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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the Listing, we have entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Details of such continuing connected transactions and one-off connected transaction of the Company following the Listing are set out below.

### RELEVANT CONNECTED PERSON

Suzhou Alphamab is owned as to 51.0% by Dr. Xu, an executive Director and a Controlling Shareholder of our Company and therefore will become a connected person of our Company upon Listing pursuant to Chapter 14A of the Listing Rules.

### ONE-OFF CONNECTED TRANSACTION

#### Property and Equipment Lease Arrangement

##### *Principal Terms*

Our Group has entered into a property and equipment lease agreement (“**Property and Equipment Lease Agreement**”) with Suzhou Alphamab with effect from June 1, 2019, pursuant to which Suzhou Alphamab agreed to, amongst others, (i) lease to us the premises with a total gross area of approximately 2,235 sq.m. located at 4th floor and 5th floor of Building C23, SIP BioBay, No. 218 Xinghu Street, Suzhou, Jiangsu Province, the PRC (中國江蘇省蘇州市星湖街218號生物納米園C23樓) (the “**Leased Premises**”), which is rented from an Independent Third Party, Suzhou Industrial Park Biotech Development Co. Ltd. (蘇州工業園區生物產業發展有限公司) (the “**Suzhou Industrial Park**”), for the purposes of biologics manufacturing and storage of relevant materials and (ii) lease certain facilities and equipment for biologics manufacturing including workshops, storage cabinets and water, steam and process gas systems (the “**Leased Equipment**”) to us. (collectively, the “**Property and Equipment Lease Arrangement**”)

The Property and Equipment Lease Agreement has an initial term commencing from June 1, 2019 till December 31, 2021 and the lease may be renewed on terms as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. Jiangsu Alphamab is entitled to an extension of the Property and Equipment Lease Agreement upon its expiry (subject to the effective terms of lease arrangements entered into between Suzhou Alphamab and Suzhou Industrial Park as well as the consent from Suzhou Industrial Park). Suzhou Alphamab has obtained the consent from Suzhou Industrial Park to sublease the Leased Premises to Jiangsu Alphamab under the Property and Equipment Lease Agreement. According to the lease agreement entered into by Suzhou Alphamab and Suzhou Industrial Park, the lease of the Leased Premises between the parties will expire on March 1, 2024 and Suzhou Alphamab shall have the priority right to renew the lease for a further term of five years.

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The Property and Equipment Lease Agreement were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area and the corresponding property management costs for the Leased Premises and the prevailing market rates for equipment leasing arrangement of similar nature and the corresponding depreciation of the Leased Equipment.

The value of the lease liabilities which includes the present value of the lease payments recognized by the Company according to IFRS 16 as at June 30, 2019 amounted to RMB26.4 million. The increased rent attributable to the Suzhou Alphamab in relation to the Property and Equipment Lease Arrangement for the two years ended December 31, 2017 and 2018 and the six months ended June 30, 2019 was nil, RMB9.8 million and RMB25.0 million, respectively.

### ***Reasons for and Benefits of the Transaction***

We have been using the Leased Premises and the Leased Equipment for biologics manufacturing during the Track Record Period. Any relocation of manufacturing facilities may cause material disruption to our business operations and incur additional costs. The continuation of such leases is cost efficient and is beneficial to our operations. As (i) the Leased Equipment is located at and customized for the Leased Premises, and (ii) the lease of the Leased Premises between Suzhou Alphamab and Suzhou Industrial Park will expire on March 1, 2024 and Suzhou Alphamab shall have the priority right to renew the lease for a further term of five years, we lease the Leased Premises from Suzhou Alphamab rather than directly from Suzhou Industrial Park. In light of the above, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Notwithstanding the above, our Directors (including the independent non-executive Directors) are of the view that the contemplated connected transactions under the Property and Equipment Lease Agreement will have no negative impact on our Group, and do not affect our operational independence. For more details, please see “Relationship with Controlling Shareholders—Independence from Controlling Shareholders—Operational and Administrative Independence—Manufacturing Capabilities.”

### ***Listing Rules Implications***

In accordance with IFRS 16 “Leases”, the Company recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from the Suzhou Alphamab. Therefore, the lease of the Leased Premises and the Leased Equipment from Suzhou Alphamab under the Property and Equipment Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

### **EXEMPT CONTINUING CONNECTED TRANSACTION**

We have entered into the following continuing connected transaction which will be exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as further discussed below.

