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SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3681)

**CONNECTED TRANSACTION
SUPPLEMENTAL LEASE AGREEMENT**

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On 1 December 2022, Hainan SinoMab entered into a supplemental lease agreement with Haikou Pharma, pursuant to which the annual rental of the Property and the Equipment will be increased from RMB4,959,305 to RMB9,400,000 with effect from 1 January 2022.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16, the Group will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Property under the Supplemental Lease Agreement. Accordingly, the transaction under the Supplemental Lease Agreement will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules.

Haikou Pharma is a wholly-owned subsidiary of Haiyao which is the substantial Shareholder of the Company holding approximately 15.35% of the total number of Shares of the Company, and is therefore a connected person of the Company. Accordingly, the transaction under the Supplemental Lease Agreement constitute connected transaction for the Company under Chapter 14A of the Listing Rules.

Given that one or more percentage ratio(s) in respect of the value of the right-of-use assets under the Supplemental Lease Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Supplemental Lease Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As a good corporate governance measure, Ms. Jie LIU and Mr. Lei SHI, have abstained from voting on the relevant board resolution in view of their respective senior management role in Haiyao. Save as aforementioned disclosure, none of the Directors had a material interest in the Supplemental Lease Agreement and the transaction contemplated thereunder.

INTRODUCTION

References are made to the prospectus (the “**Prospectus**”) of SinoMab BioScience Limited (中國抗體製藥有限公司) (the “**Company**”) dated 31 October 2019 in relation to, among other things, the Lease Agreement entered between SinoMab BioScience (Hainan) Limited* (formerly known as Hainan SinoMab Biotech Co., Ltd.*) (海南賽樂敏生物科技有限公司) (“**Hainan SinoMab**”) (a wholly owned subsidiary of the Company) and Haikou Pharma, details of which are set out in the section “CONNECTED TRANSACTIONS — (2) Lease Agreement (in respect of the Rental)” in the Prospectus. Unless otherwise stated, capitalised terms used herein shall have the same meaning as defined in the Prospectus. Pursuant to the Lease Agreement, Haikou Pharma agreed to lease the Property and the Equipment (as defined below) to the Group from 1 January 2019 to 31 December 2025.

On 10 September 2020, Hainan SinoMab has entered into a sale and purchase agreement with Haikou Pharma and Shanghai Listent Medical Tech Co., Ltd. (上海力聲特醫學科技有限公司), another subsidiary of Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) (“**Haiyao**”), pursuant to which Hainan SinoMab purchased certain rented equipment and the annual rent was correspondingly decreased to RMB4,959,305 from 1 October 2020.

SUPPLEMENTAL LEASE AGREEMENT

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Date	:	1 December 2022
Parties	:	(i) Hainan SinoMab (as lessee); and (ii) Haikou Pharma (as lessor)
Property	:	Haiyao Industrial Park, 192 Nanhai Avenue, Xiuying District, Haikou, Hainan Province, the People’s Republic of China (the “ PRC ”), with a with a total gross floor area of 4,526.4 square meters (the “ Property ”)
Equipment	:	The equipment includes pilot plant, quality control laboratories, research and development laboratories and equipment for production and testing (the “ Equipment ”)
Use of Property and Equipment	:	Office, storage, laboratory and production center
Term	:	1 January 2022 to 31 December 2025
Rental	:	RMB9,400,000 annually

Save as disclosed above, all other terms under the Lease Agreement remain unchanged.

CONSIDERATION

The consideration of the Supplemental Lease Agreement was determined after arm's length negotiations between the parties and is expected to be funded by internal resources of the Group.

The consideration of the Supplemental Lease Agreement was determined based on the prevailing market rent for comparable premises in the vicinity of the Property and the appraised fair value of the right-of-use of the Property and Equipment of RMB25,720,000 as at 31 October 2022 by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisor Limited (the “**Valuer**”). The Valuer is of the view that the annual rent under the Supplemental Lease Agreement is fair and reasonable and represents the prevailing market rates of similar properties situated in the locality and similar equipment that are used for same purpose in the PRC.

The original construction/acquisition costs of the Property and the Equipment by Haikou Pharma are approximately RMB12,500,820 and RMB84,540,810, respectively.

VALUE OF THE RIGHT-OF-USE ASSETS

In accordance with HKFRS 16, the total value of the right-of-use assets to be recognised by the Group in respect of the lease of the Property under the Supplemental Lease Agreement is approximately RMB25,350,000, calculated based on the present value of the total lease payments under the Supplemental Lease Agreement at a discount rate of 4.9%.

REASONS AND BENEFITS

Hainan SinoMab had received written request from Haikou Pharma to increase the annual rent to RMB9,400,000 with effect from 1 January 2022 for the reason that their operating and maintenance costs for the Property and Equipment are much higher than the annual rent payable by Hainan SinoMab. Haikou Pharma stated in the written request that it would terminate the lease agreement if Hainan SinoMab does not accept the said rent increment.

Hainan SinoMab has consulted its legal adviser (as to PRC law) and noted that Hainan SinoMab could claim damages from Haikou Pharma for any losses that may be arising out of the termination of Lease Agreement by Haikou Pharma, but the actual compensation amount and the duration of litigation are considerably unforeseeable and uncertain.

Considering (i) the Group has been operating in the Property with the Equipment since 2016 for production which serve for clinical and initial marketing needs; (ii) BLA application (Biologies Licence Application) and GMP (Good Manufacture Practice) on-site inspection of SM03, the flagship product and the expected first commercially available drug candidate of the Company, have been carrying out with the Property and Equipment; (iii) the increased annual rent of RMB9,400,000 is at a fair market value; (iv) as the expected timeline for commercialization will be affected by re-location and looking for another suitable property and equipment; and (v) to maintain the stability of use of production center especially at the early stage of commercialization of SM03, it is in the interests of the Group to accept the request from Haikou Pharma to increase the annual rent for the Property and Equipment.

The Board (including independent non-executive Directors) is of the view that the transaction under the Supplemental Lease 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 Supplemental Lease Agreement are fair and reasonable, and entering into the Supplemental Lease Agreement is in the interests of the Company and its Shareholders as a whole.

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GENERAL

Hainan SinoMab is a wholly owned subsidiary of 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 commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody-based biologics. The Company is beneficially owned by Mr. Jing QIANG and Ms. Wenyi LIU as to 27.61% equity interests, Haiyao as to 15.35% equity interests, Dr. Shui On LEUNG as to 12.54% equity interests, Ms. Sijia XU as to 8.68% equity interests.

Haikou Pharma is a limited liability company incorporated under the law of the PRC and is principally engaged in the research, development, manufacture and sale of medicines and Class II medical instrument. Its main products consist of antibiotics, gastrointestinal medicines, antitumor medicines, medical devices and health products. Haikou Pharma is a wholly-owned subsidiary of Haiyao. Haiyao, a substantial Shareholder of the Company with 158,882,115 Shares, representing approximately 15.35% equity interests in the Company, the ultimate beneficial owner of which is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中國國務院國有資產監督管理委員會).

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

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 1 December 2022

As at the date of this announcement, 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, Ms. Wenyi LIU, Ms. Jie LIU and Mr. Lei SHI, 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.

* For identification purpose only