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Innovent

信達生物製藥

INNOVENT BIOLOGICS, INC.

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1801)

CONNECTED TRANSACTION

PROPOSED SUBSCRIPTION AND

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

THE PROPOSED SUBSCRIPTION

The Board is pleased to announce that on October 25, 2024 (after trading hours), Fortvita and Lostrancos entered into the Subscription Agreement, pursuant to which, Lostrancos conditionally agreed to subscribe for and purchase, and Fortvita conditionally agreed to issue and sell, the Subscription Shares at the Subscription Price.

As at the date of this announcement, Fortvita is a wholly-owned subsidiary of the Company. Upon Closing, Fortvita will be held as to 79.61% directly by the Company and as to 20.39% directly by Lostrancos. Fortvita will remain as a non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Upon Closing, the equity interest in Fortvita directly held by the Company will be diluted from 100% to 79.61%. Accordingly, the Proposed Subscription constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules.

As of the date of this announcement, Dr. De-Chao Michael Yu, an executive Director of the Company, is the sole director of Lostrancos. Upon Closing, Lostrancos will be held as to 82.93% by Dr. De-Chao Michael Yu and as to 17.07% collectively by Mr. Ronald Hao Xi Ede, an executive Director of the Company, and one other investor who is an Independent Third Party. As such, Lostrancos is a connected person of the Company by virtue of being an associate of a connected person of the Company. Accordingly, the Proposed Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 0.1% but all are less than 5%, the Proposed Subscription is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on October 25, 2024 (after trading hours), Fortvita and Lostrancos entered into the Subscription Agreement, pursuant to which, Lostrancos conditionally agreed to subscribe for and purchase, and Fortvita conditionally agreed to issue and sell, the Subscription Shares at the Subscription Price.

The principal terms of the Subscription Agreement are set out below:

Date

October 25, 2024 (after trading hours)

Parties

- (1) Fortvita; and
- (2) Lostrancos

The Proposed Subscription

Lostrancos conditionally agreed to subscribe for and purchase, and Fortvita conditionally agreed to issue and sell, the Subscription Shares at the Subscription Price.

The Subscription Shares shall be duly authorised and issued as fully paid. Pursuant to the articles of association of Fortvita, the Series Pre-A Preferred Shares are convertible initially on a one-to-one basis into ordinary shares of Fortvita. Holders of Series Pre-A Preferred Shares are entitled to certain customary preferential rights, including, among others, preferential dividend rights, liquidation preference rights, optional redemption rights, protective provisions, board nomination rights and preemptive rights.

The Subscription Price and its basis of determination

The Subscription Price, being US\$20,500,000, was arrived at after arm's length negotiations between Fortvita and Lostrancos, with reference to, among others, the valuation of Fortvita as at October 8, 2024 (the "**Base Date**") of US\$80,026,000 as assessed by Ernst & Young (China) Advisory Limited, the Independent Valuer, using the asset-based approach.

The Subscription Price shall be settled by wire transfer of immediately available funds in U.S. dollars to Fortvita's bank account at Closing.

According to the valuation report prepared by the Independent Valuer, the Independent Valuer adopted the market value as the basis of value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." To analyse the market value of Fortvita, the Independent Valuer adopted the asset-based approach, which involved calculating the total value of all assets and subtracting the total liabilities, with each identifiable asset and liability valued using a suitable valuation method.

As of the Base Date, the appraised total assets of Fortvita was approximately US\$234.02 million, primarily consisting of bank balance and cash, prepayments and other receivables, machinery and equipment, intangible assets and right-of-use assets, and the appraised total liabilities of Fortvita was approximately US\$154.0 million, primarily consisting of borrowings, trade payables and other payables and accrued expenses.

The Independent Valuer considered three approaches, namely asset-based approach, income approach and market approach in selecting a valuation approach. Given that (i) Fortvita's pipelines were predominantly situated in the early discovery and pre-clinical stages, with no significant milestones achieved in overseas clinical trials, and (ii) the inherent risks associated with clinical trials, commercialization, and production, the income approach could not be utilized due to the absence of a reliable financial forecast for Fortvita. Moreover, considering the nature of Fortvita's business and its developmental stage, there were no comparable companies or transactions within the public market, rendering the market approach inapplicable as well. Given that each identifiable asset and liability of Fortvita could be effectively valued using appropriate valuation methods, the Independent Valuer deemed the asset-based approach the most suitable method for the market valuation analysis.