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## CONNECTED TRANSACTIONS

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### Patent Licensing Arrangements

#### *Principal Terms*

As part of our Reorganization in preparation for the Listing, our Group has entered into the Asset Transfer and Patent Licensing Agreements with Suzhou Alphamab, pursuant to which, Suzhou Alphamab agreed to, among other things, assign and/or transfer registered patents and filed patent applications in relation to our oncology drug candidates KN026, KN046 and KN035 (the “**Transferred Patents**”), to our subsidiary Jiangsu Alphamab. See section headed “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Step 1. Business Restructuring of the Group” of this Prospectus for further details of the Asset Transfer and Patent Licensing Agreements.

In order for Suzhou Alphamab to maintain its rights and interests of the Transferred Patents in non-oncology treatment related areas, and to ensure that we would hold all material patent licenses to carry out our business, Jiangsu Alphamab and Suzhou Alphamab agreed on the following patent arrangements (“**Patent Licensing Arrangements**”) under the Asset Transfer and Patent Licensing Agreements:

#### *(1) Jiangsu Alphamab Patent Licensing-back Arrangement*

Pursuant to the Asset Transfer and Patent Licensing Agreements, Jiangsu Alphamab agreed to grant Suzhou Alphamab exclusive and assignable licenses, on a royalty-free basis, to use the Transferred Patents in the research, development and commercialization of its products in areas other than oncology treatment, including (i) recurrence prediction non-therapeutic areas of oncology diseases, including but not limited to diagnosis, prognosis and recurrence prediction and (ii) non-oncology diseases for a perpetual term commencing from the dates of the Asset Transfer and Patent Licensing Agreements (the “**Jiangsu Alphamab Patent Licensing-back Arrangement**”). Under the Jiangsu Alphamab Patent Licensing-back Arrangement, Suzhou Alphamab is entitled to transfer and assign its rights, duties and obligations with respect to the Transferred Patents, or sublicense the Transferred Patents to third parties in non-oncology treatment related areas without seeking Jiangsu Alphamab’s consent. Details of the Transferred Patents are set forth in the section headed “Appendix V—Statutory and General information—B. Further Information about our Business—2. Intellectual Property Rights—(b) Patents” to this Prospectus.

#### *(2) Suzhou Alphamab Patent Licensing Arrangement*

Pursuant to the Asset Transfer and Patent Licensing Agreements, Suzhou Alphamab agreed to grant us exclusive and assignable licenses, on a royalty-free basis, to use the registered patents and filed patent applications (including patent filing rights) covering antibody sequence of PD-L1 and CTLA-4 (the “**Licensed Patents**”) in the research, development, manufacturing and commercialization of oncology treatments for a perpetual term commencing from the dates of the Asset Transfer and Patent Licensing

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Agreements (the “**Suzhou Alphasab Patent Licensing Arrangement**”). Under the Suzhou Alphasab Patent Licensing Arrangement, Jiangsu Alphasab is entitled to transfer and assign its rights, duties and obligations with respect to the Licensed Patents, or sublicense the Licensed Patents to third parties in oncology treatment area without seeking Suzhou Alphasab’s consent. Details of the Licensed Patents are set forth in the section headed “Appendix V—Statutory and General information—B. Further Information about our Business—2. Intellectual Property Rights—(b) Patents” to this Prospectus.

### *Reasons for and Benefits of the Transaction*

As disclosed in the section headed “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Step 1. Business Restructuring of the Group” of this Prospectus, Suzhou Alphasab and our Group agreed on the Patent Licensing Arrangements under the Asset Transfer and Patent Licensing Agreements to ensure that the Transferred Patents and the Licensed Patents could be fully utilized by both our Company and Suzhou Alphasab in research, development and commercialization of oncology and non-oncology treatments, respectively with no overlap in the scope of licenses and exclusive rights in the relevant patents and patent applications. As a result, our Group held all of the relevant material assets, patent rights and licenses to carry out our principal businesses after the Reorganization. Our role (as a licensor under the Jiangsu Alphasab Patent Licensing-back Arrangement and a licensee under the Suzhou Alphasab Patent Licensing Arrangement) and the role of Suzhou Alphasab (as a licensee under the Jiangsu Alphasab Patent Licensing-back Arrangement and a licensor under the Suzhou Alphasab Patent Licensing Arrangement) are complementary and beneficial to each other. Therefore, our Directors are of the view that such arrangements are in the best interest of our Group and our Shareholders as a whole.

