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Shanghai Henlius Biotech, Inc.

上海復宏漢霖生物技術股份有限公司

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

(Stock code: 2696)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE ADMINISTRATIVE FRAMEWORK AGREEMENT
AND
COLLABORATION ARRANGEMENTS UNDER THE FORMER
HLX01 AGREEMENT AND HLX03 AGREEMENT**

RENEWAL OF THE ADMINISTRATIVE FRAMEWORK AGREEMENT

The Company refers to the announcements of the Company dated 24 June 2020 and 31 December 2020 in relation to the continuing connected transactions under the Administrative Framework Agreement entered into between the Company and Fosun High Technology, pursuant to which the Group procured certain services and products for administrative purposes from the Remaining Fosun High Technology Group.

As the term of the Administrative Framework Agreement will expire on 31 December 2021, the Board announces that on 31 December 2021, the Company and Fosun High Technology renewed the Administrative Framework Agreement for a further term of one year from 1 January 2022 to 31 December 2022.

As at the date of this announcement, Fosun High Technology, a holding company of Fosun Pharma, was interested in approximately 39.39% of the total issued shares of Fosun Pharma, which in turn indirectly held approximately 57.48% of the Shares of the Company. Accordingly, Fosun High Technology is a connected person of the Company, and the transactions under the Administrative Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the transactions under the Administrative Framework Agreement for the year ending 31 December 2022 is more than 0.1% but less than 5%, the transactions under the Administrative Framework Agreement are subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

COLLABORATION ARRANGEMENTS UNDER THE FORMER HLX01 AGREEMENT AND HLX03 AGREEMENT

The Company refers to the prospectus (the “**Prospectus**”) issued by the Company on 12 September 2019 in relation to the global offering and listing of the Company’s H Shares on the Main Board of the Stock Exchange. Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Prospectus.

As set out in the Prospectus, (i) the Company has entered into the HLX01 Agreement with Fosun Pharma Industrial Development on 18 September 2015 (as amended) and the HLX03 Agreement with Jiangsu Wanbang on 18 September 2017 (as amended); and (ii) the Company has applied for and the Stock Exchange has granted waivers from strict compliance with the requirements under Rules 14A.52 and 14A.53 of the Listing Rules such that (i) the term of each of the HLX01 Agreement and the HLX03 Agreement can be of an unspecified term and (ii) the annual caps in relation to continuing connected transactions under the HLX01 Agreement and the HLX03 Agreement for the three years ending 31 December 2021 could be determined by reference to formulas in accordance with the terms as set out in the relevant agreements (the “**Previous Waiver**”).

As the Previous Waiver will expire on 31 December 2021, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Listing Rule 14A.52 and 14A.53 for a further waiver term of three years ending on 31 December 2024.

As at the date of this announcement, Fosun Pharma Industrial Development and Jiangsu Wanbang are subsidiaries of Fosun Pharma, the controlling shareholder of the Company. Therefore, each of Fosun Pharma Industrial Development and Jiangsu Wanbang is a connected person of the Company by virtue of being an associate of the Company’s controlling shareholder.

A. THE ADMINISTRATIVE FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 24 June 2020 and 31 December 2020 in relation to the continuing connected transactions under the Administrative Framework Agreement entered into between the Company and Fosun High Technology, pursuant to which the Group procured certain services and products for administrative purposes from the Remaining Fosun High Technology Group and the renewal of the Administrative Framework Agreement.

As the term of the Administrative Framework Agreement will expire on 31 December 2021, the Board announces that on 31 December 2021, the Company and Fosun High Technology renewed the Administrative Framework Agreement for a further term of one year from 1 January 2022 to 31 December 2022.

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

(a) Subject Matter

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

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

The Administrative Framework Agreement is effective from 1 January 2022 and will expire on 31 December 2022.

(b) Basis of Consideration

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

(c) Historical Amounts and Annual Cap

The historical amounts payable (on a tax-exclusive basis) by the Group to the Remaining Fosun High Technology Group for the transactions under the Administrative Framework Agreement for the years ended 31 December 2019 and 2020 were approximately RMB1,240 thousand and RMB803 thousand, respectively. Based on the unaudited management account of the Group, the amount paid (on a tax-exclusive basis) by the Group to the Remaining Fosun High Technology Group for the transactions under the Administrative Framework Agreement was approximately RMB402 thousand for the six months ended 30 June 2021.

