THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

Henlius

Shanghai Henlius Biotech, Inc.

上海復宏漢霖生物技術股份有限公司

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

(Stock Code: 2696)

CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE LICENSE AGREEMENT
AND
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
浤 博 資 本 有 限 公 司

A supplemental 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 11:00 a.m. on Tuesday, 27 December 2022 is set out on pages 49 to 50 of this circular.

A letter from the Board is set out on pages 5 to 23 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 24 of this circular. A letter from Rainbow Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 25 to 44 of this circular.

A supplemental 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 supplemental 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 11:00 a.m. on Monday, 26 December 2022) or the adjourned meeting (as the case may be). Completion and return of the supplemental 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 supplemental 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.

13 December 2022

CONTENTS

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

"BLA"	biologics license application
"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 Stock Exchange (stock code: 02696)
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the 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 11:00 a.m. on Tuesday, 27 December 2022, for the Independent Shareholders to consider, and if thought fit, to approve the resolution contained in the supplemental notice of meeting which is set out on pages 49 to 50 of this circular, or any adjournment thereof
"ES-SCLC"	indication of Extensive Stage Small-Cell Lung Cancer (ES-SCLC)
"FDA"	the Food and Drug Administration of the United States of America
"Field"	therapeutic use in human for the ES-SCLC and any other indications, excluding the ES-SCLC, as mutually agreed by the Company and Fosun Pharmaceutical Industrial
"Fosun Industrial"	Fosun Industrial Co., Limited* (復星實業(香港)有限公司), a company incorporated in Hong Kong on 22 September 2004 with limited liability, and a wholly-owned subsidiary of Fosun Pharma

"Fosun New Medicine"	Shanghai Fosun New Medicine Research Company Limited* (上海復星新藥研究有限公司), a company established in the PRC on 12 September 2008 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. * (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 02196) and the Shanghai Stock Exchange (stock code: 600196), respectively
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a company established in the PRC on 27 November 2001 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
"Group"	the Company and its subsidiaries
"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 Stock Exchange and is (are) subscribed for and traded in HK dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 License Agreement

"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 Pharmaceutical Industrial, Fosun New Medicine and Fosun Industrial
"Latest Practicable Date"	5 December 2022
"License Agreement"	the license agreement dated 17 November 2022 entered into between the Company and Fosun Pharmaceutical Industrial
"Licensed Product"	Serplulimab injection drug product, also referred to as HANSIZHUANG
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time
"NMPA"	National Medical Products Administration of the PRC
"PRC" or "Mainland China"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan regions
"Regulatory Milestone Payments"	the regulatory milestone payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"Repurchase Options"	the options of the Company to repurchase the license rights under the License Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Royalty Payments"	the royalty payments payable by Fosun Pharmaceutical Industrial to the Company as set out in the License Agreement
"Sales Milestone Payments"	the sales milestone payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement

"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shares"	the shares of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Territory" or "United States"	the United States, including its territories and possessions
"Transfer Price Payments"	the transfer price payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"Upfront Payment"	the upfront payment payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"%"	per cent.

* *for identification purpose only*

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

13 December 2022

To the Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LICENSE AGREEMENT AND SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 17 November 2022 in relation to the License Agreement, pursuant to which the Company agreed to grant to Fosun Pharmaceutical Industrial an exclusive license under the Company's intellectual property to commercialise the Licensed Product in the Field in the United States.

The purpose of this circular is (a) to provide the Shareholders with information in respect of the License Agreement and (b) to give the Shareholders supplemental notice of the EGM at which ordinary resolution will be proposed to approve the License Agreement (including the transactions contemplated thereunder).

2. PRINCIPAL TERMS OF THE LICENSE AGREEMENT

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

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

(i) The License

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

In respect of the ES-SCLC, the Company will be responsible for all research, development and regulatory activities of the Licensed Product in the Field in the United States before the grant of marketing approval, including any studies (including a bridging study) and the marketing authorization application preparation and filing.

After the grant of marketing approval, Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the Field in the United States, including maintaining, extending marketing approvals, market access and other regulatory activities required.

In respect of other indications that may be selected by Fosun Pharmaceutical Industrial, the parties shall negotiate in good faith and enter into a separate agreement to agree on the development plan and cost sharing arrangement for the pre-commercialisation activities.

(ii) Consideration

The Company enters into collaboration arrangements with third parties from time to time and has a track record of successfully collaborating with third parties in developing the Company's drug candidates through entering into license agreements. Since the Company's listing on the Stock Exchange, the Company has entered into more than 20 license agreements

with third parties, including collaboration arrangements with global leading pharmaceutical companies such as Organon LLC, Abbott Operations Uruguay S.R.L., demonstrating the Company's strong business development capabilities.

Based on the Company's experience during the past years and consistent with market practices, the Company negotiates the consideration for a license arrangement taking into consideration a variety of factors, including (i) financial deal terms offered by third parties, (ii) the comparable deal terms based on the Company's inhouse research, (iii) the Company's research and development costs incurred by the relevant drug and the addressable markets and (iv) the net present value attributable to the parties of the license arrangement. In particular, the consideration, which comprising various components such as upfront payment, milestone payments and royalties, will be considered by the Company as a totality in order to assess whether the overall terms of the license arrangement are fair and reasonable to the Company.

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

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

The amount of the Upfront Payment is determined after arm's length negotiations between the parties with reference to the prices quoted by third parties for licensing the Licensed Product under similar conditions and the expected commercialisation progress for the Licensed Product. In particular, the Company received two quotations from other independent third parties during the preliminary discussion for licensing the License Product in territories including the United States (the "**Third Party Quotations**"). The Third Party Quotations in relation to the upfront payment provided by such independent third parties, either in absolute amount or as percentage to total consideration, were no more favorable than the Upfront Payment offered by Fosun Pharmaceutical Industrial.

The Company further notes that,

(i) based on the announcement published on the Stock Exchange, in relation to the grant of the license for a similar product (a recombinant humanized anti-PD-1 monoclonal antibody for injection), the license and commercialisation agreement entered into on 1 February 2021 between another PRC-based

biotech company (which is listed on the Stock Exchange) and a NASDAQ-listed leading global biosimilar company for granting a license for such product in the United States and Canada contained comparative terms relating to upfront payment, where the licensee agreed to pay an upfront payment of US$150 million. Please refer to the Letter from Rainbow Capital, which has set out the details in relation to the identities of the parties and terms of such transaction for more information;

(ii) accordingly, the Upfront Payment to be paid by Fosun Pharmaceutical Industrial is comparable to the upfront payment for a similar transaction conducted by an industry peer as set out in paragraph (i) above; and

(iii) in particular, in line with other license arrangements entered into by the Company, the Company expects that the upfront payment and the regulatory milestone payments would need to be able to substantially cover the research and development costs of the Licensed Product incurred by the Company before the grant of marketing approval. In this regard, the Company has conducted its own analysis on the reasonableness of such payments as further set out in section (b) below.

The Company further notes that the application of several cancer treatments developed by Chinese drugmakers received negative feedback from FDA or being delayed for certain reasons, creating additional challenges for Chinese oncology drugs entering the United States market. Against such background and considering (i) the Upfront Payment is no less favorable as compared to the Third Party Quotations and is no less favorable as compared the deal already carried out by the industry peers and (ii) the analysis as set out above, the Company considers the Upfront Payment to be reasonable.

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

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

The Third Party Quotations involve the proposed grant of licenses of the Licensed Product to jurisdictions (i) in several EU, North American (including the United States) and Asian countries and (ii) on a global basis (excluding China and south Asian countries, respectively, while the Territory for the Licensed Product is limited

to the United States. In addition, the regulatory milestone payments under the Third Party Quotations covers three indications while the Regulatory Milestone Payment under the License Agreement only covers one indication. Fosun Pharmaceutical Industrial will need to share the cost of the other selected indications for the Licensed Product in the Field in the United States, including the cost for any studies (including a bridging study) and the marketing authorisation application fee pursuant to the License Agreement.

