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 AMENDMENT TO LICENSE AGREEMENT

BACKGROUND

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 United States for the treatment indication of Extensive Stage Small-Cell Lung Cancer (ES-SCLC) and any other indication (other than ES-SCLC) as mutually agreed between the Company and Fosun Pharmaceutical Industrial in human. Pursuant to the License Agreement, Fosun Pharmaceutical Industrial is required to make the Upfront Payment, Regulatory Milestone Payments, Sales Milestone Payments, Royalty Payments and Transfer Price Payments to the Company. The Company also has the Repurchase Options to repurchase the license rights of the Licensed Product under the License Agreement.

The License Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders at the Company's 2022 second extraordinary general meeting held on 27 December 2022.

THE AMENDMENT TO LICENSE AGREEMENT

Based on the progress of the clinical trials of the Licensed Product and various preparatory work conducted by Fosun Pharma Group for commercialisation of the Licensed Product, the Directors consider that it is appropriate to reassess the terms under the License Agreement. Accordingly, on 9 August 2023, the Company and Fosun Pharmaceutical Industrial entered into the Amendment to License Agreement to amend certain terms of the License Agreement. The Proposed Amendments include the amendments to the payment schedule of the remaining amount of the Upfront Payment, the Termination of Repurchase Options and the amendments to the royalty rates of the Royalty Payments.

LISTING RULES IMPLICATIONS

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

As the Proposed Amendments contemplated under the Amendment to License Agreement will constitute material variation to the terms of the License Agreement, the Company proposes to re-comply with the provisions of Chapter 14A of the Listing Rules and seek Shareholders' approval for the changes under the Amendment to License Agreement (including the amendments to the payment schedule of the balance of the Upfront Payment and the amendments to the royalty rates to the Royalty Payments).

In addition, according to Rule 14A.79(4) of the Listing Rules, if the listed issuer's group terminates an option, the listed issuer must classify the transaction as if the option has been exercised. The percentage ratios are calculated based on the exercise price of the Repurchase Options. As the highest applicable percentage ratio in respect of the Termination of Repurchase Options exceeds 5%, the Termination of Repurchase Options is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

A circular containing, among other things, details of the Amendment to License Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee is expected to be despatched to the Shareholders on or about 11 August 2023.

A. BACKGROUND

References are made to (i) the announcement dated 17 November 2022 and the circular (the "**Circular**") dated 13 December 2022 of the Company in relation to the License Agreement; and (ii) the poll results announcement of the Company dated 27 December 2022 in relation to the approval by the Independent Shareholders of the Licensed Agreement (and the transactions contemplated thereunder).

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 United States for the treatment indication of Extensive Stage Small-Cell Lung Cancer (ES-SCLC) and any other indication (other than ES-SCLC) as mutually agreed between the Company and Fosun Pharmaceutical Industrial in human. Pursuant to the License Agreement, Fosun Pharmaceutical Industrial is required to make the Upfront Payment, Regulatory Milestone Payments, Sales Milestone Payments, Royalty Payments and Transfer Price Payments to the Company. The Company also has the Repurchase Options to repurchase the license rights of the Licensed Product under the License Agreement. The term of the License Agreement commenced on the effective date specified therein 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 under the agreed circumstances as set out in the License Agreement.

The License Agreement and the transactions contemplated thereunder were approved by the Independent Shareholders at the Company's 2022 second extraordinary general meeting held on 27 December 2022.

B. THE AMENDMENT TO LICENSE AGREEMENT AND REASONS AND BENEFITS FOR THE PROPOSED AMENDMENTS

Based on the progress of the clinical trials of the Licensed Product and various preparatory work conducted by Fosun Pharma Group for commercialisation of the Licensed Product, the Directors consider that it is appropriate to reassess the terms under the License Agreement. Accordingly, on 9 August 2023, the Company and Fosun Pharmaceutical Industrial entered into the Amendment to License Agreement to amend certain terms of the License Agreement. The Proposed Amendments include the amendments to the payment schedule of the remaining amount of the Upfront Payment, the Termination of Repurchase Options and the amendments to the royalty rates of the Royalty Payments.

