness of the term of the License Agreement.

Set forth the table below indicates the extracts of the principle terms of Comparable Agreements:

Company (stock code)	Date of announcement	Nature	Extracts of the Comparable Agreements	Payment terms	Contract term
Mabpharm Limited (2181.HK)	1 March 2021	License Agreement	A worldwide, exclusive and perpetual license for the rights to use all patents, products and technologies in connection with CMAB807 (denosumab, biosimilar for treating osteoporosis in postmenopausal women with high fracture risk) for further research and development, manufacturing and commercialisation of CMAB807.	Milestone payment for consideration of RMB70 million: (i) RMB30 million: after the effective date of the agreement; and (ii) RMB40 million: after completion of the technology transfer	Perpetual

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Company (stock code)	Date of announcement	Nature	Extracts of the Comparable Agreements	Payment terms	Contract term
Mabpharm Limited (2181.HK)	29 June 2021	Exclusive License Agreement	Exclusive license for development and commercialisation of CMAB008 (for the treatment of 1) ulcerative colitis in adults; 2) ankylosing spondylitis; 3) rheumatoid arthritis; 4) Crohn's disease in adults and pediatric patients aged above 6 years old; 5) fistula Crohn's disease; and 6) psoriasis) in all countries other than PRC, Japan, Europe and North America.	No payment terms was disclosed	Not less than 10 years (which may be automatically extended for another 10 years) from the date CMAB008 obtains approval for marketing in relevant regions.
Immunotech Biopharm Ltd (6978.HK)	12 January 2021	License Agreement	License-out T-Cure IP for the development, manufacturing and commercialisation of licensed products in the field of retroviral based T-cell receptor based immunotherapy for renal cell carcinoma.	(A) Upfront payment of US\$2 million after the effective date of the agreement; (B) Development and regulatory milestone payments, include: (i) the completion of the disclosure and transfer of licensed products for development and commercialisation activities; (ii) upon receiving the approval drug application by relevant regulatory body; and	The license agreement shall remain in force until the earlier occurrence of (i) termination of an exclusive patent license agreement between the U.S. Department of Health and Human Services and the counterparty; and (ii) early termination of the license agreement pursuant to its terms for breach of agreement or either party giving a 30-day notice upon occurrence of a certain specified events.

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Company (stock code)	Date of announcement	Nature	Extracts of the Comparable Agreements	Payment terms	Contract term
				(iii) upon receiving the marketing approval; and	
				(C) Various rate royalty payment based on specific range of annual net sales of license products.	
Ascentage Pharma Group International (6855.HK)	14 July 2021	Collaboration and License Agreement	Right to develop HQP1351 (a third generation BCR-ABL (a fusion gene, which is found in most patients with chronic myelogenous leukemia, and in some patients with acute lymphoblastic leukemia or acute myelogenous leukemia) inhibitor targeting BCR-ABL mutants, including those with the T315I mutation (a type of mutation that sometimes results in the failure of tyrosine kinase inhibitor treatment) in the field in the licensed territory and the right to commercialise HQP1351 in the cities within the licensed territory.	(A) Upfront payment of US\$30 million after the date of the agreement; (B) Milestone payment of up to US\$115 million upon the achievement certain pre-determined development and regulatory milestones; and (C) Annual sales performance milestones after the licensed product is approved for sale in the licensed territory.	The collaboration and license agreement shall expire upon the last to occur of: (i) the expiration of the last-to-expire valid claim of the group's patent covering HQP1351 in the licensed territory; or (ii) ten years from the first commercial sale of HQP1351 in the licensed territory.