Taking into consideration the above, as well as the analysis below, the Company considers that, while the amount of Regulatory Milestone Payment may be less than those offered under the Third Party Quotations, on the basis of same indication and geographical coverage are involved, the Third Party Quotations in relation to regulatory milestone payment as well as relevant prevailing market rates of similar nature are no more favourable than the Regulatory Milestone Payment. In addition, taking into consideration the Upfront Payment received by the Company, which is another payment before the commercialization of the Licensed Product, the Company considers that the terms offered by Fosun Pharmaceutical Industrial is no less favorable than the terms offered under the Third Party Quotations.

The Company further explains that, the Upfront Payment and the Regulatory Milestone Payment will be paid before the commercialization of the Licensed Product in the Field in the United States. With respect to such payments:

- as explained above, the Third Party Quotations have demonstrated that the fees to be paid by Fosun Pharmaceutical Industrial are no less favorable as compared to the terms offered by independent third parties;

- in addition to considering comparable offers received by it, the Company has also conducted its own assessment on whether such amounts are fair and reasonable;

- in line with other out-licensed transactions entered into by it, the Company had assessed, among other things, the total research and development costs incurred and to be incurred by the Company for the License Product prior to the grant of marketing approval.

- the Company notes that,

    - subject to ongoing research and development activities, the Company currently expects that the total research and development cost for the Licensed Product on a global basis would be approximately US$400 million;

- the Company believes that, the upfront payment and the regulatory milestone payments, which will be received by a licensor before the commercialization of relevant drug candidate, is one way for a licensor to recover the cost incurred by it in relation to the research and development of such drug;

- based on the above, as Fosun Pharmaceutical Industrial only obtained the license from the Company in United States, the Company believes that the payments to be paid before commercialisation of the Licensed Product (being the Upfront Payment and Regulatory Milestone Payments) of US$200 million would be reasonable as it has covered approximately 50% of the research and development cost of the Licensed Product.

- The Company would also note that, as a company specialized in research and development and commercialization of drug candidates, the Company has accumulated extensive experience and has entered into out-license arrangements with domestic and international pharmaceutical companies from time to time and therefore has the relevant experience in negotiating the terms of the license arrangement. Leveraging the relevant experience, with respect to the Licensed Product, the payment terms were agreed between the Company and Fosun Pharmaceutical Industrial based on the arm's length commercial negotiations.

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

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

The Sales Milestone Payments were determined after arm's length negotiations between the parties with reference to prevailing market prices by assessing sales milestone payments charged by industry peers for transactions of similar nature. The average sales milestone payments in precedent comparable PD-1 licensing transactions of industry peers are approximately US$685 million, which is comparable to those charged by the Company.

In addition, the Company has assessed the reasonableness of the Sales Milestone Payments based on the percentage of such payment relative to the relevant sales milestones and considered that the terms offered by Fosun Pharmaceutical Industrial are more favorable as compared to the Third Party Quotations.

The Company noted that the indication of ES-SCLC was also included in the Third Party Quotations. In terms of percentage, with respect to similar indication, the Sales Milestone Payment represent approximately 10% to 15% of the relevant sales milestones with fewer tiered sales milestones, while the sales milestone payment accounted for only 4% and 8%, respectively, of the relevant sales milestone for the Third Party Quotations with more tiered sales milestones.

Such percentage results from the parties' arm's length negotiation taking into consideration the expected market of the Licensed Product and the tiered sales milestones. The last sales milestone under the License Agreement as set out in the table above is US$2 billion while the last sales milestone under the Third Party Quotation was US$5 billion and US$4 billion, respectively. Assuming the sales of the Licensed Product with respect to similar indication achieving the highest sales milestone under the License Agreement (being US$2 billion), the amount of sales milestone payments to be received from Fosun Pharmaceutical Industrial (being US$650 million) would be more favorable as compared to the Third Party Quotations (being US$255 million and US$320 million, respectively).

Furthermore, the Company considers that the most critical terms for assessing a license arrangement would be the Upfront Payment as it indicates that the amount of consideration the Company is entitled to receive in advance of the commercialisation of the relevant products. In this regard, the Company noted that the portion of the Upfront Payment out of the total consideration under the License Agreement is the highest amongst the other payments.

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

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

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

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

The customary royalty payments in precedent comparable PD-1 licensing transactions typically range from 10% to 20%. In this regard, the Company noted that in the transaction conducted by the Company's peer as set out in (a)(ii) above, the maximum percentage of royalty payment is 20%.

In addition, the Royalty Payments are also comparable to (i) those of the Third-Party Quotations, which ranges from 10% to 18% and 17% to 20% respectively and (ii) those of other license arrangements entered into by the Company. As the transfer price to be paid by the relevant licensees is also a payment that is on an ongoing basis and based on the sale volume of the relevant products, after aggregating with the Royalty Payment, the payments under the License Agreement which are on an ongoing basis and which are based on the sale volume, will represent 18% to 26% of the Net Sales.

Leveraging on the Company's extensive experience in negotiating license arrangements and taking into account (i) the Transfer Price Payments to be paid by Fosun Pharmaceutical Industrial to the Company as set out in (e) below; and (ii) the overall assessment of the terms of the License Agreement as a whole as described above, the Company is of the view that the Royalty Payments are justifiable and commercially reasonable.

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

(a) reasonably estimated or actually incurred customary trade, cash or quantity discounts or rebates;

(b) reasonably estimated or actually incurred adjustments on account of price adjustments, billing adjustments, shelf stock adjustments, or initial stock fees;

(c) reasonably estimated or actually incurred chargebacks directly related to sales of the Licensed Product;

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

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

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

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

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

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

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

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

The Transfer Price Payments were determined after arm's length negotiations between the parties based on the expected supply quantity of the Licensed Product during the term of the License Agreement with reference to margin charged by the Company for other license arrangements already entered into by the Company with independent third parties and the Royalty Payments already received by the Company (which will also be on an ongoing basis and based on the volume of products to be sold). In particular, the Company has reviewed and assessed a total of 15 license agreements previously entered into by the Company and considered the terms of the Royalty Payments and the Transfer Price Payments as a whole and

noted that the percentage of the aggregate of the royalty payments and the transfer price payments for those 15 license agreements in the relevant net selling prices ranged from 15% to 25%. Taking into account that (i) the portion of the Upfront Payment out of the total consideration under the License Agreement is the highest amongst the other payments; (ii) the Royalty Payments the Company already received, (iii) other advantageous terms under the License Agreement such as the Repurchase Options and cost sharing terms and (iv) the previous license agreements entered into by the Company, the Company considers that the Transfer Price Payments are justifiable and make commercial sense.

(iii) Repurchase Options

After the third (3rd) anniversary of the first commercial sale of the Licensed Product in the United States, the Company has the option to repurchase the license right under the License Agreement at a price equal to three times of the Net Sales of the Licensed Product in the United States during the then-previous 12-month period, if the repurchase occurs within one (1) month after the third (3rd) anniversary of the first commercial sale of the Licensed Product in the United States, provided the total repurchase price shall not be less than US$250,000,000 (the "**Floor Repurchase Price**"). The Floor Repurchase Price is determined with reference to (i) the total amount of US$200 million paid by Fosun Pharmaceutical Industrial to the Company, which is the aggregate of the Upfront Payment and the Regulatory Milestone Payment; and (ii) the estimated cost to be incurred by Fosun Pharmaceutical Industrial in relation to sales and marketing of the Licensed Product after three years of the first commercial sale of the Licensed Product in the United States. This option provides additional benefits to the Company which are not available to the Company under the Third Party Quotations. If the Company considers that greater economic benefits can be achieved by conducting the commercialization of the Licensed Product in the United States itself, the Company may consider acquiring the commercialization rights from Fosun Pharmaceutical Industrial. The Floor Repurchase Price that may be paid by the Company would largely be the actual cost paid or to be incurred by Fosun Pharmaceutical Industrial, but without taking into consideration any finance cost that Fosun Pharmaceutical Industrial may incur as a result of the payments made to the Company pursuant to the license arrangement and therefore are fair and reasonable to the Company from commercial perspective. After the repurchase, Fosun Pharmaceutical Industrial will receive certain royalties only if that Fosun Pharmaceutical Industrial has selected and shared agreed rate of the development cost for at least two (2) indications of the Licensed Product other than the ES-SCLC, so as to reimburse Fosun Pharmaceutical Industrial for its development cost incurred for such indications. The amount of such royalties will be agreed by the parties at the time of exercising such option. If Fosun Pharmaceutical Industrial does not select and share agreed rate of the development cost for two other indications, the Company is not required to pay such royalties to Fosun Pharmaceutical Industrial at the time of exercise of the repurchase option. The Company should notify Fosun Pharmaceutical Industrial at least twelve (12) months in advance before exercising the repurchase option. The Board will evaluate whether the terms for the repurchase is fair and reasonable to the Company at the relevant time before deciding whether or not to exercise the option.

