

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(1) RENEWAL OF THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT AND THE SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

AND

(2) THE PROPERTY LEASING FRAMEWORK AGREEMENTS

RENEWAL OF THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT AND THE SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

The Company refers to the announcement of the Company dated 24 April 2020 in relation to the continuing connected transactions under (i) the Sinopharm Distribution Framework Agreement entered into between the Company and Sinopharm, pursuant to which the Company has agreed that the Sinopharm Group will be one of the distributors of certain of the Group's products; and (ii) the Sinopharm Procurement Framework Agreement entered into between the Company and Sinopharm, pursuant to which the Company has agreed to procure from Sinopharm Group (a) warehousing and logistic services and (b) raw materials.

The initial term of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement will expire on 31 December 2022. Pursuant to the terms of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement, the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement will be automatically renewed for a successive period of three years, subject to compliance with the Hong Kong Listing Rules.

The Company and Sinopharm intend to continue to enter into the transactions contemplated under the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement after 31 December 2022. The parties have agreed that the term of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement shall be automatically renewed in accordance with its terms for a further term of three years from 1 January 2023 to 31 December 2025. Save for the automatic renewal, there has been no other change in the principal terms of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement since they were entered into on 24 April 2020.

THE PROPERTY LEASING FRAMEWORK AGREEMENTS

On 17 November 2022, the Company entered into the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement with Clone High Tech and Fukun Pharmaceutical, respectively, for the period from 1 January 2023 and ending on 31 December 2025. Accordingly, the Group has agreed to lease certain premises from Clone High Tech and Fukun Pharmaceutical.

HONG KONG LISTING RULES IMPLICATIONS

Renewal of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement

As at the date of this announcement, Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment. Therefore, Sinopharm is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the Sinopharm Distribution Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025 exceeds 5%, the continuing connected transactions under the Sinopharm Distribution Framework Agreement are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for each of the transactions in relation to the procurement of (i) warehousing and logistic services and (ii) raw materials contemplated under the Sinopharm Procurement Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025 is more than 0.1% but less than 5%, each of the transactions in relation to the procurement of (i) warehousing and logistic services and (ii) raw materials contemplated under the Sinopharm Procurement Framework Agreement is subject to reporting, announcement and annual review requirements, but exempt from the circular and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The Property Leasing Framework Agreements

As at the date of this announcement, both of Clone High Tech and Fukun Pharmaceutical are wholly-owned subsidiaries of Fosun Pharma, the controlling shareholder of the Company. Therefore, each of Clone High Tech and Fukun Pharmaceutical is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Property Leasing Framework Agreements, including the Clone Property Leasing Framework Agreement and Fukun Property Leasing Framework Agreement, constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the guidance issued by the Stock Exchange, the Company has set annual caps for the leases to be entered into by the Group under the Property Leasing Framework Agreements based on the total value of the right-of-use assets relating to such leases. As the highest applicable percentage ratio in respect of the annual caps for the leases under the Property Leasing Framework Agreements exceed 0.1% but is less than 5%, the leases under the Property Leasing Framework Agreements are subject to reporting, announcement and annual review requirements, but exempt from the circular and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

GENERAL INFORMATION

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider and advise the Independent Shareholders on the terms of the Sinopharm Distribution Framework Agreement and the proposed annual caps. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, in each case, on the terms of the Sinopharm Distribution Framework Agreement and the proposed annual caps.

A circular containing, among other things, details of the Sinopharm Distribution Framework Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee is expected to be despatched to the Shareholders on or about 1 December 2022.

OTHER INFORMATION

As Sinopharm is a related party of Fosun Pharma pursuant to the Shanghai Stock Exchange Listing Rules, the transactions between the Fosun Pharma Group and the Sinopharm Group (including those to be entered between the Group and Sinopharm Group) constitute related party transactions of Fosun Pharma. Accordingly, Fosun Pharma and Sinopharm has entered into the Fosun Pharma-Sinopharm Framework Agreement. As at the date of this announcement, the Fosun Pharma-Sinopharm Framework Agreement and the transactions contemplated thereunder are subject to the shareholders' approval of Fosun Pharma in accordance with its articles of association and applicable laws and regulations of the PRC.

