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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Shanghai Henlius Biotech, Inc., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS REGARDING THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and Independent Shareholders**

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
泓博資本有限公司

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A notice convening the EGM of the Company to be held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC at 8:00 a.m. on Tuesday, 20 December 2022 is set out on pages 36 to 37 of this circular.

A letter from the Board is set out on pages 5 to 14 of this circular and a letter from the Independent Board Committee of the Company, containing its recommendation to the Independent Shareholders, is set out on page 15 of this circular. A letter from Rainbow Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 16 to 31 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Board Secretary Office (for holders of domestic Shares or unlisted foreign Shares), at 9th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC, or the Company's H share registrar in Hong Kong (for holders of H Shares), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the EGM (i.e. not later than 8:00 a.m. on Monday, 19 December 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or at any adjourned meetings if they so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.henlius.com>).

*References to time and dates in this circular are to Beijing time and dates.*

1 December 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Articles of Association”	the articles of association of the Company currently in force
“Board”	the board of Directors
“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 Hong Kong Stock Exchange (stock code: 02696)
“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
“Director(s)”	the director(s) of the Company
“EGM”	the 2022 second extraordinary general meeting of the Company to be held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC at 8:00 a.m. on Tuesday, 20 December 2022, for the Independent Shareholders to consider, and if thought fit, to approve the resolution contained in the notice of meeting which is set out on pages 36 to 37 of this circular, or any adjournment thereof
“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

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## DEFINITIONS

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“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 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
“H Shares”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and is (are) subscribed for and traded in HK dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange as amended from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company comprising all of the Independent Non-executive Directors
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps

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## DEFINITIONS

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“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company, namely, Mr. Tak Young SO, Dr. Lik Yuen CHAN, Dr. Guoping ZHAO and Dr. Ruilin SONG
“Independent Shareholders”	Shareholders other than Fosun New Medicine, Fosun Pharmaceutical Industrial and Fosun Industrial
“Latest Practicable Date”	25 November 2022
“PRC” or “Mainland China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan regions
“Proposed Annual Caps”	the proposed new annual caps in respect of the transaction amounts to be received by the Group from Sinopharm Group for the sales of the Self-owned Products under the Sinopharm Distribution Framework Agreement for each of the three years ending 31 December 2025
“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) and HANSIZHUANG (serplulimab injection) etc.
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shanghai Stock Exchange Listing Rule(s)”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as amended from time to time
“Shareholder(s)”	holder(s) of Share(s)
“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 established 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)

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## DEFINITIONS

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“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 established in the PRC on 5 June 2008 and the controlling shareholder of Sinopharm
“Songjiang First Plant”	the Company’s manufacturing facility at Guangfu Lin Road of the Songjiang District of Shanghai
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Xuhui Facility”	the Company’s manufacturing facility at Yishan Road of the Xuhui District of Shanghai

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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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)**

*Executive Director:*

Mr. Wenjie ZHANG

*(Chairman and Chief Executive Officer)*

*Non-executive Directors:*

Mr. Qiyu CHEN

Mr. Yifang WU

Ms. Xiaohui GUAN

Mr. Deyong WEN

Mr. Zihou YAN

*Independent Non-executive Directors:*

Mr. Tak Young SO

Dr. Lik Yuen CHAN

Dr. Guoping ZHAO

Dr. Ruilin SONG

*Head office and Principal Place of Business  
in the PRC:*

9F, Innov Tower (Capitaland Building)

1801 Hongmei Road

Xuhui District, Shanghai

PRC

*Registered Office in the PRC:*

Rooms 330, Complex Building

No. 222 Kangnan Road

China (Shanghai) Pilot Free Trade Zone

PRC

*Principal Place of Business in Hong Kong:*

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

1 December 2022

*To the Shareholders*

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS REGARDING  
THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 17 November 2022 in relation to, amongst other things, the renewal of continuing connected transactions under the Sinopharm Distribution Framework Agreement.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) information on the Sinopharm Distribution Framework Agreement and the connected transactions thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM and other information as required under the Hong Kong Listing Rules.

### **2. BACKGROUND**

The Company and Sinopharm entered into the Sinopharm Distribution Framework Agreement on 24 April 2020, pursuant to which the Company has agreed that the Sinopharm Group will be one of the distributors of certain of the Group's products. The transactions contemplated under the Sinopharm Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The initial term of the Sinopharm Distribution Framework Agreement will expire on 31 December 2022. Pursuant to the terms of the Sinopharm Distribution Framework Agreement, the Sinopharm Distribution 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 after 31 December 2022. The parties have agreed that the term of the Sinopharm Distribution 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, subject to compliance with the Hong Kong Listing Rules. Save for the automatic renewal, there has been no other change in the principal terms of the Sinopharm Distribution Framework Agreement since it was entered into on 24 April 2020.

### **3. SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT**

#### **Subject Matter**

Pursuant to the Sinopharm Distribution Framework Agreement, the Company agreed 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.



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## LETTER FROM THE BOARD

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The 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 will be automatically renewed for a successive period of three years thereafter, subject to compliance with the Hong Kong Listing Rules.

### **Business Model and Payment Terms**

The Sinopharm Group will become one of the Group's distributors for the Self-owned Products. Under such distributorship arrangements, the Sinopharm Group will on-sell the Self-owned Products to the end customers such as the hospitals, and will procure the Self-owned Products from the Group from time to time. The Group will recognise revenue from such transactions upon delivery of the Self-owned Products to the Sinopharm Group. Accordingly, the Company considers that the Sinopharm Group and the Group will have a buyer-and-seller relationship.

Considering the size of the distribution network of the Sinopharm Group and discussions with Sinopharm, the invoices are intended to be settled by telegraphic transfer with a credit term in the range of 45 to 60 days, subject to the terms set out in the individual agreements entered into between the Group and the Sinopharm Group from time to time. The Directors consider that such payment terms and range of credit terms are in line with the industry norm in the biopharmaceutical industry in the PRC as a whole.

