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)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LICENSE AGREEMENT

LICENSE AGREEMENT

On 17 November 2022, the Company entered into the License Agreement with Fosun Pharmaceutical Industrial, pursuant to which the Company agreed to grant to Fosun Pharmaceutical Industrial an exclusive license under the Company's intellectual property to commercialise the Licensed Product in the Field in the Territory.

REASONS FOR, AND BENEFITS OF, THE LICENSE AGREEMENT

Fosun Pharma Group possesses a marketing system by product lines featured by professionalism, branding, digitalization and compliance that supports existing products and products to be launched to the market, with over 1,400 employees in the overseas professional marketing team for Africa, Europe, the U.S. and other overseas areas, and has built up a comprehensive support system in medical affairs, market access, medical strategic alliance, brand promotion, etc.. The cooperation with Fosun Pharmaceutical Industrial under the License Agreement will enable the Company to further expand the overseas market of the Licensed Product, enhance the accessibility and recognition of the Company's products in the international market, which will contribute to the sustainable growth of the Company.

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 License Agreement and the transactions contemplated thereunder. 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 License Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the License 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.

A. INTRODUCTION

On 17 November 2022, the Company entered into the License Agreement with Fosun Pharmaceutical Industrial, pursuant to which the Company agreed to grant to Fosun Pharmaceutical Industrial an exclusive license under the Company's intellectual property to commercialise the Licensed Product in the Field in the Territory.

B. PRINCIPAL TERMS OF THE LICENSE AGREEMENT

The principal terms of the License Agreement are summarized as follows:

(i) The License

The Company will grant to Fosun Pharmaceutical Industrial an exclusive license (with the right to sublicense, provided that Fosun Pharmaceutical Industrial shall not sublicense or assign its principal commercialisation rights to any third party without the Company's prior written consent, except that such advance written approval is not required if Fosun Pharmaceutical Industrial sublicenses to Fosun Pharma USA, Inc., or remains principally responsible for and in charge of the commercialisation of the Licensed Product in the Field in the Territory after such sublicense is granted), under the Company's intellectual property to commercialise the Licensed Product in the Field in the Territory.

(ii) Consideration

Pursuant to the License Agreement, Fosun Pharmaceutical Industrial is required to make the following payments to the Company:

(a) **Upfront Payment**: an upfront payment of RMB1 billion, among which RMB0.5 billion shall be made within thirty (30) days after the Effective Date (as defined below), while the remaining RMB0.5 billion shall be made within thirty (30) days after Fosun Pharmaceutical Industrial receives key existing regulatory materials from the Company. Notwithstanding the above, all the Upfront Payment should be made by 31 March 2023. In addition, RMB166,666,666 will be refunded if the first BLA for the Licensed Product has not been approved by the FDA by 30 June 2025, and another RMB166,666,667 will be refunded if the first BLA for the Licensed Product has not been approved by the FDA by 31 December 2026.

The amount of the Upfront Payment is determined after arm's length negotiations between the parties with reference to the prices quoted by third parties for licensing the Licensed Product under similar conditions and the expected commercialisation progress for the Licensed Product.

(b) **One-off Regulatory Milestone Payment**: the regulatory milestone payment in the amount of US$50 million within thirty (30) days after the approval of the first BLA for the Licensed Product by the FDA.

The amount of the Regulatory Milestone Payment is determined after arm's length negotiations between the parties with reference to prevailing market rates for regulatory milestone payment for products of similar nature and prices previously paid by third parties to the Company for licensing of similar products under similar conditions. In assessing the reasonableness and fairness of the Regulatory Milestone Payment, the Company has referred to the regulatory milestone fee charged by industrial peers for transactions of similar nature.

(c) **Sales Milestone Payments**: sales milestones payments of not more than US$650 million in aggregate based on the achievements of annual Net Sales (as defined below) of the Licensed Product in the Territory, which will be made within thirty (30) days after the date of the achievement of the relevant milestones as follows:

Sales Milestones	**Payments**
Annual Net Sales reach US$300 million	US$45 million
Annual Net Sales reach US$500 million	US$75 million
Annual Net Sales reach US$1 billion	US$150 million
Annual Net Sales reach US$1.5 billion	US$180 million
Annual Net Sales reach US$2 billion	US$200 million

The Sales Milestone Payments were determined after arm's length negotiations between the parties with reference to prevailing market prices by assessing sales milestone payments charged by industrial peers for transactions of similar nature.

