THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Henlius Biotech, Inc., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Henlius

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)

(1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR AND NON-EXECUTIVE DIRECTOR
(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND RULES OF PROCEDURES FOR THE BOARD
(3) CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE AMENDMENT TO LICENSE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓 博 資 本 有 限 公 司

A notice convening the EGM of the Company to be held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC on Monday, 28 August 2023 at 3:30 p.m. is set out on pages 67 to 68 of this circular.

A letter from the Board is set out on pages 5 to 21 of this circular and a letter from the Independent Board Committee of the Company, containing its recommendation to the Independent Shareholders, is set out on page 22 of this circular. A letter from Rainbow Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 23 to 41 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Board Secretary Office (for holders of domestic Shares or unlisted foreign Shares), at 9th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC, or the Company's H share registrar in Hong Kong (for holders of H Shares), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the EGM (i.e. not later than 3:30 p.m. on Sunday, 27 August 2023) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or at any adjourned meetings if they so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.henlius.com).

References to time and dates in this circular are to Beijing time and dates.

11 August 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall 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
"Articles of Association"	the articles of association of the Company currently in force, as amended, modified or otherwise supplemented from time to time
"Board"	the board of Directors of the Company
"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 (stock code: 2696)
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the 2023 first extraordinary general meeting of the Company to be held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC on Monday, 28 August 2023 at 3:30 p.m., for the Independent Shareholders to consider, and if thought fit, to approve the resolutions contained in the notice of meeting which is set out on pages 67 to 68 of this circular, or any adjournment thereof
"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
"H Shares"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and is (are) subscribed for and traded in HK dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising all of the Independent Non-executive Directors
"Independent Financial Adviser" or "Rainbow Capital"	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Amendment to License Agreement

"Independent Shareholders"	Shareholders other than Fosun Pharmaceutical Industrial, Fosun New Medicine and Fosun Industrial
"Latest Practicable Date"	4 August 2023
"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 circular, 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
"RMB"	Renminbi, the lawful currency of the PRC
"Royalty Payments"	the royalty payments payable by Fosun Pharmaceutical Industrial to the Company as set out in the License Agreement
"Rules of Procedures for the Board"	Rules of Procedures for the Board of Directors of Shanghai Henlius Biotech, Inc.
"Sales Milestone Payments"	the sales milestone payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement

"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of Share(s)
"Shares"	the shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Termination of Repurchase Options"	the proposed termination of the Repurchase Options pursuant to the Amendment to License Agreement
"Territory"	the United States, including its territories and possessions
"Transfer Price Payments"	the transfer price payments payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"Upfront Payment"	the upfront payment payable by Fosun Pharmaceutical Industrial to the Company under the License Agreement
"%"	per cent.

* *for identification purpose only*

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)

Executive Director:
Mr. Wenjie ZHANG *(Chairman)*

Non-executive Directors:
Mr. Qiyu CHEN
Mr. Yifang WU
Ms. Xiaohui GUAN
Mr. Deyong WEN

Independent Non-executive Directors:
Mr. Tak Young SO
Dr. Lik Yuen CHAN
Dr. Guoping ZHAO
Dr. Ruilin SONG

Head office and Principal Place of Business in the PRC:
9F, Innov Tower (Capitaland Building)
1801 Hongmei Road Xuhui District
Shanghai
PRC

Registered Office:
Rooms 330, Complex Building
No. 222 Kangnan Road
China (Shanghai) Pilot Free Trade Zone
PRC

Principal Place of Business in Hong Kong:
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

11 August 2023

To the Shareholders

Dear Sir/Madam,

(1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR AND NON-EXECUTIVE DIRECTOR
(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND RULES OF PROCEDURES FOR THE BOARD
(3) CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE AMENDMENT TO LICENSE AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 17 July 2023 in relation to, among others, (i) the nomination of executive Director and non-executive Director, and (ii) the proposed amendments to the Articles of Association and the Rules of Procedures for the Board.

References are also 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; (ii) the poll results announcement of the Company dated 27 December 2022 in relation to the approval by the Independent Shareholders of the License Agreement (and the transactions contemplated thereunder); and (iii) the announcement of the Company dated 9 August 2023 in relation to the Amendment to License Agreement.

At the EGM, ordinary resolutions will be proposed to approve the proposed appointment of the executive Director and non-executive Director, as well as the Amendment to License Agreement and the transactions contemplated thereunder, and special resolution will be proposed to approve the proposed amendments to the Articles of Association and the Rules of Procedures for the Board. The purpose of this circular is to give you notice of the EGM and to provide you with information regarding the resolutions to be proposed at the EGM to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the EGM.

II. PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

The Board has proposed to appoint Mr. Zhu Jun ("**Mr. Zhu**") as an executive Director and an ordinary resolution will be proposed to the Shareholders at the EGM for their consideration and approval.

The term of Mr. Zhu's appointment as an executive Director shall commence upon the approval by the Shareholders at the EGM and shall end on the expiry of the term of the third session of the Board (or the term of office shall expire at the conclusion of the forthcoming general meeting at which a new session of the Board will be elected). The Company will enter into a service agreement with Mr. Zhu upon the approval of his appointment by the Shareholders at the EGM. Mr. Zhu will not receive any extra remuneration from the Company for acting as an executive Director.

Save as disclosed in this circular, Mr. Zhu did not hold any directorship or supervisor positions in any other listed companies nor take up any posts in any group members of the Company in the past three years, nor have any relationship with any other director, supervisor, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Zhu indirectly holds 50,000 shares of the Company through Dr. JZ Limited, which is under his control. At the same time, Mr. Zhu indirectly holds 76,550 shares of the Company through holding 1.36% interests of the Company's employee incentive platform, Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership)* (上海果運生物技術合夥企業(有限合夥)). Save as disclosed above, as at the Latest Practicable Date, Mr. Zhu does not have any other interest in the shares or underlying shares of the Company and its associated corporations within the meaning of Part XV of SFO.

The biographical details of Mr. Zhu are set out in Appendix I to this circular.

III. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

The Board has proposed to appoint Dr. XINGLI WANG ("**Dr. WANG**") as a non-executive Director and an ordinary resolution will be proposed to the Shareholders at the EGM for their consideration and approval.

The term of Dr. WANG's appointment as a non-executive Director shall commence upon the approval by the Shareholders at the EGM and shall end on the expiry of the term of the third session of the Board (or the term of office shall expire at the conclusion of the forthcoming general meeting at which a new session of the Board will be elected). The Company will enter into a service agreement with Dr. WANG upon the approval of his appointment by the Shareholders at the EGM. Dr. WANG will not receive any remuneration from the Company for acting as a non-executive Director.

Save as disclosed in this circular, Dr. WANG did not hold any directorship or supervisor positions in any other listed companies nor take up any posts in any group members of the Company in the past three years, nor have any relationship with any other director, supervisor, senior management, substantial shareholder or controlling shareholder of the Company. In addition, as at the Latest Practicable Date, Dr. WANG does not have any interest in the shares or underlying shares of the Company and its associated corporations within the meaning of Part XV of SFO.

The biographical details of Dr. WANG are set out in Appendix I to this circular.

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND RULES OF PROCEDURES FOR THE BOARD

Based on the actual situation of the Company, the Board has proposed to make the following amendment to the Articles of Association:

Before the Proposed Amendment to the Articles of Association	After the Proposed Amendment to the Articles of Association
Article 113 The Company shall have a board of directors, consisting of **10** directors, and shall have one chairman. The independent non-executive directors shall account for at least one third of the number of directors, and at least one of them shall be a Certified Professional Accountant.	Article 113 The Company shall have a board of directors, consisting of **11** directors, and shall have one chairman. The independent non-executive directors shall account for at least one third of the number of directors, and at least one of them shall be a Certified Professional Accountant.

The Board has also proposed to make the following consequential amendments to the Rules of Procedures for the Board:

Before the Proposed Amendment to the Rules of Procedures for the Board	After the Proposed Amendment to the Rules of Procedures for the Board
Article 13 The board of directors of the Company consists of **10** directors, and shall have one chairman and four independent non-executive directors. The independent non-executive directors shall account for at least one third of the number of directors, and at least one of them shall be a Certified Professional Accountant.	Article 13 The board of directors of the Company consists of **11** directors, and shall have one chairman and four independent non-executive directors. The independent non-executive directors shall account for at least one third of the number of directors, and at least one of them shall be a Certified Professional Accountant.