### **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.

## LETTER FROM THE BOARD

### 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 for each of the years ended 31 December 2020 and 2021 and for the nine months ended 30 September 2022 and the respective utilisation rate is set out below:

	<b>For the year ended 31 December 2020 (Audited)</b>	<b>For the year ended 31 December 2021 (Audited)</b>	<b>For the nine months ended 30 September 2022 (Unaudited)</b>
Annual caps (RMB' 000)	480,363	1,462,000	1,995,000 (for the year ending 31 December 2022)
Actual transaction amounts (RMB'000)	54,186	445,473	802,500
Utilisation rate	11.3% <sup>(Note 1)</sup>	30.5% <sup>(Note 2)</sup>	40.2% <sup>(Note 3)</sup>

*Notes:*

1. Due to the unexpected longer process for obtaining the approval for commercialisation of HANQUYOU (one of the Self-owned Products) by the NMPA, the relevant annual cap for the year ended 31 December 2020 has not been substantially utilised.
2. While the approval for marketing of HANSIZHUANG (one of the Self-owned Products) by the NMPA was obtained in March 2022, the Group planned and commenced the production of HANSIZHUANG after Xuhui Facility passed GMP compliance on-site inspection for serplulimab injection (namely HANSIZHUANG) in October 2021. Therefore, part of the production capacity of Xuhui Facility was shifted to produce HANSIZHUANG in 2021, which led to the diversion in production capacity of HANQUYOU and has affected the overall sales volume of the Self-owned Products during the year. In addition, Songjiang First Plant was not put into commercial production for HANQUYOU in 2021. Therefore, the relevant annual cap for the year ended 31 December 2021 has not been substantially utilised.
3. The lockdown in Shanghai as a result of COVID-19 pandemic resulted in a temporary severe disruption and suspension of logistics for the delivery of HANQUYOU throughout many provinces of Mainland China in the first nine months of 2022, the relevant annual cap for the nine months ended 30 September 2022 has not been substantially utilised.

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.

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## LETTER FROM THE BOARD

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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 then arrived at by adopting the estimated sales amount of the Self-owned Products to be 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.

In particular, the Company has considered the following factors in determining the Proposed Annual Caps for each of the three years ending 31 December 2025:

- (a) In respect of the Proposed Annual Cap for the year ending 31 December 2023, the Company estimates that there will be an increase in the sales volume for the Self-owned Products in 2023, considering that (i) the transaction amounts of HANQUYOU reached approximately RMB868.0 million in 2021, representing a significant growth of approximately 692.7% as compared to that in 2020. In view of the expected growing demand of the product, the Company projects an increase of approximately doubled of the estimated sales volume of HANQUYOU in 2023 with reference to its annualised sales volume in 2022; (ii) primarily due to the commencement in commercialisation of HANSIZHUANG in the first half of 2022 as well as the active promotion of the preparations by the Group for commercialisation of HANBEITAI, the Company projects approximately 30.0% of the Proposed Annual Cap for the year ending 31 December 2023 is expected to be derived from sales of HANSIZHUANG and HANBEITAI; (iii) having considered the historical sales proportion of the Group's Self-owned Products to be sold by Sinopharm Group (amounted to approximately half of the overall sales of the Group), Sinopharm Group (as the largest pharmaceutical distributor and retailer in Mainland China) possessing pivotal sales networks and resources in the industry, and the expected increase in sales amount in the pharmaceutical retail market in 2023, the Company projects there will be an increase in sales proportion of the Self-owned Products to be distributed by Sinopharm Group for the year ending 31 December 2023; and (iv) in light of the gradual relief of Covid-19 pandemic in relevant area in Mainland China after the first half of 2022, the Company projects the condition of the current temporary disruption of logistics for the production and delivery of the Self-owned Products will be greatly relieved.
- (b) In respect of the Proposed Annual Cap for the years ending 31 December 2024, the Company estimates that there will be a significant year-on-year growth of approximately 58.5% in the sales amounts of the Self-owned Products, which is primarily attributable to the estimated increase in sales of HANSIZHUANG. In view of the estimated approval of new indications and its combo therapy of HANSIZHUANG by supervision departments on a global basis, the Company projects the sales of HANSIZHUANG will be significantly increased in year 2024 following the first full year of commercialisation in 2023.

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## LETTER FROM THE BOARD

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- (c) In respect of the Proposed Annual Cap for the year ending 31 December 2025, the Company projects that the sales volume for marketed Self-owned Products will remain stable with a year-on-year growth of approximately 4.5% in the sales amounts for the Self-owned Products. There may also be other products which are currently in the process of clinical trials, such as HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection) and HLX208 (BRAF V600E inhibitor), to be included.

For more details regarding the basis for the Proposed Annual Caps, please refer to the Letter from Rainbow Capital in this circular.

In view of the above, the Board considers that the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### **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.

### **Internal control mechanism**

The Group has formulated internal control measures and procedures in relation to conducting connected transactions, which require, among other things, that all connected transactions must be carried out on normal commercial terms or better to the Group and in order to ensure the pricing mechanism as set out in the "Basis of Consideration" above and the terms of the transactions contemplated under the Sinopharm Distribution Framework Agreement are fair and reasonable and no less favourable to the Company than the terms available from independent third parties, and in the interests of the Company and its Shareholders as a whole. A control mechanism to segregate duties to notify and review these continuing connected transactions has been set up within the Group, the details of which are set out as follows:

- (a) The Distribution Management Department of the Group supervises and monitors the individual agreements entered into between the Group and the Sinopharm Group monthly to ensure they were entered into in accordance with the pricing policy under the Sinopharm Distribution Framework Agreement.

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## LETTER FROM THE BOARD

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- (b) If any revision or adjustment on the terms (including without limitation, the distribution price) of the individual agreement under the Sinopharm Distribution Framework Agreement is necessary, provided such revision or adjustment is in compliance with the Sinopharm Distribution Framework Agreement, an approval application will be made by the Distribution Management Department and approved by, among others, the Board Secretary Office.
- (c) The relevant internal audit and control department monitors and supervises the continuing connected transactions on a monthly basis, to ensure that such transactions are entered into (i) in accordance with the pricing policy under the Sinopharm Distribution Framework Agreement; (ii) in the ordinary and usual course of business of the Group; (iii) on normal commercial terms or better; and (iv) according to the Sinopharm Distribution Framework Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.
- (d) The Finance Department reports actual transaction amounts to the Distribution Management Department and Board Secretary Office on a monthly basis. If the actual transaction amounts under the Sinopharm Distribution Framework Agreement is expected to exceed the Proposed Annual Caps, the Distribution Management Department will liaise with the Finance Department and Board Secretary Office to initiate an approval application process in order to comply with all applicable requirements under the Group's internal control policy as well as under the Hong Kong Listing Rules.

Further, the Company will comply with all relevant requirements under the Hong Kong Listing Rules which include the annual review and/or confirmation by the Independent Non-executive Directors and auditors of the Company on the actual execution of the transactions contemplated under the Sinopharm Distribution Framework Agreement.

#### 4. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this circular, 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 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.