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Company (stock code)	Date of announcement	Nature	Extracts of the Comparable Agreements	Payment terms	Contract term
Zai Lab Limited (9688.HK)	7 January 2021	Collaboration and License Agreement	Exclusive license to develop and commercialise products containing Argenx's proprietary antibody fragment, known as efgartigimod, in mainland China, Hong Kong, Macau and Taiwan.	(A) Upfront payment of US\$75 million; and US\$25 million upon the first regulatory approval; and (B) Royalty payment based on annual net sales of all licensed products in the licensed territories.	The collaboration and license agreement will continue in effect until the last to occur of (i) expiration of the last valid claim of a licensed patent that covers such licensed product, (ii) expiration of regulatory exclusivity for such licensed product and (iii) twelve years from the first commercial sale of such licensed product.
Ocumension Therapeutics (1477.HK)	14 April 2021	Exclusive License Agreement	Licensed rights in relation to the development and commercialisation of licensed product in the treatment and prevention of eye diseases in human (excluding treatment and prevention of uveitis) in the licensed territories.	(A) Upfront payment of US\$10 million within ten days after the date of the agreement; and (B) Sales milestone payments of up to US\$89 million upon the achievement of certain amount of net sales of the licensed product in specific period, as agreed in the agreement.	The exclusive license agreement will continue in effective until the latest of (i) the 10th anniversary of the first commercial sale of the licensed product in the licensed territories; or (ii) for as long as the group or any sublicensee is commercialising a licensed product in the licensed territories.

(a) Payment term

It is noted that the Comparable Agreements generally include (i) upfront payment; (ii) milestone payments, which involved various development milestones, including approval of license product application from regulatory bodies, marketing approval of licensed products; (iii) sales performance milestones upon the achievement of certain amount of net sales of the licensed products; and (iv) royalty payments, based on certain percentages of the net sales of the licensed products in the licensed territories in specified period of time. Notwithstanding it is not meaningful to compare the exact payment terms of the Comparable Agreements with that of the License Agreement having considered the difference in the patents, products or technologies involved, we note that similarly, the License Agreement also contains various stage payments including (i) upfront payment

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within ten business days from the Effective Date; (ii) development milestone payments upon achievement of different indications, initiation of clinical study, pivotal study, and the receipt of first regulatory approval in different countries; (iii) sales milestones payment based on Everest HK's achieving different sales milestone figures for annual Net Sales of all licensed products; and (iv) royalties arrangement for different portions of annual Net sales. Furthermore, given the uncertainties of whether the licensed products would be successfully launched and commercialised, it is reasonable to have various stage payments for the benefit of each of the contract parties. Therefore, we consider that the payment terms of the License Agreement is in line with the industrial practice and fair and reasonable.

(b) Contract term

As indicated from the above table, all of the Comparable Agreements are agreed for a very long term and due to the uncertainties of the lengthy research and development process as well as the progress for market authorisation in different jurisdiction. The Comparable Agreements usually remain in full force and until certain event take place, including but not limited to expiry of last valid claim of a licensed patent that covers such licensed product or after several years (from 10 years to 12 years) upon commercialisation of the licensed products. It is also noted that one of the Comparable Agreements is even carried at perpetual term. We are advised by the management of the Company that it generally takes 10 years for a new medicine to complete the journey from initial discovery to the marketplace. According to the QY Research Report, the whole process of a BTK inhibitors product from laboratories to marketing authorisation can take up to 10 years to 13 years or even longer. Pursuant to the License Agreement, the term of the License Agreement will be continue until 2042 and the Licensor is entitled to payments once sales milestone event is achieved and the sales milestone payments payable by Everest HK to the Licensor is up to US\$420 million in aggregate. The Licensor is also entitled to royalties based on the aggregated Net Sales, on a country-by-country and licensed product-by-licensed product basis. Therefore, to maximize the benefits of the Company, it is reasonable to have a long contract term which covers the sales milestone events of Everest HK.

In view of the above reasons and the fact that the License Agreement is entered into based on arm's length negotiation with Everest HK, an independent third party, we consider the payment terms and the contract term of 20 years under the License Agreement; and the consideration of the License Agreement are in line with the industrial practice and are beneficial to the Company, and we concur with the Directors that, such terms under the License Agreement entered into between the Licensor and licensee are fair and reasonable.