RENEWAL OF THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT AND THE SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

A. BACKGROUND

The Company refers to the announcement of the Company dated 24 April 2020 in relation to the continuing connected transactions under (i) the Sinopharm Distribution Framework Agreement entered into between the Company and Sinopharm, pursuant to which the Company has agreed that the Sinopharm Group will be one of the distributors of certain of the Group's products; and (ii) the Sinopharm Procurement Framework Agreement entered into between the Company and Sinopharm, pursuant to which the Company has agreed to procure from Sinopharm Group (a) warehousing and logistic services and (b) raw materials.

The initial term of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement will expire on 31 December 2022. Pursuant to the terms of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement, the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement shall thereafter be automatically renewed for a successive period of three years, subject to compliance with the Hong Kong Listing Rules.

The Company and Sinopharm intend to continue to enter into the transactions contemplated under the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement after 31 December 2022. The parties have agreed that the term of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement shall be automatically renewed in accordance with its terms for a further term of three years from 1 January 2023 to 31 December 2025. Save for the automatic renewal, there has been no change in the principal terms of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement since they were entered into on 24 April 2020.

B. THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT

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

(a) Subject Matter

Pursuant to the Sinopharm Distribution Framework Agreement, the Company agrees to sell the Self-owned Products to the Sinopharm Group from time to time. The Sinopharm Distribution Framework Agreement further provides that all transactions in relation to the sales of the Self-owned Products by the Group to Sinopharm Group 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 Hong Kong Listing Rules and applicable laws.

The automatic renewal of the Sinopharm Distribution Framework Agreement will become effective on 1 January 2023 and will be for a term of three years expiring on 31 December 2025.

The term of the Sinopharm Distribution Framework Agreement may be automatically renewed for a successive period of three years thereafter, subject to compliance with the Hong Kong Listing Rules.

(b) Basis of Consideration

The selling prices of the Self-owned Products will be determined between the parties on an arm's length market basis with reference to (i) the prices of products with the same generic name or therapeutic area as recorded in the national medical insurance directories and regulatory requirements updated from time to time, including the "National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance Drug Catalogue (2021)" and the "Notice on Incorporating 97 Drugs into Category B of the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance" issued by the Ministry of Human Resources and Social Security of China; and (ii) market research analysis conducted by internal departments, including analysis on market demand, expected market shares, etc. As the Group also sells the Self-owned Products to other distributors, the selling prices offered by the Group to the Sinopharm Group will be no more favourable than the selling prices offered by the Group to the other independent third parties under the same conditions.

(c) Historical Amounts and Proposed Annual Caps

The historical amounts received by the Group from Sinopharm Group for the sales of the Self-owned Products pursuant to the Sinopharm Distribution Framework Agreement amounted to approximately RMB54.19 million and RMB445.47 million for the years ended 31 December 2020 and 2021, respectively. Based on the unaudited management account of the Group, the amount received by the Group from Sinopharm Group for the sales of the Self-owned Products pursuant to the Sinopharm Distribution Framework Agreement was approximately RMB802.50 million for the nine months ended 30 September 2022.

The maximum annual transaction amount to be received by the Group from Sinopharm Group for the sales of the Self-owned Products pursuant to the Sinopharm Distribution Framework Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed RMB2,833 million, RMB4,491 million and RMB4,691 million, respectively.

The proposed annual caps are determined with reference to, among other things, (i) the expected market demand for the Self-owned Products, (ii) the sales volume of relevant Self-owned Products to be distributed by Sinopharm taking into consideration its extensive network, (iii) potential competition landscape of the relevant Self-owned Products, (iv) regulatory requirements, and (v) the affordability and accessibility of the Self-owned Products. The proposed annual caps are arrived at by adopting the estimated sales amount of the Self-owned Products recorded by the Group for the years ending 31 December 2023, 2024 and 2025 and multiplied by the respective estimated sales proportion to be distributed through Sinopharm Group in the respective years.