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## LETTER FROM THE BOARD

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### 5. INFORMATION ON THE COMPANY AND SINOPHARM

The Company is a leading biopharmaceutical company in the PRC providing innovative and affordable medicines for all patients. The H Shares of the Company have been listed on the Main Board of the Stock Exchange since September 2019.

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.

### 6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the Independent Non-executive Directors has been formed to advise the Independent Shareholders as to whether the Sinopharm Distribution Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and as to how to vote on the proposed resolution to approve the Sinopharm Distribution Framework Agreement and the transactions contemplated thereunder at the EGM.

Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### 7. EGM

The Sinopharm Distribution Framework Agreement will be considered and, if thought fit, approved by the Independent Shareholders, at the EGM by poll. As far as the Directors are aware, having made all reasonable enquiries, save for Fosun New Medicine, Fosun Pharmaceutical Industrial 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 as at the Latest Practicable Date, no other Shareholders are required to abstain from voting on the resolution to be proposed regarding the Sinopharm Distribution Framework Agreement at the EGM.

A notice of EGM is set out on pages 36 to 37 of this circular (the “**EGM Notice**”). The EGM will be convened and held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC at 8:00 a.m. on Tuesday, 20 December 2022, for the Independent Shareholders to consider and, if thought fit, to approve the resolution contained in the EGM Notice. A form of proxy for the EGM (the “**Form of Proxy**”) is enclosed with this circular.

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## LETTER FROM THE BOARD

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Shareholders who intend to appoint a proxy to attend the EGM and to vote on the resolution set out in the EGM Notice are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the EGM (i.e. 8:00 a.m. on Monday, 19 December 2022) or any adjournment thereof (as the case may be). Completion and return of the Form of Proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### 8. OTHERS

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 the Sinopharm Distribution Framework 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 Sinopharm Distribution Framework Agreement and no other Director has abstained from voting on the relevant Board resolution approving the Sinopharm Distribution Framework Agreement and the transactions contemplated thereunder.

As Sinopharm is a related party of Fosun Pharma pursuant to the Shanghai Stock Exchange Listing Rules, the transactions contemplated under the Sinopharm Distribution Framework Agreement constitute related party transactions of Fosun Pharma, and accordingly, the transactions contemplated under the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps are subject to the approval of the board of directors and shareholders of Fosun Pharma in accordance with its articles of association and applicable laws and regulations of the PRC.

### 9. RECOMMENDATIONS

The Directors (excluding the Independent Non-executive Directors, whose views are set out in the Letter from the Independent Board Committee of this circular) are of the view that the terms of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps for each of the three years ending 31 December 2025 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. Accordingly, such Directors recommend that you vote in favour of the resolution to be proposed at the EGM to approve the renewal of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps.



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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the recommendations from Rainbow Capital, the Independent Financial Adviser, considers that the Sinopharm Distribution Framework Agreement and the 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. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the renewal of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps.

### 10. GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular and the letter from Rainbow Capital containing its recommendations to the Independent Board Committee and Independent Shareholders in connection with renewal of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps and the principal factors and reasons considered by them in arriving such recommendations set out on pages 16 to 31 of this circular.

Yours faithfully,  
On behalf of the Board  
**Shanghai Henlius Biotech, Inc.**  
**Wenjie Zhang**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

1 December 2022

*To the Independent Shareholders*

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS REGARDING  
THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT**

We have been appointed as the Independent Board Committee to consider the Sinopharm Distribution Framework Agreement, and to advise you on whether the terms of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 contained in the circular to the Shareholders of the Company dated 1 December 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Rainbow Capital has been appointed as the Independent Financial Adviser to give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the above matters. We also wish to draw your attention to the letter from Rainbow Capital set out on pages 16 to 31 of the Circular.

Having considered the information set out in the letter from the Board, the terms of the Sinopharm Distribution Framework Agreement and the opinion of the Independent Financial Adviser in relation thereto, we are of the opinion that the terms of the Sinopharm Distribution Framework Agreement and the 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.

Accordingly, we therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the renewal of the Sinopharm Distribution Framework Agreement and the Proposed Annual Caps.

Yours faithfully,

**Mr. Tak Young SO**

*Independent  
Non-executive  
Director*

**Dr. Lik Yuen CHAN**

*Independent  
Non-executive  
Director*

**Dr. Guoping ZHAO**

*Independent  
Non-executive  
Director*

**Dr. Ruilin SONG**

*Independent  
Non-executive  
Director*

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## LETTER FROM RAINBOW CAPITAL

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*The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*

### **Rainbow Capital (HK) Limited**

1 December 2022

*To the Independent Board Committee and the Independent Shareholders*

Shanghai Henlius Biotech, Inc.  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS REGARDING THE SINOPHARM DISTRIBUTION FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the sales of certain products to be developed and manufactured by the Group to the Sinopharm Group for the years ending 31 December 2023, 2024 and 2025 under the Sinopharm Distribution Framework Agreement, pursuant to the automatic renewal of the Sinopharm Distribution Framework Agreement for a successive period of three years since the expiry of its initial term on 31 December 2022 (including the Proposed Annual Caps), for which the Independent Shareholders' approval is being sought (the **"Proposed Continuing Connected Transactions"**). Details of the Proposed Continuing Connected Transactions are set out in the "Letter from the Board" (the **"Letter from the Board"**) contained in the circular issued by the Company to the Shareholders dated 1 December 2022 (the **"Circular"**), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, 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, transactions contemplated under the Sinopharm Distribution Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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## LETTER FROM RAINBOW CAPITAL

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As the highest applicable percentage ratio in respect of the Proposed Annual Caps for each of the three years ending 31 December 2023, 2024 and 2025 exceeds 5%, the Proposed Continuing Connected Transactions are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song, has been formed to advise the Independent Shareholders on whether the terms of the Sinopharm Distribution Framework Agreement (including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Rainbow Capital, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, the Sinopharm Group or any other party to the Sinopharm Distribution Framework Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the continuing connected transactions regarding the Sinopharm Distribution Framework Agreement between the Company and Sinopharm for the three years ending 31 December 2022, details of which are set out in the circular of the Company dated 28 May 2020; and (ii) the connected transactions and continuing connected transactions in relation to the license agreement between the Company and Fosun Pharmaceutical Industrial dated 17 November 2022, details of which are set out in the announcement of the Company dated 17 November 2022. Other than that, there was no engagement between the Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, the Sinopharm Group or any other party to the Sinopharm Distribution Framework Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules. Accordingly, we are qualified to give independent advice on the Sinopharm Distribution Framework Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions

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## LETTER FROM RAINBOW CAPITAL

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and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation on the terms of the Sinopharm Distribution Framework Agreement (including the Proposed Annual Caps), we have taken into account the principal factors and reasons set out below:

#### 1. Background to and reasons for the Proposed Continuing Connected Transactions

##### *(a) The Group*

The Company is principally engaged in (i) research and development, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology) and (ii) the transfer of its own technology and provision of the related technology consultation services.