(d) **Royalty Payments**: royalty payments will be made as follows:

Range of Annual Aggregate Net Sales	**Royalty Rate**
On that portion which is less than or equal to US$250 million	10%
On that portion which is greater than US$250 million but less than or equal to US$400 million	14%
On that portion which is greater than US$400 million	18%

The Royalty Payments shall be paid on a quarterly basis on the same date that the report of the Net Sales (as defined below) is delivered by Fosun Pharmaceutical Industrial to the Company within 30 days after the end of each calendar quarter.

The Royalty Payments were determined after arm's length negotiations between the parties with reference to prevailing market prices by assessing royalties charged by industrial peers for transactions of similar nature, and also taking into account the Transfer Price Payments to be paid by Fosun Pharmaceutical Industrial to the Company as set out in (e) below.

The Net Sales refers to the gross amount invoiced by or on behalf of Fosun Pharmaceutical Industrial, its affiliate(s) or their sublicenses, as applicable, for sales of Licensed Product to any third party, in arm's length transactions during the Term (as defined below), less the following deductions to the extent that they are related to the aforesaid sales of Licensed Product and subject to any cap that the parties may mutually agree upon, for:

i. reasonably estimated or actually incurred customary trade, cash or quantity discounts or rebates;

ii. reasonably estimated or actually incurred adjustments on account of price adjustments, billing adjustments, shelf stock adjustments, or initial stock fees;

iii. reasonably estimated or actually incurred chargebacks directly related to sales of the Licensed Product;

iv. reasonably estimated or actually incurred taxes (including VAT, excise, consumption, sales and similar taxes and customs duties) payable to the relevant tax authority (but specifically excluding, for clarity, any income taxes assessed against the income arising from such sale) in connection with;

v. reasonably estimated or actually incurred amounts of rejections, outdating, recalls or returns and any write-offs for bad debt (provided that any amount subsequently recovered will be added back as Net Sales); and

vi. other specifically identifiable amounts that have been credited against or deducted from the gross sales of the Licensed Product and are similar to those credits and deductions listed above.

In the case of any sale of the Licensed Product for value other than in an arm's length transaction exclusively for cash, such as barter or counter-trade, or if non-monetary consideration is received as consideration, Net Sales shall be determined by referencing Net Sales at which substantially similar quantities of Licensed Product are sold in an arm's length transaction for cash during the preceding period in the applicable country.

In the case of vials of the Licensed Product were given out as samples for free, that would constitute either promotion costs or discount, and would not be part of the Net Sales.

The Royalty Payments shall continue until the latest of: (i) the expiration, invalidation or abandonment date of the last valid claim that covers the composition of matter of the Licensed Product in the Territory, (ii) fifteen (15) years after the first commercial sale of the Licensed Product in the Territory, and (iii) the expiration of regulatory marketing exclusivity for the Licensed Product in the Territory (the "**Royalty Term**").

(e) **Transfer Price Payments**: the transfer price payment of the Licensed Product to be supplied by the Company to Fosun Pharmaceutical Industrial amounting to 8% of the Net Selling Price (as defined below) of the License Product, subject to an adjustment on a calendar quarter basis and the terms and conditions under the License Agreement. The Transfer Price shall be paid within thirty (30) days after the receipt of the corresponding invoice.

Net Selling Price refers to, with respect to a unit of Licensed Product, the Net Sales of such Licensed Product in the applicable period divided by the number of units of such Licensed Product sold in such period.

The Transfer Price Payments were determined after arm's length negotiations between the parties based on the expected supply quantity of the Licensed Product during the term of the License Agreement with reference to prevailing market rates for supplying products of similar nature. In assessing the reasonableness and fairness of the Transfer Price Payments, the Company has referred to the margin charged by industrial peers for supplying products of similar nature.

(iii) Repurchase Options

After the third anniversary of the first commercial sale of the Licensed Product in the Territory, the Company has option to repurchase the license right under the License Agreement at a price equal to three times of the Net Sales of the Licensed Product in the Territory during the then-previous 12-month period, if the repurchase occurs within one month after the third anniversary of the first commercial sale of the Licensed Product in the Territory. Provided, the total repurchase price shall not be less than US$250 million. After the repurchase, Fosun Pharmaceutical Industrial will receive agreed royalties under the condition that Fosun Pharmaceutical Industrial has selected and shared agreed rate of the development cost for at least two other indications. The Company should notify Fosun Pharmaceutical Industrial at least twelve months in advance before exercising the repurchase option.