(d) Reasons for and Benefits of the Sinopharm Distribution Framework Agreement

Sinopharm is specialised in the distribution of, among other things, pharmaceutical and healthcare products and the operation of retail pharmacies. The renewal of the Sinopharm Distribution Framework Agreement will enable the Group to continue to leverage on the distribution network possessed by Sinopharm, which would provide a platform for the Group's products to reach a wider range of potential customers and thereby creating commercial benefits and enhancing the brand awareness of the Group and its products in the future. Accordingly, the Company considers the renewal of the Sinopharm Distribution Framework Agreement would be in the best interest of the Company and its shareholders as a whole.

C. THE SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

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

(a) Subject Matter

Pursuant to the Sinopharm Procurement Framework Agreement, the Company agrees to procure (i) warehousing and logistics services, and (ii) raw materials, including reagent, from Sinopharm Group. The Sinopharm Procurement Framework Agreement further provides that all transactions in relation to the 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 Hong Kong Listing Rules and applicable laws.

The automatic renewal of the Sinopharm Procurement Framework Agreement will become effective on 1 January 2023 and will be for a term of three years expiring on 31 December 2025.

The term of the Sinopharm Procurement Framework Agreement may be automatically renewed for a successive period of three years thereafter, subject to compliance with the Hong Kong Listing Rules.

(b) Basis of Consideration

The prices for each of the transactions in relation to the procurement of (i) warehousing and logistics services and (ii) raw materials (including reagents) contemplated under the Sinopharm Procurement Framework Agreement will be determined with reference to market prices. When determining market prices, the Company will obtain fee quotes from at least two independent third party suppliers. The purchase prices to be paid by the Company to Sinopharm Group will be no more favourable than those paid by the Company to independent third party suppliers under the same conditions.

(c) Historical Amounts and Proposed Annual Caps

There were no historical amounts payable by the Group to Sinopharm Group for the procurement of warehousing and logistic services pursuant to the Sinopharm Procurement Framework Agreement for the years ended 31 December 2020 and 2021. Based on the unaudited management account of the Group, the amount payable by the Group to Sinopharm Group for the procurement of warehousing and logistic services pursuant to the Sinopharm Procurement Framework Agreement was approximately RMB0.28 million for the nine months ended 30 September 2022.

The maximum annual transaction amount to be paid by the Group to Sinopharm Group for the procurement of warehousing and logistic services pursuant to the Sinopharm Procurement Framework Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed RMB21.00 million, RMB24.50 million and RMB22.00 million, respectively. The proposed annual caps are determined with reference to, among other things, (i) the estimated sales volume of relevant products to Sinopharm and other distributors, and (ii) the future demand of the Group for warehousing and logistic services.

The historical amounts payable by the Group to Sinopharm Group in relation to the purchase of raw materials (including reagents) pursuant to the Sinopharm Procurement Framework Agreement amounted to approximately RMB2.29 million and RMB3.10 million for the years ended 31 December 2020 and 2021, respectively. Based on the unaudited management account of the Group, the amount payable by the Group to Sinopharm Group in relation to the purchase of raw materials (including reagents) pursuant to the Sinopharm Procurement Framework Agreement was approximately RMB1.47 million for the nine months ended 30 September 2022.

The maximum annual transaction amount to be paid by the Group to Sinopharm Group for the purchase of raw materials (including reagents) pursuant to the Sinopharm Procurement Framework Agreement for the years ending 31 December 2023, 2024 and 2025 will not exceed RMB9.50 million, RMB16.50 million and RMB16.50 million, respectively. The proposed annual caps are determined with reference to, among other things, (i) the extensive pipeline products of the Group and the expected research and development as well as production progress of relevant products, (ii) the Group's estimated research and development and commercial production capacity, and (iii) the future demand of the Group for the relevant raw materials.