Being the first biopharmaceutical company to commercially launch the first biosimilar product, namely HANLIKANG (rituximab injection, HLX01, which has been approved for the treatment of Non-Hodgkin's lymphoma, Chronic Lymphocytic Leukemia (CLL) and its innovative indication of Rheumatoid Arthritis (RA)) in Mainland China, the Group continues to expand and develop a diversified, advanced and high-quality product pipeline with a focus on oncology and autoimmune diseases. Following the launch of HANLIKANG in 2019, several core products of the Group such as HANQUYOU (trastuzumab injection, HLX02, EU brand name: Zercepac<sup>®</sup>, which has been approved for the treatment of HER2-positive early breast cancer, HER2-positive metastatic breast cancer and HER2-positive metastatic adenocarcinoma of the stomach or gastroesophageal

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## LETTER FROM RAINBOW CAPITAL

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junction), HANDAYUAN (adalimumab injection, HLX03, which has been approved for the treatment of rheumatoid arthritis, ankylosing spondylitis, plaque psoriasis and uveitis), HANBEITAI (bevacizumab injection, HLX04, which has been approved for the treatment of metastatic colorectal cancer, advanced, metastatic or recurrent non-small cell lung cancer and recurrent glioblastoma) and HANSIZHUANG (serplulimab injection, HLX10, which has been approved for two indications: (1) the treatment of adult patients with advanced unresectable or metastatic Microsatellite Instability-High 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), were successively approved for marketing. During the first half of 2022, the Company has established cooperation with several internationally renowned partners for HANLIKANG, HANQUYOU, HANDAYUAN, HANBEITAI, HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection) and HLX14 (recombinant anti-RANKL human monoclonal antibody injection), obtaining remarkable achievements in internationalisation for self-developed products.

As disclosed in the Company's interim report for the six months ended 30 June 2022 (the **"2022 Interim Report"**), thanks to the commercialisation of HANQUYOU (since the second half of 2020) and HANSIZHUANG (since the first half of 2022) in the domestic market, the Group recorded total revenue of approximately RMB1,289.4 million for the six months ended 30 June 2022, representing a significant growth of approximately 103.5% as compared to that of approximately RMB633.6 million for the six months ended 30 June 2021. As at the Latest Practicable Date, the Group has launched five marketed products, including three products, namely HANQUYOU, HANBEITAI and HANSIZHUANG, which are authorised by the Group to be distributed by Sinopharm Group for sale under the Sinopharm Distribution Framework Agreement. In addition to the above-mentioned products, as disclosed in the 2022 Interim Report, the Group has been carrying out more than 20 clinical trials for 13 products and 12 combined therapies, such as (i) HLX11 (recombinant anti-HER2 domain II humanised monoclonal antibody injection, which is proposed to be used for neoadjuvant treatment of breast cancer); and (ii) HLX208 (BRAF V600E inhibitor, which is projected to be used for the treatment of solid tumor, Adult Langerhans Cell Histiocytosis (LCH) and Erdheim-Chester disease (ECD)), which are expected to commercialise in the coming years and are therefore projected to be involved in the Sinopharm Distribution Framework Agreement.

As disclosed in the 2022 Interim Report, the Group will gradually enlarge its market scale and strengthen its competitiveness during the second half of year 2022. The sales network of HANQUYOU will continue to be strengthened to cover approximately 450 cities and nearly 5,500 direct-to-patient pharmacies or hospitals across Mainland China. In the second half of 2022, the Group plans to complete the tendering process of HANSIZHUANG in all the provinces in Mainland China. Besides, the Group will continue to facilitate the approval of HANSIZHUANG for new indications. The new drug application (NDA) of the second indication of HANSIZHUANG in combination with carboplatin and albumin-bound paclitaxel for the first-line treatment of unresectable

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## LETTER FROM RAINBOW CAPITAL

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locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) has been approved by the National Medical Products Administration (“NMPA”) in October 2022. In addition, the new drug application (NDA) of the third indication of HANSIZHUANG in Mainland China of the first-line therapy for previously untreated extensive stage small cell lung cancer (ES-SCLC) is expected to be approved in the first half of 2023. 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. At the same time, the Group will actively promote the availability of HANBEITAI on the medical insurance procurement platform as well as its tendering process on the procurement platform.

### ***(b) Sinopharm***

Sinopharm is specialised in the distribution of, among other things, pharmaceutical and healthcare products and the operation of retail pharmacies. Leveraging on its nationwide distribution and delivery network, Sinopharm provides comprehensive distribution, logistics and other value-added services to domestic and foreign manufacturers and suppliers of pharmaceutical products, medical devices and supplies and other healthcare products, and also to downstream customers including hospitals, other distributors, retail drug stores and primary health services institutions.

### ***(c) Background and reason***

In view of the estimated commercialisation of the Self-owned Products and the distribution network possessed by Sinopharm which is expected to facilitate the sales of the Company’s products, the Sinopharm Distribution Framework Agreement was entered into between the Group and Sinopharm on 24 April 2020 in order to govern the cooperation of distribution of the Self-owned Products between the Group and the Sinopharm Group for the years ending 31 December 2020, 2021 and 2022. Pursuant to the Sinopharm Distribution Framework Agreement, the Company has agreed that the Sinopharm Group will be one of the distributors of certain of the Group’s products.

The initial term of the Sinopharm Distribution Framework Agreement will expire on 31 December 2022. Pursuant to the terms of the Sinopharm Distribution Framework Agreement, the Sinopharm Distribution Framework Agreement will be automatically renewed for a successive period of three years, subject to compliance with the Hong Kong Listing Rules. As the Group intends to renew the transactions thereunder upon its expiry, the Directors consider it beneficial to automatically renew the Sinopharm Distribution Framework Agreement to facilitate the continuous distribution of the Group’s Self-owned Products by the Sinopharm Group 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 since it was entered into on 24 April 2020.