Special resolution will be proposed at the EGM to consider and approve the proposed amendments to the Articles of Association and the Rules of Procedures for the Board. The amended Articles of Association and Rules of Procedures for the Board will take effect immediately upon approval at the EGM.

Except for the proposed amendments mentioned above, other articles of the Articles of Association and other rules of the Rules of Procedures for the Board shall remain unchanged.

Shareholders should be aware that the English version of the Articles of Association and Rules of Procedures for the Board (and/or the proposed amendments thereto) is a translation of the Chinese version and is provided for reference only. The Chinese version shall prevail in the case there are discrepancies in the translation and/or inconsistencies between the two versions.

The proposed amendments to the Articles of Association are required to be filed and registered with the relevant authorities in the PRC. The Company will make adjustment to the wordings of such amendments according to the comments of the relevant authorities (if any).

V. THE AMENDMENT TO LICENSE AGREEMENT

1. 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 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.

2. 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 commercialisation 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 Product, 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 Product 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 Product 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 Product 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.

3. Listing Rules Implications

As at the Latest Practicable Date, 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.

4. 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.

5. 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. 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.

6. Others

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, and each of them has abstained from voting on the Board resolution 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 resolution approving the Amendment to License Agreement.

VI. EGM AND PROXY ARRANGEMENT

A notice of EGM is set out on pages 67 to 68 of this circular (the "**EGM Notice**"). The EGM will be convened and held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC on Monday, 28 August 2023 at 3:30 p.m.. A form of proxy for the EGM (the "**Form of Proxy**") is enclosed with this circular.

Shareholders who intend to appoint a proxy to attend the EGM and to vote on the resolutions set out in the EGM Notice are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the EGM (i.e. 3:30 p.m. on Sunday, 27 August 2023) or any adjournment thereof (as the case may be). Completion and return of the Form of Proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

The Amendment to License Agreement will be considered and, if thought fit, by the Independent Shareholders, at the EGM by poll. 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 Latest Practicable Date, 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 resolutions to be proposed at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company by means set out in Rule 13.39(5) of the Listing Rules after the EGM.

In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the registers of members of the Company will be closed from Friday, 25 August 2023 to Monday, 28 August 2023 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the registers of members of the Company on Monday, 28 August 2023 shall be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfer documents accompanies by the relevant share certificates must be lodged with the Company's Board secretary office (for holders of Domestic Shares and Unlisted Foreign Shares), at 9th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC or the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (for holders of H Shares), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Thursday, 24 August 2023.

VII. RECOMMENDATIONS

The Directors consider that all resolutions (except for the resolution regarding the Amendment to License Agreement) set out in the notice of EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions (except for the resolution regarding the Amendment to License Agreement) set out in the notice of EGM.

In respect of the resolution regarding the Amendment to License Agreement, the Directors (excluding the Independent Non-executive Directors, whose views are set out in the Letter from the Independent Board Committee of this 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. Accordingly, such Directors recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Amendment to License Agreement.

The Independent Board Committee, having taken into account the recommendations from Rainbow Capital, the Independent Financial Adviser, considers that the terms of the Amendment to License Agreement are fair and reasonable, the transactions contemplated under the Amendment to License Agreement 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. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Amendment to License Agreement.

VIII. GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 22 of this circular and the letter from Rainbow Capital containing its recommendations to the Independent Board Committee and Independent Shareholders in connection with the Amendment to License Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by them in arriving such recommendations set out on pages 23 to 41 of this circular.

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

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)

11 August 2023

To the Independent Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE AMENDMENT TO LICENSE AGREEMENT

We have been appointed as the Independent Board Committee to consider the Amendment to License Agreement, and to advise you on whether the terms of the Amendment to License Agreement (including the transactions contemplated thereunder) is in the ordinary and usual course of business of the Company, has been entered into on normal commercial terms, and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 21 of contained in the circular to the Shareholders of the Company dated 11 August 2023 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Rainbow Capital has been appointed as the Independent Financial Adviser to give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the above matters. We also wish to draw your attention to the letter from Rainbow Capital set out on pages 23 to 41 of the Circular.

Having considered the information set out in the letter from the Board, the terms of the Amendment to License Agreement and the opinion of the Independent Financial Adviser in relation thereto, we are of the opinion that the terms of the Amendment to License Agreement (including the transactions contemplated thereunder) is in the ordinary and usual course of business of the Company, has been entered into on normal commercial terms, and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Amendment to License Agreement (including the transactions contemplated thereunder).

Yours faithfully,

Mr. Tak Young SO	**Dr. Lik Yuen CHAN**	**Dr. Guoping ZHAO**	**Dr. Ruilin SONG**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of a letter of advice from Rainbow Capital (HK) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.

Rainbow Capital (HK) Limited

11 August 2023

To the Independent Board Committee and the Independent Shareholders

Shanghai Henlius Biotech, Inc.
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Dear Sir or Madam,

CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE AMENDMENT TO LICENSE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments contemplated under the Amendment to License Agreement dated 9 August 2023, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 11 August 2023 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular. For ease of your reference, our letter of advice dated 12 December 2022 (the "**Original Letter of Advice**") is reproduced in Appendix II to the Circular.

As at the Latest Practicable Date, 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, 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.

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, 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.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song, has been formed to advise the Independent Shareholders on whether the terms of the Amendment to License Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Rainbow Capital, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, the Fosun Pharma Group or any other party to the Amendment to License Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (a) the continuing connected transactions regarding the Sinopharm Distribution Framework Agreement between the Company and Sinopharm for the three years ending 31 December 2025; and (b) the connected transactions and continuing connected transactions in relation to the License Agreement between the Company and Fosun Pharmaceutical Industrial, details of which are set out in the circular of the Company dated 1 December 2022 and 13 December 2022, respectively. Other than that, there was no engagement between the Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, the Fosun Pharma Group or any other party to the Amendment to License Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules. Accordingly, we are qualified to give independent advice on the Amendment to License Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Amendment to License Agreement are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Proposed Amendments

(a) The Group and the Licensed Product

The Company is principally engaged in (i) research and development, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology) and (ii) the transfer of its own technology and provision of the related technology consultation services.

As at the Latest Practicable Date, 5 products (18 indications) of the Group have been successfully marketed in the Mainland China, 1 product has been successfully marketed in Europe and Australia and other counties/regions.

The Licensed Product, HANSIZHUANG (serplulimab injection), is an innovative anti-PD-1 monoclonal antibody independently developed by the Company, which is projected to be used for the treatment of a variety of solid tumors. As disclosed in the annual report of the Company for the year ended 31 December 2022, HANSIZHUANG has been approved successively in China as a treatment of 3 indications of MSI-H solid tumours, squamous non-small cell lung cancer and extensive-stage small cell lung cancer. As of the Latest Practicable Date, the Company has entered into business cooperation with PT Kalbe Genexine Biologics ("**KG Bio**") for the commercialisation of HANSIZHUANG in Philippines, Indonesia, Malaysia, Singapore, Thailand, Laos, Myanmar, Cambodia, Brunei and Vietnam.

(b) Fosun Pharma

Fosun Pharma is a joint stock company established in the PRC, the H shares and A shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively. Fosun Pharma Group has established a comprehensive support system in medical affairs, market access, medical strategic alliances and brand promotion and possesses a professional, reputational, digital and compliant marketing system with over 1,400 overseas professional marketing teams located in Africa, Europe and the United States.

As stated in the company website of Fosun Pharma USA Inc. ("**Fosun Pharma USA**"), a wholly-owned subsidiary of Fosun Pharma, it currently has four business segments, which include innovative medicine, FUSION BioVenture, Generics and In Vitro Diagnostics. Amongst these business segments, Innovative medicine is a business segment established with over 10 in-house research and development units based on different technologies and modalities, and its diverse pipeline reflects therapeutic areas such as hematology and oncology, rare diseases, immunology, CNS, cardiovascular system and infectious disease. FUSION BioVenture is an innovation centre and incubation platform to advance breakthroughs for human health. As stated in the aforesaid website, FUSION Bioventure has successfully incubated and launched two biotech companies and licensed in two innovative programs. Generics is a segment for placing and ordering specialty pharmaceutical injectables and ophthalmics. Lastly, Vitro Diagnostics provides reagents such as automatic and manual Nucleic Acid Extraction Reagent Kits, FDA-approved Covid-19 RT-PCR kits to customers, and it also provides easy-to-use instruments such as Auto-Pure96 Automated Nucleic Acid Extraction and Purification System to labs.

