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 ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS UNDER THE CLINICAL TRIAL RESEARCH SERVICES AGREEMENT

Reference is made to the announcement of Shanghai Henlius Biotech, Inc. (the "**Company**") dated 24 November 2022 (the "**Announcement**") in relation to the continuing connected transactions under the Clinical Trial Research Services Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Company would like to provide the following additional information in relation to the transaction under the Clinical Trial Research Services Agreement.

As disclosed in the Announcement, the service fees under the Clinical Trial Research Services Agreement will be determined after arm's length negotiations among the parties with reference to the actual cost incurred by the Company for provision of services under the agreement and the prevailing market rate for the types of services of similar nature, and will be no less favourable than the fees charged by the Company when providing similar services to other independent third parties. When determining the prevailing market rates, the Company will consider and review the pricing for at least two quotations to the Company from independent third-parties in relation to services of similar nature.

In arriving at the annual caps, the Directors have specifically considered the progress of the services to be rendered by the Company and the agreed payment schedule. In particular, based on the scope of services, the preliminary study protocol and schedule of the project, the site Ethical Committee submission and the first subject recruitment are expected to be completed around the end of 2022. Upon completion of the foregoing, Genuine Biotech and Fosun Pharma Industrial Development agreed to pay approximately 50% of the total services fees under the Clinical Trial Research Services Agreement. The remaining approximately 50% of the total services fees will be expected to be paid to the Company in accordance with the payment schedule prior to the expiration of the Clinical Trial Research Services Agreement. The Company considers that the annual caps for each of the abovementioned period fair and reasonable as it has taken into consideration the amount of services and work to be performed by the Company during the relevant period and the payment schedule as commercially agreed and therefore are in the interests of the Company and its Shareholders as a whole.

The Company has formulated internal control measures and procedures in relation to conducting connected transactions, which require, among other things, that all connected transactions must be carried out on normal commercial terms or better to the Group. A control mechanism to segregate duties to notify and review these continuing connected transactions has been set up within the Group, the details of which are set out as follows:

(a) The relevant internal audit and control department monitors and supervises the continuing connected transactions on a monthly basis, to ensure that such transactions are entered into (i) in accordance with the pricing policy under the Clinical Trial Research Services Agreement; (ii) in the ordinary and usual course of business of the Group; (iii) on normal commercial terms or better; and (iv) according to the Clinical Trial Research Services Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

(b) The Finance Department reports actual transaction amounts to the relevant business department and Board Secretary Office on a monthly basis. If the actual transaction amounts under the Clinical Trial Research Services Agreement are expected to exceed the annual caps, the relevant business department will liaise with the Finance Department and Board Secretary Office to initiate an approval application process in order to comply with all applicable requirements under the Group's internal control policy as well as under the Listing Rules.

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

Based on the public information, and to the Company's best knowledge, information and belief, as of the date of this announcement, Mr. Wang Zhaoyang (王朝陽) is ultimately interested in 48.61% of the equity interests in Genuine Biotech and apart from Mr. Wang Zhaoyang (王朝陽), there are no other individuals who are ultimately interested in 30% or more of the equity interest in Genuine Biotech.

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

Hong Kong, 13 December 2022

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, 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.