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Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.

四川科倫博泰生物醫藥股份有限公司

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

(Stock Code: 6990)

CONNECTED TRANSACTIONS RENEWAL OF PROPERTY LEASE AGREEMENT AND EQUIPMENT LEASE AGREEMENT

INTRODUCTION

Reference is made to the section headed “Connected Transactions” in the Prospectus, which discloses, among others, the one-off connected transactions under the 2022 Property Lease Agreement and the 2022 Equipment Lease Agreement entered into by the Company (as lessee) and Kelun Pharmaceutical (as lessor) prior to the listing of the Company.

As each of the 2022 Property Lease Agreement and the 2022 Equipment Lease Agreement has expired on December 31, 2024, the Board has resolved on January 28, 2025 to enter into the 2025 Property Lease Agreement and the 2025 Equipment Lease Agreement, each for a term commencing on January 1, 2025 and ending on December 31, 2027.

ACCOUNTING TREATMENT AND LISTING RULES IMPLICATIONS

In accordance with IFRS 16, the Company will recognize a right-of-use asset on its consolidated statement of financial position in connection with each of the lease of the Properties under the 2025 Property Lease Agreement and the lease of the Equipment under the 2025 Equipment Lease Agreement.

Kelun Pharmaceutical is a controlling shareholder of the Company. Therefore, Kelun Pharmaceutical is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, each of the lease of the Properties under the 2025 Property Lease Agreement and the lease of the Equipment under the 2025 Equipment Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the two Leases when aggregated is more than 0.1% but less than 5%, each of the Leases is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. LIU Gexin, being a Director, has abstained from voting on the Company's board resolution(s) for approving the 2025 Property Lease Agreement, the 2025 Equipment Lease Agreement and the transactions thereunder in view of his material interest by being the chairman and actual controller of Kelun Pharmaceutical. Dr. GE Junyou, Mr. LIU Sichuan, Mr. LAI Degui and Mr. FENG Hao, being the Directors, have abstained from voting on the Company's board resolution(s) for approving the 2025 Property Lease Agreement, the 2025 Equipment Lease Agreement and the transactions thereunder in view of their material interest by being directors and/or senior management and/or shareholders of Kelun Pharmaceutical. Save as aforesaid, no other Director has any material interest in the 2025 Property Lease Agreement, the 2025 Equipment Lease Agreement and the transactions thereunder and was required to abstain from voting.

INTRODUCTION

Reference is made to the section headed "Connected Transactions" in the Prospectus, which discloses, among others, the one-off connected transactions under the 2022 Property Lease Agreement and the 2022 Equipment Lease Agreement entered into by the Company (as lessee) and Kelun Pharmaceutical (as lessor) prior to the listing of the Company.

As each of the 2022 Property Lease Agreement and the 2022 Equipment Lease Agreement has expired on December 31, 2024, the Board has resolved on January 28, 2025 to enter into the 2025 Property Lease Agreement and the 2025 Equipment Lease Agreement, each for a term commencing on January 1, 2025 and ending on December 31, 2027.

THE 2025 PROPERTY LEASE AGREEMENT

Principal Terms

The principal terms of the 2025 Property Lease Agreement are set out as follows:

Date of agreement	January 28, 2025
Parties	(1) the Company (as lessee); and (2) Kelun Pharmaceutical (as lessor).
Subject matter	Kelun Pharmaceutical agrees to lease the Properties to the Company for use in connection with the Company's daily operations and business

Properties	The properties with a total gross area of approximately 30,818.5 square meters located at No. 666 Xinhua Avenue, Wenjiang District, Chengdu, the PRC (中國成都市溫江區新華大道666號) (the “ Properties ”), including the biology building (生物樓), cold storage (品冷庫), cold filler storage (填料冷庫), certain areas of the multi-purpose building (綜合樓) and R&D building (研發樓) and housing
Term	3 years, commencing on January 1, 2025 and ending on December 31, 2027
Rent	RMB8,959,368.00 per year (inclusive of value added tax). The rent shall be paid annually by December 31 of each year. The rent will be funded by internal resources of the Company.
Pricing Policy	The rent payable under the 2025 Property Lease Agreement was negotiated on an arm’s length basis between the Company and Kelun Pharmaceutical on normal commercial terms with reference to (i) the prevailing markets rates of comparable properties in the locality offered by independent third parties; and (ii) acreage of the properties.