(c) Background and reason

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. The Company will be responsible for all research, development and regulatory activities of the Licensed Product in the United States before the grant of marketing approval, involving any studies (including a bridging study) and the marketing authorisation application preparation and filling. After the grant of marketing approval, Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the United States, including maintaining and extending marketing approvals, market access and other regulatory activities required.

Pursuant to the License Agreement, Fosun Pharmaceutical Industrial is required to make the Upfront Payment, Regulatory Milestone Payment, 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. Since then and based on the latest situation, by virtue of 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 based on the latest situation. Accordingly, on 9 August 2023, the Company entered into the Amendment to License Agreement with Fosun Pharmaceutical Industrial to amend certain terms of the License Agreement. The Proposed Amendments include, among others, 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.

Overall speaking, having considered (i) the strengthening of capabilities of Fosun Pharma Group for commercialising drug products in the United States; (ii) the relatively remote possibilities that the Company will exercise the Repurchase Options principally due to the substantial cost in building up the Company's own sales team in the United States or finding another reliable partner for commercialising the Licensed Product in the United States, as advised by the senior management of the Group; and (iii) the long-term cooperation relationship among the parties will expand the overseas market of the Licensed Product and enhance the accessibility and recognition of the Company's products in the international market, as well as the commercial benefits that may be accrued, we concur with the Directors' view that it is commercially justifiable upon entering into the Amendment to License Agreement.

2. Principal terms of the Amendment to License Agreement

(a) Principal terms of the License Agreement

The principal terms under the License Agreement include, among others, the following:

(i) the Upfront Payment of RMB1 billion, among which RMB0.5 billion shall be made within thirty (30) days after the Effective Date, and the remaining RMB0.5 billion shall be paid 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;

(ii) the Regulatory Milestone Payment of US$50 million;

(iii) the Sales Milestone Payments of US$650 million;

(iv) the Repurchase Options, after the third (3rd) anniversary of the first commercial sale of the Licensed Product in the United States, the Company has the option to repurchase the license right under the initial License Agreement at a price equal to three times of the Net Sales of the Licensed Product in the United States during the then-previous 12 month period, if the repurchase occurs within one (1) month after the third (3) anniversary of the first commercial sale of the Licensed Product in the United States, provided the total repurchase price shall not be less than US$250,000,000. Starting from the first commercial sale of the Licensed Product in the United States and ending on the third (3rd) anniversary of the first commercial sale, the Company also has 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 United States 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 initial License Agreement; and

(v) the Royalty Payments ranging from 10% to 18%, details of which are made up as follows:

Range of Annual 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%

* *For the definition of Net Sales, please refer to the Letter from the Board for details*

Pursuant to the License Agreement, 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.

(b) The Proposed Amendments

For details of the terms of the Amendment to License Agreement, please refer to the section headed "The Amendment to License Agreement and Reasons and Benefits for The Proposed Amendments" in the Letter from the Board. Set out below are the principal terms of the Amendment to License Agreement:

(i) Amendments to the Upfront Payment

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 to the aforesaid Upfront Payment of RMB1 billion, 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, i.e. the Reward Payment.

As disclosed in the Letter from the Board, 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 authorisation 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. As at the Latest Practicable Date, 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 Repurchase Options contemplated under the License Agreement.

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

Pursuant to the Amendment to License Agreement, the parties agree to have a 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 sales of Licensed Product to any third party in connection with any combination therapy developed by Fosun Pharmaceutical Industrial, so that the Royalty Payments under such circumstance shall be paid as follows:

Range of Annual Aggregate Net Sales	**Royalty Rates (Net Sales which do not include any sales of Licensed Product to any third party in connection with any combination therapy developed by Fosun Pharmaceutical Industrial)**	**Royalty Rates (Net Sales which include any sales of Licensed Product to any third party in connection with any combination therapy developed by Fosun Pharmaceutical Industrial)**
On that portion which is less than or equal to $250 million	10%	10%
On that portion which is greater than US$250 million but less than or equal to US$400 million	15%	14%
On that portion which is greater than US$400 million	19%	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.

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

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.

3. Assessment of the principal terms of the Amendment to License Agreement

The Amendment to License Agreement stipulates certain amendments to the License Agreement including, among others, the amendments to the Upfront Payment, the Termination of Repurchase Options and the amendments to the royalty rates of the Royalty Payments. Taking into account that the License Agreement was entered into in November 2022, we have re-assessed the Proposed Amendments together with the terms under the License Agreement as a whole in this letter based on the latest information available. Since the other principal terms of the License Agreement, such as the Regulatory Milestone Payment, the Sales Milestone Payments, the Transfer Price Payments and the duration of the License Agreement remain principally unchanged, our assessment in this letter will be primarily centered on each of the Proposed Amendments. Independent Shareholders should also refer to the Original Letter of Advice, which is reproduced in Appendix II to the Circular, for the background to, and our previous discussion on and assessment of the principal terms under the License Agreements.

The Proposed Amendments

In assessing the fairness and reasonableness of the Proposed Amendments, we have primarily reviewed and assessed the Proposed Amendments as a whole, which is outlined in the sub sections below for details. We consider that each of the Proposed Amendments should not be assessed individually without considering the other Proposed Amendments, which is also consistent with how the Company evaluates the fairness of the Proposed Amendments. As compared to giving our independent fairness opinion on each individual Proposed Amendments, we consider it to be more meaningful to give our view on the Proposed Amendments as a whole, particularly after striking a balance and taking into account of the background and reason of entering into the Amendment to License Agreement, such as the extensive marketing capability possessed by Fosun Pharma and the Company's latest situation as mentioned in the sub section below.

(i) Amendments to the Upfront Payment

Pursuant to the Amendment to License Agreement, while the monetary amount of the Upfront Payment of RMB1 billion remains unchanged, the balance of the Upfront Payment of RMB0.5 billion to be receivable from Fosun Pharmaceutical Industrial was further specified and sub-divided upon the achievement of the two key milestones, being RMB0.3 billion when the Company achieves enrollment of at least twenty (20) in the bridging study, and RMB0.2 billion when the Company achieves enrollment of at least one hundred (100) patients in the bridging study, respectively. Considering that the overall amount of the Upfront Payment (excluding the Reward Payment) under the Amendment to License Agreement remains the same as compared with the License Agreement, we primarily focus on the two installments of the balance of the Upfront Payment when assessing the fairness of the amendments to the payment schedule of the balance of the Upfront Payment.

Broadly speaking, instead of generally stipulating the settlement of the balance of the Upfront Payment to be based on the provision of key existing regulatory materials from the Company by 31 March 2023 pursuant to the License Agreement, we consider the amendments to the payment schedule of the balance of the Upfront Payment provides clearer scope of the "key existing regulatory materials" for the mutual understanding between both parties under the Amendment to License Agreement, which would facilitate the cooperation between both parties in the long term.

Although the amendments to the payment schedule of the balance of the Upfront Payment appears to be altered to beyond 31 March 2023 as compared to that under the License Agreement, as discussed with the senior management of the Group, it is expected that the Key Data will be available when at least one hundred (100) patients enrolled in the bridging study. Based on our current understanding with the Company, we are advised that the first patient dosing has been completed in the bridging study in November 2022. However, 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 as at the Latest Practicable Date.

As disclosed in the Letter from the Board, the Upfront Payment will be received in full upon achieving the enrollment of at least twenty (20) and one hundred (100) patients in the bridging study respectively, which are the two key milestones under the amendments to the payment schedule of the balance of the Upfront Payment. We are of the view that such proposed amendments is reasonable, taking into account that (i) the number of patients being enrolled in the bridging study has already reached twenty as at the Latest Practicable Date based on our discussion with the senior management of the Company, which represents the first key milestone of receiving the balance of the Upfront Payment under the Amendment to License Agreement has been achieved and the corresponding amount has been received by the Company; (ii) the number of one hundred patients are regarded as a meaningful and sufficient sample size for filing the BLA to the FDA, based on negotiation between both parties under the Amendment to License Agreement; and (iii) the enrollment of patients in clinical studies is generally expected to reach an increasing pace notably during the later stage, based on our understanding on the previous experience of the Company on other clinical studies. Based on the aforesaid, in our view, the amendments to the payment schedule of the balance of the Upfront Payment merely serves as a further elaboration and quantification of the phrase "key existing regulatory materials" under the License Agreement, and it better coincides with the actual clinical progress of the Licensed Product currently conducted by the Company without materially altering the payment schedule.

