Akeso, Inc.
康方生物科技（開曼）有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9926)

CONTINUING CONNECTED TRANSACTIONS WITH CHIA TAI TIANQING IN RELATION TO PHASE III REGISTRATION TRIAL OF PENPULIMAB (PD-1 MONOCLONAL ANTIBODY, AK105) FOR THE TREATMENT OF HEPATOCELLULAR CARCINOMA MASTER MATERIALS AND SERVICES PROCUREMENT AGREEMENT

THE MASTER MATERIALS AND SERVICES PROCUREMENT AGREEMENT

The Company announces that on September 20, 2022 (after trading hours), in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma, CTTQ-Akeso (the Company's subsidiary) entered into the Master Materials and Services Procurement Agreement with Chia Tai Tianqing, pursuant to which CTTQ-Akeso agreed to procure and Chia Tai Tianqing agreed to provide the Clinical Materials and Clinical Services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chia Tai Tianqing holds 50% equity interest in CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Company. Therefore, Chia Tai Tianqing is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transactions contemplated under the Master Materials and Services Procurement Agreement exceeds 5%, the Transactions are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as (i) the Board has approved the Transactions contemplated under the Master Materials and Services Procurement Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Transactions contemplated under the Master Materials and Services Procurement Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Master Materials and Services Procurement Agreement is only subject to the reporting, announcement and annual review requirements and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements.

INTRODUCTION

The Company announces that on September 20, 2022 (after trading hours), in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma, CTTQ-Akeso (the Company's subsidiary) entered into the Master Materials and Services Procurement Agreement with Chia Tai Tianqing, pursuant to which CTTQ-Akeso agreed to procure and Chia Tai Tianqing agreed to provide the Clinical Materials and Clinical Services.

THE MASTER MATERIALS AND SERVICES PROCUREMENT AGREEMENT

The principal terms of the Master Materials and Services Procurement Agreement are as follows:

Date:	September 20, 2022
Parties:	CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Company; and Chia Tai Tianqing. As at the date of this announcement, Chia Tai Tianqing holds 50% equity interest in CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Company. Therefore, Chia Tai Tianqing is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

Subject Matter:	Pursuant to the Master Materials and Services Procurement Agreement, CTTQ-Akeso (and/or its subsidiaries (if applicable)) shall procure and Chia Tai Tianqing shall provide, in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma, (i) certain pharmaceutical and clinical medical materials (including but not limited to reagents and control drugs) (the "**Clinical Materials**"); and (ii) certain clinical trial services (including but not limit to designing clinical trial, establishing clinical trial centres, and arranging patient enrolment in clinical trial) (the "**Clinical Services**").
Conditions Precedent:	The Master Materials and Services Procurement Agreement shall become effective subject to the fulfillment of the following conditions precedent: (i) The Master Materials and Services Procurement Agreement having been duly executed by the parties; (ii) CTTQ-Akeso having obtained all necessary approvals under the Listing Rules for the execution of the Master Materials and Services Procurement Agreement (including but not limited to the Board's approval); and (iii) Chia Tai Tianqing having obtained all necessary approvals for the execution of the Master Materials and Services Procurement Agreement (including but not limited to the board of directors' approval).
Term of the Agreement:	The Master Materials and Services Procurement Agreement shall take effect retrospectively from January 1, 2022 for a term of three years until December 31, 2024, subject to the fulfillment of the conditions precedent. As at the date of this announcement, CTTQ-Akeso confirmed that it has not paid any fees to Chia Tai Tianqing in relation to the Transactions since January 1, 2022. Subject to the requirements under the Listing Rules, the Master Materials and Services Procurement Agreement can be renewed for three years each time upon expiry as agreed by parties thereto.
Pricing policy:	The purchase costs of the Clinical Materials shall be determined based on the actual costs incurred for the procurement or provision of the relevant Clinical Materials, without making any profit.

The purchase costs of the Clinical Services shall be determined based on the actual costs incurred in connection with the provision of the relevant Clinical Services (including costs of labour involved in the provision of the Clinical Services, costs of outsourcing services and procurement costs of any materials), without making any profit.