(d) Reasons for and Benefits of the Sinopharm Procurement Framework Agreement

Apart from the distribution of pharmaceutical and healthcare products, Sinopharm is also experienced in providing warehousing and logistics services. The warehousing and logistics services to be provided by Sinopharm Group would help save the Group's costs and time involved for the distribution of its products to the distribution outlets and/or warehouses of Sinopharm and/or other distributors. Sinopharm is also engaged in production and sales of laboratory products including chemical reagent in the PRC. The procurement of raw materials, including reagent, from Sinopharm Group will be in the interests of the Group's ongoing research and development as well as manufacturing activities.

THE PROPERTY LEASING FRAMEWORK AGREEMENTS

A. BACKGROUND

On 17 November 2022, the Company entered into the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement with Clone High Tech and Fukun Pharmaceutical, respectively, for the period from 1 January 2023 and ending on 31 December 2025. Accordingly, the Group has agreed to lease certain premises from Clone High Tech and Fukun Pharmaceutical. The Group will enter into separate lease agreements under the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement to agree on specific terms of house leasing and property management services.

B. THE PROPERTY LEASING FRAMEWORK AGREEMENTS

(a) Principal Terms of the Clone Property Leasing Framework Agreement

Date: 17 November 2022

Parties: (i) The Company
(ii) Clone High Tech

Premises: The premises to be leased are located at No. 1289, Yishan Road, Xuhui District, Shanghai, the PRC. The exact areas to be leased will be determined in separate lease agreements to be entered into in accordance with the terms and conditions of the Clone Property Leasing Framework Agreement.

- Term: Three years, commencing from 1 January 2023 and ending on 31 December 2025
- Rent: The rent (including the property management fees) to be paid by the Group will be determined in accordance with the following pricing basis:
- (i) the rent (including the property management fees) for the year ending 31 December 2023 shall not exceed RMB7.62 per square meter per day;
 - (ii) the rent (including the property management fees) for the year ending 31 December 2024 shall not exceed RMB8.53 per square meter per day; and
 - (iii) the rent (including the property management fees) for the year ending 31 December 2025 shall not exceed RMB9.55 per square meter per day.

Subject to separate lease agreements to be entered into by the Group and Clone High Tech, the Company shall pay the rent on a monthly basis.

The rent payable to Clone High Tech under the Clone Property Leasing Framework Agreement was determined by the parties on arm's length basis with reference to the prevailing market price of the properties nearby. When determining the pricing basis, the Company has made enquiries with at least two independent third party lessors in relation to the terms offered for the leasing of similar properties.

(b) Principal Terms of the Fukun Property Leasing Framework Agreement

- Date: 17 November 2022
- Parties: (i) The Company
- (ii) Fukun Pharmaceutical
- Premises: The premises to be leased are located at No. 367, Shengrong Road, Pudong New Area, Shanghai, the PRC. The exact areas to be leased will be determined in separate lease agreements to be entered into in accordance with the terms and conditions of the Fukun Property Leasing Framework Agreement.
- Term: Three years, commencing from 1 January 2023 and ending on 31 December 2025
- Rent: The rent (including the property management fees) to be paid by the Group will be determined in accordance with the following pricing basis:

- (i) the rent (including the property management fees) from 1 January 2023 to 30 June 2023 shall not exceed RMB4.30 per square meter per day;
- (ii) the rent (including the property management fees) from 1 July 2023 to 30 June 2024 shall not exceed RMB4.64 per square meter per day;
- (iii) the rent (including the property management fees) from 1 July 2024 to 31 May 2025 shall not exceed RMB5.02 per square meter per day; and
- (iv) the rent (including the property management fees) from 1 June 2025 to 31 December 2025 shall not exceed RMB5.42 per square meter per day.

Subject to separate lease agreements to be entered into by the Group and Fukun Pharmaceutical, the Company shall pay the rent on a monthly basis.

The rent payable to Fukun Pharmaceutical under the Fukun Property Leasing Framework Agreement was determined by the parties on arm's length basis with reference to the prevailing market price of the properties nearby. When determining the pricing basis, the Company has made enquiries with at least two independent third party lessors in relation to the terms offered for the leasing of similar properties.