The Patent Licensing Arrangements are of a term longer than three years as otherwise normally permitted for the continuing connected transactions under the Listing Rules. Our Directors consider that the terms of the Patent Licensing Arrangements are consistent with normal business practices for agreement of similar nature in the biotechnology pharmaceutical industry and are in the best interest of our Group and our Shareholders as a whole, because: (1) the perpetual term of the Patent Licensing Arrangements can secure long-term patent use rights for us, thus avoiding unnecessary disruptions to our business and operations; (2) the Patent Licensing Arrangements formed integral parts of the Reorganization in preparation for the Listing and enabled Suzhou Alphasab and us to use the patents exclusively in our respective businesses; (3) the terms and consideration of the Patent Licensing Arrangements have been taken into account for the determination of the total consideration of the Asset Transfer and Patent Licensing Agreements; and (4) according to the CIC Report, it is not uncommon to have similar arrangements where parties to such arrangements can utilize different aspects of the relevant patents for different purposes.

Taken into account of (i) the Directors’ considerations as stated above and (ii) the Joint Sponsors not being aware of any matter which indicates that a term longer than three years for the Patent Licensing Arrangements is unreasonable, the Joint Sponsors are of the view that it is in the normal business practice for the Patent Licensing Arrangements to be of a term longer than three years.

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### *Listing Rules Requirements*

As the licenses granted under the Patent Licensing Arrangements are on a royalty-free basis, the transactions under the Patent Licensing Arrangements are fully exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Following the Listing, the following transactions will be regarded as continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As our Company is eligible for listing on the Stock Exchange under Chapter 18A of the Listing Rules as a pre-revenue biotech company, the revenue ratio under Rule 14.07 of the Listing Rules would not be appropriate measure of the size of relevant continuing connected transactions set out in this section. As an alternative, we have applied a percentage ratio test based on the total expenses for R&D and administrative matters of our Group (the "**Expense Ratio**").

### **Procurement of Ancillary Services and Utility under the Property and Equipment Lease Agreement**

#### *Principal Terms*

Pursuant to the Property and Equipment Lease Agreement, Suzhou Alphamab agreed to provide us with ancillary services of facility maintenance, which are carried out by certain supporting staff of Suzhou Alphamab on the Leased Premises (the "**Ancillary Services**"). In addition, we also need to pay the utility (water, electricity etc.) costs to Suzhou Alphamab during the term of the Property and Equipment Lease Agreement.

#### *Pricing Policy*

The total fees payable by us to Suzhou Alphamab in relation to the Ancillary Services provision and utility costs under the Property and Equipment Lease Agreement were determined based on (i) the labor costs in relation to the provision of Ancillary Services, which were determined with reference to the prevailing market rates of labor costs for the provision of similar services and the labor costs are settled by the Group on an accrual basis and (ii) the utility (water, electricity etc.) costs incurred on the Leased Premises.

The fees as mentioned above shall be paid and settled by our Group in cash on quarterly basis.

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### *Reasons for and Benefits of the Transaction*

Suzhou Alphamab has been providing Ancillary Services to us for biologics manufacturing during the Track Record Period. Any change of the current arrangement may cause material disruption to our business operations and incur additional costs. Therefore, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Please see the section headed “One-off Connected Transaction—Property and Equipment Lease Arrangement—Reasons for and Benefits of the Transaction” above for our Directors’ view on the connected transactions contemplated under the Property and Equipment Lease Agreement.

### *Historical Transaction Amounts*

The following table sets forth historical transaction amounts incurred by the Group for the provision of Ancillary Services and the utility costs on the Leased Premises during the Track Record Period:

<b>Year ended December 31,</b>		<b>Six months ended June 30,</b>	
<b>2017</b>	<b>2018</b>	<b>2019</b>	
	<i>(RMB in thousands)</i>		
N/A	1,116		719

### *Annual Caps*

The following table sets forth proposed annual caps for the fees for the Ancillary Services provision and utility costs under the Property and Equipment Lease Agreement:

<b>Year ended December 31,</b>			
<b>2019</b>	<b>2020</b>	<b>2021</b>	
	<i>(RMB in thousands)</i>		
3,395.0	5,821.2	5,821.2	

The proposed annual caps were estimated based on the same basis as described above, which include (i) the estimated labor costs in relation to the provision of Ancillary Services with reference to our historical demand; and (ii) the estimated utility (water, electricity etc.) costs with reference to the historical volume consumed by us.

The increase in the annual cap from year ending December 31, 2019 to 2020 is due to fact that the term of the Property and Equipment Lease Agreement commenced from June 1, 2019, and therefore, covers only seven months in 2019 and the entire 12 months in 2020.

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### *Listing Rules Requirements*

As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 5%, the transactions in relation to the procurement of Ancillary Services and utility under the Property and Equipment Lease Agreement are continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Master Technical Service Agreement**

#### *Principal Terms*

Our Group entered into a master technical service agreement (“**Master Technical Service Agreement**”) with Suzhou Alphamab with effect from June 6, 2019, pursuant to which, we will provide biologics manufacturing services to Suzhou Alphamab upon request during the term of the agreement (“**Manufacturing Services**”). The Manufacturing Services include (i) manufacturing of biological drug substances in compliance with GMP and (ii) packaging of sterile drug products. The Master Technical Service Agreement has an initial term commencing from the date of the Master Technical Service Agreement till December 31, 2021, and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules.