Chia Tai Tianqing shall provide the supporting documents to CTTQ-Akeso in relation to the actual costs incurred by Chia Tai Tianqing as basis of determination of the purchase costs of the Clinical Materials and Clinical Services.

The Company will only enter into an individual service agreement with Chia Tai Tianqing if the purchase costs charged by Chia Tai Tianqing in respect of the Clinical Materials and Clinical Services are not less favorable to the Company than those offered by other independent third parties in the market to the Company.

Payment terms: CTTQ-Akeso and Chia Tai Tianqing shall reconcile the amount of Transactions semi-annually, and CTTQ-Akeso shall transfer the purchase costs of Clinical Materials and Clinical Services to Chia Tai Tianqing within 15 working days after the reconciliation or other payment date as mutually agreed by the parties.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps for the Transactions under the Master Materials and Services Procurement Agreement are set out below:

	Proposed annual caps for the purchase costs payable by CTTQ-Akeso to Chia Tai Tianqing for	
	Clinical Services	**Clinical Materials**
	RMB'000	*RMB'000*
Proposed annual caps for the year ending		
December 31, 2022	50,000	8,000
December 31, 2023	60,000	9,000
December 31, 2024	60,000	9,000

The purchase costs payable by CTTQ-Akeso will be funded by the own financial resources other than proceeds of the Company from the listing of the shares of the Company on the Main Board of the Stock Exchange.

In considering the proposed annual caps for the Transactions under the Master Materials and Services Procurement Agreement, the Directors have taken into account a number of factors, including:

(i) The historical transactions amount incurred by CTTQ-Akeso to Chia Tai Tianqing for the purchase of Clinical Materials and Clinical Services historically, i.e. RMB38.8 million and RMB23.6 million, respectively, for the year ended December 31, 2021;

(ii) With reference to the expected clinical progress of Penpulimab in the future, it is expected that the research and development activities on Penpulimab will continue to increase. In particular, the Company expects that the transaction amount to be incurred for Clinical Services will increase while the transaction amount to be incurred for Clinical Materials will decrease compared to the historical transactions amount incurred as stated in (i) above, having considered (a) the procurement plan of Clinical Materials taking into account the clinical progress of Penpulimab; and (b) some of the Clinical Materials procured last year do not need to be further procured in the near future with reference to the expected clinical progress of Penpulimab;

(iii) Considering the continuous increase in, among others, human resources costs and material costs of clinical trial, the overall procurement costs of Clinical Materials and Clinical Services will continue to increase;

(iv) Taking into account (ii) above, it may cause an increase in demand for Clinical Services (increase in Transaction volume) and the expected amount of the Transactions contemplated under the Master Materials and Services Procurement Agreement as a result of the increase in the costs of supply and service costs as mentioned in (iii) above; and

(v) A buffer is included for the expected amount of the Transactions under the Master Materials and Services Procurement Agreement for any unexpected increase in the abovementioned amount of the Transactions (due to any unexpected increase in demand for the R&D activities of Penpulimab) or any unexpected increase in costs during the effective term of such Master Materials and Services Procurement Agreement.

INTERNAL CONTROL MEASURES

In order to ensure that the Company complies with the terms of the Master Materials and Services Procurement Agreement in accordance with the Listing Rules and the terms are fair and reasonable and that the Company complies with the pricing terms thereunder, the Company has adopted the following internal control measures:

(1) The Company has arranged the finance department to monitor the continuing connected transactions;

(2) The finance department and the compliance department of the Company will review and consider the relevant information and materials to ensure compliance with the Listing Rules;

(3) To ensure that the Transactions do not exceed the proposed annual caps, the finance department of the Company shall record the Transactions amount at least quarterly. In the event that the Transaction amounts incurred and to be incurred is expected to reach the proposed annual caps, the finance department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the proposed annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules;

(4) The finance department of the Company will regularly obtain quotations from independent third parties to determine the prevailing price being charged by independent third parties under ordinary course of business for providing the required Clinical Materials and Clinical Services in the PRC;

