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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

Reference is made to the announcement of the Company dated 24 June 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 2020, the Board announces that on 31 December 2020, the Company and Fosun High Technology renewed the Administrative Framework Agreement for a further term of one year from 1 January 2021 to 31 December 2021.

As at the date of this announcement, Fosun High Technology, a holding company of Fosun Pharma, was interested in approximately 38.62% of the total issued shares of Fosun Pharma, which in turn indirectly held approximately 55.01% of the Shares of the Company in issue. 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 2021 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.

REVISION OF ANNUAL CAPS FOR THE SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the announcement issued by the Company on 24 April 2020 in relation to the continuing connected transactions for the purchase of raw materials by the Group from Sinopharm Group under the Sinopharm Procurement Framework Agreement.

Considering the Company's actual business needs, on 31 December 2020, the Board resolved to increase the annual caps for the purchase of raw materials from Sinopharm Group under the Sinopharm Procurement Framework Agreement for the two years ending 31 December 2021 and 2022.

As at the date of this announcement, Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interest in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment. Therefore, Sinopharm is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions in relation to the procurement of raw materials under the Sinopharm Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of revised annual caps exceeds 5% but less than 25% and the total consideration is less than HK\$10,000,000, the transactions under the Sinopharm Procurement 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.

PROMOTIONAL SERVICES AGREEMENT

On 24 August 2020, Henlius Biopharmaceuticals, a wholly-owned subsidiary of the Company, entered into the Promotional Services Agreement with Jiangsu Fosun to engage Jiangsu Fosun to provide promotional services to the Group in relation to the Group's HLX02 trastuzumab injection (trade name in mainland China: 漢曲優®; EU trade name: Zercepac®) ("HLX02") for the year of 2020.

As the Group intends to continue to engage Jiangsu Fosun to provide the promotional services, on 31 December 2020, Henlius Biopharmaceuticals entered into a supplemental agreement to the Promotional Services Agreement with Jiangsu Fosun to extend the term of the Promotional Services Agreement for a further term from 1 January 2021 to 30 June 2022.

As at the date of this announcement, Jiangsu Fosun is a wholly-owned subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore, Jiangsu Fosun is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Promotional Services Agreement (as amended) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of maximum annual cap exceeds 5% but less than 25% and the total consideration is less than HK\$10,000,000, the transactions under the Promotional Services Agreement (as amended) are subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

A. ADMINISTRATIVE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 June 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 2020, the Board announces that on 31 December 2020, the Company and Fosun High Technology renewed the Administrative Framework Agreement for a further term of one year from 1 January 2021 to 31 December 2021.

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, office supplies, gifts 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 2021 and will expire on 31 December 2021.

(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 more favourable 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 2018 and 2019 were approximately RMB679,000 and RMB1,240,000, 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 RMB1,148,000 for the nine months ended 30 September 2020.

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 2021 will not exceed RMB4,000,000.

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

As part of the Fosun International Group, there is a business need to maintain the Group's office administration in line with the human resources and office policies of the Fosun International Group as a whole. The procurement of products and services under the Administrative Framework Agreement for administrative purposes would enable the Group to procure office suppliers and other products as well as provide employee training and benefits at the same level as the other members of the Fosun International Group and achieve economies of scale with lower unit costs.

(e) Listing Rules implications

As at the date of this announcement, Fosun High Technology, a holding company of Fosun Pharma, was interested in approximately 38.62% of the total issued shares of Fosun Pharma, which in turn indirectly held approximately 55.01% of the Shares of the Company in issue. 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 2021 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. REVISION OF ANNUAL CAPS FOR THE SINOPHARM PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the announcement (the "**Announcement**") issued by the Company on 24 April 2020 in relation to the continuing connected transactions for the purchase of raw materials by the Group from Sinopharm Group under the Sinopharm Procurement Framework Agreement.

(a) Subject Matter and the Revised Annual Caps

As disclosed in the Announcement, Company has set the annual caps for the purchase of raw materials from Sinopharm Group under the Sinopharm Procurement Framework Agreement for the two years ending 31 December 2021 and 2022 as RMB4,000,000 and RMB6,000,000, respectively.

Considering Company's actual business needs, the Company estimates the existing annual caps in relation to the purchase of raw materials in respect of the two years ending 31 December 2021 and 2022 will not be sufficient. Accordingly, on 31 December 2020, the Board resolved to revise the relevant annual caps for the two years ending 31 December 2021 and 2022 to RMB5,000,000 and RMB7,000,000, respectively.

The revised annual cap has been determined with reference to, among other things, (i) the historical transaction amount, (ii) the future demand of the Group for the relevant raw materials; (iii) the extensive pipeline products of the Group and (iv) the expected research and development as well as production progress of relevant products. Based on the unaudited management account of the Group, the amount paid (on a tax-exclusive basis) by the Group to Sinopharm Group in relation to the purchase of raw materials for the nine months ended 30 September 2020 was approximately RMB1,559,000.