Starting from the first commercial sale of the Licensed Product in the United States and ending on the third anniversary of such first commercial sale, the Company also has the option to repurchase the license right under the License Agreement if Fosun Pharmaceutical Industrial fails to achieve sales of at least fifty percent (50%) of the forecasted sales of the Licensed Product in the United States for two (2) consecutive years at a price that is equal to the total amount of upfront fee payment, milestones payment and development cost (if any) actually paid by Fosun Pharmaceutical Industrial under the License Agreement. The Company will only consider exercising such option under the circumstances that (i) Fosun Pharmaceutical Industrial fails to achieve sales of at least fifty percent (50%) of the forecasted sales in the United States for two (2) consecutive years; and (ii) the Company has identified a suitable third party to promote the sales and marketing of the Licensed Product in the United States to achieve the forecasted sales. This option provides better protection to the Company if the Company considers that the commercial value of the Licensed Product has not been realized under the license arrangement by allowing the Company to acquiring back the commercialization rights of the Licensed Product. The price to be paid by the Company would equal to the actual cost paid by Fosun Pharmaceutical Industrial, but without taking into consideration any finance cost that Fosun Pharmaceutical Industrial may incur as a result of the payments made to the Company pursuant to the license arrangement. The Company considers that the exercise of such repurchase option under the aforementioned circumstances will contribute to realising the commercial value of the Licensed Product and maximising the return to the Company and the Shareholders. The Board will evaluate whether the terms for the repurchase is fair and reasonable to the Company at the relevant time before deciding whether or not to exercise the option.

The parties will negotiate in good faith and enter into separate agreement(s) to agree on the terms of the transactions underlying the Repurchase Options only if the Company considers it is in the best interest of the Company and its Shareholders to exercise such options.

(iv) Regulatory Activities

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

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

(v) Supply of the Licensed Product

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

(vi) Effective Date

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

(vii) Term of the License Agreement and Termination

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

3. INFORMATION ABOUT THE LICENSED PRODUCT

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

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

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

5. LISTING RULES IMPLICATIONS

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

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

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

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

With respect to (ii) above, (a) the Company has applied for a waiver from strict compliance with the requirement under Rule 14A.53(1) to set monetary annual caps (the "**Rule 14A.53(1) Waiver**"). During the Rule 14A.53 Waiver Period (as defined below), as the Licensed Product has not been commercialised, there will not be any payment to be made by Fosun Pharmaceutical Industrial to the Company. Accordingly, the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments during the Rule 14A.53 Waiver Period are fully exempt continuing connected transactions under Chapter 14A of the Listing Rules; and (b) a waiver from strict compliance with Rule 14A.52 to allow the term of the License Agreement to be for an unspecified term (the "**Rule 14A.52 Waiver**").

In addition, according to Rule 14A.79(2) of the Listing Rules, if the listed issuer's group acquires or accepts an option granted by a connected person where the listed issuer's group has discretion to exercise the option, it is classified based on the amount of the premium payable by the listed issuer's group. As the exercise of each of the Repurchase Options is at the discretion of the Company and no premium is payable for the grant of Repurchase Options, such grant constitutes a fully-exempt connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules on the exercise of the Repurchase Options as and when appropriate.

Details and Conditions of Rule 14A.53(1) Waiver and Rule 14A.52 Waiver

The Company has applied for, and the Stock Exchange has granted, the Rule 14A.53(1) Waiver to set monetary annual caps and adopt the formula set out in "*2. Principal Terms of the License Agreement – (ii) Consideration – (c) Sales Milestone Payments*", "*2. Principal Terms of the License Agreement – (ii) Consideration – (d) Royalty Payments*" and "*2. Principal Terms of the License Agreement – (ii) Consideration – (e) Transfer Price Payments*" above as the annual caps for the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments during the term of the Licence Agreement, on the following grounds:

(a) **Commercially impractical**: it is impractical for the Company to accurately estimate the amount of the payments to be paid by Fosun Pharmaceutical Industrial to the Company as the amounts to be paid will depend on the actual addressable market of the Licensed Product, which will in turn depend on various factors including the acceptance of the Licensed Product by the medical community and patient access, pricing and the number of patients;

(b) **Licensed Product not commercialised**: as at the date of this submission, the Licensed Product have not been commercialised and the Company cannot accurately estimate the sales amounts of the Licensed Product in order to be able to estimate the future transaction amount. Accordingly, imposing an arbitrary monetary cap would be unduly burdensome and not in the interests of the Company's shareholders;

(c) **Not in the interests of the Company and Shareholders to set fixed monetary caps**: it would also not be in the interest of the Company and the shareholders of the Company to adopt fixed monetary caps for such transactions as such caps will impose an arbitrary ceiling on the profits that the Company could derive from the commercialisation of the Licensed Product. In addition, such monetary caps would be contrary to the purpose of adopting sales milestone payment, royalty payment and transfer price payment arrangements in order to incentivize the parties based on the performance and would subject to the Company additional administrative burden if the Company needs to convene a shareholders' meeting to amend the monetary caps; and

(d) **Disclosure in the annual reports**: the Company will disclose in its subsequent annual reports the exact amount of the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments made in the relevant financial years.

As set out in "2. *Principal Terms of the License Agreement – (ii) Consideration – (d) Royalty Payments*" above, the Royalty Payments shall continue until the end of the Royalty Term. Accordingly, the License Agreement does not have a fixed term. This does not strictly comply with Rule 14A.52, which requires that the period of an agreement for continuing connected transactions must be fixed. As such, the Company has applied for, and the Stock Exchange has granted, the Rule 14A.52 Waiver, so that the term of the License Agreement can be for an unspecified term on the following grounds and subject to the following conditions:

(a) **Nature of the transactions**: the transaction relates to the grant of a license by the Company to Fosun Pharmaceutical Industrial in relation to a drug product and is generally of long term in nature for transactions of similar type;

(b) **Strong commercial reasons**: the reason for the Company entering into the License Agreement is for Fosun Pharmaceutical Industrial to commercialise the Licensed Product in the Field in the United States by leveraging Fosun Pharma Group's professional, reputational, digital and compliant marketing system and comprehensive support system in medical affairs, market access, medical strategic alliances and brand promotion. Such cooperation is long term in nature (i.e. for so long as there is market for the Licensed Product and it is in the interest of the parties to continue to sell the Licensed Product, the parties to the License Agreement would commercially continue with the license arrangement). Imposing a restriction on the term of the Licence Agreement for a period of three years would be contrary to the business intention of the parties;

(c) **In the interest of the Company and the shareholders as a whole**: the transactions under the License Agreement form an important part of the business operation of the Group. It allows the Company to further expand the overseas market of the Licensed Product, enhance the accessibility and recognition of the Company's products in the international market, which will generate additional revenue and contribute to the sustainable growth of the Company. Accordingly, the nature of the long-term cooperation of the parties as contemplated under the License Agreement is in the interest of the Company and the shareholders as a whole;

(d) **Annual caps**: notwithstanding the term of the Licence Agreement is for an unspecified term, the Company will clearly set out the formula in the announcement as the annual cap for such transaction, and as such, the investors will be provided with the information that how the relevant fees will be paid;

(e) **Safeguard measure**: pursuant to the terms of the License Agreement, the Company will have the right to terminate the agreement if, among other things, Fosun Pharmaceutical Industrial is in material breach of the terms of the relevant agreement;

(f) **View of the independent financial adviser**: Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser, and the reasons why the License Agreement requires a longer period of more than three years have been set out in "*Letter from Rainbow Capital*" in this circular. Rainbow Capital (HK) Limited has also confirmed that it is normal business practice for agreements of this type to be of such duration; and

(g) **Disclosure in this Circular and the annual reports**: details of this waiver has been disclosed in this Circular and the actual transaction amount will be set out in the subsequent annual reports of the Company.