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## LETTER FROM RAINBOW CAPITAL

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Having considered (i) the increasing number of approvals obtained from the NMPA for commercialisation and another two new products (i.e. HANBEITAI and HANSIZHUANG) which have been approved for marketing apart from HANQUYOU that was commercially launched since the second half of 2020; (ii) the other products (i.e. HLX11 and HLX208) which are under clinical trials that the Group expects to launch in Mainland China in the coming years; (iii) the extensive distribution network possessed by Sinopharm which the Group could leverage on broadening its potential customer bases and thereby creating commercial benefits and enhancing the brand awareness of the Group and its products in the future, we concur with the Directors' view that through distributing the Self-owned Products through Sinopharm, the Group is able to benefit and leverage from the established and extensive sales and distribution network of Sinopharm which enable broad market penetration of Group's products in Mainland China.

### **2. Principal terms of the Sinopharm Distribution Framework Agreement**

#### ***(a) Subject matter***

Pursuant to the Sinopharm Distribution Framework Agreement, the Company agreed 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 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 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.

#### ***(b) Pricing basis***

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

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## LETTER FROM RAINBOW CAPITAL

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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.

Payment is intended to be settled by telegraphic transfer with a credit term in the range of 45 to 60 days, which is subject to the terms as set out in the individual agreements to be entered into between the Group and the Sinopharm Group from time to time.

Regarding the pricing basis, we have reviewed the “National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance Drug Catalogue (2021)” ([http://www.nhsa.gov.cn/art/2021/12/3/art\\_37\\_7429.html](http://www.nhsa.gov.cn/art/2021/12/3/art_37_7429.html)) and “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 ([http://www.nhsa.gov.cn/art/2019/11/28/art\\_37\\_2050.html](http://www.nhsa.gov.cn/art/2019/11/28/art_37_2050.html)) which provided the reference price for 97 drugs in Category B, and noted that the price of drugs listed thereon shall be set with reference to the payment standard of the corresponding national negotiation drugs (which comprise of innovative drugs that the Group possesses) to be offered under the basic medical insurance plan in Mainland China.

***(c) Comparisons on terms of the Sinopharm Distribution Framework Agreement with independent third parties***

As disclosed in the Letter from the Board, save for the automatic renewal, there has been no other change in the principal terms of the Sinopharm Distribution Framework Agreement since it was entered into on 24 April 2020.

We have discussed with the management of the Group and reviewed sample contracts for the sales distribution of the Self-owned Products by Sinopharm Group and compared them with contracts for similar sales distribution by independent third parties. In selecting sample contracts for review, we have selected the top 20 transactions between the Group and Sinopharm Group for each of the year from 2020 to 2021 and for the nine months ended 30 September 2022 based on its contract amounts, which represented approximately 64.4%, 13.8% and 6.9% of revenue out of the Group’s revenue transacted with Sinopharm Group during the respective year/period, and compared their principal terms such as unit selling price, payment form, delivery mode and credit term against those contracts which entered with independent third parties for sale of the same product in the same month and in the same provinces. Based on our review, we noted that the terms for transaction contemplated under the Sinopharm Distribution Framework Agreement are equal to or no more favourable to the Sinopharm Group than the terms for similar transactions between the Group and independent third parties.



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## LETTER FROM RAINBOW CAPITAL

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### 3. Assessment of the Proposed Annual Caps

#### (a) Review of historical figures

Set out below are the historical transaction amounts received by the Group from Sinopharm Group for the sales of the Self-owned Products pursuant to the Sinopharm Distribution Framework Agreement for each of the years ended 31 December 2020 and 2021 and for the nine months ended 30 September 2022:

	For the year ended 31 December 2020 (Audited)	For the year ended 31 December 2021 (Audited)	For the nine months ended 30 September 2022 (Unaudited)
Annual caps (RMB'000)	480,363	1,462,000	1,995,000 (for the year ending 31 December 2022)
Actual amount incurred (RMB'000)	54,186	445,473	802,500
Utilisation rate	11.3%	30.5%	40.2%

As disclosed in the Company's annual report for the year ended 31 December 2020, the Group recognised revenue of approximately RMB109.5 million from sales of HANQUYOU, since its approval for marketing in August 2020. Amongst which, revenue of approximately RMB54.2 million, or approximately 49.5% out of the total revenue from sales of HANQUYOU in 2020 was contributed from the Sinopharm Group. Due to the unexpected delay in approval for commercialisation of HANQUYOU by the NMPA, the relevant annual cap under the Sinopharm Distribution Framework Agreement for the year ended 31 December 2020 has not been substantially utilised, with a utilisation rate of approximately 11.3% for the year ended 31 December 2020.

As disclosed in the annual report of the Company for the year ended 31 December 2021 ("2021 Annual Report"), the Group's revenue generated from sales of HANQUYOU rose by approximately 692.7% from approximately RMB109.5 million for the year ended 31 December 2020 to approximately RMB868.0 million for the year ended 31 December 2021. Amongst the total revenue from sales of HANQUYOU, revenue of approximately RMB445.5 million, or approximately 51.3% out of the total revenue from sales of HANQUYOU in 2021 was contributed from the Sinopharm Group. As advised by the management of the Group, although the approval of HANSIZHUANG by NMPA was obtained in 2022, Xuhui Facility has passed GMP compliance on-site inspection for serplulimab injection (namely HANSIZHUANG) in October 2021, thereby the Group planned and commenced the production of HANSIZHUANG since 2021. The Group

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## LETTER FROM RAINBOW CAPITAL

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shifted part of the Group's production capacity of Xuihui Facility for HANSIZHUANG in advance, which led to the diversion in production capacity of HANQUYOU during the year. As advised by the management of the Group, Songjiang First Plant was not put into commercial production for HANQUYOU in 2021. As a result, the relevant annual cap under the Sinopharm Distribution Framework Agreement for the year ended 31 December 2021 has not been substantially utilised.

As advised by the management of the Group, in the first half of 2022, the lockdown in Shanghai as a result of covid-19 pandemic resulted in a temporary severe disruption and suspension of logistics for the delivery of HANQUYOU throughout many provinces of Mainland China. As a result, the relevant annual cap under the Sinopharm Distribution Framework Agreement for the nine months ended 30 September 2022 has not been substantially utilised.

***(b) Assessment of the Proposed Annual Caps***

Pursuant to the Sinopharm Distribution Framework Agreement, it is proposed that the annual caps for the distribution of the Self-owned Products by Sinopharm Group for the years ending 31 December 2023, 2024 and 2025 are expected to not exceed the following:

	<b>For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>
Proposed annual caps (RMB'000)	2,833,000	4,491,000	4,691,000

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the Company the basis and assumptions underlying the projections for the sales of the Self-owned Products to the Sinopharm Group. In determining the Proposed Annual Caps for the years ending 31 December 2023, 2024 and 2025, the Directors have made 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 then arrived at by adopting the estimated sales amount of the Self-owned Products to be 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.