In addition to the Upfront Payment of RMB1 billion, it was further stipulated under the Amendment to License Agreement that the Company will receive an additional Reward Payment of RMB5 million from Fosun Pharmaceutical Industrial upon the achievement of at least two hundred (200) patients in the bridging study on or prior to 31 December 2023, which we believe such potential additional amount is justifiable, taking into account that (i) the enrollment of patients in clinical studies is generally expected to

reach an increasing pace notably during the later stage, based on our understanding on the previous experience of the Company on other clinical studies; (ii) two hundred (200) patients are the number of sample size required for completing the bridging study, based on our review of the clinical study protocol of the bridging study; and (iii) the Reward Payment will be made in addition to the Upfront Payment, which would encourage the research team of the Company to drive the process of clinical trials of the Licensed Product and beneficial to both parties under the License Agreement.

Overall comments

In our view, taking into account that (i) the total amount of the Upfront Payment (excluding the Reward Payment) remains the same before the Proposed Amendments; (ii) the Reward Payment serves to incentivise the Company to drive the progress of clinical trials of the Licensed Product, which we believe to be beneficial to both parties under the License Agreement; (iii) the amendments of the payment schedule of the balance of the Upfront Payment serves to elaborate and quantify more specific details of key milestones to be achieved based on the current situation of the Company but without materially altering the payment schedule of the Upfront Payment, we consider the amendments to the Upfront Payment to be justifiable.

(ii) Termination of Repurchase Options and Amendments to the Royalty Rates of the Royalty Payments

Pursuant to the Amendment to License Agreement, it was stipulated that the Repurchase Options contemplated under the License Agreement will be terminated. In assessing the fairness and reasonableness of the Termination of Repurchase Options, our assessment will primarily lie on whether (i) the Repurchase Options is a common term under the similar licensing agreements in the market, i.e. the termination of which will not adversely affect the overall terms under the License Agreement; and (ii) the Company is entitled to receive a "sweetener" to mitigate such termination. In other words, we consider it will be more meaningful to assess the Termination of Repurchase Options together with the amendments to the royalty rates of the Royalty Payments as a whole, without separately assessing these two terms. Accordingly, we will follow the above overall direction in assessing the Termination of Repurchase Options and amendments to the royalty rates of the Royalty Payments in our discussion below.

(a) Commercialisation and marketability of Fosun Pharma Group in the United States

In our view, the Repurchase Options serve to provide flexibility for the Company to opt for self-commercialisation of the Licensed Product in the future, and the Company is not obliged to exercise the Repurchase Options. Instead, the Company can discretionally decide whether to exercise the Repurchase Options on its own based on the then assessment of its own sales force and the commercialisation and marketability of Fosun Pharma Group in the United States.

As disclosed in the annual report of Fosun Pharma, Fosun Pharma USA was established in 2017, and it is the platform of the Fosun Pharma Group for pharmaceutical innovation, registration and commercialisation in the United States. Based on our review of the information provided by the Company in relation to the sales performance of Fosun Pharma USA, Fosun Pharma USA has a diverse pipeline and it demonstrated an average annual sales growth rate in the United States of more than 50% from 2019 to 2023. In addition, as disclosed in the Letter from the Board, as at the Latest Practicable Date, Fosun Pharma USA Team has already completed a number of preparatory activities for commercialisation of the Licensed Product, in particular that it has established collaboration arrangement with Syneos Health (a Nasdaq listed American multinational contract research organisation (CRO)) in January 2023 pursuant to which Syneos Health will provide comprehensive support for commercialisation of the Licensed Product in the United States. Based on our review of 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 commercialisation 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.

On the other hand, as advised by the senior management of the Group, the Company currently does not have its own sales team. Based on our review of the cost budget as prepared by the Company, for the purpose of self-commercialising the Licensed Product by the Company itself, the total infrastructure cost for establishing the sales team, primarily including staff cost, administrative fees, regulatory fees and operation cost in the United States, is estimated to be not less than US$600 million. Furthermore, based on our review of the forecasted sales projection of the Licensed Product as provided by the Company, 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, its 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. We also noted that the gap in forecasted sales of the Licensed Product as compared to that of Fosun Pharma will become larger going forward from 2025 until 2032 during the forecast period. Based on our review of the forecasted sales projection of the Licensed Product as provided by the Company, the estimated

revenue of the Licensed Product if the Company carries out the commercialisation itself is expected to account for less than one quarter of the forecasted sales of the Licensed Product as commercialised by Fosun Pharma Group in 2032. Based on our further review, assuming the Company will self-commercialise the Licensed Product, the aforesaid total infrastructure cost for establishing the sales team will only be fully recovered after a considerable period of time, which is expected to be at least five years after self-commercialisation of the Licensed Product. In view of (i) a substantial investment amount to be incurred for establishing the sales team and the forecasted sales of the Licensed Product to be achieved is expected to be not higher than that of Fosun Pharma Group after such investment; and (ii) the practical uncertainties of the Company to find another reliable partner for commercialising the Licensed Product amid the commercialisation and marketability of Fosun Pharma Group in the United States, we consider it is commercially justifiable for the Company to leverage on the commercialisation and marketability of Fosun Pharma Group in the United States for commercialising the Licensed Product.

(b) Comparable arrangement

For the purpose of carrying out our independent assessment on the Proposed Amendments, we have, on a best effort basis, identified an exhaustive list of licensing arrangement, which (a) were announced by companies listed on the main board of the Stock Exchange during the period from 26 September 2019 to 9 August 2023 (the "**Review Period**"), being a period since the listing of the Company which approximates to four years prior to and including the publication date of the announcement; and (b) involved the grant or receipt of exclusive licensing rights of antibody immuno-oncology medicine in the United States and other countries globally excluding China. Based on the aforesaid criteria, we identified 20 comparable arrangement (the "**Comparable Arrangement**").

We consider that the aforesaid criteria, including the selection of timeframe for the Review Period, allow us to identify a sufficient number of samples for comparison purpose. We further consider that the Comparable Arrangement can provide a general reference to the principal terms of recent licensing arrangement of antibody immuno-oncology medicine as well as a sufficient sample size for comparison purpose, so as to determine whether the terms of Proposed Amendments are in line with the market practice. Since the Comparable Arrangement (i) principally involves the grant or receipt of exclusive licensing rights of antibody immuno-oncology medicine, which reflects the same subject matter as in the License Agreement; (ii) includes a sufficient size for our comparison purpose; and (iii) includes all of the comparable arrangement of the Hong Kong listed companies since the listing of the Company, we believe the Comparable Arrangement formed a list of samples which is fair, representative and exhaustive.

The following table sets out the details of the Comparable Arrangement:

Announcement Date	Company Name	Territory	Repurchase Options (Y/N)	Royalty Payments	
				Min	Max
20 December 2019	Alphamab Oncology (9966.HK) ("**Alphamab**")	United States, Canada, Mexico and each of their dependent territories	N	Teens to mid-double digits	
14 July 2020	Shanghai Junshi Biosciences Co., Ltd. (1877.HK) ("**Shanghai Junshi**")	Global	N	Tiered	
18 August 2020	Innovent Biologics, Inc. (1801.HK) ("**Innovent**")	Geographies outside of China	N	Tiered double-digit	
7 October 2020	BeiGene, Ltd. (6160.HK) ("**BeiGene**")	Global	N	Increased tiered	
27 October 2020	CStone Pharmaceuticals (2616.HK) ("**CStone**")	Outside of the Greater China	N	Tiered	
29 October 2020	CStone Pharmaceuticals (2616.HK)	Any territory outside the Republic of Korea	N		
12 January 2021	BeiGene, Ltd (6160.HK)	United States, Canada, Mexico, member countries of the European Union, United Kingdom, Norway, Switzerland, Iceland, Liechtenstein, Russia, and Japan	N	high-teens to high-twenties	
1 February 2021	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	United States and Canada	N	20%	20%
17 May 2021	Antengene Corporation Limited (6996.HK) ("**Antegene**")	Global	N	Single to low double-digits	