The Stock Exchange has granted the Rule 14A.53(1) Waiver and the Rule 14A.52 Waiver subject to the following conditions:

(a) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A if there are any material changes to the terms of the License Agreement;

(b) the Company will re-comply with Chapter 14A of the Listing Rules and set monetary annual caps in respect of the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments within three years after the commercialisation of the Licensed Product;

(c) the independent non-executive Directors of the Company will ensure that the relevant transactions are undertaken in accordance with the terms of the License Agreement, and comply with the applicable Listing Rules requirements;

(d) the independent non-executive Directors will review the transactions under the License Agreement on an annual basis and confirm in the Company's annual reports the matters set out in Rule 14A.55. The auditors of the Company will also report on the same transactions and issue a letter to the Board confirming the matters set out in in Rule 14A.56; and

(e) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this Circular, the Company will take immediate steps to ensure compliance with such new requirements.

6. INFORMATION ABOUT THE PARTIES

(a) Fosun Pharmaceutical Industrial

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

(b) The Company

The Company is a leading biopharmaceutical company in the PRC with the vision to offer high-quality, affordable and innovative drugs for patients worldwide. The H Shares of the Company have been listed on the Main Board of the Stock Exchange since September 2019.

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider and advise the Independent Shareholders on the terms of the License Agreement and transactions contemplated thereunder. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, in each case, on the terms of the License Agreement and transactions contemplated thereunder.

8. EGM

The License Agreement will be considered and, if thought fit, by the Independent Shareholders, at the EGM by poll. Fosun Pharmaceutical Industrial and its associates (including Fosun New Medicine and Fosun Industrial, which are fellow subsidiaries of Fosun Pharmaceutical Industrial), which are interested in an aggregate of approximately 59.30% of the total issued Shares of the Company as at the date of this circular, will abstain from voting on the resolution regarding the License Agreement at the EGM. Save for the above, as far as the Directors are aware having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the resolution to be proposed regarding the License Agreement at the EGM.

The notice convening the EGM was published by the Company on 1 December 2022 (the "**Original EGM Notice**") and a supplemental notice of EGM is set out on pages 49 to 50 of this circular (the "**Supplemental 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 11:00 a.m. on Tuesday, 27 December 2022, for the Independent Shareholders to consider and, if thought fit, to approve the resolutions contained in the EGM Notice. A supplemental form of proxy for the EGM (the "**Supplemental Form of Proxy**") is enclosed with this circular.

Shareholders who intend to appoint a proxy to attend the EGM and to vote on the resolutions set out in the Original EGM Notice and/or the Supplemental EGM Notice are requested to complete and return the Original Form of Proxy (as defined below) and/or the Supplemental 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. 11:00 a.m. on Monday, 26 December 2022) or any adjournment thereof (as the case may be). Completion and return of the Original Form of Proxy and/or the Supplemental 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.

Important Notice: The Supplemental Form of Proxy will not affect the validity of the form of proxy dated 1 December 2022 in relation to the EGM (the "Original Form of Proxy") in respect of the resolution set out in the Original EGM Notice. If you have already validly appointed a proxy to act for you at the EGM under the Original Form of Proxy but have not completed and returned the Supplemental Form of Proxy, your proxy will have the right to vote at his/her discretion with respect to the supplemental resolution set out in the Supplemental EGM Notice. If you do not duly complete and deliver the Original Form of Proxy but have duly completed and delivered the Supplemental Form of Proxy and validly appointed a proxy to attend and act for you at the EGM, your proxy will be entitled to vote at his/her discretion on resolution set out in the Original Form of Proxy.

For particulars of the other resolution proposed at the EGM, closure of the register of members of the Company, appointment of proxy and other relevant matters, please refer to the Original EGM Notice, the circular of the Company dated 1 December 2022 and the announcement on postponement of the EGM dated 9 December 2022.

9. OTHERS

Each of Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen and Mr. Zihou Yan holds various positions with Fosun Pharmaceutical Industrial and/or its subsidiaries, and each of them has abstained from voting on the Board resolution approving the License Agreement and the transactions contemplated thereunder. Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the License Agreement and no other Director has abstained from voting on the relevant Board resolution approving the License Agreement and the transaction contemplated thereunder.

10. 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 License Agreement are fair and reasonable, and that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on

normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, such Directors recommend that you vote in favour of the resolution to be proposed at the EGM to approve the License Agreement.

The Independent Board Committee, having taken into account the recommendations from Rainbow Capital, the Independent Financial Adviser, considers that the License Agreement are fair and reasonable, the transactions contemplated under the License 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 License Agreement.

11. GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 24 of this circular and the letter from Rainbow Capital containing its recommendations to the Independent Board Committee and Independent Shareholders in connection with the License Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by them in arriving such recommendations set out on pages 25 to 44 of this circular.

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

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)

13 December 2022

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS REGARDING THE LICENSE AGREEMENT

We have been appointed as the Independent Board Committee to consider the License Agreement, and to advise you on whether the terms of the License Agreement (including the transactions contemplated thereunder) is in the ordinary and usual course of business of the Company, has been entered into on normal commercial terms, and the terms therein are fair and reasonable and 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 23 of contained in the circular to the Shareholders of the Company dated 13 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 25 to 44 of the Circular.

Having considered the information set out in the letter from the Board, the terms of the License Agreement and the opinion of the Independent Financial Adviser in relation thereto, we are of the opinion that the terms of the License Agreement (including the transactions contemplated thereunder) is in the ordinary and usual course of business of the Company, has been entered into on normal commercial terms, and the terms therein are fair and reasonable 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 License Agreement (including the transactions contemplated thereunder).

Yours faithfully,

Mr. Tak Young SO	**Dr. Lik Yuen CHAN**	**Dr. Guoping ZHAO**	**Dr. Ruilin SONG**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

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 in respect of the terms of the License Agreement, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

13 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,

CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE LICENSE 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 transactions (the "**Transactions**") contemplated under the License Agreement, details of which 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 13 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 Pharmaceutical Industrial is a subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore Fosun Pharmaceutical Industrial is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly,

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

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

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

With respect to (ii) above, the Royalty Payments shall continue until the end of the Royalty Term. Accordingly, the License Agreement does not have a fixed term. Therefore, we were appointed to explain why the License Agreement requires a longer period of more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

Fosun Pharmaceutical Industrial and its associates (including Fosun New Medicine and Fosun Industrial, which are fellow subsidiaries of Fosun Pharmaceutical Industrial), which are interested in an aggregate of approximately 59.30% of the total issued Shares of the Company as at the Latest Practicable Date, will abstain from voting on the resolution regarding the License Agreement at the EGM. Save for the above, as far as the Directors are aware and having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the resolution to be proposed regarding the License Agreement at the EGM.

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 License Agreement 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 Fosun Pharma Group or any other party to the License 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 the continuing connected transactions regarding the Sinopharm Distribution Framework Agreement between the Company and Sinopharm for the three years ending 31 December 2025, respectively, details of which are set out in the circular of the Company dated 1 December 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 Fosun Pharma Group or any other party to the License 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 License 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 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 License Agreement, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the 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.

As at the Latest Practicable Date, the Group has launched five marketed products, namely HANLIKANG (rituximab injection), HANQUYOU (trastuzumab injection), HANDAYUAN (adalimumab injection), HANBEITAI (bevacizumab injection) and the Licensed Product, HANSIZHUANG (serplulimab injection).