The valuation was also subject to the following key assumptions:

- (a) Fortvita will remain as a going concern basis;
- (b) There will not be any changes in the market environment subsequent to the Base Date that will have a significant adverse impact on the operations of Fortvita;
- (c) There will not be any significant changes in the relevant interest and exchange rates from those currently prevailing;
- (d) Fortvita does not have any significant pending claims, litigations or contingent liabilities;
- (e) There are no significant outstanding tax disputes with the tax authorities;
- (f) There will not be any significant changes to the management or operations of Fortvita;
- (g) Related-party transactions, if any, are assumed to be conducted on an arm's-length basis;
- (h) The information provided by the management of Fortvita represents a fair reflection of the financial and operational position of Fortvita; and
- (i) Fortvita's effective tax rate will remain the same based on the applicable statutory corporate income tax rates.

In conducting the market valuation analysis, the Independent Valuer has, among other things, (i) reviewed the operational and financial information and analysed the business fundamentals of Fortvita, including, among others, the consolidated management accounts reflecting the financial position of Fortvita as at the Base Date and the list of fixed and intangible assets owned by Fortvita and relevant associated documentation pertaining to such assets, (ii) engaged in discussions with the management of Fortvita to understand its corporate structure, business activities, current financial position and future strategic framework and business plans, and (iii) reviewed research reports related to the pharmaceutical and biomedical industries and other industry data.

The Directors have evaluated the valuation of Fortvita by the Independent Valuer through, among others, (i) reviewing the work procedures, sources of information and valuation analysis set forth in the valuation report to understand the work done by the Independent Valuer, (ii) reviewing the financial statements of Fortvita to understand its financial performance and position, as well as Fortvita's business plans and future strategies, and (iii) considering the valuation method and basis of preparation of the valuation, the assumptions adopted in the valuation, and the professional qualification and experience of the Independent Valuer.

Based on the foregoing, and taking into account that the valuation method, namely the asset-based approach, used in determining the valuation of Fortvita is a commonly adopted and appropriate approach, and that the key assumptions used in the calculations of the appraised values are assumptions commonly adopted in other business valuations in the market, the Directors (including the independent non-executive Directors) consider that the valuation method and the assumptions used in the valuation of Fortvita are fair, reasonable and appropriate, and that the Subscription Price for the Proposed Subscription is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

To the best knowledge, information and belief of the Directors, as of the date of this announcement, the Independent Valuer does not hold any beneficial interests in the share capital of any member of the Group, nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares, convertible securities, warrants, options or derivative securities carrying voting rights in any member of the Group.

Conditions precedent

Closing is conditional upon, among other things, the fulfilment or waiver by Lostrancos of the following conditions precedent:

- (i) the representations and warranties provided by Fortvita being true and correct at and as of the Closing Date with the only exceptions as would not in the aggregate materially impair the Company's ability to perform its obligations under the Subscription Agreement or consummate the Proposed Subscription;
- (ii) performance and compliance by Fortvita in all material respects with all covenants, agreements, obligations and conditions contained in the Subscription Agreement required to be performed or complied with by it on or before the Closing; and
- (iii) there being no provision of applicable law, rule, constitution, code, ordinance, statute, treaty, decree, regulation, common law, order, official policy, circular, provision, administrative order, interpretation, injunction, judgment, ruling, assessment, writ or other legislative measure, of any governmental authority, and no injunction, judgment, order, decree, stipulation or determination by or with any governmental authority, prohibiting the consummation of the Closing.

Closing

Closing is expected to take place on the Closing Date.