Starting from the first commercial sale of the Licensed Product in the Territory and ending on the third anniversary of such first commercial sale, the Company also has option to repurchase the license right under the License Agreement if Fosun Pharmaceutical Industrial fails to achieve sales of at least fifty percent (50%) of the forecasted sales of the Licensed Product in the Territory for two consecutive years at a price that is equal to the total amount of upfront payment, milestones payments and development cost (if any) actually paid by Fosun Pharmaceutical Industrial under the License Agreement.

(iv) Regulatory Activities

In respect of the ES-SCLC, the Company will be responsible for all development and regulatory activities of the Licensed Product in the Field in the Territory before the grant of marketing approval, including any studies (including a bridging study) and the marketing authorization application preparation and filing. After the grant of marketing approval, Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the Field in the Territory, including maintaining, extending marketing approvals, market access and other regulatory activities required.

In respect of other indications, the parties shall negotiate in good faith and enter into a separate agreement to agree on the development plan and cost sharing arrangement.

(v) Supply of the Licensed Product

The Company will be responsible for the supply of the Licensed Product exclusively in the Territory.

(vi) Effective Date

The License Agreement will become effective on the date on which the later of the following occurs: (a) the Company's approval of the execution of the License Agreement through the Board and the Shareholders in accordance with the Company's articles of association; (b) Fosun Pharmaceutical Industrial's approval of the execution of the License Agreement through its board of directors and its shareholders (if necessary) in accordance with Fosun Pharmaceutical Industrial's articles of association; and (c) the execution of the License Agreement by the parties.

(vii) Term of the License Agreement and Termination

Term of the License Agreement shall commence on the Effective Date and will be valid until Fosun Pharmaceutical Industrial concludes, in its sole discretion, that the Licensed Product is no longer commercially viable in the Territory with a one hundred-eighty (180) days prior written notice, or is terminated earlier by the parties pursuant to the License Agreement.

C. INFORMATION ABOUT THE LICENSED PRODUCT

HANSIZHUANG (serplulimab injection) is an innovative anti-PD-1 monoclonal antibody independently developed by the Company and was approved for marketing in mainland China in March 2022. As of the date of this announcement, HANSIZHUANG has been approved for two indications in mainland China: (1) the treatment of adult patients with advanced unresectable or metastatic Microsatellite Instability-High ("**MSI-H**") solid tumours that have failed to respond to the standard therapy; and (2) the first-line treatment of patients with unresectable locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) in combination with carboplatin and albumin-bound paclitaxel. In addition, the new drug applications for another two indications of HANSIZHUANG have been accepted by the NMPA: in April 2022, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of previously untreated patients with extensive stage small cell lung cancer (ES-SCLC) was accepted by the NMPA; in August 2022, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of patients with locally advanced/recurrent or metastatic esophageal squamous cell carcinoma (ESCC) was accepted by the NMPA. HANSIZHUANG is planned to be used for the treatment of a variety of solid tumours, and in addition to the indications of the MSI-H solid tumours and squamous non-small cell lung cancer (sqNSCLC) which have been approved for marketing, HANSIZHUANG is being undergone clinical studies in 10 combination therapies with it as the core in various countries and regions around the world. The sales promotion of HANSIZHUANG in mainland China is conducted by the Company's inhouse commercialisation team. As of the date of this announcement, the Company has entered into business cooperation with PT Kalbe Genexine Biologics for commercialisation of HANSIZHUANG in Philippines, Indonesia, Malaysia, Singapore, Thailand, Laos, Myanmar, Cambodia, Brunei and Vietnam.

D. REASONS FOR, AND BENEFITS OF, THE LICENSE AGREEMENT

Fosun Pharma Group possesses a marketing system by product lines featured by professionalism, branding, digitalization and compliance that supports existing products and products to be launched to the market, with over 1,400 employees in the overseas professional marketing team for Africa, Europe, the U.S. and other overseas areas, and has built up a comprehensive support system in medical affairs, market access, medical strategic alliance, brand promotion, etc.. The cooperation with Fosun Pharmaceutical Industrial under the License Agreement will enable the Company to further expand the overseas market of the Licensed Product, enhance the accessibility and recognition of the Company's products in the international market, which will contribute to the sustainable growth of the Company.