(c) Accounting Treatment of the Lease under the Property Leasing Framework Agreements

In accordance with the IFRSs applicable to the Group, the rent (including the property management fees) under the Property Leasing Framework Agreements is capital in nature and will be recognised as assets of the Group at the commencement date of the lease. The IFRSs applicable to the Group include IFRS 16 "Leases" which came into effect on 1 January 2019. Under IFRS 16 and in the consolidated statement of financial position of the Company, the Company as the lessee shall recognise a lease as a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The asset and the liability arising from the lease are initially measured on a present value basis and calculated by discounting the non-cancellable lease payments under the lease, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Company, the Company shall recognise (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses from the lease liability amortised over the lease term.

(d) Historical Transaction Amounts and Annual Caps

Pursuant to the guidance issued by the Stock Exchange, the annual caps for leases under a framework agreement should be determined based on the total value of right-of-use assets relating to the leases to be entered into by the issuer in each year.

The total value of the right-of-use assets relating to the leases entered into by the Group with Clone High Tech and Fukun Pharmaceutical and/or their associates in relation to the leasing of property for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 amounted to approximately RMB42.00 million, RMB31.23 million and RMB31.50 million, respectively.

The annual caps for the leases to be entered into by the Group under the Property Leasing Framework Agreements, including the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement, which are based on the value of the right-of-use assets relating to such leases, for the three years ending 31 December 2023, 2024 and 2025 are expected not to exceed RMB113.24 million, RMB34.81 million and RMB135.66 million, respectively.

The annual caps have been determined with reference to (i) the pricing basis as set out in each of the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement, (ii) the historical transactions amounts, (iii) the terms of the existing lease agreements, including their respective expiration dates and (iv) the demand for the property leasing service in line with the Company's business development.

(e) Reasons for and Benefits of Entering into the Property Leasing Framework Agreements

In the ordinary and usual course of business, the Company enters into lease agreements for its use as manufacturing facilities, laboratories and/or office buildings from time to time. Entering into the Property Leasing Framework Agreements is necessary for the normal operation and improvement of operational efficiency of the Group, and the terms offered by Clone High Tech and Fukun Pharmaceutical is on normal commercial terms. Accordingly, the Company considers entering into the Property Leasing Framework Agreements would be in the interests of the Company and its shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

(a) Renewal of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement

As at the date of this announcement, Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interests in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment. Therefore, Sinopharm is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the Sinopharm Distribution Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025 exceeds 5%, the continuing connected transactions under the Sinopharm Distribution Framework Agreement are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for each of the transactions in relation to the procurement of (i) warehousing and logistic services and (ii) raw materials contemplated under the Sinopharm Procurement Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025 is more than 0.1% but less than 5%, each of the transactions in relation to the procurement of (i) warehousing and logistic services and (ii) raw materials contemplated under the Sinopharm Procurement Framework Agreement is subject to reporting, announcement and annual review requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

(b) The Property Leasing Framework Agreements

As at the date of this announcement, both of Clone High Tech and Fukun Pharmaceutical are wholly-owned subsidiaries of Fosun Pharma, the controlling shareholder of the Company. Therefore, each of Clone High Tech and Fukun Pharmaceutical is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Property Leasing Framework Agreements, including the Clone Property Leasing Framework Agreement and Fukun Property Leasing Framework Agreement, constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the guidance issued by the Stock Exchange, the Company has set annual caps for the leases to be entered into by the Group under the Property Leasing Framework Agreements based on the total value of the right-of-use assets relating to such leases. As the highest applicable percentage ratio in respect of the annual caps for the leases under the Property Leasing Framework Agreements exceed 0.1% but is less than 5%, the leases under the Property Leasing Framework Agreements are subject to reporting, announcement and annual review requirements, but exempt from the circular and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

In connection with the leasing of properties from Clone High Tech and Fukun Pharmaceutical, the Company is also required to share the payment of government charges for using public utilities (including electricity and water) and pay such amount to Clone High Tech and Fukun Pharmaceutical. The payment to be paid by the Company to Clone High Tech and Fukun Pharmaceutical equals to the amount to be charged by the relevant government authorities and to be paid by Clone High Tech and Fukun Pharmaceutical to the relevant authorities in relation to the proportion of public utilities consumed by the Group. Accordingly, the sharing of public utilities and the payment by the Company for such government charges on a cost basis are fully exempt continuing connected transactions pursuant to Rule 14A.98 of the Listing Rules.