2. Reason for and benefits of the License Agreement

According to the Letter from the Board, the subject of license-out, the entire BTK rights relating to SN1011 in the field of treatment of renal diseases, is owned as to the Company for Immunological Rights and as to Suzhou Sinovent for the Remaining IP Rights, including but not limited to oncological rights. The subject of license-out is only for the indications in the field for renal diseases and the Company retains all other Immunological Rights for all indications relating to SN1011 (including but not limited to the indications currently under development by the Company) and will continue its research and development, including phase II clinical study currently initiating in China. The Directors confirmed that the existing pipeline and the continuous research and development by the Company on the retained Immunological Rights will not be affected.

The Company will also be financially benefited from entering into of the License Agreement, as the Company will have a share of any proceeds (including upfront payment, development milestone payments, sales milestone payments and royalties) even the indication under the development of the licensee is not for immunological diseases. The Company will receive US\$4 million in upfront (as to one-third of the total upfront payments of US\$12 million); up to US\$183 million for the development and sales milestone payments (as to one-third of the total development milestone payments and sales milestone payments of up to US\$129 million and US\$420 million, respectively) and royalties. As discussed in the section headed “I. The Supplemental Agreement” above, entering into the License Agreement can bring cash and generate revenue for the Company before the commercialisation of the Company’s flagship product SM03. According to the Letter from the Board, the proceeds from the License Agreement will be used for the research and development and commercialisation of the Company’s key product, SN1011, to fund clinical trials for SN1011, including, ongoing and planned clinical trials, additional clinical trials to be initiated in the PRC for additional indications, new drug application registration filings and commercial launch of SN1011 as well as to further support the Company’s business development.

Based on the above, we concurred with the Directors that the transactions under the License Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the License Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that the entering into of the Supplemental Agreement and the License Agreement are in ordinary course of business, on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned and is in the interest 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 to be proposed at the EGM to approve the entering into of the Supplemental Agreement and License Agreement and all transactions contemplated thereunder.

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

Note: Mr. Kenneth Yam is licensed person registered with the Securities and Futures Commission of Hong Kong and the responsible officer of First Shanghai Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Kenneth Yam has over nine 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 or short positions of the Directors or chief executives 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 of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the 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 were as follows:

Name of Director/ chief executive	Capacity/nature of interest⁽¹⁾	Number of Shares	Approximate percentage of shareholding⁽²⁾
Ms. Wenyi LIU ⁽³⁾	Interest in a controlled corporation and interest of spouse	259,601,040	25.80%
Mr. Jing QIANG ⁽⁴⁾	Interest in a controlled corporation and interest of spouse	259,601,040	25.80%
Dr. Shui On LEUNG ⁽⁵⁾	Interest in a controlled corporation	155,841,196	15.49%
Mr. Huiyuan MA ⁽⁶⁾	Interest of spouse	31,313,528	3.11%

Notes:

(1) All interests stated are long positions.

(2) As at the Latest Practicable Date, the Company had 1,006,240,400 issued Shares.

- (3) As at the Latest Practicable Date, 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 46,711,640 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 46,711,640 Shares 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 purposes of the SFO. The interest in the other 46,711,640 Shares were held by Grogene Technology Limited (格擎生物科技有限公司), which is wholly owned by Mr. Qiang.
- (5) As at the Latest Practicable Date, these Shares were held by Skytech Technology Limited, which is wholly owned by Dr. Leung.
- (6) As at the Latest Practicable Date, 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.