Announcement Date	Company Name	Territory	Repurchase Options (Y/N)	Royalty Payments	
				Min	Max
13 July 2021	InnoCare Pharma Limited (9969.HK)	Global (outside of China)	N	Low to high teens	
9 August 2021	RemeGen Co., Ltd. (9995.HK)	Global (exclude the Greater China and all other countries in Asia other than Japan and Singapore)	N	High single digits to mid-teens	
8 November 2021	Ascletis Pharma Inc. (1672.HK)	Global other than the Greater China	N	Mid-teens to around 20%	
4 January 2022	3SBio Inc. (1530.HK) ("**3SBio**")	Global	N	Based on total sales	
11 January 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	United States and Canada	N	18%	18%
7 April 2022	HBM Holdings Limited (2142.HK) ("**HBM**")	Global	N	Tiered	
8 June 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	Global	N	5%	5%
27 December 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	20 Middle East and North Africa markets including Jordan, Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Morocco and Egypt etc.	N	20%	20%
14 February 2023	HBM Holdings Limited (2142.HK)	United States and its territories and possessions (including the District of Columbia and Puerto Rico)	N	Tiered up to high-teens	
23 February 2023	Keymed Biosciences Inc. (2162.HK) ("**Keymed**")	Global	N	Tiered	

Announcement Date	Company Name	Territory	Repurchase Options (Y/N)	Royalty Payments	
				Min	Max
5 May 2023	Shanghai Junshi Biosciences Co., Ltd. (1877.HK) ("**Shanghai Junshi**")	Brazil, Mexico, Colombia, Argentina, Peru, Chile, Panama, Uruguay, India and South Africa	N	Double-digit	
			Maximum	20%	29%
			Minimum	5%	5%
			Average	15.0%	18.4%
			Median	17%	20%
			The Company (after taking into account the Reward Payment)	10%	19%

Source: announcements of the respective companies

Note:

1. *For our calculation purpose, we assume (i) "teens" to be ranged from 13% to 19%; (ii) "high-teens" to be 19%; (iii) "low-teens" to be 13%; (iv) "mid-teens" to be 16%; and (v) "high single digits" to be 9%. For Alphamab, Shanghai Junshi, Innovent, BeiGene, CStone, Antengene, 3SBio, HBM and Keymed which indicate their respective royalty payments to be "double digits" and "tiered", since the range is wide, we have excluded their respective range in our calculation*

As shown in the above table, we noted that there is no Comparable Arrangement contains repurchase options as the Company does. In view of the fact that there are no other Comparable Arrangement offers such discretion and rights to the licensors/licensees of the licensed products based on our independent research, we consider the Repurchase Options is not a principal term under similar licensing arrangements.

(c) Comparison on licensing agreements entered into with other independent third parties

As part of our due diligence, we have also assessed the Termination of Repurchase Options against the comparable licensing arrangement between the Company and independent third parties in the past. Since the Company's listing on the Stock Exchange, the Company only entered into one licensing agreement with an independent third party for licensing the Licensed Product.

According to the Company's announcement dated 12 September 2019, the Company has entered into a binding term sheet with an independent third party, KG Bio, whose controlling shareholder is an Indonesian listed pharmaceutical, healthcare and nutrition company, pursuant to which the Company agreed to grant an exclusive license to KG Bio to develop and commercialise certain indications of the Licensed Product in several south east Asian countries. Based on our review, we noted that there is no repurchase option in the similar licensing agreement with other independent third parties. As confirmed with the Company, similar to the other licensing agreements of other products entered with independent third parties, there are also no repurchase options contemplated under these licensing agreements.

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

As disclosed in the Letter from the Board, as a compensation for the Termination of Repurchase Options, both parties under the Amendment to License Agreement mutually agreed to increase the royalty rates if the Licensed Product sold do not include combination therapy developed by Fosun Pharmaceutical Industrial (the "**Non-Combo Indication**"). It was stipulated under the Amendment to License Agreement that the Company will be entitled to receive an extra 1% royalty if the annual aggregate Net Sales for Non-Combo Indication exceeds US$250 million. In our view, such possible increase in royalty rates will only be considered reasonable and justifiable if it is probable to achieve or exceed such annual aggregate Net Sales for Non-Combo Indication. In this regard, we have requested from the Company and reviewed the sales projection according to the current development plan for the purpose of assessing the probability of achieving the annual aggregate Net Sales of US$250 million for Non-Combo Indication. Based on our discussion with the senior management of the Company and our review of the projection, we noted that the Company estimates the annual aggregate Net Sales of the License Products for Non-Combo Indication will exceed US$250 million in the next three to five years.

Based on our review of the therapeutics market studies of global small cell lung cancer ("**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 in 2029, showing an expected cumulative annual growth rate of approximately 10% during the forecast period of 2022 to 2029. Against this backdrop, the Net Sale of the Licensed Product is expected to increase along with the expected growth of the SCLC therapeutics market in the future.

As shown in the table under the sub section above headed "Comparable Arrangement", the royalty payment of the Comparable Arrangement ranged from an average of 15.0% to 18.4%, with the median of 17% to 20%. On this basis, we consider the Royalty Payments of 10% to 19%, after taking into account of the potential increase of the royalty rates, is found to be generally in line with the market practice.

Overall comments

In our view, taking into account that (i) the extensive marketing capability of Fosun Pharma Group in the United States as opposed to the estimation that the Company's forecasted sales of the Licensed Product is expected to be not higher than that of Fosun Pharma Group even after a substantial investment to be made in establishing the Company's sale team; (ii) there is no Comparable Arrangement contains repurchase options as the Company does; (iii) the possible increase in royalty rates of the Royalty Payments for Non-Combo Indication, which essentially serves to provide extra rewards to the Company due to the Termination of Repurchase Options, is primarily determined between the parties after arm's length negotiations; and (iv) the amended Royalty Payments is in line with the market practice, we consider the Termination of the Repurchase Options and the terms of the Amendment to the royalty rates of the Royalty Payments to be justifiable.

Overall speaking, based on our review, we noted that the total amount of the Upfront Payment after the amendments is no less than the original amount as set out in the License Agreement. Besides, the Termination of Repurchase Options does not adversely affect the fairness of the principal terms under the License Agreement, particularly given that (i) it is not a principal term under other similar licensing agreements according to our independent research; and (ii) it is mitigated by the potential increase in royalty rates of the Royalty Payments for Non-Combo Indication, after considering the possibilities of the Company to achieve the required sales tier. Taking into account of the reasons for entering into the Amendment to License Agreement which better reflects the latest situation of the Company, overall speaking, we consider the Proposed Amendments under the Amendment to License Agreement to be fair and reasonable.

4. Internal control policies of the Group

Based on our understanding, the Company has adopted a series of internal control policies, which are conducted and supervised by the Company's relevant business departments, related internal audit and control department, the independent non-executive Directors and the external auditors of the Company.

In assessing whether the internal control policies are put in place and effectively implemented, we have discussed with the management of the Group and reviewed the relevant documentation regarding the menu of the internal control policies on continuing connected transactions which were properly endorsed by the Group. Having consider the above, in particular (i) that the above internal control policies include detective control to uncover any deviation against the terms of the License Agreement; and (ii) the clear segregation of duties of execution, checking and authorising the continuing connected transactions by designating different personnel or teams for the assessment, review and approval for the ongoing monitoring of the continuing connected transactions, we concur with the Directors that appropriate and adequate internal control policies are in place to ensure that the terms of the License Agreement are will be strictly followed.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the Amendment to License Agreement is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Amendment to License Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Amendment to License Agreement.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

The biographical details of Mr. Zhu are set out as below:

Mr. Jun Zhu, aged 45, has joined the Group since December 2020, and currently serves as the Chief Executive Officer, president and chief financial officer of the Company and holds directorship and other positions in certain subsidiaries of the Company. Before joining the Group, Mr. Zhu served as the internal medicine physician in Huashan Hospital affiliated to Fudan University in Shanghai, the project manager and global vice-president of IQVIA Holdings Inc., the general manager in Greater China of Omnicare Clinical Research Inc., the founder and chief executive officer of Shanghai PPC Biopharmaceutical Technology Co., Ltd.* (上海百利佳生醫藥科技有限公司). Mr. Zhu obtained a bachelor's degree in clinical medicine from Fudan University (復旦大學) in China in July 2001 and an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in China in September 2018.