INFORMATION ON THE PARTIES

(a) Sinopharm

Sinopharm is established in the PRC and the H shares of Sinopharm have been listed on the Main Board of the Stock Exchange (stock code: 01099). Sinopharm Group is mainly engaged in distribution of pharmaceutical products to clients including hospitals, other distributors, retail pharmacy stores and clinics, distribution of medical devices to clients, operation of chain pharmacy stores, and distribution of laboratory supplies, manufacturing and distribution of chemical reagents, and production and sale of pharmaceutical products.

(b) Clone High Tech

Clone High Tech is a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company. Clone High Tech is principally engaged in technology development, technology consultancy, technical service and technology transfer in the biotech area, sales of biotech instrument and equipment, daily necessities and office supplies, import and export business of goods and technology, property leasing, property management, parking services.

(c) Fukun Pharmaceutical

Fukun Pharmaceutical is a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Fosun Pharma, the controlling shareholder of the Company. Fukun Pharmaceutical is principally engaged in pharmaceuticals, biological products, diagnostic testing, diagnostic medical equipment, technical consultation in the field of experimental equipment, technology development, technology transfer, technology services, industrial investment, pharmaceutical industry investment, import and export business of goods and technology, non-residential real estate leasing, housing leasing, property management, car park services.

(d) 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 H shares of the Company have been listed on the Main Board of the Stock Exchange since September 2019.

DIRECTORS' CONFIRMATION

(a) Directors' Interests and Board Approval

Each of Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen and Mr. Zihou Yan holds various positions with Fosun Pharma and/or its subsidiaries, and each of them has abstained from voting on the Board resolution approving (i) the renewal of the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement and the transactions contemplated thereunder; and (ii) the Property Leasing Framework Agreements and the transactions contemplated thereunder.

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 Sinopharm Distribution Framework Agreement, the Sinopharm Procurement Framework Agreement and the Property Leasing Framework Agreements, and no other Director has abstained from voting on the relevant Board resolutions approving (i) the Sinopharm Distribution Framework Agreement and the Sinopharm Procurement Framework Agreement and the transactions contemplated thereunder; and (ii) the Property Leasing Framework Agreements and the transactions contemplated thereunder.

(b) Fairness and Reasonableness

The Directors (other than the independent non-executive Directors, who will provide their view after taking into consideration the advice of the Independent Financial Adviser and whose view will be set out in the circular) are of the view that the terms of the Sinopharm Distribution Framework Agreement and the relevant proposed annual caps are fair and reasonable, the transactions contemplated under the Sinopharm Distribution Framework 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.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sinopharm Procurement Framework Agreement and the Property Leasing Framework Agreements and the relevant proposed annual caps are fair and reasonable, the transactions contemplated under the Sinopharm Procurement Framework Agreement and the Property Leasing Framework Agreements 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.

GENERAL INFORMATION

(a) Independent Board Committee and Independent Financial Adviser

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider and advise the Independent Shareholders on the terms of the Sinopharm Distribution Framework Agreement and the proposed annual caps. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, in each case, on the terms of the Sinopharm Distribution Framework Agreement and the proposed annual caps.

A circular containing, among other things, details of the Sinopharm Distribution Framework Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee is expected to be despatched to the Shareholders on or about 1 December 2022.

(b) Voting at the EGM

An EGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the renewal of the transactions under the Sinopharm Distribution Framework Agreement. As far as the Directors are aware, having made all reasonable enquiries, save for Fosun New Medicine, Fosun Pharma Industrial Development and Fosun Industrial, which are subsidiaries of Fosun Pharma and which are interested in an aggregate of approximately 59.29% of the total issued Shares of the Company as at the date of this announcement, no other Shareholders are required to abstain from voting on the resolution to be proposed regarding the Sinopharm Distribution Framework Agreement at the EGM.