The Master Technical Service Agreement is a framework agreement which provides the mechanism for operation of the connected transactions described therein. Suzhou Alphamab shall inform us of any request for Manufacturing Services at least two months before the expected production commencement date. The parties shall enter into individual agreement for each request of Manufacturing Services. According to the Master Technical Service Agreement, we are entitled to refuse to provide or delay the provision of the Manufacturing Services for Suzhou Alphamab if we consider that we do not have adequate manufacturing capacity to perform the requested services.

#### *Pricing Policy*

Under the Master Technical Service Agreement, service fee payable by Suzhou Alphamab to us were determined after arm's length negotiation with reference to (i) the nature of the services and (ii) the prevailing market rates in the neighborhood for providing similar services. The service fees of Manufacturing Services are as follows:

- (i) a service fee of RMB3,585,900 per batch for the manufacturing of biological drug substances in compliance with GMP. Each batch of biological drug substances to be manufactured shall not exceed 1000L; and
- (ii) a service fee of RMB90,000 per batch for packaging of sterile drug products. Each batch of drug products to be packaged shall not exceed 20,000 items.

The above service fees do not include the costs of raw materials, which will be provided by Suzhou Alphamab before the commencement of the Manufacturing Services. The services fees will be paid and settled by the Suzhou Alphamab within 45 days after the delivery of the Manufacturing Services.

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### *Reasons for and Benefits of the Transaction*

Our principal operating subsidiary Jiangsu Alphamab had been a subsidiary of Suzhou Alphamab prior to the Reorganization and therefore we are very familiar with its needs and requirements. It is complementary and beneficial to Suzhou Alphamab and us to enter into both the Master Technical Service Agreement and Property and Equipment Lease Agreement to avoid any relocation of manufacturing facility or change of current arrangements that may cause disruption to the manufacturing operations of us and Suzhou Alphamab. Under the Master Technical Service Agreement, we are entitled to refuse to provide or delay the provision of the Manufacturing Services to Suzhou Alphamab if we consider that we do not have adequate manufacturing capacity to perform the requested services. Such arrangement enables us to fully utilize our production capacity as well as generate income for our Group. Our Directors are of the view that providing Manufacturing Services to Suzhou Alphamab as contemplated under the Master Technical Services Agreement will be beneficial to our Group.

### *Historical Transaction Amounts*

During the Track Record Period, our Group did not provide Suzhou Alphamab with any Manufacturing Services.

### *Annual Caps*

The following table sets forth proposed annual caps for the service fees under the Master Technical Service Agreement:

<b>Year ending December 31,</b>		
<b>2019</b>	<b>2020</b>	<b>2021</b>
<i>(RMB in thousands)</i>		
810.0	19,009.5	18,559.5

The proposed annual caps for the service fees under Master Technical Service Agreement have been estimated based on (i) the fixed unit price for each type of Manufacturing Services as described above and (ii) the estimated demand for each type of Manufacturing Services from Suzhou Alphamab after taking into account the status and progress of its product pipeline and drug development plans for the next three years.

The significant increase in the annual cap for the year ending December 31, 2020 as compared to the annual cap for the year ending December 31, 2019 is primarily due to (i) that the term of the Master Technical Service Agreement commenced from June 6, 2019, and therefore, covers only seven months in 2019 and the entire 12 months in 2020; and (ii) the expected increasing demand for Manufacturing Services from Suzhou Alphamab based on the current number of on-going projects and the estimated progress of the projects for the year ending December 31, 2020.



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## CONNECTED TRANSACTIONS

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### *Listing Rules Requirements*

As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 5%, the transactions under the Master Technical Service Agreement are continuing connected transactions subject to the reporting, annual review and announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions under the sub-section “—Non-Exempt Continuing Connected Transactions” will constitute connected transactions which are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent shareholders' approval requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the discloseable and non-exempt continuing connected transactions. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this Prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors (including our independent non-executive Directors) are of the opinion that (i) the continuing connected transactions as set out above have been entered into, and will be carried out, in the ordinary and usual course of business of our Group and on normal commercial terms or better to us and are fair and reasonable and are in the interest of our Company and our Shareholders as a whole; and (ii) the proposed annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

### **CONFIRMATION FROM THE JOINT SPONSORS**

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described above, for which waivers have been sought, have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable and in the interest of the Shareholders as a whole.