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)

VOLUNTARY ANNOUNCEMENT

COLLABORATION AND LICENSE AGREEMENT WITH PALLEON FOR TUMOUR-RELATED TARGET-SIALIDASE BIFUNCTIONAL FUSION PROTEIN

A. INTRODUCTION

The board of directors of Shanghai Henlius Biotech, Inc. (the "**Company**") is pleased to announce that on 28 June 2022, the Company entered into a collaboration and license agreement (the "**Collaboration and License Agreement**") with Palleon Pharmaceuticals Inc. (the "**Palleon**"), pursuant to which, Palleon and the Company agreed to leverage on each party's own know-hows and patents to conduct worldwide joint development, and manufacturing and commercialisation in respective Territories (defined below) of (i) Palleon's Bifunctional HER2-Sialidase Fusion Protein and (ii) the second Tumour-Related Target-Sialidase Bifunctional Fusion Protein which is to be jointly developed by both parties (the "**Joint Development Product**", together with Bifunctional HER2-Sialidase Fusion Protein, the "**Licensed Products**") for human disease therapeutics (the "**Field**").

B. PRINCIPAL TERMS OF THE COLLABORATION AND LICENSE AGREEMENT

License Grant

Palleon will, under its own know-hows and patents, grant an exclusive license to the Company, to develop, use, manufacture, have made, supply, sell, offer for sale, import, perform medical affairs activities with respect to, and commercialise Licensed Products in the Field in the Company's Territory.

The Company will, under its know-hows and patents, grant an exclusive license to Palleon, to conduct research, develop, use, manufacture, have made, supply, sell, offer for sale, import, perform medical affairs activities with respect to, and commercialise Licensed Products in the Field in the Palleon's Territory.

Research for the Joint Development Product	The Company will provide information including the antibody sequences of tumour-related targets (the "**Henlius Research Targets**") to Palleon, and Palleon will lead the early stage research based on Henlius Research Targets and Palleon's EAGLE (Enzyme-Antibody Glyco-Ligand Editing) technology platform and achieve the Joint Development Product candidate that is suitable for preclinical development.
Territories	Company's Territory: China (including Hong Kong, Macau and Taiwan regions); Palleon's Territory: whole world excluding the Company's Territory.
Worldwide Development and Manufacture of the Licensed Products	Within 30 days after execution of the Collaboration and License Agreement, the parties will establish a joint development committee to monitor and coordinate worldwide research, development and medical affairs of the Licensed Products. The Company will fully fund the research and preclinical activities on the Joint Development Product, and the parties will share the cost of carrying out preclinical development on the Bifunctional HER2-Sialidase Fusion Protein and clinical development of both Licensed Products, of which, the joint development cost for phase 1 clinical trials will be shared equally by the Company and Palleon, while the majority of the joint development cost for phase 2 clinical trials will be born by Palleon. The Company shall be responsible to perform and fully fund the process development and CMC (Chemistry and Manufacturing Control) activities supporting global applications for clinical trials, as well as manufacture of pre-clinical supply and supply for use in the phase 1 clinical trial and the first phase 2 clinical trial of the Licensed Products.
Milestone Payments and Royalties	• the Company shall pay Palleon an upfront fee of US$4 million within 60 days after the execution of the Collaboration and License Agreement; • the Company shall pay Palleon milestone payments and royalties including: – for Bifunctional HER2-Sialidase Fusion Protein: (a) development milestone payments of not more than US$58.50 million in aggregate based on achievements of each development milestones of Bifunctional HER2-Sialidase Fusion Protein;

(b) sales milestone payments of not more than US$50 million in aggregate based on achievements of annual net sales of Bifunctional HER2-Sialidase Fusion Protein in the Company's Territory, and

(c) royalties of 8% to 12% of the annual net sales, depending on the level of annual net sales of Bifunctional HER2-Sialidase Fusion Protein in the Company's Territory.

– for the Joint Development Product:

(a) development milestone payments of not more than US$38.025 million in aggregate based on achievements of each development milestones of Joint Development Product;

(b) sales milestone payments of not more than US$50 million in aggregate based on achievements of annual net sales of Joint Development Product in the Company's Territory, and

(c) royalties of 8% to 12% of the annual net sales, which depends on the level of annual net sales of Joint Development Product in the Company's Territory.

• Palleon shall pay the Company royalties of 1.75% to 3% of the annual net sales, depending on the level of annual net sales of Joint Development Product in the Palleon's Territory.

Term the Collaboration and License Agreement is effective from the date of its execution and shall remain in effect on a Licensed Product-by-Licensed Product basis until all payment obligations for each Licensed Product have expired, unless it is terminated earlier in accordance with the agreed circumstances.

C. INFORMATION ABOUT LICENSED PRODUCTS

Bifunctional HER2-Sialidase Fusion Protein, an antibody-sialidase fusion protein targeting HER2 independently developed by Palleon. As one of Palleon's most advanced bifunctional sialidases, the Bifunctional HER2-Sialidase Fusion Protein has shown the potential to treat both HER2-low and HER2-high expressing tumours with modest to high levels of tumour surface sialoglycans, and Bifunctional HER2-Sialidase Fusion Protein is on the verge of entering clinical trial-enabling studies.

The second Tumour-Related Target-Sialidase Bifunctional Fusion Protein is an innovative immunotherapy product to be developed jointly by the Company and Palleon, which plans to exploit the therapeutic potential of Tumour-Related Target-Sialidase Bifunctional Fusion Protein by combining the mature targets owned by the Company, Palleon's own EAGLE technology platform and the high expression characteristics of sialoglycans in a variety of tumours.

D. INFORMATION ABOUT PALLEON

Palleon is a biotechnology company incorporated in the United States in 2015, of which the founder and chief executive officer is James Broderick, MD. Palleon develops drugs that harness glyco-immunology to treat cancer and inflammatory diseases.

E. REASONS AND BENEFITS OF THE COLLABORATION

The Licensed Products are antibody-sialidase bifunctional fusion proteins, there is no similar product in the field of tumour treatment currently, creating novel therapeutics for devastating diseases characterized by immune system dysfunction, of which the market potential is considerable. The collaboration could promote the research and development of Licensed Products and further enrich the product pipeline of the Company based on existing technologies of both parties, thereby enhancing the Company's comprehensive market competitiveness in the field of tumour treatment.

Research and development of a drug involves a lengthy and inherently unpredictable process. The Company may not be able to develop and ultimately commercialize the Licensed Products successfully. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 28 June 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, 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.