Information about the Licensed Product

As stated in the Letter from the Board, HANSIZHUANG (serplulimab injection) is an innovative anti-PD-1 monoclonal antibody independently developed by the Company and was approved for marketing in mainland China in March 2022. As of the date of this circular, HANSIZHUANG has been approved for two indications in mainland China: (1) the treatment of adult patients with advanced unresectable or metastatic Microsatellite Instability-High ("**MSI-H**") solid tumours that have failed to respond to the standard therapy; and (2) the first-line treatment of patients with unresectable locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) in combination with carboplatin and albumin-bound paclitaxel. In addition, the new drug applications for another two indications of HANSIZHUANG have been accepted by the NMPA. In April 2022, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of previously untreated patients with extensive stage small cell lung cancer (ES-SCLC) was accepted by the NMPA. Further, 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. In November 2022, the first patient has been dosed in a bridging study in the United States of HANSIZHUANG in combination with chemotherapy for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC).

HANSIZHUANG is planned to be used for the treatment of a variety of solid tumours, and in addition to the indications of the MSI-H solid tumours and squamous non-small cell lung cancer (sqNSCLC) which have been approved for marketing, which is being undergone clinical studies in 10 combination therapies with it as the core in various countries and regions around the world. The sales promotion of HANSIZHUANG in Mainland China is conducted by the Company's inhouse commercialisation team. As of the date of this circular, the Company has entered into business cooperation with PT Kalbe Genexine Biologics for commercialisation of HANSIZHUANG in Philippines, Indonesia, Malaysia, Singapore, Thailand, Laos, Myanmar, Cambodia, Brunei and Vietnam.

(b) Fosun Pharmaceutical Industrial

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

(c) Background and reason

With an aim to broaden the footprint of the Licensed Product, the Directors believe that the cooperation with Fosun Pharmaceutical Industrial under the License Agreement will enable the Company to further expand the overseas market of the Licensed Product, enhance the accessibility and recognition of the Company's products in the international market, which will contribute to the sustainable growth of the Company. Accordingly, on 17 November 2022, the Company entered into the License Agreement with Fosun Pharmaceutical Industrial, pursuant to which the Company agreed to grant to Fosun Pharmaceutical Industrial an exclusive license under the Company's intellectual property to commercialise the Licensed Product in the Field in the United States.

Having considered (i) the increasing number of approvals obtained from the NMPA for commercialisation and the Licensed Product has been approved for marketing in March 2022; (ii) the Company's plan to further expand the Licensed Product to an overseas market; and (iii) the extensive marketing capability possessed by Fosun Pharma which the Group could leverage on broadening its potential customer bases and thereby creating commercial benefits and enhancing the brand awareness of the Licensed Product in the future, we concur with the Directors' view that through entering into the License Agreement, the Group is able to benefit from the established and extensive sales and distribution network of Fosun Pharma which facilitates the penetration of the Licensed Product outside the PRC.

2. Principal terms of the License Agreement

For details of the terms of the License Agreement, please refer to the section headed "Principal Terms of the License Agreement" in the Letter from the Board. Set out below are the principal terms of the License Agreement:

Date	:	17 November 2022
Parties	:	(i) The Company; and (ii) Fosun Pharmaceutical Industrial
The License	:	The Company will grant to Fosun Pharmaceutical Industrial an exclusive license (with the right to sublicense, provided that Fosun Pharmaceutical Industrial shall not sublicense or assign its principal commercialisation rights to any third party without the Company's prior written consent, except that such advance written approval is not required if Fosun Pharmaceutical Industrial sublicenses to Fosun Pharma USA, Inc., or remains principally responsible for and in charge of the commercialisation of the Licensed Product in the Field in the United States after such sublicense is granted) under the Company's intellectual property to commercialise the Licensed Product in the Field in the United States.

In respect of the ES-SCLC, the Company will be responsible for all research, development and regulatory activities of the Licensed Product in the Field in the United States before the grant of marketing approval, including any studies (including a bridging study) and the marketing authorization application preparation and filing.

After the grant of marketing approval, Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the Field in the United States, including maintaining, extending marketing approvals, market access and other regulatory activities required.

In respect of other indications that may be selected by Fosun Pharmaceutical Industrial, the parties shall negotiate in good faith and enter into a separate agreement to agree on the development plan and cost sharing arrangement for the pre-commercialisation activities.

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

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

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

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

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

The amount of the Regulatory Milestone Payment is determined after arm's length negotiations between the parties with reference to prevailing market rates for regulatory milestone payment for products of similar nature and prices previously paid by third parties to the Company for licensing of similar products under similar conditions.

Sales Milestone Payments:
The sales milestone payments of not more than US$650 million in aggregate based on the achievements of annual Net Sales of the Licensed Product in the United States, which will be made within thirty (30) days after the date of the achievement of the relevant milestones as further detailed in the Letter from the Board.

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

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

The Royalty Payments were determined after arm's length negotiations between the parties with reference to, among others, prevailing market prices by assessing royalties charged by industrial peers for transactions of similar nature.

Transfer Price Payments:
The Transfer Price Payments were determined after arm's length negotiations between the parties based on the expected supply quantity of the Licensed Product during the term of the Licensed Agreement with reference to margin charged by the Company for other license arrangements already entered into by the Company with independent third parties and Royalty Payments already received by the Company (which will also be on an ongoing basis and based on the volume of products to be sold).

Repurchase Options : After the third (3rd) anniversary of the first commercial sale of the Licensed Product in the United States, the Company has the option to repurchase the license right under the License Agreement at a price equal to three times of the Net Sales of the Licensed Product in the United States during the then-previous 12 month period, if the repurchase occurs within one (1) month after the third (3) anniversary of the first commercial sale of the Licensed Product in the United States, provided the total repurchase price shall not be less than US$250,000,000. After the repurchase, Fosun Pharmaceutical Industrial will receive certain royalties only if that Fosun Pharmaceutical Industrial has selected and shared agreed rate of the development cost for at least two (2) other indications of the License Product other than the ES-SCLC. The Company should notify Fosun Pharmaceutical Industrial at least twelve (12) months in advance before exercising the repurchase option.

Starting from the first commercial sale of the Licensed Product in the United States and ending on the third (3rd) anniversary of the first commercial sale, the Company also has option to repurchase the license right under the License Agreement if Fosun Pharmaceutical Industrial fails to achieve sales of at least fifty percent (50%) of the forecasted sales of the Licensed Product in the United States for two (2) consecutive years at a price that is equal to the total amount of upfront fee payment, milestones payment and development cost (if any) actually paid by Fosun Pharmaceutical Industrial under the License Agreement.

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

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

3. Assessment of the principal terms of the License Agreement

In assessing the fairness and reasonableness of the terms of the License Agreement, we have reviewed and assessed the payment terms of the License Agreement as a package through comparison of terms from different perspectives, which are outlined in the sub-paragraphs below for details. We consider that each of the term of the License Agreement should not be assessed individually without considering the other terms of the License Agreement, which is also consistent with how the Company evaluates the fairness of a license arrangement. As compared to giving our independent fairness opinion on each individual term of the License Agreement, we consider it to be more meaningful to give our view on the terms of the License Agreement as a whole, particularly also after taking into account of the background and reason of entering into the License Agreement, such as the extensive marketing capability possessed by Fosun Pharma and the Company's business plan as mentioned in the sub-paragraph "1. (c) background and reason".

Based on the aforesaid, in comparing the terms of the License Agreement with others, we have put our primary focus on the upfront payment with respect to the licensing territories, since it denotes the consideration received by the Company in advance once the License Agreement becoming effective, which is not subject to the commercialisation of the Licensed Product or other milestones to be achieved in the future (i.e. regulatory milestone payments and sales milestone payments). We also consider royalty payment to be an important reference in assessing the overall terms of the License Agreement, because we consider that it is quite a common term in other similar arrangement during our comparison exercise as detailed in the sub-paragraphs below. Accordingly, amongst all of the terms in the License Agreement, we will put more weight on the Upfront Payments and Royalty Payments in assessing the major terms of the License Agreement.