OTHER INFORMATION

As Sinopharm is a related party of Fosun Pharma pursuant to the Shanghai Stock Exchange Listing Rules, the transactions between the Fosun Pharma Group and the Sinopharm Group (including those to be entered between the Group and Sinopharm Group) constitute related party transactions of Fosun Pharma. Accordingly, Fosun Pharma and Sinopharm has entered into the Fosun Pharma-Sinopharm Framework Agreement. As at the date of this announcement, the Fosun Pharma-Sinopharm Framework Agreement and the transactions contemplated thereunder are subject to the shareholders' approval of Fosun Pharma in accordance with its articles of association and applicable laws and regulations of the PRC.

DEFINITIONS

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

“Board”	the board of Directors
“Clone High Tech”	Shanghai Clone High Technology Co., Ltd.* (上海克隆生物高技術有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma
“Clone Property Leasing Framework Agreement”	the property leasing framework agreement dated 17 November 2022 entered into between the Company and Clone High Tech in relation to the leasing of the premises
“Company”	Shanghai Henlius Biotech, Inc., a joint stock company established in the PRC with limited liability, the H shares of which are listed and traded on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, to approve, the continuing connected transactions set out in this announcement
“Fosun Industrial”	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a company incorporated in Hong Kong on 22 September 2004 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
“Fosun International”	Fosun International Limited (復星國際有限公司), 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 New Medicine”	Shanghai Fosun New Medicine Research Company Limited* (上海復星新藥研究有限公司), a company established in the PRC on 12 September 2008 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
“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
“Fosun Pharma Group”	Fosun Pharma and its subsidiaries, including the Group
“Fosun Pharma Industrial Development”	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a company established in the PRC on 27 November 2001 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
“Fosun Pharma-Sinopharm Framework Agreement”	the renewed products/services mutual supply framework agreement dated 29 August 2022 entered into between Fosun Pharma and Sinopharm relating to the transactions between the Fosun Pharma Group and Sinopharm Group, including without limitation, the transactions contemplated under the Sinopharm Distribution Framework Agreement and Sinopharm Procurement Framework Agreement
“Fukun Pharmaceutical”	Shanghai Fukun Pharmaceutical Technology Development Co., Ltd.* (上海復坤醫藥科技發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma
“Fukun Property Leasing Framework Agreement”	the property leasing framework agreement dated 17 November 2022 entered into between the Company and Fukun Pharmaceutical in relation to the leasing of the premises
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders, in each case on the terms of the Sinopharm Distribution Framework Agreement

“Independent Shareholders”	shareholders of the Company other than Fosun New Medicine, Fosun Pharma Industrial Development and Fosun Industrial
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan regions
“Property Leasing Framework Agreements”	the Clone Property Leasing Framework Agreement and the Fukun Property Leasing Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Self-owned Products”	the self-developed products (except for HANLIKANG and HANDAYUAN) of the Group, including HANQUYOU (trastuzumab injection), HANBEITAI (bevacizumab injection), HANSIZHUANG (serplulimab injection), etc.
“Shanghai Stock Exchange Listing Rule(s)”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as amended from time to time
“Shares”	the shares of the Company
“Sinopharm”	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司), 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 (stock code: 01099)
“Sinopharm Distribution Framework Agreement”	the distribution framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the sales of the Self-owned Products by the Group to Sinopharm Group
“Sinopharm Group”	Sinopharm and its subsidiaries
“Sinopharm Industrial Investment”	Sinopharm Industrial Investment Co. Ltd.* (國藥產業投資有限公司), a company incorporated in the PRC on 5 June 2008 and the controlling shareholder of Sinopharm

“Sinopharm Procurement Framework Agreement”

the procurement framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the procurement of (i) warehousing and logistic services and (ii) raw materials by the Group from Sinopharm Group

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

* for identification purpose

On Behalf of the Board
Shanghai Henlius Biotech, Inc.
Wenjie Zhang
Chairman

Hong Kong, 17 November 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Wenjie Zhang as chairman and the executive director, Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen 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.