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## LETTER FROM RAINBOW CAPITAL

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We have been provided with the projection of the estimated sales amount of the Self-owned Products by Sinopharm Group which was prepared by the management of the Group for the purpose of determining the Proposed Annual Caps for the years ending 31 December 2023, 2024 and 2025 under the Sinopharm Distribution Framework Agreement. Based on our review and discussion with the management of the Group, such estimated sales amount was primarily determined after having taken into account the estimated changes in both the sales amounts of relevant Self-owned Products expected to be developed and sold by the Group for the years ending 31 December 2023, 2024 and 2025 and the estimated sales proportion to be distributed by Sinopharm Group in the respective years under the Sinopharm Distribution Framework Agreement.

### *Proposed Annual Cap for the year ending 31 December 2023*

As disclosed in the 2021 Annual Report, the Group achieved revenue of HANQUYOU of approximately RMB868.0 million in 2021, representing a significant growth of approximately 692.7% as compared to that in 2020. Besides, the revenue of HANQUYOU in 2021 contributed to over more than half of the overall revenue of the Group in 2021. As advised by the management of the Group, in light of the gradual relief of covid-19 pandemic in relevant area in Mainland China after the first half of 2022, the Company estimates the current temporary disruption of logistics for the production and delivery of HANQUYOU will be greatly relieved. In addition, the Group's new product, HANSIZHUANG, commences to be commercialised in the first half of 2022.

Based on our review of the sales projection as prepared by the management of the Group, the estimated increase in sales volume of the Self-owned Products expected to be developed and sold by Group in 2023 are projected with reference to, among other things, (i) the historical amounts in 2021 particularly given the commencement of first full year commercial sales in the same year; (ii) the commencement in commercialisation of HANSIZHUANG in 2022 and promotion of the preparations by the Group for commercialisation of HANBEITAI; (iii) the expected increase in sales proportion of the Self-owned Products to be distributed by Sinopharm; and (iv) the gradual stabilisation of covid-19 pandemic particularly given its severe adverse impact on the production and logistics of the Group's products.

According to the information provided by the Company, sales volume of HANQUYOU for the nine months ended 30 September 2022 already exceeded by approximately 52.3% as compared to that for the full year of 2021. Furthermore, based on our review of data provided by IQVIA, a leading research organisation listed on the New York Stock Exchange which mainly serves the industries of health information technology and clinical research, the sales of Herceptin (trastuzumab) drugs in Mainland China reached approximately RMB5.4 billion in Mainland China in 2021. According to our independent research, HANQUYOU is the current one of the two trastuzumabs commercially available in Mainland China. According to our review of an industry report issued by Frost & Sullivan which was also extracted under the section headed "Industry Overview" in the Company's prospectus dated 12 September 2019, the sales revenue of

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## LETTER FROM RAINBOW CAPITAL

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Herceptin (trastuzumab) biosimilar market in Mainland China is expected to grow at a compound annual growth rate (“CAGR”) of approximately 146.6% from 2019 to 2023. In view of the aforesaid estimated potential growing demand of the product, the Company projected an increase of approximately doubled of the estimated sales volume of HANQUYOU in 2023 with reference to its annualised sales volume in 2022.

As disclosed in the 2022 Interim Report, since the approval for marketing in August 2020, HANQUYOU (150mg) has completed the tendering process on the procurement platform and was included into the medical insurance procurement platform for all provinces in Mainland China in the first half of 2021, and HANQUYOU (60mg) has completed the tendering process on the procurement platform in 26 provinces and was included into the medical insurance procurement platform in all provinces in Mainland China. In addition, (i) biosimilars were added to the new Chinese Society of Clinical Oncology (CSCO) Guidelines for Diagnosis and Treatment of Breast Cancer in 2021; (ii) HANQUYOU was added to the new Chinese Society of Clinical Oncology (CSCO) Guidelines for Diagnosis and Treatment of Gastric Cancer in 2021; and (iii) biosimilars were also added to the new China Anti-Cancer Association and Committee of Breast Cancer Society Guidelines in 2021, which are expected to facilitate the increase in sales volume of HANQUYOU based on our discussion with the Group. Coupled with the increase in the commercialisation team from approximately 400 members in 2020 to 500 members in the first half of 2022 as disclosed in the 2022 Interim Report and our aforesaid independent research for the estimated demand of HANQUYOU in the future, we concurred with the management of the Group on the expected increase in sales amounts of HANQUYOU for the year ending 31 December 2023.

As disclosed in the announcements of the Company dated 28 April 2022 and 17 May 2022, drug substance west line and east line (with a production capacity of 24,000 L), drug product line and packaging line for the production of HANQUYOU in Songjiang First Plant passed the GMP compliance inspection, indicating that Songjiang First Plant has a quality management system that meets the requirements of China’s GMP regulations. In addition, HANQUYOU was approved by the NMPA to change its production site, improve its production process and expand the scale of preparation, and Songjiang First Plant was approved to adopt enhanced new production techniques to conduct the commercial production of HANQUYOU in Mainland China. As advised by the management of the Group, the full capacity of Songjiang First Plant of 24,000 L can be used for the commercial production of HANQUYOU, providing strong support for the production increase of HANQUYOU.

Based on our understanding from the Group, new product HANSIZHUANG commences to be commercialised in 2022 and the Group has been promoting the preparation for the commercialisation of HANBEITAI. HANBEITAI was officially approved for marketing by the NMPA in November 2021, while HANSIZHUANG has been newly approved for marketing in Mainland China in March 2022. In addition, the Group plans to complete the tendering process of HANSIZHUANG in all the provinces in Mainland China, continue to facilitate the approval of HANSIZHUANG for new

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## LETTER FROM RAINBOW CAPITAL

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indications, and actively promote the availability of HANBEITAI on the medical insurance procurement platform as well as its tendering process on the procurement platform in 2022. Accordingly, with reference to the historical sales amount of HANQUYOU in its first commercialisation year in 2020, the Company projected approximately 30.0% of the Proposed Annual Caps for the estimated sales amounts of these two Self-owned Products for the year ending 31 December 2023. On this basis, we consider the estimation of the Proposed Annual Caps of HANBEITAI and HANSIZHUANG for the year ending 31 December 2023 to be acceptable.