The principal terms of the Amendment to License Agreement are set out below:

(1) Proposed Amendments

(i) Amendments to the Upfront Payment

Under the License Agreement, Fosun Pharmaceutical Industrial is required to make an Upfront Payment of RMB1 billion, among which RMB0.5 billion shall be made within thirty (30) days after the effective date of the License Agreement, 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.

As at 31 March 2023, the Company has not received all the Upfront Payment as some key materials, including data relates to the bridging study as requested by the FDA, which is critical to the marketing authorization application to the FDA (the "**Key Data**"), have not been delivered by the Company since the patients enrolled in the bridging study have not achieved the required amount due to the COVID-19 impacts in late 2022.

Pursuant to the Amendment to License Agreement, the parties agree to amend the payment terms of the Upfront Payment, so that the balance of the Upfront Payment of RMB0.5 billion shall be paid in two installments according to the following timeline:

Trigger Event	**Payment Amount**
The Company achieving enrollment of at least twenty (20) patients in the bridging study	RMB0.3 billion
The Company achieving enrollment of at least one hundred (100) patents in the bridging study	RMB0.2 billion

In addition, Fosun Pharmaceutical Industrial also agrees to pay to the Company an additional amount of RMB5 million when and if the Company achieves enrollment of at least two hundred (200) patients in the bridging study on or prior to 31 December 2023, to reward the Company for rigorously progressing the relevant trials to achieve such achievement (the "**Reward Payment**").

The amendments to the payments schedule of the balance of the Upfront Payment and the Reward Payment are determined after arm's length negotiations between the parties taking into account the following reasons:

(a) it is expected that the Key Data will be available when at least one hundred (100) patients are enrolled in the bridging study. As of the date of this announcement, since the patients enrolled in the bridging study have not achieved the required amount due to the COVID-19 impacts in late 2022, the Company has not provided any Key Data to Fosun Pharmaceutical Industrial;

(b) while the parties had agreed that all Upfront Payment should be made by 31 March 2023, such timeline was set based on the commercial discussion and understanding that the Key Data would be able to be delivered by the Company on or before that deadline. In this regard, the Company noted that the failure to deliver the Key Data was due to unforeseen event which was beyond either party's control and the delay in the delivery of the Key Data had in turn caused delay in the commercialisation progress of the Licensed Product in the United States;

(c) the Company notes that enrollment of patients in clinical studies for similar drug products generally reaches an increasing pace notably in the later stage. Based on the current progress of patients' enrollment, the Company considers that it is possible to achieve enrollment of two hundred (200) patients in the bridging study on or prior to 31 December 2023, upon which the Company will receive not only the balance of the Upfront Payment in full but also the Reward Payment of an additional amount of RMB5 million pursuant to the Amendment to License Agreement; and

(d) whilst there may be delay in receiving the payment of the balance of the Upfront Payment, it is the parties' intention to continue to proceed with the transactions given the benefits that may be accrued to both parties.

Based on the above, and on balance of (i) reason for the delay of the payment for the balance of the Upfront Payment, (ii) the total amount of the Upfront Payment after the amendment is no less than the original amount as set out in the License Agreement, (iii) the Key Data is critical to obtain the approval of BLA by the FDA and thus enrollment of the required number of patients in the bridging study is inevitable, (iv) the updated timing for receiving the balance (which is only a nine months' gap and which would not cause any material adverse effect on the Company's business operation), (v) the additional payment the Company could receive under the updated arrangement, (vi) the long term cooperation relationship among the parties as well as (vii) the commercial benefits that may be accrued for a successful collaboration, the Company considers the amendments to the payment schedule of the balance of the Upfront Payment and the Reward Payment as a whole will be more favorable to the Company compared with the original terms under the License Agreement, and the amendments to the Upfront Payment is justifiable and commercially reasonable.

