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LEPU BIOPHARMA CO., LTD.

樂普生物科技股份有限公司

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

(Stock Code: 2157)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 15% EQUITY INTEREST IN AN ASSOCIATE**

The Disposal

The Board is pleased to announce that, on September 28, 2023 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares, representing 15% of the equity interest of the Target Company, at a consideration of RMB125 million.

Upon completion of the Disposal, the Company's equity interest in the Target Company will become 5.68% and therefore the Target Company will cease to be an associate of the Company.

Listing Rules Implications

The Company made a submission to the Stock Exchange, and the Stock Exchange has exercised its discretion to disregard the revenue ratio in relation to the Disposal pursuant to Rule 14.20 of the Listing Rules on the basis that it produces an anomalous result. As the highest of the other applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is above 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that, on September 28, 2023 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Equity Transfer Agreement in relation to the Disposal. The salient terms of the Equity Transfer Agreement are summarized below:

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares. The Sale Shares represent 15% of the equity interest of the Target Company.

Consideration and basis

The consideration for the Disposal is RMB125 million.

The consideration was determined after arm's length negotiations between the Vendor and Purchaser on normal commercial terms with reference to, among other things: (i) the unaudited consolidated net asset value of the Target Company as at June 30, 2023, and (ii) the factors contained in "Reasons for and benefits of the Disposal" in this announcement.

The consideration shall be settled in the following two instalments:

- (i) Upon fulfillment (or waiver by the Purchaser in writing, if applicable) of the First Completion Conditions Precedent (as defined below), the Vendor shall, within 2 business days, serve a notice in writing (the "**First Completion Confirmation**") to the Purchaser to notify the Purchaser as to the fulfillment of the First Completion Conditions Precedent and to provide evidence in respect of the fulfillment of the First Completion Conditions Precedent to the Purchaser, or to request a waiver of the First Completion Conditions Precedent that are unfulfilled from the Purchaser. Upon fulfillment or waiver of all the First Completion Conditions Precedent, the Vendor shall issue the First Payment Notice (as defined below) to the Purchaser. The Purchaser shall, within 10 business days of receiving the First Payment Notice or on such other date as the parties may agree in writing, pay RMB37.5 million (representing 30% of the total consideration payable, the "**First Payment**") to the Vendor (the "**First Closing**", and the day on which the payment of the First Payment is completed shall be referred as "**First Closing Day**"); and
- (ii) The Second Completion Conditions Precedent (as defined below) shall be fulfilled within 20 business days from the First Closing Day. Upon fulfillment (or waiver by the Purchaser in writing, if applicable) of the Second Completion Conditions Precedent (as defined below), the Vendor shall, within 2 business days, serve a notice in writing (the "**Second Completion Confirmation**") to the Purchaser to notify the Purchaser as to the fulfillment of the Second Completion Conditions Precedent and to provide evidence in respect of the fulfillment of the Second Completion Conditions Precedent to the Purchaser, or to request a waiver of the Second Completion Conditions Precedent that are unfulfilled from the Purchaser. Upon fulfillment or waiver of all the Second Completion Conditions Precedent, the Vendor shall issue the Second Payment Notice (as defined below) to the Purchaser. The Purchaser shall, within 10 business days of receiving the Second Payment Notice or on such other date as the parties may agree in writing, pay RMB87.5 million (representing 70% of the total consideration payable, the "**Second Payment**") to the Vendor (the "**Second Closing**", and the day on which the payment of the the Second Payment is completed shall be referred as "**Second Closing Day**").

Conditions precedent

Conditions precedent to the First Closing

The First Closing is conditional upon and subject to the following conditions precedent being fulfilled (the “**First Completion Conditions Precedent**”), or otherwise waived by the Purchaser in writing, on or before the First Closing Day:

- (i) the parties to the Equity Transfer Agreement having duly executed and delivered the Equity Transfer Agreement, and the Equity Transfer Agreement becoming effective;
- (ii) the board and shareholders’ meeting of the Target Company having resolved to approve the following resolutions:
 - (a) approving and authorizing the execution of the Equity Transfer Agreement and the completion of the Disposal;
 - (b) amending the existing shareholders’ agreement and the articles of association of the Target Company to reflect the Disposal; and
 - (c) approving the new composition of the board of the Target Company, including the Purchaser’s nomination of one director to be appointed as a director of the Target Company;
- (iii) the current shareholders of the Target Company having agreed to waive their respective pre-emptive rights and other preferential rights, if any, in connection with the Disposal, and the execution of the amendments to be made to the shareholders’ agreement and the articles of association of the Target Company;
- (iv) all required consents, approvals and waivers (if applicable), having been obtained by the Vendor from any internal parties, governmental authorities and other third parties in respect of the execution of the Equity Transfer Agreement and the performance of the transactions contemplated thereunder; and
- (v) the Purchaser having received from the Vendor an original written payment notice specifying the transfer price and bank account information corresponding to the First Payment (the “**First Payment Notice**”).

Conditions Precedent to the Second Closing

The Second Closing is conditional upon and subject to the following conditions precedent being fulfilled (the “**Second Completion Conditions Precedent**”), or otherwise waived by the Purchaser in writing, on or before the Second Closing Day and within 20 business days from the First Closing Day:

- (i) within 10 business days from the First Closing Day, the registration of the equity changes in respect of the Sale Shares having been completed, and the Purchaser having been registered as a shareholder of the Sale Shares of the Target Company with the relevant governmental authority where the Target Company is located, and the Target Company having provided the Purchaser with documentary proof of the same;

- (ii) all representations, undertakings and warranties made by the Vendor in the Equity Transfer Agreement and any transaction documents executed and delivered thereunder being true, accurate and complete as at the time of such representations, undertakings and warranties being made and until the Second Closing Day;
- (iii) there being no incident that would create any Material Adverse Impact to the business, operations, asset, commercial, technical, legal, financial, earning prospects or any other conditions of the Target Company and there being no events, facts, conditions, changes or other circumstances that have arisen or could reasonably be foreseen to result in a Material Adverse Impact in the normal operations of the Target Company since the date of the Equity Transfer Agreement until the Second Closing Day; and
- (iv) the Purchaser having received from the Vendor an original written payment notice containing the transfer price and bank account information corresponding to the Second Payment (the “**Second Payment Notice**”).

INFORMATION ON THE PARTIES

The Vendor

The Vendor is the Company, which is a joint stock company incorporated in the PRC on January 19, 2018 as a limited liability company and whose H Shares are listed on the Stock Exchange (stock code: 2157). The Company is a biopharmaceutical company focusing on the research and development of oncology therapeutics drug candidates, and sales of its drug products once commercialized. Dr. Pu Zhongjie is the ultimate beneficial owner and controlling Shareholder of the Company.

The Purchaser

The Purchaser is a limited liability company incorporated in the PRC in 2021 and is principally engaged in investment holding, and is an indirect wholly-owned subsidiary of China Medical System Holdings Limited, whose shares are listed on the Stock Exchange (Stock code: 867).

China Medical System Holdings Limited is a platform company linking pharmaceutical innovation and commercialization with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

China Medical System Holdings Limited is held as to 46.39% by Treasure Sea Limited, which is wholly owned by Mr. Lam Kong, the chairman and chief executive officer of China Medical System Holdings Limited. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and its connected persons.

The Target Company

The Target Company is a limited liability company incorporated in the PRC in 2015 and is principally engaged in the business of providing technical development services for biotech companies. As of the date of this announcement, the Target Company is owned as to 20.68% by the Company. Upon completion of the Disposal, the Company's equity interest in the Target Company will become 5.68% and therefore will cease to be an associate of the Company.

Set out below is the financial information of the Target Company for the two financial years ended December 31, 2021 and December 31, 2022, and the six months ended June 30, 2023, respectively, prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended December 31		For the six months ended June 30
	2022	2021	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before tax	(102)	17,493	(9,120)
(Loss)/profit after tax	(1,475)	16,335	(9,120)

The unaudited consolidated net asset value of the Target Company as at June 30, 2023 was approximately RMB288,629,000.

FINANCIAL EFFECT OF THE DISPOSAL AND THE USE OF PROCEEDS

It is estimated that the Group will record a gain on the Disposal of approximately RMB62.5 million, being the difference between the net proceeds from the Disposal and the book value of the Sale Shares as at June 30, 2023. The actual gain or loss on the Disposal will be subject to final audit by the Company's auditor and may be different from the amount mentioned above.

The Company intends to apply the net proceeds from the Disposal for general working capital of the Group.

As of the date of this announcement, the Target Company is an associate of the Company. Upon completion of the Disposal, the Company's equity interest in the Target Company will become 5.68%, and therefore the Target Company will cease to be an associate of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The primary business operations of the Group involve the research and development of biotech drug candidates, and the Company holds such minority investment interest in the Target Company, which engages in providing technical development services for biotech companies as a passive financial investor. The Disposal enables the Group to realize the value in its financial investment in the Target Company, which is consistent with the initial investment rationale of the Group when investing in the Target Company, and allows the Group to deploy the net proceeds from the Disposal towards other purposes, such as to enhance the general working capital of the Group. The Directors are of the view that the Disposal will not cause any material adverse impact to the remaining business and operations and the financial position of the Group.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal (including the consideration) have been made on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors have any material interest in the Disposal or are required to abstain from voting on the Board's decision regarding the entering into of the Equity Transfer Agreement.

LISTING RULES IMPLICATIONS

The Company made a submission to the Stock Exchange, and the Stock Exchange has exercised its discretion to disregard the revenue ratio in relation to the Disposal pursuant to Rule 14.20 of the Listing Rules on the basis that it produces an anomalous result. As the highest of the other applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is above 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“China”, “Mainland China” or the “PRC”	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Company” or “our Company”	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (Stock code: 2157)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser

“Equity Transfer Agreement”	the equity transfer agreement dated September 28, 2023 between the Vendor and the Purchaser in relation to the Disposal together with all related annexes (if any)
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Material Adverse Impact”	any circumstance, change or effect involving the Target Company or its business that, either alone or jointly with any other circumstance, change or effect relating to the Target Company or its business that: (i) seriously and adversely affects, or is likely to seriously and adversely affect, the Target Company’s assets, liabilities (including contingent liabilities), business, operating results, business prospects or financial conditions, including individually or in aggregate causing or possibly causing losses of more than RMB1,000,000 to the Target Company or (ii) has or is likely to have a serious adverse effect on the qualification or ability of the Target Company to operate and conduct business in the way it currently operates or conducts or intends to operate or conduct its business; or (iii) cause or may cause serious adverse effects on the Disposal or other proposed transactions under the Equity Transfer Agreement
“Purchaser”	Hainan Kangzhe Venture Capital Co. Ltd (海南省康哲創業投資有限公司), a limited liability company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of China
“Sale Shares”	15% of the equity interest of the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hangzhou HealSun Biopharma Co., Ltd. (杭州皓陽生物技術有限公司), a limited liability company incorporated in the PRC and an associate of the Company

“Vendor” the Company

“%” per cent.

On behalf of the Board
Lepu Biopharma Co., Ltd.
Dr. Pu Zhongjie
Chairman and Executive Director

Shanghai, the PRC
September 29, 2023

As at the date of this announcement, the Board comprises Dr. Pu Zhongjie (Chairman), Dr. Sui Ziyue (Chief Executive Officer) and Dr. Hu Chaohong (Co-Chief Executive Officer) as executive Directors; Ms. Pu Jue, Mr. Yang Hongbing and Mr. Lin Xianghong as non-executive Directors; and Mr. Zhou Demin, Mr. Yang Haifeng and Mr. Fengmao Hua as independent non-executive Directors.