Having considered (i) the historical sales proportion of the Group's Self-owned Products to be sold by Sinopharm Group, which amounted to approximately half of the overall sales of the Group, as disclosed in the sub-section above headed "3(a) Assessment of the Proposed Annual Caps – Review of historical figures"; (ii) Sinopharm Group, being the largest pharmaceutical distributor and retailer in Mainland China with pivotal sales networks and resources in the industry; and (iii) the increase in sales amount in the pharmaceutical retail market in the first three quarters of 2021, which reached approximately RMB399,000.0 million and rose by approximately 8.3% year-on-year and approximately 15.0% over the same period in 2019, as disclosed in Sinopharm's annual results announcement for the year ended 31 December 2021, we consider the Company's projected increase of the estimated sales proportion to be distributed by Sinopharm Group to be reasonable.

Considering (i) the foreseeable increase in sales volume of HANQUYOU based on our independent research; (ii) HANQUYOU has been placed on the medical insurance procurement platform for all provinces in Mainland China, which is expected to increase the sales volume of HANQUYOU in the coming years; (iii) the expected commercialisation of the Group's newly marketed Self-owned Products HANSIZHUANG in 2022 and its continuous preparation for commercialisation of HANBEITAI; (iv) the leading distribution and retail capabilities of Sinopharm Group in Mainland China; and (v) the stabilisation of covid-19 pandemic in Mainland China, which was evidenced by the increase in revenue of the Group by approximately 90.1% for the three months ended 30 September 2022 as compared to the same period last year, based on our review of the information provided by the Company, we consider the Proposed Annual Cap for the year ending 31 December 2023 is justified in view of the above factors.

### *Proposed Annual Caps for the two years ending 31 December 2024 and 2025*

In deriving the Proposed Annual Caps for the two years ending 31 December 2024 and 2025, the Directors estimate that there will be a year-on-year growth of approximately 58.5% and 4.5% in the sales amounts respectively.

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## LETTER FROM RAINBOW CAPITAL

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The Company primarily attributed the significant increase in the Proposed Annual Cap for the year ending 31 December 2024 to the estimated increase in sales of HANSIZHUANG, while assuming the estimated sales in aggregate of the other two Self-owned Products, HANQUYOU and HANBEITAI, as well as the estimated sales proportion to be distributed by Sinopharm Group, to remain generally stable. As advised by the management of the Group, HANSIZHUANG for the treatment of unresectable or metastatic Microsatellite Instability-High solid tumours that have failed to respond to the standard therapy was approved for marketing in March 2022; the new drug application (NDA) of HANSIZHUANG in combination with carboplatin and albumin-bound paclitaxel for the first-line treatment of unresectable locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) has been approved by the NMPA in October 2022. Furthermore, as disclosed in the 2022 Interim Report, HANSIZHUANG is expected to become the first anti-PD-1 (programmed death-1) monoclonal antibody product for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC) in global, providing strong support for the differentiated sales strategy of HANSIZHUANG, and will also provide new treatment options for related patients. In view of the estimated approval of new indications and combo therapy of HANSIZHUANG by supervision departments on a global basis, the Company expects the sales of HANSIZHUANG will be significantly boosted up in year 2024 following the first full year of commercialisation in 2023. As such, in estimating the sales volume of HANSIZHUANG, the Company projected an increase of more than doubled as compared to the same in 2023, with reference to the increase of sales volume of HANQUYOU for the nine months ended 30 September 2022 by approximately 52.3% as compared to that for the full year of 2021, which is currently in its second full year of commercialisation.

According to a research report issued by a listed institution in Mainland China, sales of monoclonal antibody of PD-1/PD-L1 in Mainland China has reached approximately RMB13.7 billion in 2020, which is expected to increase to approximately RMB51.9 billion in 2025, representing a CAGR of approximately 30.5%. Besides, according to a research report issued by Frost & Sullivan in 2022, the annual market sizes of pharmaceutical products in Mainland China are expected to be approximately RMB2.00 trillion, 2.15 trillion and 2.89 trillion from year 2023 to 2025. On the other hand, according to a report named “International Agency for Research on Cancer” issued by World Health Organisation (“WHO”) in 2020, the annual new cancer cases in Mainland China will increase by approximately 49.8% to approximately 6.8 million per year till 2040. It is estimated by WHO that the annual new stomach and breast cancer cases in Mainland China will increase by approximately 60.6% and approximately 15.6% to approximately 0.8 million and 0.5 million per year till 2040, respectively, and the trachea, bronchus and lung cases is expected to increase by approximately 65.2% to approximately 1.3 million per year during the same period. All these data suggests the expected increase in market demand for the Self-owned Products, in particular HANQUYOU and HANSIZHUANG.



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## LETTER FROM RAINBOW CAPITAL

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We are advised by the management of the Group that the Self-owned Products under the Sinopharm Distribution Framework Agreement may include other products which are currently in the process of clinical trials, such as HLX11 and HLX208, by assuming they reach commercialisation stage in the following years. Against this backdrop, the Company projected approximately 5.0% of the Proposed Annual Cap for the year ending 31 December 2025 to cater for the expected commercialisation plan of these two Self-owned Products in 2025. On this basis, we consider the estimation of the Proposed Annual Caps for the year ending 31 December 2025 to be acceptable.

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Proposed Annual Caps in a way that can accommodate the potential growth of the Group's business. Provided that the Proposed Continuing Connected Transactions are subject to annual review by the independent Non-executive Directors and auditors of the Company (as discussed below) as required under the Hong Kong Listing Rules, the Group would have desirable flexibility in conducting its businesses if the Proposed Annual Caps are tailored to future business growth. In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Proposed Annual Caps.

#### **4. Internal control procedures and corporate governance of the Group**

In order to ensure the Company's conformity with the pricing policy of the Sinopharm Distribution Framework Agreement and protect the interests of the Shareholders, the Company has adopted a series of internal control procedures and corporate governance measures. Such internal control procedures are conducted and supervised by the Company's relevant business departments, related internal audit and control department, the independent non-executive Directors and the external auditors of the Company:

- i. The Distribution Management Department of the Group supervises and monitors the individual agreements entered into between the Group and the Sinopharm Group monthly to ensure they were entered into in accordance with the pricing policy under the Sinopharm Distribution Framework Agreement;
- ii. If any revision or adjustment on the terms (including without limitation, the sales price) of the individual agreement under the Sinopharm Distribution Framework Agreement is necessary, provided such revision or adjustment is in compliance with the Sinopharm Distribution Framework Agreement, an approval application process will be made by the Distribution Management Department and approved by, among others, the Board Secretary Office;

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## LETTER FROM RAINBOW CAPITAL