The terms of the Sinopharm Procurement Framework Agreement remained unchanged and the major terms of which were set out in the Announcement. In particular, the prices for the transactions in relation to the purchase of raw materials contemplated under the Sinopharm Procurement Framework Agreement will continue to be determined with reference to market prices. When determining market prices, the Company will obtain fee quotes from at least two independent third party suppliers. The purchase prices to be paid by the Company to Sinopharm Group will be no more favourable than those paid by the Company to independent third party suppliers under the same conditions.

The Company believes that the revised annual caps are in line with the Company's actual business needs and considering Sinopharm's experience in the provision of raw materials, it is in the interests of the Group to maintain a stable relationship with its suppliers to ensure ongoing research and development activities.

(b) Listing Rules Implications

As at the date of this announcement, Fosun Pharma (a controlling shareholder of the Company) is directly holding 49% of the interest in Sinopharm Industrial Investment and Sinopharm is a subsidiary of Sinopharm Industrial Investment. Therefore, Sinopharm is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions in relation to the procurement of raw materials under the Sinopharm Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of revised annual caps exceeds 5% but less than 25% and the total consideration is less than HK\$10,000,000, the transactions under the Sinopharm Procurement 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.

C. THE PROMOTION SERVICES AGREEMENT

On 24 August 2020, Henlius Biopharmaceuticals, a wholly-owned subsidiary of the Company, entered into the Promotional Services Agreement with Jiangsu Fosun to engage Jiangsu Fosun to provide promotional services to the Group in relation to the Group's HLX02 trastuzumab injection (trade name in mainland China: 漢曲優®; EU trade name: Zercepac®) for the year of 2020. As the Group intends to continue to engage Jiangsu Fosun to provide the promotional services, on 31 December 2020, Henlius Biopharmaceuticals entered into a supplemental agreement to the Promotional Services Agreement with Jiangsu Fosun to extend the term of the Promotional Services Agreement for a further term from 1 January 2021 to 30 June 2022.

The principal terms of the Promotional Services Agreement (as amended) are set out below:

(a) Subject Matter

Pursuant to the Promotional Services Agreement (as amended), the Company agreed to authorise Jiangsu Fosun as the Group's sole business cooperation partner to carry out promotional activities in the Designated Areas to the targeted customers in respect of HLX02.

(b) Basis of Consideration

The Group shall settle the promotional service fee monthly. The promotional service fee is calculated by multiplying the actual sales of HLX02 promoted by Jiangsu Fosun by applicable fee rates. The fee rates vary along with the percentages of the actual sales of HLX02 promoted by Jiangsu Fosun in the total sales of HLX02 of the Group. The table below sets out the sales percentages and the corresponding fee rates, which is determined based on, among other things, the market standards and the mutual negotiations between the Company and Jiangsu Fosun.

Percentages of the actual sales of HLX02 promoted by Jiangsu Fosun in the total sales of HLX02	Fee rates
Below 1% (including 1%)	23%
1% – 2% (including 2%)	24%
2% – 3% (including 3%)	25%
3% – 4% (including 4%)	26%
4% – 5% (including 5%)	28%
Above 5%	30%

(c) Historical Amounts and Annual Cap

The Group only engaged Jiangsu Fosun to provide promotional services since August 2020. Based on the unaudited management account of the Group, no service fee was payable by the Group to Jiangsu Fosun for the nine months ended 30 September 2020.

The maximum transaction amount (on a tax-exclusive basis) to be paid by the Group to Jiangsu Fosun under the Promotional Services Agreement (as amended) for the year ending 31 December 2021 and the six months ending 30 June 2022 will not exceed RMB6,480,000 and RMB4,800,000, respectively.

The annual caps were determined with reference to, among other things, (i) the estimated market demand of HLX02 in Designated Areas, (ii) the estimated annual sales of HLX02 promoted by Jiangsu Fosun for the year ending 31 December 2021 and the six months ending 30 June 2022, respectively, and (iii) the applicable fee rate as set out above.

(d) Reasons for, and benefits of, the Promotional Services Agreement (as amended)

HLX02 trastuzumab injection (trade name in mainland China: 漢曲優®; EU trade name: Zercepac®) is one of the core products of the Group whose sales and promotion in mainland China are led by the Group's inhouse commercialization team. In August 2020, the New Drug Application for HLX02 was approved by the NMPA, and the first prescription of HLX02 in mainland China was issued within six business days after the approval.

Jiangsu Fosun is familiar with the promotion in the counties of mainland China, and has experience in the promotion of HLX01 漢利康®(rituximab injection), the first product launched by the Group, therefore, it has competitive advantages in the promotion of HLX02 in the Designated Areas as compared with other third-party service suppliers.

Considering the focus of the Group's inhouse team in the year of 2021 and first half of 2022, and the competitiveness of Jiangsu Fosun in the county-level market of mainland China, and the engagement of Jiangsu Fosun for the promotion of HLX02 in the Designated Areas under the Promotional Services Agreement (as amended) will help the Group explore the county-level market of China for HLX02, and further increase the market penetration rate of HLX02 in the counties of mainland China, bring in commercial interests to the Group and improve the brand awareness of the Group's products.