(a) Comparison on terms of the License Agreement with the recent price quotations received

We have discussed with the management of the Group and have been provided by the Company and reviewed the major terms of the recent price quotations received within the latest year for licensing the Licensed Product under similar condition in territories including the United States from two other global biopharmaceutical companies (both companies are principally engaged in developing and manufacturing immunotherapies), and compared with the major terms of the License Agreement such as the upfront payment, regulatory milestone payments, sale milestone payments, royalty payments and cost sharing arrangement between the parties.

We consider these two recent price quotations to be broadly comparable to the License Agreement, on the basis that their price quotations (i) also include the major terms which are the same as the License Agreement; (ii) were quoted approximately one year before the publication date of the Company's announcement, which reflects the recent market conditions; and (iii) were quoted by independent third parties which are principally engaged in the same industry as Fosun Pharmaceutical Industrial according to the same background information provided by the Company to other potential commercial license partners through the Company's business development team, as confirmed by the management of the Group.

Based on our review of information provided by the Company, amongst the two recent price quotations received, Company A and Company B proposed the final terms to the Company on May 2022 and November 2021, respectively. Major terms of the recent price quotations received from the two other global biopharmaceutical companies for licensing the Licensed Product are disclosed below for comparison purpose:

Major terms	**The License Agreement**	**Company A**	**Company B**
Licensing territories	the United States	Several European, North American and Asian countries including the United States	Global (excluding China and south Asian countries)
Portion of upfront payment out of the total payments *(Note 1)*	17.6%	9.1%	12.4%
Portion of regulatory milestone payments out of the total payments *(Note 1)*	5.9%	25.1%	41.5%
Portion of sales milestone payments out of the relevant tiered sales milestones *(Note 2)*	10-15%	8-10%	3-4%
Royalty payment	10%-18%	10%-18%	17%-20%
Transfer price payment *(Note 3)*	8%	N/A	N/A
Duration	Indefinite	Indefinite	Indefinite
Repurchase options	Yes	No	No
Cost sharing term	Yes	No	No

Notes:

1. Total payments comprise of (i) upfront payments; (ii) regulatory milestone payments; and (iii) sales milestone payments

2. For comparison purpose, the figures are extracted and calculated from (i) the same number of tiered sales milestones which were divided under the tiered sales of US$500 million, US$1 billion and US$2 billion, respectively; and (ii) sales milestones below US$2 billion, which is the highest sales milestones to be achieved under the License Agreement

3. No transfer price payment was shown in the price quotations received from Company A and Company B

Upfront payment

As seen from the above table, we noted that the major terms in the License Agreement, in particular the Upfront Payment, which is expressed in terms of the percentage of upfront payment out of the total payments of approximately 17.6%, are generally more favorable than that of the other two recent price quotations received, with the amount of approximately 9.1% and 12.4%, respectively. Besides, certain amounts will be refunded in stages if BLA for the Licensed Product has not been approved by the FDA by the specified time as stipulated under the License Agreement. We consider such term to be commercially favorable to the Company, since the Company is entitled to receive such payments in advance under the Upfront Payment upon the Effective Date when compared with others.

Regulatory milestone payments

We noted that the Regulatory Milestone Payments, which is expressed in terms of the percentage of regulatory milestone payments out of the total payments, amounted to approximately 5.9%, whereas the respective amount of Company A amounted to approximately 25.1% and Company B amounted to approximately 41.5%, respectively. While the amount of Regulatory Milestone Payments may be less than that of the two recent price quotations received, given (i) the licensing territories of the Licensed Product is limited to the United States only while the other two involves much more geographical coverage; (ii) the regulatory milestone payments under Company A and Company B cover three indications (including ES-SCLC) while the Regulatory Milestone Payments only covers one indication; (iii) Fosun Pharmaceutical Industrial will need to share the cost of the other selected indications for the Licensed Product in the Field in the United States, including the cost for any studies (including a bridging study) and the marketing authorisation application fee pursuant to the License Agreement while the other two does not have such arrangement; and (iv) the Upfront Payment received by the Company, which is another payment before the commercialization of the Licensed Product, overall speaking, we consider the Regulatory Milestone Payments to be justifiable.

Sales milestone payments

For the sales milestone payments below the sales milestones of US$2 billion, under the same number of tiered sales and similar indications, we noted that the Sales Milestone Payments amounted to approximately 10-15% of the relevant sales milestones, while Company A amounted to approximately 8-10% and Company B amounted to approximately 3-4% of the relevant sales milestones, respectively. As stated in the Letter from the Board, the last sales milestone under the License Agreement is US$2 billion while the last sales milestone under the two recent price quotations was US$4 billion for Company A and US$5 billion for Company B, respectively. On the basis of the highest sales milestone payment out of the relevant sales milestones (in terms of percentage) under the License Agreement as aforesaid, assuming the sales of the Licensed Product achieving the highest sales milestone under the License Agreement (being US$2 billion), the amount of sales milestone payments to be received from Fosun Pharmaceutical Industrial (being US$650 million) would be more favorable as compared to that of Company A and Company B (being US$255 million and US$320 million, respectively). Accordingly, we consider the Sales Milestone Payments to be fair and reasonable.

Royalty payments and transfer price payments

Regarding the Royalty Payments, the range of 10%-18% is also found to be generally consistent with that of Company A. Although the Royalty Payments are slighter lower than that of Company B, taking into account the Transfer Price Payments of 8%, the aggregate of approximately 18%-26% under the License Agreement is higher than that of Company B of 17%-20%. Based on our discussion with the management of the Group, since both the royalty payments and transfer price payments represent the amounts to be received from Fosun Pharmaceutical Industrial which are based on the net selling price of the licensed product, the aggregate of the Royalty Payments and the Transfer Price Payments are generally more favorable than that of the two recent price quotations received.

Other major terms under the License Agreement

We also noted that the License Agreement contains clauses such as Repurchase Options and cost sharing arrangement between the parties, which are not available in the major terms offered by the industry peers. We consider the Repurchase Options are unique to the Company, since it offers feasibility to the Company for commercialising the Licensed Product on its own in the future. For the cost sharing arrangement among the Company and Fosun Pharmaceutical Industrial, we consider it to be a reasonable commercial term which generally governs the respective role of both parties under the License Agreement.

Overall comments

In our view, taking into account that (i) the portion of upfront payment out of the total payments under the License Agreement is the highest amongst the others, which we consider to be the most critical terms under our assessment since it implies that the Company is entitled to receive more consideration in advance; (ii) the Territory for the Licensed Product is limited to the United States while the other two recent price quotations involve the licensing territories on a global basis, however the portion of upfront payment out of the total payments under the License Agreement is still the highest amongst the others; (iii) the other terms under the License Agreement, such as the Repurchase Options and cost sharing terms as aforesaid, are only applicable under the License Agreement; and (iv) the Royalty Payments are found to be generally consistent with the others, we consider the terms of the License Agreement to be justifiable as compared with the two recent price quotations received.

(b) Comparable arrangement

In evaluating the fairness and reasonableness of the principal terms of the License Agreement, we have, on a best effort basis, identified an exhaustive list of licensing arrangement, which (a) were announced by companies listed on the main board of the Stock Exchange during the period from 26 September 2019 to the Latest Practicable Date (the "**Review Period**"), being a period since the listing of the Company which approximates to three years prior to the Latest Practicable Date; and (b) involved the grant or receipt of exclusive licensing rights of antibody immuno-oncology medicine in the United States and other countries globally excluding China. Based on the aforesaid criteria, we identified 16 comparable arrangement (the "**Comparable Arrangement**").

We consider that the aforesaid criteria, including the selection of timeframe for the Review Period, allow us to identify a sufficient number of samples for comparison purpose. We further consider that the Comparable Arrangement can provide a general reference to the principal terms of recent licensing arrangement of antibody immuno-oncology medicine as well as a sufficient sample size for comparison purpose, so as to determine whether the terms of the License Agreement are in line with the market practice. Since the Comparable Arrangement (i) principally involves the grant or receipt of exclusive licensing rights of antibody immuno-oncology medicine, which reflects the subject matter as in the License Agreement; (ii) includes a sufficient size for our comparison purpose; and (iii) includes all of the comparable arrangement of the Hong Kong listed companies since the listing of the Company, we believe the Comparable Arrangement formed a list of samples which is fair, representative and exhaustive.

The following table sets out the details of the Comparable Arrangement:

Announcement date	Company name (stock code)	Territory	Royalty payments *(Note 4)* Min	Royalty payments *(Note 4)* Max	Upfront payment (USD in million)	Regulatory milestone payments (USD in million)	Sales milestone payments (USD in million) *(Note 3)*	Other payments (USD in million)	Duration (number of years)	Repurchase Options (Y/N)	Cost sharing term (Y/N)	Portion of upfront payment out of the total payments *(Note 2)*	Portion of regulatory milestone payments out of the total payments *(Note 2)*	Whether the medicine was approved for commercialisation in territories other than the licensed territories (Y/N)
20 December 2019	Alphamab Oncology (9966.HK) ("**Alphamab**")	United States Canada, Mexico and each of their dependent territories	Teens to mid-double digits		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
14 July 2020	Shanghai Junshi Biosciences Co., Ltd. (01877.HK)	Global	N/A		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
18 August 2020	Innovent Biologics, Inc. (1801.HK) ("**Innovent**")	Geographies outside of China, United States and other markets	Tiered double-digit		200	N/A	825	N/A	N/A	N	N	19.5%	N/A	Y (in China)
7 October 2020	BeiGene, Ltd. (6160.HK)	Global	N/A		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	Y (in China)
27 October 2020	CStone Pharmaceuticals (2616.HK)	Outside of China	N/A		150	N/A	1,150	N/A	N/A	N	N	11.5%	N/A	N
29 October 2020	CStone Pharmaceuticals (2616.HK)	Any territory outside the Republic of Korea	N/A		10	N/A	353.5	N/A	N/A	N	N	2.8%	N/A	N
12 January 2021	BeiGene, Ltd. (6160.HK) ("**BeiGene**")	United States, Canada, Mexico, member countries of the European Union, United Kingdom, Norway, Switzerland, Iceland, Liechtenstein, Russia, and Japan	High-teens to high-twenties		650	1,300 *(Note 1)*	250	N/A	10	N	N	29.5%	59.1%	Y (in China)
1 February 2021	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	United States and Canada	20%	20%	150	N/A	380	25	N/A	N	Y	27%	N/A	Y (in China)
17 May 2021	Antengene Corporation Limited (6996.HK) ("**Antengene**")	Global	Single to low double-digits		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N

Announcement date	Company name (stock code)	Territory	Royalty payments (*Note 4*) Min	Max	Upfront payment (USD in million)	Regulatory milestone payments (USD in million)	Sales milestone payments (USD in million) (*Note 3*)	Other payments (USD in million)	Duration (number of years)	Repurchase Options (Y/N)	Cost sharing term (Y/N)	Portion of upfront payment out of the total payments (*Note 2*)	Portion of regulatory milestone payments out of the total payments (*Note 2*)	Whether the medicine was approved for commercialisation in territories other than the licensed territories (Y/N)
13 July 2021	InnoCare Pharm Limited (9969.HK)	Global (outside of China)	Low to high teens		125	N/A	812.5	N/A	N/A	N	N	13.3%	N/A	N
9 August 2021	RemeGen Co., Ltd. (9995.HK)	Global other than China	High single digits to mid teens		200	N/A	2,400	N/A	N/A	N	Y	7.7%	N/A	Y (in China)
8 November 2021	Ascletis Pharma Inc. (1672.HK)	Global other than China	Mid-teens to around 20%		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
4 January 2022	3SBio Inc. (1530.HK)	Global	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
11 January 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	United States and Canada	18%	18%	35	N/A	255	N/A	N/A	N	N	12.1%	N/A	N
7 April 2022	HBM Holdings Limited (2142.HK)	Global	N/A		25	N/A	325	N/A	N/A	N	N	7.1%	N/A	N
8 June 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK) ("**Junshi**")	Global	5%	5%	N/A	75 (*Note 1*)	N/A	N/A	N/A	N	N	N/A	N/A	N
		Maximum	**20%**	**29%**	**650**	**1,300**	**2,400**					**29.5%**	**59.1%**	
		Minimum	**5%**	**5%**	**25**	**75**	**250**					**7.1%**	**59.1%**	
		Average	**14.3%**	**18.1%**	**171.6**	**687.5**	**750**					**14.5%**	**59.1%**	
		Median	**16%**	**19%**	**150**	**687.5**	**380**					**12.1%**	**59.1%**	
	The Company		**10%**	**18%**	**150 (equivalent to around RMB1 billion)**	**50**	**650**	**N/A**	**N/A**	**Y**	**Y**	**17.6%**	**5.9%**	**Y (in China)**

Source: the announcements of the respective companies

Notes:

1. Both announcements of BeiGene and Junshi did not disclose further details such as the timeframe of the respective regulatory milestone payments. For Junshi, we assume the exchange rate to be US$1 to RMB6.7

2. The total payments of both percentages are computed by summing up the relevant upfront payments, regulatory, development and sales milestone payments according to the respective announcements

3. Details of sales milestone payments to be achieved in each sales tier were not disclosed in the announcements of the Comparable Arrangement, therefore the portion of the sales milestone payments out of the relevant tiered sales milestones cannot be computed

4. For our calculation purpose, we assume (i) "teens" to be ranged from 13% to 19%; (ii) "high-teens" to be 19%; (iii) "low-teens" to be 13%; (iv) "mid-teens" to be 16%; and (v) "high single digits" to be 9%. For Alphamab, Innovent and Antengene which indicate their respective royalty payments to be "double digits", since the range is wide, we have excluded their respective range in our calculation

Royalty payment

As shown in the above table, the royalty payments of the Comparable Arrangement ranged from an average of 14.3% to 18.1%, with the median of 16% to 19%. On this basis, we consider the Royalty Payments of 10% to 18% is found to be generally in line with the market practice.

Upfront payment

Since the subject matter of each Comparable Arrangement varies, we consider it is inappropriate to directly compare the absolute amounts of the Upfront Payment with the upfront payment of the Comparable Arrangement. Instead, we computed the portion of upfront payment out of the total payments according to the announcements of the Comparable Arrangement. Based on our review, we noted that the minimum and maximum portion are 7.1% and 29.5%, with an average and median of 14.5% and 12.1%, respectively. The portion of the Upfront Payment of 17.6% is found to be within the range of the Comparable Arrangement and higher than both the average and median of the Comparable Arrangement. On this basis, we consider the Upfront Payment to be fair and reasonable.

Regulatory milestone payments

As shown in the above table, only 2 out of the 16 Comparable Arrangement contains regulatory milestone payments. Although the absolute amounts of Regulatory Milestone Payments are generally lower than that of the 2 Comparable Arrangement, the Regulatory Milestone Payments specify details such as conditions and timeframe for receiving the relevant payment, which the others do not. In our view, although the monetary amounts of the Regulatory Milestone Payments appear to be lower, given (i) the licensing product of the 2 other Comparable Arrangements were licensed on a global scale, as compared with the License Agreement which

only involves the United States as the licensing territories; and (ii) Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the Field in the United States, including the cost for any studies (including a bridging study) and the marketing authorisation application fee pursuant to the License Agreement (i.e. cost sharing arrangement) which does not exist in other Comparable Arrangement, overall speaking, we consider the Regulatory Milestone Payments to be justifiable.

Sales milestone payments

As shown in the above table, only 9 out of the 16 Comparable Arrangement contains sales milestone payments. Based on our review, we noted that the minimum and maximum amounts are approximately US$250 million and US$2,400 million, with an average and median of approximately US$750 million and US$380 million, respectively. The Sales Milestone Payments of US$650 million is found to be within the range of the Comparable Arrangement and higher than the median of the Comparable Arrangement. On this basis, we consider the Sales Milestone Payments to be justifiable.