The shareholding structure of Fortvita (i) as at the date of this announcement; and (ii) immediately upon Closing is set out below:

Shareholder	As at the date of this announcement		Immediately upon Closing	
	Number of Shares	Shareholding percentage over the total number of Shares	Number of Shares	Shareholding percentage over the total number of Shares
Company	50,000,000 Ordinary Shares	100.00%	50,000,000 Ordinary Shares	79.61%
Lostrancos	—	—	12,808,337 Series Pre-A Preferred Shares	20.39%
Total	<u>50,000,000 Shares</u>	<u>100.00%</u>	<u>62,808,337 Shares</u>	<u>100.00%</u>

Termination

Prior to Closing, the Subscription Agreement may be terminated in the following manners:

- (i) by mutual written agreement of Fortvita and Lostrancos;
- (ii) by any party to the Subscription Agreement if the Closing shall not have been consummated on or before December 31, 2024 (or a later date otherwise agreed in writing by Lostrancos and Fortvita);
- (iii) by either Fortvita or Lostrancos, by written notice to the other, if the consummation of the transactions contemplated by the Subscription Agreement would violate any non-appealable final injunction, judgment, order, decree, stipulation or determination by or with any governmental authority; or
- (iv) by either Fortvita or Lostrancos, by written notice to the other, if there has been a material misrepresentation or material breach of a covenant or agreement contained in the Subscription Agreement on the part of such party.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION

The Proposed Subscription reflects the Company's long-term strategic goal to position itself as a competitive global biopharmaceutical company. Over the years, the Company has established a leading biopharmaceutical platform in the China market, which has been steadily expanding in scale and improving operational efficiency, with increasingly stable and sustainable potential returns from domestic business. In parallel with the Company's growth in the China market, international business expansion is another key growth strategy of the Company. Currently, the Company's international expansion is still in its early stage, facing substantial risks, challenges and investment uncertainties. In order to sustainably balance resource needs with the risks associated with international expansion, the Company has positioned Fortvita as a platform to drive its international business efforts. Furthermore, the key members of the management of the Company are committed to directly investing in Fortvita through the Proposed Subscription.

Accordingly, the Proposed Subscription marks a promising beginning for the Company's international business expansion. The direct investment of key members of the Company reflects their confidence and commitment in the international business and outlook, while also enables them to take on a more direct and active role in the future growth and development of Fortvita.

The Company will continue to lead and support the development of Fortvita as its parent company, and will continue to enjoy the economic benefit potentially derived from Fortvita, with the aim to bring sustainable return to the shareholders of the Company in the long run. At the same time, the Proposed Subscription will strengthen Fortvita's financial position, with the proceeds from the Proposed Subscription intended to be used to support the operational needs of Fortvita.

The Directors (including the independent non-executive Directors) consider that the Proposed Subscription has been made on normal commercial terms, albeit not in the ordinary and usual course of business of the Group; and that the terms of the Subscription Agreement are fair and reasonable and that entering into of the Subscription Agreement is in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION OF THE PARTIES

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in research and development of antibody and protein medicine products, sale and distribution of pharmaceutical products, and provision of consultation and research and development services.

Fortvita is a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. The Fortvita Group is principally dedicated to the research and development of advanced therapies for some of the most intractable diseases in global markets, with its pipeline mainly in early stages.

Lostrancos is an investment holding company incorporated in the British Virgin Islands with limited liability. As of the date of this announcement, Dr. De-Chao Michael Yu, an executive Director of the Company, is the sole director of Lostrancos. Upon Closing, Lostrancos will be held as to 82.93% by Dr. De-Chao Michael Yu and as to 17.07% collectively by Mr. Ronald Hao Xi Ede, an executive Director of the Company, and one other investor who is an Independent Third Party. As such, Lostrancos is a connected person of the Company by virtue of being an associate of a connected person of the Company.

FINANCIAL INFORMATION OF THE FORTVITA GROUP

The unaudited consolidated financial information of the Fortvita Group for each of the two financial years ended December 31, 2022 and 2023 is set out below:

	For the year ended December 31,	
	2022	2023
	(RMB'000)	(RMB'000)
Revenue	nil	nil
Net loss before and after taxation and extraordinary items	330,562	271,044

The unaudited book value of the Fortvita Group as at the Base Date was approximately US\$80,002,000.