The biographical details of Dr. WANG are set out as below:

Dr. XINGLI WANG, aged 60, currently serves as the executive president of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*. Dr. WANG has been the head of the global R&D center of Fosun Pharma and co-chief executive officer of Innovative Medicine Business Division since January 2023. Prior to joining Fosun Pharma Group, Dr. Wang served as a senior lecturer in cardiovascular medicine at The University of New South Wales, Australia, and as a cardiologist and adjunct professor at Baylor College of Medicine, USA, medical director of Schering-Plough Corporation, a company formerly listed on the NYSE (stock code: SGP) (merged into Merck & Co., Inc. in 2009). He also worked in Novartis AG (stock code: NVS), a company listed on the NYSE from October 2010 to May 2022, mainly serving as project director, global project clinical director, director of Novartis global drug R&D (China) and general manager of Biomedical Research Institute (China). Dr. WANG obtained a bachelor's degree in medicine from Shandong Medical College (merged into Shandong University in 2000) and a doctorate degree in cardiovascular science from the UNSW. Dr. WANG also holds a license to practice medicine in Australia.

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the License Agreement, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

13 December 2022

To the Independent Board Committee and the Independent Shareholders

Shanghai Henlius Biotech, Inc.
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Dear Sir or Madam,

CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE LICENSE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions (the "**Transactions**") contemplated under the License Agreement, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 13 December 2022 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, 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. Accordingly,

(i) the entering into the License Agreement and the proposed payments of the Upfront Payment and the Regulatory Milestone Payments would constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules; and

(ii) the payment of the Sales Milestone Payments, the Royalty Payments and the Transfer Price Payments would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to (i) above, as the highest applicable percentage ratio in respect of the aggregate of the Upfront Payment and the Regulatory Milestone Payments exceeds 5%, the payments of the Upfront Payment and the Regulatory Milestone Payments under the License Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

With respect to (ii) above, the Royalty Payments shall continue until the end of the Royalty Term. Accordingly, the License Agreement does not have a fixed term. Therefore, we were appointed to explain why the License Agreement requires a longer period of more than three years and to confirm that it is a normal business practice for agreements of this type to be of such duration.

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 59.30% of the total issued Shares of the Company as at the Latest Practicable Date, will abstain from voting on the resolution regarding the License Agreement at the EGM. Save for the above, as far as the Directors are aware and having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the resolution to be proposed regarding the License Agreement at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tak Young So, Dr. Lik Yuen Chan, Dr. Guoping Zhao and Dr. Ruilin Song, has been formed to advise the Independent Shareholders on whether the terms of the License Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Rainbow Capital, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, the Fosun Pharma Group or any other party to the License Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions regarding the Sinopharm Distribution Framework Agreement between the Company and Sinopharm for the three years ending 31 December 2025, respectively, details of which are set out in the circular of the Company dated 1 December 2022. Other than that, there was no engagement between the Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, the Fosun Pharma Group or any other party to the License Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules. Accordingly, we are qualified to give independent advice on the License Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation on the terms of the License Agreement, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Transactions

(a) The Group

The Company is principally engaged in (i) research and development, production and sale of monoclonal antibody (mAb) drugs and the provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy technology) and (ii) the transfer of its own technology and provision of the related technology consultation services.

As at the Latest Practicable Date, the Group has launched five marketed products, namely HANLIKANG (rituximab injection), HANQUYOU (trastuzumab injection), HANDAYUAN (adalimumab injection), HANBEITAI (bevacizumab injection) and the Licensed Product, HANSIZHUANG (serplulimab injection).

Information about the Licensed Product

As stated in the Letter from the Board, HANSIZHUANG (serplulimab injection) is an innovative anti-PD-1 monoclonal antibody independently developed by the Company and was approved for marketing in mainland China in March 2022. As of the date of this circular, HANSIZHUANG has been approved for two indications in mainland China: (1) the treatment of adult patients with advanced unresectable or metastatic Microsatellite Instability-High ("**MSI-H**") solid tumours that have failed to respond to the standard therapy; and (2) the first-line treatment of patients with unresectable locally advanced or metastatic squamous non-small cell lung cancer (sqNSCLC) in combination with carboplatin and albumin-bound paclitaxel. In addition, the new drug applications for another two indications of HANSIZHUANG have been accepted by the NMPA. In April 2022, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of previously untreated patients with extensive stage small cell lung cancer (ES-SCLC) was accepted by the NMPA. Further, in August 2022, the new drug application (NDA) of HANSIZHUANG in combination with chemotherapy for the first-line treatment of patients with locally advanced/recurrent or metastatic esophageal squamous cell carcinoma (ESCC) was accepted by the NMPA. In November 2022, the first patient has been dosed in a bridging study in the United States of HANSIZHUANG in combination with chemotherapy for the first-line treatment of extensive-stage small cell lung cancer (ES-SCLC).

HANSIZHUANG is planned to be used for the treatment of a variety of solid tumours, and in addition to the indications of the MSI-H solid tumours and squamous non-small cell lung cancer (sqNSCLC) which have been approved for marketing, which is being undergone clinical studies in 10 combination therapies with it as the core in various countries and regions around the world. The sales promotion of HANSIZHUANG in Mainland China is conducted by the Company's inhouse commercialisation team. As of the date of this circular, the Company has entered into business cooperation with PT Kalbe Genexine Biologics for commercialisation of HANSIZHUANG in Philippines, Indonesia, Malaysia, Singapore, Thailand, Laos, Myanmar, Cambodia, Brunei and Vietnam.

(b) 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.

(c) Background and reason

With an aim to broaden the footprint of the Licensed Product, the Directors believe that the cooperation with Fosun Pharmaceutical Industrial under the License Agreement will enable the Company to further expand the overseas market of the Licensed Product, enhance the accessibility and recognition of the Company's products in the international market, which will contribute to the sustainable growth of the Company. Accordingly, 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 Field in the United States.

Having considered (i) the increasing number of approvals obtained from the NMPA for commercialisation and the Licensed Product has been approved for marketing in March 2022; (ii) the Company's plan to further expand the Licensed Product to an overseas market; and (iii) the extensive marketing capability possessed by Fosun Pharma which the Group could leverage on broadening its potential customer bases and thereby creating commercial benefits and enhancing the brand awareness of the Licensed Product in the future, we concur with the Directors' view that through entering into the License Agreement, the Group is able to benefit from the established and extensive sales and distribution network of Fosun Pharma which facilitates the penetration of the Licensed Product outside the PRC.

2. Principal terms of the License Agreement

For details of the terms of the License Agreement, please refer to the section headed "Principal Terms of the License Agreement" in the Letter from the Board. Set out below are the principal terms of the License Agreement:

Date	:	17 November 2022
Parties	:	(i) The Company; and (ii) Fosun Pharmaceutical Industrial
The License	:	The Company will grant to Fosun Pharmaceutical Industrial an exclusive license (with the right to sublicense, provided that Fosun Pharmaceutical Industrial shall not sublicense or assign its principal commercialisation rights to any third party without the Company's prior written consent, except that such advance written approval is not required if Fosun Pharmaceutical Industrial sublicenses to Fosun Pharma USA, Inc., or remains principally responsible for and in charge of the commercialisation of the Licensed Product in the Field in the United States after such sublicense is granted) under the Company's intellectual property to commercialise the Licensed Product in the Field in the United States.

In respect of the ES-SCLC, the Company will be responsible for all research, development and regulatory activities of the Licensed Product in the Field in the United States before the grant of marketing approval, including any studies (including a bridging study) and the marketing authorization application preparation and filing.

After the grant of marketing approval, Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the Field in the United States, including maintaining, extending marketing approvals, market access and other regulatory activities required.

In respect of other indications that may be selected by Fosun Pharmaceutical Industrial, the parties shall negotiate in good faith and enter into a separate agreement to agree on the development plan and cost sharing arrangement for the pre-commercialisation activities.

Effective Date : The date on which the later of the following occurs: (a) the Company's approval of the execution of the 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 execution of the 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 License Agreement by the parties.

Term and Termination : Term of the License Agreement shall commence on the Effective Date 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 pursuant to the License Agreement.