The maximum annual transaction amount (on a tax-exclusive basis) to be paid by the Group to the Remaining Fosun High Technology Group under the Administrative Framework Agreement for the year ending 31 December 2022 will not exceed RMB9.5 million.

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

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

The renewal of the Administrative Framework Agreement will coordinate the administrative transactions between the Group and the Remaining Fosun High Technology Group in the future, which is conducive to improving the operational efficiency of the Group. Based on the Administrative Framework Agreement, the Group can procure office supplies and provide personnel training, consultation services and benefits at fair or lower market prices; in the meantime, the relevant procurements can achieve economies of scale at a lower unit cost, thereby controlling or reducing overall cost.

(e) Listing Rules implications

As at the date of this announcement, Fosun High Technology, a holding company of Fosun Pharma, was interested in approximately 39.39% of the total issued shares of Fosun Pharma, which in turn indirectly held approximately 57.48% of the Shares of the Company. Accordingly, Fosun High Technology is a connected person of the Company, and the transactions under the Administrative Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the transactions under the Administrative Framework Agreement for the year ending 31 December 2022 is more than 0.1% but less than 5%, the transactions under the Administrative Framework Agreement are subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

B. COLLABORATION ARRANGEMENTS UNDER THE FORMER HLX01 AGREEMENT AND HLX03 AGREEMENT

The Company refers to the prospectus (the "**Prospectus**") issued by the Company on 12 September 2019 in relation to the global offering and listing of the Company's H Shares on the Main Board of the Stock Exchange. Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Prospectus.

As set out in the Prospectus, (i) the Company has entered into the HLX01 Agreement with Fosun Pharma Industrial Development on 18 September 2015 (as amended) and the HLX03 Agreement with Jiangsu Wanbang on 18 September 2017 (as amended); and (ii) the Company has applied for and the Stock Exchange has granted waivers from strict compliance with the requirements under Listing Rules 14A.52 and 14A.53 such that (i) the term of each of the HLX01 Agreement and the HLX03 Agreement can be of an unspecified term and (ii) the annual caps in relation to continuing connected transactions under the HLX01 Agreement and the HLX03 Agreement for the three years ending 31 December 2021 could be determined by reference to formulas in accordance with the terms as set out in the relevant agreements (the "**Previous Waiver**").

As the Previous Waiver will expire on 31 December 2021, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 14A.52 and 14A.53 of the Listing Rules for a further waiver term of three years ending on 31 December 2024.

The principal terms of HLX01 Agreement and HLX03 Agreement are set out below:

(a) Principal terms

Pursuant to the terms of the HLX01 Agreement and HLX03 Agreement, the Company has agreed to (i) be responsible for the R&D, regulatory submission, clinical trials as well as the manufacturing and supply of 漢利康® and 漢達遠® in the PRC and (ii) grant an exclusive license to Fosun Pharma Industrial Development to promote and commercialise 漢利康® and grant an exclusive license to Jiangsu Wanbang to promote and commercialise 漢達遠® in the PRC. The Company had also agreed with Fosun Pharma Industrial Development and Jiangsu Wanbang respectively to share the net profit (as defined in the HLX01 Agreement and HLX03 Agreement) derived from the sales of 漢利康® and 漢達遠® in the PRC. The above arrangement was agreed based on arm's length negotiation, after taking into consideration the reasons set out below.

The HLX01 Agreement and HLX03 Agreement became effective on the date of signing, and will continue until terminated in accordance with its terms.

The HLX01 Agreement and HLX03 Agreement may be terminated if (i) any party materially breaches the terms of the HLX01 Agreement and HLX03 Agreement and such breach cannot be cured within 90 days by the breaching party upon receiving notice from the non-breaching party, or (ii) any party is under liquidation, whether voluntary or otherwise, or enters into any agreements with its creditors which may be detrimental to the performance of the obligations under the HLX01 Agreement and HLX03 Agreement. In addition, if there is a change of control of Fosun Pharma Industrial Development or Jiangsu Wanbang, Fosun Pharma Industrial Development or Jiangsu Wanbang and the Company should negotiate in good faith for continuing to carry out the cooperation arrangement under the HLX01 Agreement and HLX03 Agreement, failing which, the Company may terminate the HLX01 Agreement and HLX03 Agreement. Accordingly, the term of the HLX01 Agreement and HLX03 Agreement will continue until it is terminated in accordance with its terms.