As at the date of this announcement, since the number of patients enrolled in the bridging study has reached 20, the Company has received a total of RMB0.8 billion from Fosun Pharmaceutical Industrial.

(ii) Termination of Repurchase Options

Pursuant to the Amendment to License Agreement, the parties agree to terminate the following Repurchase Options contemplated under the License Agreement:

(a) after the third (3rd) anniversary of the first commercial sale of the Licensed Product in the Territory, 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 (as defined below) in the Territory 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 Territory, provided the total repurchase price shall not be less than US$250 million; and

(b) starting from the first commercial sale of the Licensed Product in the Territory and ending on the third anniversary of such first commercial sale, the Company also has 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 Territory 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 Repurchase Options were originally put in place as (1) option (a) provides the flexibility to the Company to acquire the commercialisation rights from Fosun Pharmaceutical Industrial if the Company considers that greater economic benefits can be achieved by conducting the commercialisation of the Licensed Product in the United States itself; and (2) option (b) allows the Company to acquire the commercialisation rights from Fosun Pharmaceutical Industrial if the Company considers that the commercial value of the Licensed Product has not been realised under the license arrangement.

The Company has taken into consideration various factors for agreeing to terminate the Repurchase Options, including (i) a cost analysis if the Company were to self-commercialise the Licensed Product in the United States, (ii) the investments made by Fosun Pharma Group in building its commercialization capabilities in the United States and the strong capabilities Fosun Pharma Group already possesses, including its collaboration with local partners, (iii) the additional benefit the Company could receive under the updated arrangement in relation to the increase of royalty rates, as well as (iv) the Company's current business focus with respect to the jurisdictions where the Company operates its businesses.

The Company explains the relevant considerations in detail below.

The Company understands that Fosun Pharma Group has commenced preparations for the commercialisation of the Licensed Product in the United States since late 2022, which has significantly strengthened its commercialisation capabilities in the United States as follows:

(a) Fosun Pharma Group has established its own innovative drug team ("**Fosun Pharma USA Team**") in the United States covering medical affairs, market access, sales and other functions in 2017 to facilitate its commercialisation activities in the United States. Since the establishment of Fosun Pharma USA Team, Fosun Pharma Group has made significant effort and investment to support the growth of Fosun Pharma USA Team in order to enhance its commercialisation capabilities in the United States. From 2019 to 2023, the total investment received by Fosun Pharma USA Team increased significantly by more than 150%, which has been primarily used to recruit qualified staff and expand the types and scope of drug products available for sale. Fosun Pharma USA Team has established over 10 in-house R&D units based on different technologies and modalities and has a diverse pipeline reflects therapeutic areas of interest including Hematology and Oncology, Rare Diseases, Immunology, CNS, Cardiovascular System, Infectious Disease etc.. In addition, Fosun Pharma USA is led by a team of highly experienced executives with strong track records from leading US and European pharmaceutical companies both in commercial operations and R&D.

Leveraging on years of industrial experience, outstanding management team and extensive investment in drug channel network construction, Fosun Pharma USA Team has developed the industry-leading licensing capability to maximise the value of both self-developed products and collaborative innovative products. The sales of the drug products commercialised by Fosun Pharma USA Team have grown more than 50% annually on average from 2019 to 2023 in the United States, reflecting its strong capability of commercialising drug products in the United States.

As of the date of this announcement, Fosun Pharma USA Team has already completed a number of preparatory activities for the commercialisation of the Licensed Product, including but not limited to brand auditing, primary market research and product development strategy audit. Other ongoing preparatory activities were also launched by Fosun Pharma USA Team, such as risk assessment, channel development, distribution strategy planning and implementation. The Company considers that the abovementioned preparatory activities are necessary and pivotal for commercialising the Licensed Product in the United States to meet the target sales.