FINANCIAL IMPACT TO THE COMPANY

As at the date of this announcement, Fortvita is a wholly-owned subsidiary of the Company. Upon Closing, Fortvita will be held as to 79.61% directly by the Company and as to 20.39% directly by Lostrancos. Fortvita will remain as a non-wholly owned subsidiary of the Company.

The results of operations and financial position of the Fortvita Group will continue to be consolidated into the Group's consolidated financial statements. It is expected that the deemed disposal will not result in any material gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income and there will be no material financial impact on the Group resulting from the deemed disposal.

The Subscription Price will be used to support the operational needs of Fortvita.

LISTING RULES IMPLICATIONS

Upon Closing, as the equity interest in Fortvita directly held by the Company will be diluted from 100% to 79.61%, the Proposed Subscription constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules.

As of the date of this announcement, Dr. De-Chao Michael Yu, an executive Director of the Company, is the sole director of Lostrancos. Upon Closing, Lostrancos will be held as to 82.93% by Dr. De-Chao Michael Yu and as to 17.07% collectively by Mr. Ronald Hao Xi Ede, an executive Director of the Company, and one other investor who is an Independent Third Party. Therefore, Lostrancos is a connected person of the Company by virtue of being an associate of a connected person of the Company. Accordingly, the Proposed Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceed(s) 0.1% but all are less than 5%, the Proposed Subscription is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Dr. De-Chao Michael Yu is a director of Lostrancos as at the date of this announcement and the Closing, and Dr. De-Chao Michael Yu and Mr. Ronald Hao Xi Ede are shareholders of Lostrancos as at the Closing (collectively, the “**Excluded Directors**”). The Excluded Directors are regarded as having material interest in the Subscription Agreement, and have abstained from voting on the said Board resolutions. Save as disclosed above, none of the other Directors has any material interest in the Subscription Agreement and the transactions contemplated thereunder and accordingly, none of them were required to abstain from voting on the Board resolutions thereof.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) that the banks in the People’s Republic of China (including Hong Kong), the British Virgin Islands and the Cayman Islands are generally open for business
“Closing”	completion of the Proposed Subscription
“Closing Date”	the thirtieth (30 th) Business Day after satisfaction or waiver (to the extent permissible by the party to the Subscription Agreement entitled to such conditions) of the conditions to Closing, or at such other time and place as Fortvita and Lostrancos may agree in writing
“Company”	Innovent Biologics, Inc., a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the main board of the Stock Exchange (Stock code: 1801)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Fortvita”	Fortvita Biologics Inc., a company incorporated in the Cayman Islands with limited liability and, as of the date of this announcement, a wholly-owned subsidiary of the Company
“Fortvita Group”	Fortvita and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief, having made all reasonable inquiries, person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)

“Independent Valuer”	Ernst & Young (China) Advisory Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lostrancos”	Lostrancos Ventures Ltd, a company incorporated in the British Virgin Islands with limited liability
“Ordinary Shares”	ordinary shares of Fortvita with par value of US\$0.00001 each
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“Proposed Subscription”	the subscription and purchase of the Subscription Shares by Lostrancos pursuant to the Subscription Agreement
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Series Pre-A Preferred Shares”	series Pre-A preferred shares of Fortvita with par value of US\$0.00001 each
“Shares”	Ordinary Shares and Series Pre-A Preferred Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated October 25, 2024 entered into between Fortvita and Lostrancos in relation to the Proposed Subscription
“Subscription Price”	US\$20,500,000, being the Subscription Price for the Proposed Subscription pursuant to the Subscription Agreement
“Subscription Shares”	12,808,337 new Series Pre-A Preferred Shares to be issued and sold by Fortvita pursuant to the Subscription Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Innovent Biologics, Inc.
Dr. De-Chao Michael Yu
Chairman and Executive Director

Hong Kong, October 25, 2024

As at the date of this announcement, the Board comprises Dr. De-Chao Michael Yu as Chairman and Executive Director and Mr. Ronald Hao Xi Ede and Ms. Qian Zhang as Executive Directors, and Dr. Charles Leland Cooney, Ms. Joyce I-yin Hsu, Dr. Kaixian Chen, Mr. Gary Zieziula, Dr. Shun Lu and Mr. Shuyun Chen as Independent Non-executive Directors.