(b) Historical Amounts

The sales revenue (including revenue from supply of products and sharing of net profits) received by the Group from the Remaining Fosun Pharma Group from the sales of 漢利康[®] product for the years ended 31 December 2019, 2020 and for the six months ended 30 June 2021 were RMB76.31 million, RMB279.18 million and RMB215.28 million (unaudited) respectively. The sales revenue (including revenue from supply of products and sharing of net profits) received by the Group from the Remaining Fosun Pharma Group from the sales of 漢達遠[®] products for the years ended 31 December 2019, 2020 and for the six months ended 30 June 2021 were RMB0, RMB1.11 million and RMB8.18 million (unaudited) respectively.

(c) Caps on Future Transaction Amounts

The Company proposed to adopt the same arrangement as disclosed in the Prospectus, which is to set the annual caps for (i) the supplying of products by the Group and (ii) the sharing of net profits under the relevant cooperation agreements as formulas below.

(i) Caps in relation to the supply of products by the Company

The payment to be received from the Remaining Fosun Pharma Group for the supplying of the relevant products by the Company pursuant to the HLX01 Agreement and the HLX03 Agreement will be determined in accordance with the following formula:

Payment to be received = $(1+10\%) \times$ cost incurred by the Company for the manufacturing of the relevant products delivered to the Remaining Fosun Pharma Group

The Company considered the formula set out above remains to be fair and reasonable and in the interest of the Company and its Shareholders as (i) the supply of products to the Remaining Fosun Pharma Group is an integral part of the collaboration arrangements with the Remaining Fosun Pharma Group and is consistent with the practice between the Company and its other independent business partners, and (ii) supplying products at a reasonable margin is in line with the industry practice. It remains a common practice for a pharmaceutical company in the PRC to pay a contract manufacturing organization the manufacturing cost plus a reasonable double-digit mark-up for the manufacturing of pharmaceutical products.

(ii) Caps in relation to the sharing of net profits

The payment to be received from the Remaining Fosun Pharma Group for the sharing of net profits pursuant to the HLX01 Agreement and the HLX03 Agreement will be determined in accordance with the following formula:

Payment to be received = 50% × Net profit of relevant products

“Net profit” refers to the revenue received by Fosun Pharma Industrial Development or Jiangsu Wanbang (as the case may be) from the sale of the relevant products, after deducting (i) marketing and selling expenses determined in accordance with the terms of the relevant agreement and (ii) the cost incurred by the Company for manufacturing of the relevant products (plus a 10% margin).

The Company considered the formula set out above remains to be fair and reasonable and in the interest of the Company and its Shareholders as (i) having considered the terms proposed by the Remaining Fosun Pharma Group and other Independent Third Parties, the overall terms proposed by the Remaining Fosun Pharma Group showed greater potential for demonstrating the value of the relevant products and (ii) the cooperation agreements entered into by the Company with the Remaining Fosun Pharma Group are in line with the industry practice.

(d) Reasons for, and benefits of, the entering into HLX01 Agreement and HLX03 Agreement previously

As the R&D of pharmaceutical products require significant capital investment, it is common practice in the pharmaceutical industry to share the risks and costs associated with the drug development process through cooperation. Following such industry practice and after going through the corporate governance procedures as described below, the Company has entered into several cooperation agreements with business partners, including the Remaining Fosun Pharma Group and other independent third parties. The Company adopted a consistent practice in terms of establishing cooperation agreements with its business partners. In addition, through leveraging the resources and established capabilities of relevant business partners in local markets, the Company believes such cooperation agreements will enable the Company to expeditiously establish an advantageous position in market share in relevant jurisdictions. The Company believes that such cooperation agreements (including the cooperation agreements with the Remaining Fosun Pharma Group) are in the interest of the Company and its Shareholders as a whole.

(e) Listing Rules Implications

As at the date of this announcement, Fosun Pharma Industrial Development and Jiangsu Wanbang are subsidiaries of Fosun Pharma, the controlling shareholder of the Company. Therefore, each of Fosun Pharma Industrial Development and Jiangsu Wanbang is a connected person of the Company by virtue of being an associate of the Company’s controlling shareholder and the transactions under the HLX01 Agreement and the HLX03 Agreement constitute continuing connected transactions of the Company.

C. GRANT OF WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 14A.52 of the Listing Rules such that each of the term of the HLX01 Agreement and the HLX03 Agreement is for an unspecified term since each of them will, unless terminated in accordance with their respective terms, continue in full force. It is a market practice in the pharmaceutical industry for similar cooperation agreement to be entered into for a long term or for an indefinite term, primarily due to the substantial amount of capital committed by the collaboration partners and the risks involved.