(b) Fosun Pharma Group has established collaboration arrangement with Syneos Health (a Nasdaq listed American multinational contract research organization (CRO)) in January 2023 pursuant to which Syneos Health will provide comprehensive support for commercialisation of the Licensed Product in the United States. According to the collaboration agreement, Syneos Health will be an exclusive commercial service provider for Fosun Pharma Group with a common goal of building a fully integrated and dedicated commercial team for commercialising drug products and co-investing in Fosun Pharma Group's products launch programmes in the United States market, which will cover the launch of the Licensed Product.

With more than 28,000 employees spanning 110 countries over six continents, Syneos Health has over 25 years of experience in respect of building the infrastructure to support end-to-end product lifecycle development from clinical development to medical affairs to commercial delivery. Pursuant to the annual report of Syneos Health for the year ended 31 December 2022, Syneos Health

is principally engaged in clinical solutions and commercial solutions segments, which mainly (i) offers comprehensive global services for the development of diagnostics that span Phase I to IV of clinical development and (ii) provides commercialisation services, including deployment solutions and consulting services, with an aim to integrate the clinical and commercialisaion capabilities to facilitate insights into patient populations, therapeutic environments and product timelines. For the year ended 31 December 2022, revenue and net income of Syneos Health amounted to approximately US$5,393.1 million and US$266.5 million, respectively. Over the past eight years, Syneos Health has provided fully integrated launch support for 18 products, as well as current and ongoing integrated launch support for 13 programmes across multiple therapeutic areas in both United States and European Union regions. The Company considers that leveraging Syneos Health's solid foundation, extensive experiences and strong reputation in terms of drug product commercialisation in the United States, Fosun Pharma Group will further reinforce its commercialisation capability to improve the future sales of the Licensed Product.

In contrast, since the Company currently does not have a dedicated sales team in the United States, it will need to set up its own sales team in the United States if the Company were to exercise the Repurchase Options and commercialise the Licensed Product itself. The total infrastructure cost for establishing the sales team, primarily including staff cost, administrative fees, regulatory fees and operation cost, is estimated to be not less than USD600 million based on the evaluation conducted by an independent valuer. It is estimated that nearly 20 professional staff need to be recruited for the purpose of building a competent team to meet the requirements of commercialising the Licensed Products, which poses a huge challenge to the Company due to the lack of talents who are familiar with the United Stated markets. Accordingly, significant time will be incurred for engaging and training professional staff and handling relevant administrative or regulatory issues such as health care and reimbursement. Assuming the Company will self-commercialise the Licensed Product, the aforesaid total infrastructure cost for establishing the sales team will be fully recovered after at least five years after self-commercialisation of the Licensed Product. In addition to the concerns on time and cost, other challenges for the Company to self-commercialise the Licensed Product include the lack of experiences, customer base, channel network and partnerships in relation to drug commercialisation in the United States.

Moreover, assuming the Company starts to commercialise the Licensed Product in 2025 according to its sales plan, after taking into account the estimated revenue of the Licensed Product in the forecast period for approximately eight years, which are primarily determined based on, among others, (i) the estimated selling price of the Licensed Product, by making reference to the similar drug product which is currently listed on sales in the United States; (ii) the estimated number of patients, by making reference to the current development of clinical progress of the Licensed Product and the related growth rate of similar clinical studies of the Company in the past; and (iii) the estimated market shares of the Licensed Product, by making reference to the market share of similar drug product of similar size, the forecasted sales of the Licensed Product will not exceed 60% of the forecasted sales of Fosun Pharma Group in 2025 if Fosun Pharma Group carries out the commercialisation itself, and the gap in forecasted sales will become larger going forward with the forecasted sales of the Licensed Product as commercialised by the Company accounting for less than one quarter of the forecasted sales of the Licensed Product as commercialised by Fosun Pharma Group in 2032.