Value of right-of-use asset

In accordance with IFRS 16, the value of the right-of-use asset to be recognized by the Company on its consolidated statement of financial position in respect of the lease of the Properties under the 2025 Property Lease Agreement is approximately RMB22.6 million.

Reasons for and benefits of the transaction

The Company has been leasing the Properties from Kelun Pharmaceutical for a period of time for use in connection with the Company’s daily operations and business, such as R&D activities, storage house, office spaces and staff housing. By continuing to lease the Properties, the Company would reduce costs associated with looking for new premises and negotiating the terms of new lease agreements with third-party owners. Additionally, given that any relocation of facility or change to the current leasing arrangements may cause a certain extent of disruption to the Company’s business operation and incur additional relocation costs, it is cost efficient and beneficial to the Company’s operations to continue leasing the Properties from Kelun Pharmaceutical. The Company believes it would continue to benefit from the use of such Properties and maintain operational continuity by entering into the 2025 Property Lease Agreement.

Taking the above into consideration, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2025 Property Lease Agreement are fair and reasonable, the transaction thereunder is on normal commercial terms and in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole.

THE 2025 EQUIPMENT LEASE AGREEMENT

Principal terms

The principal terms of the 2025 Equipment Lease Agreement are set out as follows:

Date of agreement	January 28, 2025
Parties	(1) the Company (as lessee); and (2) Kelun Pharmaceutical (as lessor).
Subject matter	Kelun Pharmaceutical agrees to lease the Equipment to the Company for use in connection with the Company's R&D and manufacturing activities and daily operations
Equipment	The equipment (the " Equipment ") comprises around 1,074 pieces of equipment including manufacturing machinery, laboratory equipment and instruments
Term	3 years, commencing on January 1, 2025 and ending on December 31, 2027
Rent	RMB39,549,200.00 per year (inclusive of value added tax). The rent shall be paid annually by December 31 of each year. The rent will be funded by internal resources of the Company.
Pricing Policy	The rent payable under the 2025 Equipment Lease Agreement was negotiated on an arm's length basis between the Company and Kelun Pharmaceutical on normal commercial terms with reference to (i) the acquisition cost of the Equipment incurred by Kelun Pharmaceutical; and (ii) the annual depreciation amount of the Equipment.

Value of right-of-use asset

In accordance with IFRS 16, the value of the right-of-use asset to be recognized by the Company on its consolidated statement of financial position in respect of the lease of the Equipment under the 2025 Equipment Lease Agreement is approximately RMB95.8 million.

Reasons for and benefits of the transaction

The Company has leased certain equipment used in connection with its R&D activities and daily operations from Kelun Pharmaceutical since 2019. Leasing such equipment from Kelun Pharmaceutical has enabled the Company to benefit from Kelun Pharmaceutical's centralized equipment procurement policy, pursuant to which Kelun Pharmaceutical is able to procure equipment at a favorable price and then lease it to its subsidiaries (including the Company) at a correspondingly favorable price. Such leasing arrangement has benefitted the Company because the Company does not need to contribute a significant portion of its funds to procure equipment necessary for its R&D activities and daily operations, which thereby allows the Company to allocate a substantial part of its cash flow into its R&D activities. Entering into the 2025 Equipment Lease Agreement would enable the Company to continue to benefit from leasing the Equipment at a favorable price.

Taking the above into consideration, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2025 Equipment Lease Agreement are fair and reasonable, the transaction thereunder is on normal commercial terms and in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole.

ACCOUNTING TREATMENT AND LISTING RULES IMPLICATIONS

In accordance with IFRS 16, the Company will recognize a right-of-use asset on its consolidated statement of financial position in connection with each of the lease of the Properties under the 2025 Property Lease Agreement and the lease of the Equipment under the 2025 Equipment Lease Agreement.