The waiver granted is subject to the conditions that (i) the Company will need to re-comply with the applicable requirement for setting the annual caps for the transactions under the HLX01 Agreement and HLX03 Agreement before the expiry of the expiry term of three years ending 31 December 2024 and (ii) the Company discloses in this announcement the reasons for this waiver and its details.

The Stock Exchange has also granted the waiver from strict compliance with requirements under Rule 14A.53 in respect of the continuing connected transactions under the HLX01 Agreement and the HLX03 Agreement subject to the following conditions:

- (a) the Company will re-comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the relevant cooperation agreements;
- (b) the Company will continue to designate a team to execute and ensure that the transactions in relation to the cooperation agreements are undertaken in accordance with the terms of the relevant cooperation agreements;
- (c) the Chief Executive Officer of the Company will continue to use his best endeavours to supervise the compliance with the terms of the relevant cooperation agreements and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;
- (d) the independent non-executive Directors and the auditors of the Company will continue to review the transactions in relation to the cooperation agreements on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;
- (e) the Company will disclose in this announcement the grounds for and conditions of the waiver sought; and
- (f) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this announcement on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements.

D. DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Administrative Framework Agreement (including the annual cap thereunder) and the terms of HLX01 Agreement and the HLX03 Agreement are fair and reasonable, and that the transactions contemplated under the above-mentioned agreements are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, as each of Mr. Qiyu Chen, Mr. Yifang Wu, and Ms. Xiaohui Guan, Dr. Aimin Hui and Mr. Zihou Yan holds various positions with Fosun High Tech, Fosun Pharma and/or their subsidiaries, each of them has abstained from voting on the Board resolutions approving the renewal of the Administrative Framework Agreement, the HLX01 Agreement and HLX03 Agreement. Save for the above, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the Administrative Framework Agreement, the HLX01 Agreement and HLX03 Agreement and no other Director has abstained from voting on the relevant Board resolution approving the Administrative Framework Agreement, the HLX01 Agreement and HLX03 Agreement.

E. INFORMATION ON THE PARTIES

(a) Fosun High Technology

Fosun High Tech is a company incorporated in the PRC with limited liability and a controlling shareholder of the Company. Fosun High Tech is a wholly-owned subsidiary of Fosun International, mainly focuses on health, happiness, wealth and intelligent manufacturing segments and provides high quality products and services for families around the world.

(b) Fosun Pharma Industrial Development

Fosun Pharmaceutical Industrial Development is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma and is mainly engaged in industrial investments, medical industry investments, import and export of goods and technologies.

(c) Jiangsu Wanbang

Jiangsu Wanbang is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Fosun Pharma and is mainly engaged in the research and development, production and sales of drugs in the treatment fields of hyperglycemia, hypertension, hyperlipidemia, hyperuricemia, and tumors. Products of Wanbang Biopharma market cover the fields of active chemical ingredients and their preparations, biochemical and biological products, traditional Chinese Medicine, etc..

(d) The Company

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

F. DEFINITIONS

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

“Administrative Framework Agreement”	the framework agreement dated 24 June 2020 entered into between Fosun High Technology and the Company relating to the procurement of services and products for administrative purpose between the Remaining Fosun High Technology Group and the Group, as renewed on 31 December 2020 and 31 December 2021 respectively
“Board”	the board of Directors
“Company”	Shanghai Henlius Biotech, Inc., a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed and traded on the Main Board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fosun High Technology”	Shanghai Fosun High Technology (Group) Co., Ltd.* (上海復星高科技(集團)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Fosun International
“Fosun International”	Fosun International Limited, a company incorporated in Hong Kong, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 00656)
“Fosun International Group”	Fosun International and its subsidiaries, including the Group
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 02196) and the Shanghai Stock Exchange (stock code: 600196), respectively
“Fosun Pharma Industrial Development”	Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.*(上海復星醫藥產業發展有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of Fosun Pharma

“Group”	the Company and its subsidiaries
“Jiangsu Wanbang”	Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd. * (江蘇萬邦生化醫藥集團有限責任公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Fosun Pharma
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and China Taiwan
“Remaining Fosun High Technology Group”	Fosun High Technology and its subsidiaries, excluding the Group
“R&D”	Research & Development
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 31 December 2021

* *for identification purpose only*

As at the date of this announcement, 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, Dr. Aimin Hui and Mr. Zihou Yan as the non-executive directors, and Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song as the independent non-executive directors.