Consideration : Upfront Payment:

RMB1 billion, among which RMB0.5 billion shall be made within thirty (30) days after the Effective Date, 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. In addition, RMB166,666,666 will be refunded if the first BLA for the Licensed Product has not been approved by the FDA by 30 June 2025, and another RMB166,666,667 will be refunded if the first BLA for the Licensed Product has not been approved by the FDA by 31 December 2026.

The amount of the Upfront Payment is determined after arm's length negotiations between the parties with reference to the prices quoted by third parties for licensing the Licensed Product under similar conditions and the expected commercialisation progress for the Licensed Product.

One-off Regulatory Milestone Payment:

The regulatory milestone payment in the aggregate amount of US$50 million within thirty (30) days after the approval of the first BLA for the Licensed Product by the FDA.

The amount of the Regulatory Milestone Payment is determined after arm's length negotiations between the parties with reference to prevailing market rates for regulatory milestone payment for products of similar nature and prices previously paid by third parties to the Company for licensing of similar products under similar conditions.

Sales Milestone Payments:

The sales milestone payments of not more than US$650 million in aggregate based on the achievements of annual Net Sales of the Licensed Product in the United States, which will be made within thirty (30) days after the date of the achievement of the relevant milestones as further detailed in the Letter from the Board.

The Sales Milestone Payments were determined after arm's length negotiations between the parties with reference to prevailing market prices by assessing sales milestone payments charged by industry peers for transactions of similar nature.

Royalty Payments:

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.

The Royalty Payments were determined after arm's length negotiations between the parties with reference to, among others, prevailing market prices by assessing royalties charged by industrial peers for transactions of similar nature.

Transfer Price Payments:

The Transfer Price Payments were determined after arm's length negotiations between the parties based on the expected supply quantity of the Licensed Product during the term of the Licensed Agreement with reference to margin charged by the Company for other license arrangements already entered into by the Company with independent third parties and Royalty Payments already received by the Company (which will also be on an ongoing basis and based on the volume of products to be sold).

Repurchase Options : After the third (3rd) anniversary of the first commercial sale of the Licensed Product in the United States, 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 in the United States during the then-previous 12 month period, if the repurchase occurs within one (1) month after the third (3) anniversary of the first commercial sale of the Licensed Product in the United States, provided the total repurchase price shall not be less than US$250,000,000. After the repurchase, Fosun Pharmaceutical Industrial will receive certain royalties only if that Fosun Pharmaceutical Industrial has selected and shared agreed rate of the development cost for at least two (2) other indications of the License Product other than the ES-SCLC. The Company should notify Fosun Pharmaceutical Industrial at least twelve (12) months in advance before exercising the repurchase option.

Starting from the first commercial sale of the Licensed Product in the United States and ending on the third (3rd) anniversary of the first commercial sale, the Company also has 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 United States 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.

Regulatory activities : In respect of the ES-SCLC, the Company will be responsible for all development and regulatory activities of the Licensed Product in the Field in the United States before the grant of marketing approval, including any studies (including a bridging study) and the marketing authorization application preparation and filing. After the grant of marketing approval, Fosun Pharmaceutical Industrial will be responsible for regulatory activities of the Licensed Product in the Field in the United States, including maintaining, extending marketing approvals, market access and other regulatory activities required.

In respect of other indications, the parties shall negotiate in good faith and enter into a separate agreement to agree on the development plan and cost sharing arrangement.

3. Assessment of the principal terms of the License Agreement

In assessing the fairness and reasonableness of the terms of the License Agreement, we have reviewed and assessed the payment terms of the License Agreement as a package through comparison of terms from different perspectives, which are outlined in the sub-paragraphs below for details. We consider that each of the term of the License Agreement should not be assessed individually without considering the other terms of the License Agreement, which is also consistent with how the Company evaluates the fairness of a license arrangement. As compared to giving our independent fairness opinion on each individual term of the License Agreement, we consider it to be more meaningful to give our view on the terms of the License Agreement as a whole, particularly also after taking into account of the background and reason of entering into the License Agreement, such as the extensive marketing capability possessed by Fosun Pharma and the Company's business plan as mentioned in the sub-paragraph "1. (c) background and reason".

Based on the aforesaid, in comparing the terms of the License Agreement with others, we have put our primary focus on the upfront payment with respect to the licensing territories, since it denotes the consideration received by the Company in advance once the License Agreement becoming effective, which is not subject to the commercialisation of the Licensed Product or other milestones to be achieved in the future (i.e. regulatory milestone payments and sales milestone payments). We also consider royalty payment to be an important reference in assessing the overall terms of the License Agreement, because we consider that it is quite a common term in other similar arrangement during our comparison exercise as detailed in the sub-paragraphs below. Accordingly, amongst all of the terms in the License Agreement, we will put more weight on the Upfront Payments and Royalty Payments in assessing the major terms of the License Agreement.

(a) Comparison on terms of the License Agreement with the recent price quotations received

We have discussed with the management of the Group and have been provided by the Company and reviewed the major terms of the recent price quotations received within the latest year for licensing the Licensed Product under similar condition in territories including the United States from two other global biopharmaceutical companies (both companies are principally engaged in developing and manufacturing immunotherapies), and compared with the major terms of the License Agreement such as the upfront payment, regulatory milestone payments, sale milestone payments, royalty payments and cost sharing arrangement between the parties.

We consider these two recent price quotations to be broadly comparable to the License Agreement, on the basis that their price quotations (i) also include the major terms which are the same as the License Agreement; (ii) were quoted approximately one year before the publication date of the Company's announcement, which reflects the recent market conditions; and (iii) were quoted by independent third parties which are principally engaged in the same industry as Fosun Pharmaceutical Industrial according to the same background information provided by the Company to other potential commercial license partners through the Company's business development team, as confirmed by the management of the Group.

Based on our review of information provided by the Company, amongst the two recent price quotations received, Company A and Company B proposed the final terms to the Company on May 2022 and November 2021, respectively. Major terms of the recent price quotations received from the two other global biopharmaceutical companies for licensing the Licensed Product are disclosed below for comparison purpose:

Major terms	**The License Agreement**	**Company A**	**Company B**
Licensing territories	the United States	Several European, North American and Asian countries including the United States	Global (excluding China and south Asian countries)
Portion of upfront payment out of the total payments *(Note 1)*	17.6%	9.1%	12.4%
Portion of regulatory milestone payments out of the total payments *(Note 1)*	5.9%	25.1%	41.5%
Portion of sales milestone payments out of the relevant tiered sales milestones *(Note 2)*	10-15%	8-10%	3-4%
Royalty payment	10%-18%	10%-18%	17%-20%
Transfer price payment *(Note 3)*	8%	N/A	N/A
Duration	Indefinite	Indefinite	Indefinite
Repurchase options	Yes	No	No
Cost sharing term	Yes	No	No

Notes:

1. Total payments comprise of (i) upfront payments; (ii) regulatory milestone payments; and (iii) sales milestone payments

2. For comparison purpose, the figures are extracted and calculated from (i) the same number of tiered sales milestones which were divided under the tiered sales of US$500 million, US$1 billion and US$2 billion, respectively; and (ii) sales milestones below US$2 billion, which is the highest sales milestones to be achieved under the License Agreement

3. No transfer price payment was shown in the price quotations received from Company A and Company B

Upfront payment

As seen from the above table, we noted that the major terms in the License Agreement, in particular the Upfront Payment, which is expressed in terms of the percentage of upfront payment out of the total payments of approximately 17.6%, are generally more favorable than that of the other two recent price quotations received, with the amount of approximately 9.1% and 12.4%, respectively. Besides, certain amounts will be refunded in stages if BLA for the Licensed Product has not been approved by the FDA by the specified time as stipulated under the License Agreement. We consider such term to be commercially favorable to the Company, since the Company is entitled to receive such payments in advance under the Upfront Payment upon the Effective Date when compared with others.

Regulatory milestone payments

We noted that the Regulatory Milestone Payments, which is expressed in terms of the percentage of regulatory milestone payments out of the total payments, amounted to approximately 5.9%, whereas the respective amount of Company A amounted to approximately 25.1% and Company B amounted to approximately 41.5%, respectively. While the amount of Regulatory Milestone Payments may be less than that of the two recent price quotations received, given (i) the licensing territories of the Licensed Product is limited to the United States only while the other two involves much more geographical coverage; (ii) the regulatory milestone payments under Company A and Company B cover three indications (including ES-SCLC) while the Regulatory Milestone Payments only covers one indication; (iii) Fosun Pharmaceutical Industrial will need to share the cost of the other selected indications for the Licensed Product in the Field in the United States, including the cost for any studies (including a bridging study) and the marketing authorisation application fee pursuant to the License Agreement while the other two does not have such arrangement; and (iv) the Upfront Payment received by the Company, which is another payment before the commercialization of the Licensed Product, overall speaking, we consider the Regulatory Milestone Payments to be justifiable.