(5) The independent non-executive Directors have reviewed and will continue to review the Transactions to ensure that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and

(6) The auditors of the Company will review the pricing policies and annual caps of the Transactions annually.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors consider that the Master Materials and Services Procurement Agreement and the Transactions contemplated thereunder will be beneficial to the Group given that the Group can leverage on the expertise and resources of Chia Tai Tianqing on the Clinical Services. Further, the Company can achieve economies of scale through procuring Clinical Materials through Chia Tai Tianqing. In addition, in line with the cooperation between the Group and Chia Tai Tianqing pursuant to the Joint Venture Agreement, the business collaboration between the Group and Chia Tai Tianqing can be further strengthened through the Master Materials and Services Procurement Agreement, in particular in respect of the R&D of Penpulimab.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that (i) the Master Materials and Services Procurement Agreement and the Transactions contemplated thereunder are entered into after arm's length negotiations between the parties, are on normal commercial terms or better and in the ordinary and usual course of business of the Company; and (ii) the proposed annual caps and terms of the Master Materials and Services Procurement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors have particularly considered the terms and conditions of the Master Materials and Services Procurement Agreement and the prevailing market practice in the industry. Based on their market experience and knowledge, and understanding of the industry norm and practice by other players in the market, the independent non-executive Directors are of the view that the basis of determining the

purchase costs of the Clinical Services and Clinical Materials have been negotiated and arrived at on an arm's length basis, on normal commercial terms, and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Master Materials and Services Procurement Agreement and is required to abstain from voting on the Board resolutions approving the same.

INFORMATION ABOUT THE COMPANY

The Company is a biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of new innovative antibody drugs that are affordable to patients worldwide. Since the Company's establishment, the Company has established an end-to-end comprehensive drug development platform (ACE Platform) and system, encompassing fully integrated drug discovery and development functions, including target validation, antibody drug discovery and development, Chemical, Manufacturing and Control ("**CMC**") production process development, and Good Manufacturing Practice ("**GMP**") compliant scale production. The Company has also successfully developed a bi-specific antibody drug development technology (Tetrabody technology). The Company currently has a pipeline of over 20 innovative drugs for the treatment of major diseases like tumors, autoimmune diseases, inflammation and metabolism diseases, 13 of which have entered clinical stage, including two first-in-class bi-specific antibody drugs (PD-1/CTLA-4 and PD-1/VEGF). The Company's vision is to become a global leading biopharmaceutical company through R&D of high efficacy and breakthrough new drugs that are first-in-class and best-in-class therapies.

INFORMATION ABOUT CTTQ-AKESO

CTTQ-Akeso is a joint venture company jointly invested by Chia Tai Tianqing and Akeso Biopharma. It is a limited liability company incorporated under the laws of the PRC on August 30, 2019, and is one of the Group's non-wholly owned and significant subsidiaries. As at the date of this announcement, each of Chia Tai Tianqing and Akeso Biopharma holds 50% equity interest in CTTQ-Akeso. Its principal business is product research and development.

INFORMATION ABOUT CHIA TAI TIANQING

Chia Tai Tianqing is an innovative pharmaceutical company with integrated R&D, manufacturing, and sales capabilities. It is a renowned R&D and manufacturing base in the PRC targeting drugs on liver diseases and oncology treatment. It is a key high technology enterprise, as well as the highlighted Lianyungang new medical industry base under the State Torch Program. Chia Tai Tianqing's products focuses in 6 core therapeutic areas, including oncology, liver diseases, respiratory diseases, infection, endocrine and cardiocerebral.