In addition, in consideration that the Company agrees to terminate the Repurchase Options, Fosun Pharmaceutical Industrial agrees to increase certain royalty rates of the Royalty Payments under certain circumstances, which will provide additional benefits to the Company. Please refer to "– (iii) *Amendments to the Royalty Rates of the Royalty Payments*" below for details.

Having considered the abovementioned factors and estimates, especially (i) the enhanced commercialisation capabilities of Fosun Pharma Group attributable to its dedicated and professional team, comprehensive preparatory work and strategies, as well as strong partnership in the United States, (ii) the substantially high costs to be incurred to the Company in establishing its own sales team in the United States, (iii) higher forecasted sales for Fosun Pharma Group to commercialises the Licensed Product, and (iv) the combined effect with the amended Royalty Payments, the Company believes that it is commercially more reasonable and in the interests to the Company to terminate the Repurchase Options.

(iii) Amendments to the Royalty Rates of the Royalty Payments

The Royalty Payments set out in the License Agreement are as follows, which 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 at the time of entering into the License Agreement:

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 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 of the License Agreement, 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.

As set out in the Circular, 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.

Pursuant to the Amendment to License Agreement, the parties agree to have 1% increase on royalty rates for each of the 2nd and 3rd tiers in the event that the transactions which contribute to the Net Sales do not include any combination therapy developed by Fosun Pharmaceutical Industrial (the "**Non-Combo Indication**"), so that the Royalty Payments under such circumstance shall be paid 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	15%
On that portion which is greater than US$400 million	19%

However, if the transactions which contribute to the Net Sales include any combination therapy developed by Fosun Pharmaceutical Industrial, the Royalty Payments shall remain the same as those set out in the License Agreement 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%

Same as the terms under the License Agreement, the amended 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 increase in royalty rates for annual aggregate Net Sales with Non-Combo Indication were determined between the parties after arm's length negotiations in order to provide extra rewards to the Company due to the Termination of Repurchase Options. Based on the comparable arrangement conducted by the Company's peer involving similar subject matters as the License Agreement, the customary royalty payments range from an average of 15.0% to 18.4%, with the median of 17% to 20%. As such, the Company considers the amended Royalty Payments of 10% to 19%, after taking into account the increase in royalty rates for Non-Combo Indication, are generally in line with the market practice.

Moreover, based on the overall assessment of various factors including primarily the adult population projection and Extensive Stage Small-Cell Lung Cancer (ES-SCLC) incidence rates in the United States, as adjusted by immunotherapy eligibility, market access, future competition, compliance rate, and treatment cost per cycle for the Non-Combo Indication, and taking into account the potential market share of the Non-Combo Indication as well as the estimated duration of treatment, the Company estimates the annual aggregate Net Sales for Non-Combo Indication will exceed US$250 million in the next three to five years, upon which the Company will be entitled to receive an extra 1% royalty pursuant to the Amendment to License Agreement. In addition, according to the therapeutics market studies of global SCLC conducted by Data Bridge Market Research, an independent market research and consulting firm covering over 500 analysts based in the United States, the SCLC therapeutics market is expected to account for approximately US$21.44 billion by 2029, showing an expected cumulative annual growth rate of approximately 10% during the period of 2022-2029. Against this backdrop, the Net Sales of the Licensed Product for Non-Combo Indication is expected to increase along with the expected growth of the SCLC therapeutics market in the future. In this regard, the Company is of the view that the amended Royalty Payments are justifiable and commercially reasonable, and will provide additional benefits to the Company.

Save for the Proposed Amendments as mentioned above, other terms and conditions of the License Agreement remain unchanged.

(2) Effective Date

The Amendment to License Agreement will become effective on the date on which the later of the following occurs: (a) the Company's approval of the Amendment to 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 Amendment to 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 Amendment to License Agreement by the parties.