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 was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest⁽¹⁾	Number of Shares	Approximate percentage of shareholding as at Latest Practicable Date
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(有限合夥)) ⁽³⁾⁽⁵⁾	Interest in a controlled corporation	212,889,400	21.16%
Skytech Technology ⁽²⁾	Beneficial interest	155,841,196	15.49%
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) ⁽⁶⁾	Beneficial interest	158,882,115	15.79%
Apricot Oversea Holdings Limited ⁽³⁾	Beneficial interest	108,316,600	10.76%
Ms. Sijia XU ⁽⁷⁾	Beneficial interest	89,802,105	8.92%
West Biolake Holdings Limited ⁽⁴⁾	Beneficial interest	72,349,000	7.19%
Yunnan Baiyao Group Co., Ltd* (雲南白藥集團股份有限公司)	Beneficial interest	51,599,400	5.13%
China Citic Bank Co., Ltd., Haikou Branch ⁽⁶⁾	Person having a security interest in Shares	158,882,115	15.79%
Haikou City Rural Credit Cooperatives* (海口市農村信用合作聯社) ⁽⁷⁾	Person having a security interest in Shares	51,000,000	5.07%

* For identification purpose only

Notes:

- (1) All interests stated are long positions.
- (2) Skytech Technology is a company wholly owned by Dr. Shui On LEUNG.
- (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 Holdings Limited.
- (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.
- (6) Pursuant to a share charge where Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) (“**Hainan Haiyao**”) charged 158,882,115 Shares to China Citic Bank Co., Ltd., Haikou Branch (“**China Citic Bank**”), China Citic Bank had a security interest in 158,882,115 Shares which were beneficially owned by Hainan Haiyao.
- (7) Pursuant to a share charge where Ms. Sijia XU charged 51,000,000 Shares to Haikou City Rural Credit Cooperatives* (海口市農村信用合作聯社), Haikou City Rural Credit Cooperatives had a security interest in 51,000,000 Shares which were beneficially owned by Ms. Xu.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

* For identification purpose only

3. DIRECTORS' INTERESTS

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

None of the Directors or chief executives of the Company and their respective associates has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company has any existing or proposed service contract with any member company of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no any material adverse change in the financial or operation positions of the Group since 31 December 2020, the date to which the latest published audited consolidated accounts of the Group were made up.

6. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claim of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

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

As at the Latest Practicable Date, First Shanghai had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, First Shanghai was not interested, directly or indirectly, in any assets which had since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

8. DOCUMENTS ON DISPLAY

The following documents will be available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomab.com) during the period of 14 days from the date of this circular:

- (a) a copy of the Supplemental Agreement;
- (b) a copy of the License Agreement;
- (c) a copy of the BTK Transfer and Collaboration Agreement;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 24 to 25 of this circular;
- (e) 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 26 to 48 of this circular;
- (f) the letter of consent referred to the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (g) this circular.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 43(2)(c) of Appendix 1B to the Listing Rules so that certain information will be redacted from the version of the License Agreement to be published for online display. For details, please see section “**Waiver from strict compliance with Rule 14A.70(13) and paragraph 43(2) of Appendix 1B to the Listing Rules**” in the Letter from the Board.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 the extraordinary general meeting (the “**EGM**”) of SinoMab BioScience Limited (the “**Company**”) will be held at Theater R1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 14 December 2021 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Supplemental Agreement and its execution thereof and implementation of the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Supplemental Agreement and the transactions contemplated thereunder.”

2. “**THAT:**

- (a) the License Agreement and its execution thereof and implementation of the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the License Agreement and the transactions contemplated thereunder.”

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

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 24 November 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 on 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 (excluding any part of a day that is a public holiday) before the time appointed for the meeting (i.e. not later than 10:00 a.m. on Saturday, 11 December 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 EGM, the register of members of the Company will be closed from Thursday, 9 December 2021 to Tuesday, 14 December 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 Wednesday, 8 December 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 14 December 2021, the EGM will not be held on 14 December 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 of the Company is Dr. Shui On LEUNG, the non-executive directors of the Company 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 of the Company are Mr. George William Hunter CAUTHERLEY, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER.