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

AMENDMENT TO THE CO-DEVELOPMENT AND EXCLUSIVE LICENSE AGREEMENT WITH ESSEX FOR HLX04-O

A. INTRODUCTION

This announcement is made by Shanghai Henlius Biotech, Inc. (the "**Company**") on a voluntary basis to inform the shareholders and potential investors of the Company about the latest business development of the Company.

Reference is made to the announcement of the Company dated 15 October 2020 in relation to the co-development and exclusive license agreement (the "**Original Agreement**") entered into among the Company, Essex Bio-Investment Limited ("**Essex Investment**") and Zhuhai Essex Bio-Pharmaceutical Company Limited* (珠海億勝生物製藥有限公司 "**Zhuhai Essex**") (Essex Investment and Zhuhai Essex collectively called "**Essex**").

The board of directors of the Company (the "**Board**") is pleased to announce that the Company has entered into an Amendment to the Original Agreement (the "**Amended Agreement**") with Essex on 22 February 2023 in relation to the adjustments in development cost, regulatory milestone payments, commercial sales milestone payments and the maximum buy back amount upon exercise of put option by Essex. Other than the principal terms of the Amended Agreement as disclosed in this announcement, other principal terms of the Original Agreement remain unchanged.

B. PRINCIPAL TERMS OF THE ORIGINAL AGREEMENT

Pursuant the Original Agreement, the Company agreed to co-develop the HLX04-O (a recombinant humanized anti-VEGF monoclonal antibody ophthalmic injection independently developed by the Company, original project code: HLX04) ("**HLX04-O**") as therapy for eye diseases such as wet age-related macular degeneration (the "**Licensed Product**") with Essex and to grant an exclusive license to Essex to regulatory develop, manufacture and commercialise the Licensed Product in human ophthalmic therapeutic use and/or therapies only globally (the "**Territory**").

C. PRINCIPAL TERMS OF THE AMENDED AGREEMENT

Cooperation and Development

The Company will be mainly responsible for the pre-clinical and clinical trials of the Licensed Product, and Essex will be mainly responsible for the regulatory filing of the Licensed Product.

The Company and Essex agree to share costs and expenses associated with the Company's development activities in relation to the Licensed Product (the "**Development Cost**"), where the Company will be responsible for 20% and Essex will be responsible for 80% of such Development Cost. Unless with the prior written consent of Essex, the maximum total Development Cost will be no more than US$55 million (adjusted upwards from US$30 million).

Regulatory Milestone Payments

During the term of the agreement, Essex shall pay the Company regulatory milestone payment of US$8 million (adjusted downwards from US$10 million) upon completion of study 1 or study 2 (whichever is later) of such clinical trial programme, based on which, the total regulatory milestone payments shall be not more than US$13 million (adjusted downwards from US$15 million).

Commercial Sales Milestone Payments

During the term of the agreement, Essex shall pay the Company commercial sales milestone payments, including US$1.5 million (adjusted downwards from US$3 million), US$7.5 million (adjusted downwards from US$15 million), and US$30 million, upon Essex achieving the first US$100 million cumulative net sales, the next US$500 million cumulative net sales above the first US$100 million, and every US$1 billion cumulative net sales above the first US$600 million, respectively.

Sub-license and Put Option

Essex has the right to grant a sublicense to third parties. The Company is entitled to receive 20% of the related sublicensing revenue and Essex is entitled to receive 80% of the related sublicensing revenue under the Amended Agreement. Essex has the option to reduce its percentage entitlement of the sublicensing revenue by 10% to 20% (subject to good faith negotiation between the Company and Essex) on the conditions that (i) the Phase 3 clinical trial of the Licensed Product has been completed, and (ii) no sublicense has been granted by Essex in the Territory (the "**Put Option**"). For the avoidance of doubt, Essex shall have no rights to exercise the Put Option if the conditions are not fulfilled. Upon the exercise of such Put Option, the Company will have to pay a buy back amount up to US$15.0 million (adjusted upwards from US$10.5 million) to Essex in accordance with the terms of the Amended Agreement and the Company's percentage entitlement of the sublicensing revenue will be increased by up to 20%, to 40%.

The above adjustments are attributable to a variety of factors including, among others, (i) increased costs of clinical trial operation; (ii) increased costs of patient recruitment for clinical trials; (iii) increased costs associated with new clinical trial sites established in the United States and Europe to support and to balance requirements of various regulatory authorities in a global clinical trial; and (iv) general inflation in the global economy and manpower shortage in the healthcare sector during and following the COVID-19 pandemic. Therefore, to tackle the increasing Development Cost and to support the continuous research and development of the Licensed Product further, and to comprehensively consider common interests between both parties, the Company and Essex have agreed to enter into the Amended Agreement.

D. ABOUT HLX04-O

HLX04-O is a new ophthalmic preparation product developed based on HANBEITAI (bevacizumab injection) independently developed by the Company, through optimizing the prescription, specifications and production processes of HANBEITAI (bevacizumab injection) according to the requirements of ophthalmic drugs, without changing the active ingredients, and is intended to be used for the treatment of wet age-related macular degeneration. In November 2021, the first patient had been dosed in a phase 3 clinical study for HLX04-O for the treatment of wet age-related macular degeneration in mainland China (excluding Hong Kong, Macau and Taiwan regions). As at the date of this announcement, the first patient has been dosed in an international multicentre phase 3 clinical study of HLX04-O in patients with wet age-related macular degeneration in an EU country (Latvia), Australia, the United States, etc. successively.

E. BENEFITS OF ENTERING INTO THE AMENDED AGREEMENT

Entering into the Amended Agreement could provide more financial supports for the Company to facilitate the research and development of the Licensed Product, thereby creating preferable conditions for the commercialization of the Licensed Product in the Territory.

WARNING STATEMENT WITH REFERENCE TO THE REQUIREMENTS UNDER RULE 18A.05 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED: The Company cannot guarantee the successful development and commercialization of HLX04-O. 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, 22 February 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, 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.

* *For identification purpose only*