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Shanghai Henlius Biotech, Inc.

上海復宏漢霖生物技術股份有限公司

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

(Stock Code: 2696)

CONTINUING CONNECTED TRANSACTIONS UNDER ADMINISTRATIVE FRAMEWORK AGREEMENT

AND

CONNECTED TRANSACTION UNDER SAP IMPLEMENTATION AGREEMENT

ADMINISTRATIVE FRAMEWORK AGREEMENT

In the ordinary and usual course of business of the Group, the Group procures services and products for administrative purposes, including without limitation, office supplies, employee medical benefits and personnel training services, from the Remaining Fosun High Technology Group. On 24 June 2020, the Company entered into the Administrative Framework Agreement with Fosun High Technology to set out the framework terms governing the procurement of services and products for administrative purposes between the Group and the Remaining Fosun High Technology Group from time to time.

SAP IMPLEMENTATION AGREEMENT

In order to continuously enhance and improve the Company's internal control and process system, the Company needs to build an independent online process management database. On 24 June 2020, the Company also entered into SAP Implementation Agreement with Fosun Pharma, pursuant to which Fosun Pharma will provide SAP project implementation services to the Group, including the partition project implementation, software installation and system flow configuration of an SAP system, which is a process management database for the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Fosun High Technology was interested in approximately 38.51% of the total issued ordinary share capital of Fosun Pharma, which in turn indirectly held approximately 53.33% of the Shares of the Company in issue. Accordingly, each of Fosun High Technology and Fosun Pharma is a controlling shareholder of the Company. Therefore, the transactions under the Administrative Framework Agreement constitute continuing connected transactions of the Company, and the SAP Implementation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the transactions under the Administrative Framework Agreement for the year ending 31 December 2020 is more than 0.1% but less than 5%, the transactions under the Administrative Framework Agreement are subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the consideration under the SAP Implementation Agreement is more than 0.1% but less than 5%, the SAP Implementation Agreement is subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

A. ADMINISTRATIVE FRAMEWORK AGREEMENT

In the ordinary and usual course of business of the Group, the Group procures services and products for administrative purposes, including without limitation, office supplies, employee medical benefits and personnel training services, from the Remaining Fosun High Technology Group. On 24 June 2020, the Company entered into the Administrative Framework Agreement with Fosun High Technology to set out the framework terms governing the procurement of services and products for administrative purposes between the Group and the Remaining Fosun High Technology Group from time to time.

The principal terms of the Administrative Framework Agreement are set out below:

(a) Subject Matter

Pursuant to the Administrative Framework Agreement, the Company agreed to procure services and products for administrative purposes from time to time, including without limitation, office supplies, employee medical benefits and personnel training services, from the Remaining Fosun High Technology Group.

The Administrative Framework Agreement further provides that all transactions contemplated thereunder must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms, and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Administrative Framework Agreement is effective from the date of the Administrative Framework Agreement and will expire on 31 December 2020.

(b) Basis of Consideration

The consideration for each of the transactions contemplated under the Administrative Framework Agreement will be determined with reference to market prices. When determining market prices, the Group will obtain fee quotes from at least two independent third party suppliers or service providers. The purchase prices to be paid by the Group to the Remaining Fosun High Technology Group will be no less favourable than those paid by the Group to independent third party suppliers or service providers under the same conditions.

(c) Historical Amounts and Annual Cap

The historical amounts payable (on a tax-exclusive basis) by the Group to the Remaining Fosun High Technology Group in relation to the transactions contemplated under the Fosun Administrative Framework Agreement amounted to approximately RMB371,000, RMB679,000 and RMB1,240,000 for the years ended 31 December 2017, 2018 and 2019, respectively.

The maximum annual transaction amount to be paid by the Group to the Remaining Fosun High Technology Group for the procurement of services and products for administrative purpose pursuant to the Administrative Framework Agreement for the year ending 31 December 2020 will not exceed RMB4,500,000.

The annual cap was determined with reference to, among other things, (i) the estimated operational needs of the Group, (ii) the independent quotes obtained in relation to the transactions contemplated under the Administrative Framework Agreement and (iii) the prevailing rates offered to the Group by the Remaining Fosun High Technology Group.