Transfer price payments

As stated in the Letter from the Board, the Transfer Price Payments were determined after arm's length negotiations between the parties based on the expected supply quantity of the Licensed Product during the term of the License Agreement with reference to margin charged by the Company for other license arrangements already entered into by the Company with independent third parties and the Royalty Payments already received by the Company (which will also be on an ongoing basis and based on the volume of products to be sold).

Based on our independent research, since there are no Comparable Arrangement which discloses any details relating to transfer price payments, alternatively, we have been provided by the Company and reviewed 15 contracts entered between the Company for licensing out the Company's product of similar nature to the independent third parties, which we consider representing a fair, representative and exhaustive sample as it covers all of the licensing out contract entered with the independent third parties since the Company's establishment in 2010. Based on our review, we noted that (i) the transfer price payments were also based on the net selling price; and (ii) the transfer price payments, after aggregation with the royalty payments, generally ranged from approximately 15% to 25% of the respective net selling prices, with the average of approximately 19.4%. Accordingly, the Transfer Price Payments, after aggregating with the Royalty Payments which represents 18%-26% of Net Sales, are generally higher than that entered with the independent third parties. We consider it is reasonable to assess the reasonableness

of the payments as a whole as both payments are on an ongoing basis and are based on the volume of products to be sold. Accordingly, on this basis, we consider the Transfer Price Payments to be acceptable.

Duration

In considering whether it is normal business practice for agreements of a similar nature to the License Agreement to have a duration of more than three years, we have reviewed the Comparable Arrangement based on the selected criteria as mentioned in the sub-paragraph under "Comparable Arrangement". During the period under our review, apart from the duration of product licensing of BeiGene which lasts for 10 years, the duration of the product licensing is not specifically stated in all of the other Comparable Arrangement. In other words, the majority of Comparable Arrangement does not have a definite term, which is comparable to that of the Company.

Given (i) the Group leverages on the extensive marketing capability possessed by Fosun Pharma to commercialise the Licensed Product in the Field in the United States, a longer duration of the License Agreement will provide and maintain stability of the Group's business; (ii) a comparatively long duration will facilitate the sales and marketing initiatives of Fosun Pharma and is expected to extend the period of income from commercialising the Licensed Product in the Field in the United States; and (iii) the Group has to devote capital commitment and management effort to obtain regulatory approval and develop the sales of the Licensed Product in the Field in the United States over a number of years, which makes it commercially desirable for the Group to have a sufficiently long term in order to capture the benefits arising from its effort in the initial years, we consider that it is a normal business practice for licensing arrangements similar to the type of the License Agreement to have a duration of more than three years.

Repurchase Options

As shown in the above table, there is no Comparable Arrangement contains repurchase options as the Company does. In our view, the Company is not obliged to exercise the Repurchase Options. Instead, the Company can discretionally decide whether to exercise the Repurchase Options on it own, which serves to provide feasibility to the Company for self-commercialisation of the Licensed Product in the future. Given (i) there are no other Comparable Arrangement offers such discretion and rights to the Company based on our independent research; and (ii) the Repurchase Options under the License Agreement provide flexibility to the Company as aforesaid, we consider the Repurchase Options are fair and reasonable and in the interest of the Company.

As regards the Floor Repurchase Price, taking into account that (i) it is primarily determined with reference to the aggregate of (a) the Upfront Payment and the Regulatory Milestone Payments of RMB200 million to be received by the Company; and (b) the estimated actual cost to be incurred by Fosun Pharmaceutical Industrial in relation to sales and marketing of the Licensed Product after three years of the first commercial sale of the Licensed Product in the United States; and (ii) it is essentially roughly the actual costs to be incurred by Fosun Pharmaceutical Industrial during the period without taking into consideration any finance cost that Fosun Pharmaceutical Industrial may incur as a result of the payments made to the Company; and (iii) the Board will evaluate whether the terms for the repurchase is fair and reasonable to the Company at the relevant time before deciding whether or not to exercise the option, we consider the Floor Repurchase Price to be justifiable.

Overall comment

As set out above, we have reviewed and assessed the terms of the License Agreement through comparison with (i) recent price quotations under similar condition received from independent third parties; and (ii) comparable arrangement based on our independent research.

In assessing the principal terms of the License Agreement, while certain terms maybe better off than the others or vice versa during our comparison process, we have reviewed and assessed the terms of the License Agreement as a package. In other words, we do not form our view on the terms of the License Agreement only based on our assessment on a particular term without considering the other terms as a whole. Generally speaking, based on our review, we noted that the major terms of the License Agreement, in particular the Upfront Payment and Royalty Payments which we have put more weight on, are generally no less favorable than the terms for similar arrangements between the Group and independent third parties. Taking into account of the reasons for entering into the License Agreement as mentioned in the sub-section headed "1(c). Background and reasons", overall speaking, we consider the terms of the License Agreement to be justifiable.

4. Internal control policies of the Group

Based on our understanding, the Company has adopted a series of internal control policies, which 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.

In assessing whether the internal control policies are put in place and effectively implemented, we have discussed with the management of the Group and reviewed the relevant documentation regarding the menu of the internal control policies on continuing connected transactions which were properly endorsed by the Group. Having consider the above, in particular (i) that the above internal control policies include detective control to uncover any

deviation against the terms of the License Agreement; and (ii) the clear segregation of duties of execution, checking and authorising the continuing connected transactions by designating different personnel or teams for the assessment, review and approval for the ongoing monitoring of the continuing connected transactions, we concur with the Directors that appropriate and adequate internal control policies are in place to ensure that the terms of the License Agreement are will be strictly followed.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the License Agreement.

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 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 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%

Name	Name of Associated Corporation	Number of shares	Class	Nature of interest and capacity	Approximate percentage in relevant class of shares
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%
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 59.30% 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:

Name	Qualification
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) for a period of 14 days from the date of this circular (both days inclusive):

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 24 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 25 to 44 of this circular;

(c) the written consent of the Independent Financial Adviser referred to in paragraph 7 of this Appendix;

(d) the License Agreement; and

(e) this circular.

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)

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of the extraordinary general meeting (the "**EGM**") of Shanghai Henlius Biotech, Inc. (the "**Company**") dated 1 December 2022 (the "**Original EGM Notice**"), which sets out the time and venue of the EGM and contains the resolution to be tabled before the EGM for shareholders' approval, the circular dated 1 December 2022 (the "**Original Circular**"), the announcement on postponement of the EGM dated 9 December 2022, as well as the circular of the Company dated 13 December 2022 (the "**Supplemental Circular**"), which contains the details of the following resolution. Except as the context otherwise requires, capitalised terms used herein shall have the same meanings as ascribed to them in the Original EGM Notice, the Original Circular and the Supplemental Circular.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will be held as originally scheduled at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC on Tuesday, 27 December 2022 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution, in addition to the resolution set out in the Original EGM Notice:

ORDINARY RESOLUTION

2. To consider and, if thought fit, approve the license agreement dated 17 November 2022 entered into between the Company and Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司) (the "**License Agreement**") as set out in the circular of the Company dated 13 December 2022 (including the transactions contemplated thereunder); 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 License Agreement.

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

Hong Kong, 13 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.

Notes:

(1) Please refer to the Original EGM Notice for details of the other resolution proposed at the EGM.

(2) All resolutions 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.

(3) 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. As the form of proxy published by the Company on the website of the Hong Kong Stock Exchange on 1 December 2022 (the "**Original Form of Proxy**") sent together with the Original EGM Notice does not contain the additional ordinary resolution set out in this supplemental notice, a supplemental form of proxy (the "**Supplemental Form of Proxy**") has been uploaded on the website of the Hong Kong Stock Exchange on 13 December 2022 and will be despatched to the shareholders of the Company together with this supplemental notice. If more than one proxy is so appointed, the Supplemental 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.

(4) In order to be valid, the Supplemental 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 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 11:00 a.m on Monday, 26 December 2022) or the adjourned meeting (as the case may be). Completion and return of the Original Form of Proxy and/or the Supplemental 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.

(5) 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 Thursday, 22 December 2022 to Tuesday, 27 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, 27 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 Wednesday, 21 December 2022.

(6) Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.

(7) References to time and dates in this supplemental notice are to Beijing time and dates.