E. LISTING RULES IMPLICATIONS UNDER CHAPTER 14A OF THE LISTING RULES

As at the date of this announcement, Fosun Pharmaceutical Industrial is a subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore Fosun Pharmaceutical Industrial is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly:

(i) the entering into the License Agreement and the proposed payments of the Upfront Payment and the Regulatory Milestone Payments would constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules; and

(ii) the payment of the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to (i) above, as the highest applicable percentage ratio in respect of the aggregate of the Upfront Payment and the Regulatory Milestone Payments exceeds 5%, the payments of the Upfront Payment and the Regulatory Milestone Payments under the License Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

With respect to (ii) above, (i) the Company has applied for a waiver from strict compliance with the requirement under Rule 14A.53 to set monetary annual caps, so as to allow the Company to use the formula set out in *"B. Principal Terms of the License Agreement – (ii) Consideration – (c) Sales Milestone Payments"*, *"B. Principal Terms of the License Agreement – (ii) Consideration – (d) Royalty Payments"* and *"B. Principal Terms of the License Agreement – (ii) Consideration – (e) Transfer Price Payments"* above as the annual caps for the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments, respectively, during the term of the License Agreement; and (ii) as the Royalty Term does not have a specified term and would be more than three years, the Company has applied for a waiver from strict compliance with Rule 14A.52 to allow the term of the License Agreement to be for an unspecified term. Further information about the progress of the waivers applications will be announced by the Company.

F. DIRECTORS' CONFIRMATION

The Directors (other than the independent non-executive Directors, who will provide their opinion after taking into consideration the advice of the Independent Financial Adviser, details of which will be set out in the circular) are of the view that the terms of the License Agreement are fair and reasonable, and that the transactions contemplated thereunder 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.

As at the date of this announcement, as each of Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen and Mr. Zihou Yan holds various positions with Fosun Pharmaceutical Industrial and/or its subsidiaries, each of them has abstained from voting on the Board resolutions approving the License Agreement 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 License Agreement, and no other Director has abstained from voting on the relevant Board resolutions approving the License Agreement and the transactions contemplated thereunder.

G. INFORMATION ABOUT THE PARTIES

(a) Fosun Pharmaceutical Industrial

Fosun Pharmaceutical Industrial is a company incorporated in the PRC with limited liability and a wholly owned subsidiary of Fosun Pharma. Fosun Pharmaceutical Industrial is principally engaged in industrial investment, pharmaceutical industry investment and import and export of goods and technology, etc..

(b) 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.

H. 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 License Agreement and transactions contemplated thereunder. 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 License Agreement and transactions contemplated thereunder.

A circular containing, among other things, details of the License 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 transactions under the License Agreement. Fosun Pharmaceutical Industrial and its associates (including Fosun New Medicine and Fosun Industrial, which are fellow subsidiaries of Fosun Pharmaceutical Industrial), 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, will abstain from voting on the resolution regarding the License Agreement at the EGM. Save for the above, as far as the Directors are aware having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the resolution to be proposed regarding the License Agreement at the EGM.

I. DEFINITIONS

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

"BLA"	biologics license application
"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
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the 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 transactions under the License Agreement
"ES-SCLC"	the indication of Extensive Stage Small-Cell Lung Cancer (ES-SCLC)
"FDA"	the United States Food and Drug Administration
"Field"	therapeutic use in human for ES-SCLC and any other indications, excluding ES-SCLC, as mutually agreed by the Company and Fosun Pharmaceutical Industrial
"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 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
"Fosun Pharmaceutical Industrial"	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
"Group"	The Company and its subsidiaries
"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 License Agreement
"Independent Shareholders"	shareholders of the Company other than Fosun Pharmaceutical Industrial, Fosun New Medicine and Fosun Industrial
"License Agreement"	the license agreement dated 17 November 2022 entered into between the Company and Fosun Pharmaceutical Industrial
"Licensed Product"	Serplulimab injection drug product, also referred to as HANSIZHUANG
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
"NMPA"	National Medical Products Administration of the PRC
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan regions
"Regulatory Milestone Payments"	the regulatory milestone payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement

"Royalty Payments"	the royalty payments payable by Fosun Pharmaceutical Industrial to the Company as set out in the License Agreement
"Sales Milestone Payments"	the sales milestone payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"Transfer Price Payments"	the transfer price payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Territory"	the United States, including its territories and possessions
"Upfront Payment"	the upfront payment payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"%"	per cent.

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 the Company comprises Mr. Wenjie Zhang as the chairman and 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.