(d) Reasons for, and benefits of, the Administrative Framework Agreement

As part of the Fosun International Group, there is a business need to maintain the Group's office administration in line with the human resources and office policies of the Fosun International Group as a whole. The procurement of products and services under the Administrative Framework Agreement for administrative purposes would enable the Group to procure office suppliers and provide employee training and benefits at the same level as the other members of the Fosun International Group and achieve economies of scale with lower unit costs.

B. SAP IMPLEMENTATION AGREEMENT

In order to continuously enhance and improve the Company's internal control and process system, the Company needs to build an independent online process management database. On 24 June 2020, the Company also entered into SAP Implementation Agreement with Fosun Pharma, pursuant to which Fosun Pharma will provide SAP project implementation services to the Group, including the partition project implementation, software installation and system flow configuration of an SAP system, which is a process management database for the Group. Fosun Pharma has further agreed to provide on-going maintenance services for such SAP system.

The principal terms of the SAP Implementation Agreement are set out below:

(a) Subject Matter

Pursuant to the SAP Implementation Agreement, Fosun Pharma will provide SAP project implementation services to the Group, including the partition project implementation, software installation and system flow configuration of an SAP system, which is a process management database for the Group.

The SAP Implementation Agreement is effective from the date of the SAP Implementation Agreement and it is expected that the SAP services will be fully delivered by 31 December 2020. The SAP Implementation Agreement may be terminated by the Company if there is a breach of the SAP Implementation Agreement by Fosun Pharma by giving 10 days' notice in writing.

(b) Consideration

The aggregate consideration for the services under the SAP Implementation Agreement is RMB3,526,000. The consideration was determined after arm's length negotiations between the parties with reference to (i) the complexity of the project implementation and customisation requirements of the SAP system and (ii) the prevailing market rate for services of similar nature.

(c) Payment Terms

The consideration under the SAP Implementation Agreement will be paid by the Company to Fosun Pharma in three tranches:

- (i) 20% of the total consideration, being RMB705,200, will be paid within 10 business days of the receipt of invoice upon the execution of the SAP Implementation Agreement;
- (ii) 40% of the total consideration, being RMB1,410,400, will be paid within 10 business days of the receipt of invoice upon the delivery of the SAP implementation blueprint; and
- (iii) 40% of the total consideration, being RMB1,410,400, will be paid within 10 business days of receipt of the invoice upon the completion of the services under SAP Implementation Agreement.

(d) Reasons for, and benefits of, the SAP Implementation Agreement

In order to continuously enhance and improve the Company's internal control and process system, the Company needs to build an independent online process management database. Considering the experience of Fosun Pharma in handling implementation of various configurations for its member companies, its knowledge in relation to the necessary configuration and the compatibility arrangements, which was demonstrated during the quotation stage, Fosun Pharma has competitive advantages as compared with other third party suppliers. In addition, Fosun Pharma is familiar with the business of the Group which would enhance the quality and efficiency of the services to be provided. Accordingly, the Directors consider that it is beneficial for the Group to enter into the SAP Implementation Agreement.

In addition, Fosun Pharma has further agreed to provide on-going maintenance service for such SAP system. As the highest applicable percentage ratio in respect of such service fees for the year ending 31 December 2020 is less than 5% and less than HK\$3,000,000, the on-going maintenance service for such SAP system is a continuing connected transaction exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. LISTING RULES IMPLICATIONS

As at the date of this announcement, Fosun High Technology was interested in approximately 38.51% of the total issued ordinary share capital of Fosun Pharma, which in turn indirectly held approximately 53.33% of the Shares in issue. Accordingly, each of Fosun High Technology and Fosun Pharma is a controlling shareholder of the Company. Therefore, the transactions under the Administrative Framework Agreement constitute continuing connected transactions of the Company, and the SAP Implementation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the transactions under the Administrative Framework Agreement for the year ending 31 December 2020 is more than 0.1% but less than 5%, the transactions under the Administrative Framework Agreement are subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the consideration under the SAP Implementation Agreement is more than 0.1% but less than 5%, the SAP Implementation Agreement is subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

D. INFORMATION ON THE PARTIES

(a) Fosun High Technology

Fosun High Technology is a company incorporated in the PRC and a wholly-owned subsidiary of Fosun International, the shares of Fosun International have been listed on the Main Board of the Stock Exchange (stock code: 00656). Fosun International is principally engaged in three business lines health, happiness and wealth, providing high-quality products and services for families around the world.

