

20 May 2016

Oncolys BioPharma Inc.

NB: this is a summary translation of the press release original drafted in Japanese for the disclosure required in compliance with the TSE regulations.

## Announcement of Letter of Intent for OBP-301(Telomelysin®) license in China

The Board of Oncolys BioPharma (“Oncolys”) is pleased to announce that it has resolved, at its board meeting on the 20 May 2016, to execute a binding Letter-of-Intent (“LOI”) with Jiangsu Hengrui Medicine Co., Ltd. (“Hengrui”) for oncolytic virus OBP-301 (Telomelysin®) license in China, to pave the way for an exclusive license agreement between the two companies.

Hengrui is a top-tier pharmaceutical company in China known for its integrated business operations which cover the entire process related to pharmaceutical businesses, from research and development, commercialization, manufacturing and distribution of drugs. In China, in particular, it is also known as a pharma specialized in oncology with more than 40% of its revenue from oncology-related drugs, keeping a top share in the Chinese market for the past 10 years in a row. One of the greatest strengths Hengrui has is its R&D forces extending across the world including in the US and Europe, diversification of products and comprehensive product lines. It is a remarkable achievement in fact that Hengrui independently developed a novel anti-VEGFR-2 agent named Apatinib, the world’s first small molecule anti-angiogenesis targeting agent to treat late gastric cancer, which was approved and launched in 2014. Furthermore, in 2015, Hengrui entered into a global license and collaboration agreement with a Nasdaq-listed US biopharma Incyte Corporation for the development and commercialization of its investigational anti-PD-1 monoclonal antibody, SHR-1210, with the terms including potential milestone payments of approximately \$800 million.

Upon the conclusion of this LOI, both companies foresee to enter into an exclusive license agreement for Telomelysin® in China, by the end of November 2016. A related impact on OBP’s earnings prediction for the FY2016 shall be disclosed after the license agreement is successfully executed.

### About Hengrui

**Company Name** : Jiangsu Hengrui Medicine Co., Ltd.(江蘇恒瑞醫藥股份有限公司)

**Address**: No.7 Kunlunshan Road, Lianyungang Eco & Tech Development Zone LIANYUNGANG,  
JNG, 222000 China (江蘇省連雲港市經濟技術開發區昆山路 7 号)

**Representative** : Dr. Piaoyang Sun, Chairman & Director

**Listed on:** Shanghai (ticker: 600276)

**Establishment :** 1970

**Total Paid-In Capital :** CNY 1,360,220,000 (approx. JPY 23bn)

**Main Business:** R&D, manufacturing and distribution of pharmaceutical tablets, injections and raw materials with expertise in antineoplastic and infectious diseases drugs and those for surgery

**Number of employees :** 10,191 (as of 31/12/2015)

**Earnings FY2015 :**

**Sales :** CNY 9,316,000,000 (JPY 179.5bn)

**Operating Profit :** CNY 2,558,900,000 (JPY 49.3bn)

**Net Profit :** CNY 2,171,600,000 (JPY 41.8bn)

(CNY1 = JPY19.27, as of 31/12/2015)

### **About OBP-301 (Telomelysin™)**

Telomelysin™ is a therapeutic modality derived from adenovirus. Telomelysin™ is generated by replacing the normal transcriptional regulatory element of the E1A gene in the human adenovirus type 5 with the human telomerase reverse transcriptase (hTERT) promoter. Telomerase is an enzyme expressed in approximately 90% of all types of cancer cells. The hTERT promoter is the key for the expression of telomerase, as well as for the complete replication of chromosomal ends. Telomelysin™ is able to achieve a high replication rate, due to the internal ribosome entry site (IRES) gene inserted between the E1A and E1B genes. **Clinical Research:** esophageal cancer (clinical investigation, in combination with radiotherapy, Okayama University, Japan), hepatocellular cancer (Phase I/II, with Medigen Biotechnology Corp., Taiwan/South Korea)

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