(e) Listing Rules Implications

As at the date of this announcement, Jiangsu Fosun is a wholly-owned subsidiary of Fosun Pharma (a controlling shareholder of the Company), therefore, Jiangsu Fosun is a connected person of the Company by virtue of being an associate of the Company's controlling shareholder. Accordingly, the transactions under the Promotional Services Agreement (as amended) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of maximum annual cap exceeds 5% but less than 25% and the total consideration is less than HK\$10,000,000, the transactions under the Promotional Services Agreement (as amended) are subject to reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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), the Sinopharm Procurement Framework Agreement (including the revised annual caps), and the Promotional Services Agreement (as amended) (including the annual caps thereunder) 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, Ms. Xiaohui Guan, Dr. Aimin Hui and Mr. Zihou Yan holds various positions with Fosun High Technology, Fosun Pharma and/or their respective subsidiaries, each of them has abstained from voting on the Board resolutions approving (i) the renewal of the Administrative Framework Agreement, (ii) the revised annual caps under the Sinopharm Procurement Framework Agreement, and (iii) the Promotional Services Agreement (as amended).

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, Sinopharm Procurement Framework Agreement and the Promotion Services Agreement (as amended), and no other Director has abstained from voting on the relevant Board resolution approving the Administrative Framework Agreement, the revised annual caps under the Sinopharm Procurement Framework Agreement and the Promotion Services Agreement (as amended).

E. INFORMATION ON THE PARTIES

(a) Fosun High Technology

Fosun High Technology is a limited liability company established in the PRC. As at the date of this announcement, Fosun High Technology is a wholly-owned subsidiary of Fosun International and is the main operating platform of Fosun International Group in the PRC. As an innovation-driven consumer group, Fosun International Group has been actively solidifying its foothold in three major businesses, namely Health, Happiness and Wealth. The Health business includes three major parts: Pharmaceutical, Medical Services & Health Management and Health Products; the Happiness business includes three major parts: Tourism & Leisure, Fashion and Consumer & Lifestyle; the Wealth business includes three major segments: Insurance, Finance and Investment.

(b) Sinopharm

Sinopharm is incorporated in the PRC and the H shares of Sinopharm have been listed on the Main Board of the Stock Exchange (stock code: 1099). Sinopharm is principally engaged in the distribution of pharmaceutical, healthcare products and medical devices, operation of retail pharmacies and production and sale of chemical reagents.

(c) Jiangsu Fosun

Jiangsu Fosun is a company incorporated in the PRC and a wholly owned subsidiary of Fosun Pharma. Jiangsu Fosun is principally engaged in the wholesale business of Chinese traditional medicines, medical materials, antibiotics and biochemical drugs; the sales of hygienic materials, daily necessities, glass products, prepacked and bulk food and health food; the sales of medical equipment; and the import and export of various commodities and techniques.

(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. Henlius Biopharmaceuticals is a wholly-owned subsidiary of the Company incorporated in the PRC.

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
“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
“Designated Areas”	22 Provinces and districts in mainland China, including Heilongjiang, Jilin, Liaoning, Inner Mongolia, Tianjin, Hebei, Shanxi, Fujian, Jiangxi, Hubei, Hunan, Guangxi, Yunnan, Guizhou, Sichuan, Chongqing, Tibet, Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang
“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
“Group”	the Company and its subsidiaries
“Henlius Biopharmaceuticals”	Shanghai Henlius Biopharmaceuticals Co., Ltd.* (上海復宏漢霖生物製藥有限公司), a wholly owned subsidiary of the Company
“Jiangsu Fosun”	Jiangsu Fosun Pharmaceutical Sales Co., Ltd. (江蘇復星醫藥銷售有限公司), a company incorporated in the PRC with limited liability, 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
“NMPA”	National Medical Products Administration of China
“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
“Promotional Services Agreement”	the agreement entered into by Henlius Biopharmaceuticals and Jiangsu Fosun on 24 August 2020 in relation to the provision of promotional services by Jiangsu Fosun to the Group, as amended by a supplemental agreement on 31 December 2020
“Remaining Fosun High Technology Group”	Fosun High Technology and its subsidiaries, excluding the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	the shares of the Company

“Sinopharm”	Sinopharm Group Co. Ltd.*, (國藥控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed and traded on the Stock Exchange (stock code: 01099)
“Sinopharm Group”	Sinopharm and its subsidiaries
“Sinopharm Industrial Investment”	Sinopharm Industrial Investment Co. Ltd.*, (國藥產業投資有限公司), a company incorporated in the PRC on 5 June 2008 and the controlling shareholder of Sinopharm
“Sinopharm Procurement Framework Agreement”	the procurement framework agreement dated 24 April 2020 entered into between the Company and Sinopharm relating to the procurement of (i) warehousing and logistic services and (ii) raw materials by the Group from Sinopharm Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On Behalf of the Board
Shanghai Henlius Biotech, Inc.
Qiyu CHEN
Chairman

Hong Kong, 31 December 2020

* *for identification purpose only*

As at the date of this announcement, the board of directors of the Company comprises Mr. Wenjie Zhang as the executive director, Mr. Qiyu Chen as the chairman and non-executive director, 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.