The Fosun International Group has three major business lines, namely Health, Happiness and Wealth. The Health business includes three major parts: Pharmaceutical, Medical Services & Health Management and Health Products; the Happiness business includes three major parts: Tourism & Leisure, Fashion and Consumer & Lifestyle while the Wealth business includes three major segments: Insurance, Finance and Investment.

(b) Fosun Pharma

Fosun Pharma is established in the PRC and the H shares and A shares of Fosun Pharma have been listed on the Main Board of the Stock Exchange (stock code: 02196) and the Shanghai Stock Exchange (stock code: 600196), respectively. Fosun Pharma and its subsidiaries principally engage in the business of pharmaceutical manufacturing and research and development (R&D), medical devices and medical diagnosis, healthcare services, and pharmaceutical distribution and retail.

(c) The Company

The Company is a leading biopharmaceutical company in the PRC with the vision to offer high-quality, affordable and innovative drugs for patients worldwide. The Company is the first biopharmaceutical company to receive NDA approval from the NMPA for a monoclonal antibody biosimilar, HLX01 (漢利康), in accordance with the Biosimilar Guidelines and the first to commercially launch a biosimilar product in China. The H shares of the Company have been listed on the Main Board of the Stock Exchange.

E. DIRECTORS' CONFIRMATION

(a) Directors' Interests and Board Approval

Each of Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Dr. Aimin Hui and Mr. Zihou Yan holds various positions with Fosun High Technology, Fosun Pharma and/or their respective subsidiaries, and each of them has abstained from voting on the Board resolution approving the Administrative Framework Agreement and the SAP Implementation Agreement. Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the Administrative Framework Agreement or the SAP Implementation Agreement, and no other Director has abstained from voting on the relevant Board resolution approving the Administrative Framework Agreement and the SAP Implementation Agreement.

(b) Fairness and Reasonableness

The Directors (including the independent non-executive Directors) are of the view that the terms of the Administrative Framework Agreement (including the annual cap thereunder) and the SAP Implementation Agreement are fair and reasonable, and that the transactions contemplated under the Administrative Framework Agreement and the SAP Implementation Agreement are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

F. DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings:

“Administrative Framework Agreement”	the framework agreement dated 24 June 2020 entered into between Fosun High Technology and the Company relating to the procurement of services and products for administrative purpose between the Remaining Fosun High Technology Group and the Group
“Board”	the board of Directors
“Company”	Shanghai Henlius Biotech, Inc., a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed and traded on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“Fosun High Technology”	Shanghai Fosun High Technology (Group) Co., Ltd. * (上海復星高科技(集團)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Fosun International
“Fosun International”	Fosun International Limited, a company incorporated in Hong Kong, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 00656)
“Fosun International Group”	Fosun International and its subsidiaries, including the Group
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. * (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 02196) and the Shanghai Stock Exchange (stock code: 600196), respectively
“Group”	the Company and its subsidiaries
“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, and for the purpose of this announcement, excludes Hong Kong Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and China Taiwan
“Remaining Fosun High Technology Group”	Fosun High Technology and its subsidiaries, excluding the Group
“RMB”	Renminbi, the lawful currency of the PRC
“SAP Implementation Agreement”	the agreement dated 24 June 2020 entered into between Fosun Pharma and the Company relating to the project implementation of services the SAP system of the Company
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Shanghai Henlius Biotech, Inc.
Qiyu CHEN
Chairman

Hong Kong, 24 June 2020

* for identification purpose only

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Scott Shi-Kau Liu as the executive Director, Mr. Qiyu Chen as the chairman and non-executive Director, Mr. Yifang Wu, Ms. Xiaohui Guan, Dr. Aimin Hui and Mr. Zihou Yan as the non-executive directors, and Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song as the independent non-executive Directors.