Kelun Pharmaceutical is a controlling shareholder of the Company. Therefore, Kelun Pharmaceutical is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, each of the lease of the Properties under the 2025 Property Lease Agreement and the lease of the Equipment under the 2025 Equipment Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction for the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the two Leases when aggregated is more than 0.1% but less than 5%, each of the Leases is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. LIU Gexin, being a Director, has abstained from voting on the Company's board resolution(s) for approving the 2025 Property Lease Agreement, the 2025 Equipment Lease Agreement and the transactions thereunder in view of his material interest by being the chairman and actual controller of Kelun Pharmaceutical. Dr. GE Junyou, Mr. LIU Sichuan, Mr. LAI Degui and Mr. FENG Hao, being the Directors, have abstained from voting on the Company's board resolution(s) for approving the 2025 Property Lease Agreement, the 2025 Equipment Lease Agreement and the transactions thereunder in view of their material interest by being directors and/or senior management and/or shareholders of Kelun Pharmaceutical. Save as aforesaid, no other Director has any material interest in the 2025 Property Lease Agreement, the 2025 Equipment Lease Agreement the transactions thereunder and was required to abstain from voting.

INFORMATION ON THE PARTIES

The Company is a biopharmaceutical company, principally engaged in the R&D, manufacturing and commercialization of novel drugs in oncology, immunology and other therapeutic areas.

Kelun Pharmaceutical is a controlling shareholder of the Company. Kelun Pharmaceutical is principally engaged in the manufacturing of IV (intravenous) fluids solution products and antibiotics intermediates and listed on the Shenzhen Stock Exchange (stock code: 002422). As of the date of this announcement, Mr. LIU Gexin, a Director, is the actual controller of Kelun Pharmaceutical.

DEFINITIONS

“Board”	the board of directors of the Company
“Company”	Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (四川科倫博泰生物醫藥股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 6990)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equipment”	the equipment leased from Kelun Pharmaceutical as defined in the section headed “The 2025 Equipment Lease Agreement – Principal terms” in this announcement
“Group”	the Company and its subsidiaries
“IFRS 16”	the International Financial Reporting Standards 16
“Kelun Pharmaceutical”	Sichuan Kelun Pharmaceutical Co., Ltd. (四川科倫藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002422), and a controlling shareholder of the Company
“Leases”	the lease of the Properties under the 2025 Property Lease Agreement and the lease of the Equipment under the 2025 Equipment Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall not include Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties leased from Kelun Pharmaceutical as defined in the section headed “The 2025 Property Lease Agreement – Principal terms” in this announcement
“Prospectus”	the prospectus issued by the Company dated June 29, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders”	holder(s) of the Share(s)
“subsidiary(ies)”	has the meaning attributable to it in the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“2022 Equipment Lease Agreement”	the equipment lease agreement entered into between the Company and Kelun Pharmaceutical pursuant to which the Company agreed to lease certain equipment used in connection with its R&D activities and daily operations from Kelun Pharmaceutical with a term of three years commencing on January 1, 2022, as disclosed in the section headed “Connected Transactions – One-Off Connected Transactions – Equipment Lease Agreement” in the Prospectus
“2022 Property Lease Agreement”	the property lease agreement entered into between the Company and Kelun Pharmaceutical, pursuant to which the Company agreed to lease certain properties from Kelun Pharmaceutical with a term of three years commencing on January 1, 2022, as disclosed in the section headed “Connected Transactions – One-Off Connected Transactions – Lease of Properties” in the Prospectus
“2025 Equipment Lease Agreement”	the equipment lease agreement, dated January 28, 2025, entered into between the Company and Kelun Pharmaceutical, pursuant to which the Company agreed to lease the Equipment from Kelun Pharmaceutical for a term of three years commencing from January 1, 2025 until December 31, 2027

“2025 Property Lease Agreement”

the property lease agreement, dated January 28, 2025, entered into between the Company and Kelun Pharmaceutical, pursuant to which the Company agreed to lease the Properties from Kelun Pharmaceutical for a term of three years commencing from January 1, 2025 until December 31, 2027

“%”

per cent

By order of the Board
Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd.
LIU Gexin
Chairman of the Board and Non-executive Director

Hong Kong, January 28, 2025

As at the date of this announcement, the Board comprises Mr. LIU Gexin as the chairman of the Board and non-executive Director, Dr. GE Junyou as executive Director, Mr. LIU Sichuan, Mr. LAI Degui, Mr. FENG Hao, Mr. ZENG Xuebo and Mr. LI Dongfang as non-executive Directors, and Dr. ZHENG Qiang, Dr. TU Wenwei, Dr. JIN Jinping, and Dr. LI Yuedong as independent non-executive Directors.