As at the date of this announcement, Chia Tai Tianqing is held as to (i) 60.0% by Chia Tai Pharmaceutical (Lianyungang) Company Limited (正大醫藥(連雲港)有限公司), a wholly owned subsidiary of Sino Biopharm, a company listed on the Main Board of the Stock Exchange (stock code: 1177), (ii) 33.5% by Jiangsu Province Nongken Group Co., Ltd. (江蘇省農墾集團有限公司), a state-owned enterprise controlled by the People's Government of Jiangsu Province, and (iii) 6.5% by three other shareholders. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) each of Chia Tai Pharmaceutical (Lianyungang) Company Limited and Jiangsu Province Nongken Group Co., Ltd. is a substantial shareholder of Chia Tai Tianqing, and therefore is a connected person of our Company at subsidiary level; and (ii) save as disclosed above, each of the other shareholders of Chia Tai Tianqing and their ultimate beneficial owners is an independent third party of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chia Tai Tianqing holds 50% equity interest in CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Company. Therefore, Chia Tai Tianqing is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transactions contemplated under the Master Materials and Services Procurement Agreement exceeds 5%, the Transactions are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as (i) the Board has approved the Transactions contemplated under the Master Materials and Services Procurement Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Transactions contemplated under the Master Materials and Services Procurement Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Master Materials and Services Procurement Agreement is only subject to the reporting, announcement and annual review requirements and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Akeso Biopharma"	Akeso Biopharma Co., Ltd. (中山康方生物醫藥有限公司), a limited liability company incorporated under the laws of the PRC on March 19, 2012, and one of the Company's wholly-owned subsidiaries
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors of the Company
"Chia Tai Tianqing"	Chia Tai Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司), a subsidiary of Sino Biopharm and a shareholder of CTTQ-Akeso, a non-wholly owned and significant subsidiary of the Group

"Clinical Materials"	certain pharmaceutical and clinical medical materials (including but not limited to reagents and control drugs) to be procured by CTTQ-Akeso from Chia Tai Tianqing in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma pursuant to the Master Materials and Services Procurement Agreement
"Clinical Services"	certain clinical trial services (including but not limit to designing clinical trial, establishing clinical trial centres, and arranging patient enrolment in clinical trial) to be provided by Chia Tai Tianqing to CTTQ-Akeso in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma pursuant to the Master Materials and Services Procurement Agreement
"Company"	Akeso, Inc. (康方生物科技(開曼)有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CTLA-4"	cytotoxic T-lymphocyte-associated protein 4, which downregulates T cell immune response to cancer cells
"CTTQ-Akeso"	CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. (正大天晴康方(上海)生物醫藥科技有限公司), a limited liability company incorporated under the law of the PRC on August 30, 2019, one of the Group's non-wholly owned and significant subsidiaries
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Joint Venture Agreement"	the joint venture agreement dated June 6, 2019 entered into between Akeso Biopharma and Chia Tai Tianqing for the establishment of the joint venture, CTTQ-Akeso
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Master Materials and Services Procurement Agreement"	an agreement dated September 20, 2022 entered into between CTTQ-Akeso and Chia Tai Tianqing in relation to the procurement of Clinical Materials and Clinical Services in relation to the phase III registration trial of Penpulimab for the treatment of hepatocellular carcinoma

"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells, B-cells and macrophages. The normal function of PD-1 is to turn off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of T-cells attaches to certain proteins on the surface of a normal cell or cancer cell, T-cells will turn off its ability to kill the cell
"Penpulimab"	Penpulimab (PD-1 monoclonal antibody, AK105), a new PD-1 monoclonal antibody with IgG1 subtype and Fc segment modification, which is structurally stable and less prone to aggregation
"PRC"	the People's Republic of China
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Sino Biopharm"	Sino Biopharmaceutical Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1177)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Transaction" or "Transactions"	continuing connected transactions contemplated under the Master Materials and Services Procurement Agreement
"VEGF"	vascular endothelial growth factor, a family of cytokines critical for the growth and development of cancer cells. There are three main VEGF receptors and subtypes of VEGFs, including VEGFR-1, VEGFR-2 and VEGFR-3

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that the Penpulimab (PD-1 monoclonal antibody, AK105) will ultimately be successfully commercialized by the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Akeso, Inc.
Dr. XIA Yu
Chairwoman and executive director

Hong Kong, September 20, 2022

As at the date of this announcement, the Board of the Company comprises Dr. XIA Yu as chairwoman and executive director, Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell and Mr. XIA Yu (Ph.D.) as executive directors, Dr. ZHOU Yi and Mr. XIE Ronggang as non-executive directors, and Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo as independent non-executive directors.