C. LISTING RULES IMPLICATIONS

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

As the Proposed Amendments contemplated under the Amendment to License Agreement will constitute material variation to the terms of the License Agreement, the Company proposes to re-comply with the provisions of Chapter 14A of the Listing Rules and seek Shareholders' approval for the changes under the Amendment to License Agreement (including the amendments to the payment schedule of the balance of the Upfront Payment and the amendments to the royalty rates to the Royalty Payments).

In addition, according to Rule 14A.79(4) of the Listing Rules, if the listed issuer's group terminates an option, the listed issuer must classify the transaction as if the option has been exercised. The percentage ratios are calculated based on the exercise price of the Repurchase Options. As the highest applicable percentage ratio in respect of the Termination of Repurchase Options exceeds 5%, the Termination of Repurchase Options is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

D. DIRECTORS' CONFIRMATION

The Directors (other than the independent non-executive Directors, who will provide their opinion after taking into consideration the advice of the Independent Financial Adviser, details of which will be set out in the circular) are of the view that the terms of the Amendment to License Agreement are fair and reasonable, and that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, as each of Mr. Wenjie Zhang, Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan and Mr. Deyong Wen holds various positions with Fosun Pharma Group, each of them has abstained from voting on the Board resolutions approving the Amendment to 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 Amendment to License Agreement, and no other Director has abstained from voting on the relevant Board resolutions approving the Amendment to License Agreement and the transactions contemplated thereunder.

E. 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.

F. GENERAL INFORMATION

(a) Independent Board Committee and Independent Financial Adviser

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

A circular containing, among other things, details of the Amendment to License Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee is expected to be despatched to the Shareholders on or about 11 August 2023.

(b) Voting at the EGM

An EGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the transactions under the Amendment to License Agreement. Fosun Pharmaceutical Industrial and its associates (including Fosun New Medicine and Fosun Industrial, which are fellow subsidiaries of Fosun Pharmaceutical Industrial), which are interested in an aggregate of approximately 59.56% of the total issued Shares of the Company as at the date of this announcement, will abstain from voting on the resolution regarding the Amendment to 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 Amendment to License Agreement at the EGM.

G. DEFINITIONS

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

"Amendment to License Agreement"	the amendment to license and supply agreement dated 9 August 2023 entered into between the Company and Fosun Pharmaceutical Industrial to amend the terms of the License Agreement
"Board"	the board of Directors
"Company"	Shanghai Henlius Biotech, Inc., a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules

"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, to approve the transactions under the Amendment to License Agreement
"Fosun Industrial"	Fosun Industrial Co., Limited* (復星實業(香港)有限公司), a company incorporated in Hong Kong on 22 September 2004 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
"Fosun New Medicine"	Shanghai Fosun New Medicine Research Company Limited* (上海復星新藥研究有限公司), a company established in the PRC on 12 September 2008 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. * (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 02196) and the Shanghai Stock Exchange (stock code: 600196), respectively
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a company established in the PRC on 27 November 2001 with limited liability, and a wholly-owned subsidiary of Fosun Pharma
"Group"	the Company and its subsidiaries
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors
"Independent Financial Adviser"	Rainbow Capital (HK) Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders, in each case on the terms of the Amendment to License Agreement
"Independent Shareholders"	shareholders of the Company other than Fosun Pharmaceutical Industrial, Fosun New Medicine and Fosun Industrial
"License Agreement"	the license and supply 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
"PRC" or "Mainland China"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan regions
"Proposed Amendments"	the proposed amendments to the terms of the License Agreement pursuant to the Amendment to License Agreement
"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
"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
"Termination of Repurchase Options"	the proposed termination of the Repurchase Options pursuant to the Amendment to License Agreement
"Transfer Price Payments"	the transfer price payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Territory"	the United States, including its territories and possessions
"Upfront Payment"	the upfront payment payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"%"	per cent.

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

Hong Kong, 9 August 2023

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 and Mr. Deyong Wen 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.