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- iii. The related internal audit and control department monitors and supervises the continuing connected transactions on a monthly basis, to ensure they are entered into: (a) in accordance with the pricing policy under the Sinopharm Distribution Framework Agreement; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or better; and (d) according to the Sinopharm Distribution Framework Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole;
- iv. The Finance Department reports actual transaction amounts to the Distribution Management Department and Board Secretary office on a monthly basis. If the actual transaction amounts under the Sinopharm Distribution Framework Agreement is expected to exceed the Proposed Annual Caps, the Distribution Management Department will liaise with the Finance Department and Board Secretary Office to initiate an approval application process in order to comply with all applicable requirements under the Group's internal control policy as well as under the Hong Kong Listing Rules;
- v. The independent non-executive Directors have reviewed and will continue to review the continuing connected transactions to ensure that the transactions have been entered into on normal commercial terms or better, and according to the Sinopharm Distribution Framework Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report; and
- vi. The external auditors of the Company will also conduct an annual review on the Proposed Continuing Connected Transactions and will confirm in the Company's annual report to ensure the Proposed Continuing Connected Transactions were entered into (i) in accordance with the terms and pricing policy under the Sinopharm Distribution Framework Agreement; and (ii) not exceeding the Proposed Annual Caps.

In light of the reporting requirements relating to the Proposed Continuing Connected Transactions, in particular, (i) the restriction of the value of the Proposed Continuing Connected Transactions by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Proposed Continuing Connected Transactions and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Proposed Continuing Connected Transactions and assist to safeguard the interests of the Independent Shareholders.



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## LETTER FROM RAINBOW CAPITAL

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### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Proposed Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Sinopharm Distribution Framework Agreement (including the Proposed Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Continuing Connected Transactions (including the Proposed Annual Caps).

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**  
**Danny Leung**  
*Managing Director*

*Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular for which Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors/Supervisors and chief executives of the Company has interest and short positions in the shares of the Company, or short positions in the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). The interest or long positions of Directors, Supervisors and chief executives of the Company in the underlying shares and debentures of any of its associated corporations of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Hong Kong Listing Rules were as follows:

### Interest in shares of the associated corporation of the Company

Name	Name of Associated Corporation	Number of shares	Class	Nature of interest and capacity	Approximate percentage in relevant class of shares
Wenjie Zhang	HenLink, Inc.	1,000,000	Ordinary shares	Beneficial owner	6.30%
	Fosun International Limited	200,000	Share option	Beneficial owner	0.00%
Qiyu Chen	Fosun International Limited	12,604,000	Ordinary shares	Beneficial owner	0.15%
	Fosun International Limited	14,402,400	Share option	Beneficial owner	0.17%
	Fosun Pharma	114,075	A shares	Beneficial owner	0.01%
	Fosun Tourism Group	501,478	Ordinary shares	Beneficial owner	0.04%

Name	Name of Associated Corporation	Number of shares	Class	Nature of interest and capacity	Approximate percentage in relevant class of shares
Yifang Wu	Fosun Pharma	373,000	H shares	Beneficial owner	0.07%
	Fosun Pharma	749,900	A shares	Beneficial owner	0.04%
Xiaohui Guan	Fosun International Limited	200,000	Ordinary shares	Beneficial owner	0.00%
	Fosun International Limited	800,000	Share option	Beneficial owner	0.00%
	Fosun Pharma	25,000	H shares	Beneficial owner	0.00%
	Fosun Pharma	206,000	A shares	Beneficial owner	0.01%
Deyong Wen	Fosun Pharma	20,000	H shares	Beneficial owner	0.00%
	Fosun Pharma	20,000	A shares	Beneficial owner	0.00%
Deli Kong	Fosun Pharma	8,500	A shares	Beneficial owner	0.00%

Save as disclosed in the foregoing, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company or their respective close associates had any interests or short/long positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, so far as the Directors were aware:

- (a) each of Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen, Mr. Zihou Yan, Ms. Rongli Feng and Mr. Deli Kong holds certain positions with Fosun International Limited and/or Fosun Pharma, each of which indirectly owned as to 59.29% of the total Shares as at the Latest Practicable Date and is deemed to be interested in such Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and Supervisors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **4. INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Company were made up.

### **5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or Supervisors, and their respective close associates, is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business.

### **6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

### **7. QUALIFICATION OF EXPERT AND CONSENT**

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Rainbow Capital (HK) Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Rainbow Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinions and/or the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, (i) Rainbow Capital did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) Rainbow Capital did not have any shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

## **8. MISCELLANEOUS**

This circular has been prepared in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

## **9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.henlius.com>) from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;
- (b) the letter from Rainbow Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 31 of this circular;
- (c) the written consent of the Independent Financial Adviser referred to in paragraph 7 of this Appendix;
- (d) the Sinopharm Distribution Framework Agreement; and
- (e) this circular.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Shanghai Henlius Biotech, Inc. (the “Company”) will be held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC at 8:00 a.m. on Tuesday, 20 December 2022 for the purposes of considering and, if thought fit, passing the following resolution:

#### ORDINARY RESOLUTION

1. To consider and, if thought fit, approve the renewal of the Distribution Framework Agreement dated 24 April 2020 entered into between the Company and Sinopharm Group Co. Ltd.\* (國藥控股股份有限公司) (the “**Sinopharm Distribution Framework Agreement**”) and the transactions contemplated thereunder and the relevant annual caps as set out in the circular of the Company dated 1 December 2022; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Sinopharm Distribution Framework Agreement.

On behalf of the Board

**Shanghai Henlius Biotech, Inc.**

**Wenjie Zhang**

*Chairman*

Hong Kong, 1 December 2022

*As at the date of this notice, the board of directors 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.*

\* for identification purpose only

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## NOTICE OF EGM

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*Notes:*

- (1) The resolution at the EGM will be taken by poll pursuant to the articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Hong Kong Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Hong Kong Listing Rules.
- (2) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy (or more than one proxy if he/she holds more than one share) to attend and on a poll, vote on his/her behalf. A proxy needs not be a shareholder of the Company. If more than one proxy is so appointed, the form of proxy shall specify the number of shares in respect of which each such proxy is so appointed. In case of a poll every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be delivered to at the Company’s Board secretary office (for holders of Domestic Shares or Unlisted Foreign Shares), at 9th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC or the Company’s H share registrar in Hong Kong (for holders of H shares), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the EGM (i.e. not later than 8:00 a.m. on Monday, 19 December 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the registers of members of the Company will be closed from Monday, 19 December 2022 to Tuesday, 20 December 2022 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the registers of members of the Company on Tuesday, 20 December 2022 shall be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 16 December 2022.
- (5) Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.
- (6) References to time and dates in this notice are to Beijing time and dates.