Sales milestone payments

For the sales milestone payments below the sales milestones of US$2 billion, under the same number of tiered sales and similar indications, we noted that the Sales Milestone Payments amounted to approximately 10-15% of the relevant sales milestones, while Company A amounted to approximately 8-10% and Company B amounted to approximately 3-4% of the relevant sales milestones, respectively. As stated in the Letter from the Board, the last sales milestone under the License Agreement is US$2 billion while the last sales milestone under the two recent price quotations was US$4 billion for Company A and US$5 billion for Company B, respectively. On the basis of the highest sales milestone payment out of the relevant sales milestones (in terms of percentage) under the License Agreement as aforesaid, assuming the sales of the Licensed Product achieving the highest sales milestone under the License Agreement (being US$2 billion),

the amount of sales milestone payments to be received from Fosun Pharmaceutical Industrial (being US$650 million) would be more favorable as compared to that of Company A and Company B (being US$255 million and US$320 million, respectively). Accordingly, we consider the Sales Milestone Payments to be fair and reasonable.

Royalty payments and transfer price payments

Regarding the Royalty Payments, the range of 10%-18% is also found to be generally consistent with that of Company A. Although the Royalty Payments are slighter lower than that of Company B, taking into account the Transfer Price Payments of 8%, the aggregate of approximately 18%-26% under the License Agreement is higher than that of Company B of 17%-20%. Based on our discussion with the management of the Group, since both the royalty payments and transfer price payments represent the amounts to be received from Fosun Pharmaceutical Industrial which are based on the net selling price of the licensed product, the aggregate of the Royalty Payments and the Transfer Price Payments are generally more favorable than that of the two recent price quotations received.

Other major terms under the License Agreement

We also noted that the License Agreement contains clauses such as Repurchase Options and cost sharing arrangement between the parties, which are not available in the major terms offered by the industry peers. We consider the Repurchase Options are unique to the Company, since it offers feasibility to the Company for commercialising the Licensed Product on its own in the future. For the cost sharing arrangement among the Company and Fosun Pharmaceutical Industrial, we consider it to be a reasonable commercial term which generally governs the respective role of both parties under the License Agreement.

Overall comments

In our view, taking into account that (i) the portion of upfront payment out of the total payments under the License Agreement is the highest amongst the others, which we consider to be the most critical terms under our assessment since it implies that the Company is entitled to receive more consideration in advance; (ii) the Territory for the Licensed Product is limited to the United States while the other two recent price quotations involve the licensing territories on a global basis, however the portion of upfront payment out of the total payments under the License Agreement is still the highest amongst the others; (iii) the other terms under the License Agreement, such as the Repurchase Options and cost sharing terms as aforesaid, are only applicable under the License Agreement; and (iv) the Royalty Payments are found to be generally consistent with the others, we consider the terms of the License Agreement to be justifiable as compared with the two recent price quotations received.

(b) Comparable arrangement

In evaluating the fairness and reasonableness of the principal terms of the License Agreement, we have, on a best effort basis, identified an exhaustive list of licensing arrangement, which (a) were announced by companies listed on the main board of the Stock Exchange during the period from 26 September 2019 to the Latest Practicable Date (the "**Review Period**"), being a period since the listing of the Company which approximates to three years prior to the Latest Practicable Date; and (b) involved the grant or receipt of exclusive licensing rights of antibody immuno-oncology medicine in the United States and other countries globally excluding China. Based on the aforesaid criteria, we identified 16 comparable arrangement (the "**Comparable Arrangement**").

We consider that the aforesaid criteria, including the selection of timeframe for the Review Period, allow us to identify a sufficient number of samples for comparison purpose. We further consider that the Comparable Arrangement can provide a general reference to the principal terms of recent licensing arrangement of antibody immuno-oncology medicine as well as a sufficient sample size for comparison purpose, so as to determine whether the terms of the License Agreement are in line with the market practice. Since the Comparable Arrangement (i) principally involves the grant or receipt of exclusive licensing rights of antibody immuno-oncology medicine, which reflects the subject matter as in the License Agreement; (ii) includes a sufficient size for our comparison purpose; and (iii) includes all of the comparable arrangement of the Hong Kong listed companies since the listing of the Company, we believe the Comparable Arrangement formed a list of samples which is fair, representative and exhaustive.

The following table sets out the details of the Comparable Arrangement:

Announcement date	Company name (stock code)	Territory	Royalty payments *(Note 4)* Min	Max	Upfront payment *(USD in million)*	Regulatory milestone payments *(USD in million)*	Sales milestone payments *(USD in million)* *(Note 3)*	Other payments *(USD in million)*	Duration (number of years)	Repurchase Options (Y/N)	Cost sharing term (Y/N)	Portion of upfront payment out of the total payments *(Note 2)*	Portion of regulatory milestone payments out of the total payments *(Note 2)*	Whether the medicine was approved for commercialisation in territories other than the licensed territories (Y/N)
20 December 2019	Alphamab Oncology (9966.HK) ("**Alphamab**")	United States Canada, Mexico and each of their dependent territories	Teens to mid-double digits		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
14 July 2020	Shanghai Junshi Biosciences Co., Ltd. (01877.HK)	Global	N/A		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
18 August 2020	Innovent Biologics, Inc. (1801.HK) ("**Innovent**")	Geographies outside of China, United States and other markets	Tiered double-digit		200	N/A	825	N/A	N/A	N	N	19.5%	N/A	Y (in China)
7 October 2020	BeiGene, Ltd. (6160.HK)	Global	N/A		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	Y (in China)
27 October 2020	CStone Pharmaceuticals (2616.HK)	Outside of China	N/A		150	N/A	1,150	N/A	N/A	N	N	11.5%	N/A	N
29 October 2020	CStone Pharmaceuticals (2616.HK)	Any territory outside the Republic of Korea	N/A		10	N/A	353.5	N/A	N/A	N	N	2.8%	N/A	N
12 January 2021	BeiGene, Ltd. (6160.HK) ("**BeiGene**")	United States, Canada, Mexico, member countries of the European Union, United Kingdom, Norway, Switzerland, Iceland, Liechtenstein, Russia, and Japan	High-teens to high-twenties		650	1,300 *(Note 1)*	250	N/A	10	N	N	29.5%	59.1%	Y (in China)
1 February 2021	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	United States and Canada	20%	20%	150	N/A	380	25	N/A	N	Y	27%	N/A	Y (in China)

Announcement date	Company name (stock code)	Territory	Royalty payments *(Note 4)*		Upfront payment	Regulatory milestone payments	Sales milestone payments	Other payments	Duration (number of years)	Repurchase Options (Y/N)	Cost sharing term (Y/N)	Portion of upfront payment out of the total payments	Portion of regulatory milestone payments out of the total payments	Whether the medicine was approved for commercialisation in territories other than the licensed territories (Y/N)
			Min	Max	*(USD in million)*	*(USD in million)*	*(USD in million) (Note 3)*	*(USD in million)*				*(Note 2)*	*(Note 2)*	
17 May 2021	Antengene Corporation Limited (6996.HK) ("**Antengene**")	Global	Single to low double-digits		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
13 July 2021	InnoCare Pharm Limited (9969.HK)	Global (outside of China)	Low to high teens		125	N/A	812.5	N/A	N/A	N	N	13.3%	N/A	N
9 August 2021	RemeGen Co., Ltd. (9995.HK)	Global other than China	High single digits to mid teens		200	N/A	2,400	N/A	N/A	N	Y	7.7%	N/A	Y (in China)
8 November 2021	Ascletis Pharma Inc. (1672.HK)	Global other than China	Mid-teens to around 20%		N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
4 January 2022	3SBio Inc. (1530.HK)	Global	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N	N/A	N/A	N
11 January 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK)	United States and Canada	18%	18%	35	N/A	255	N/A	N/A	N	N	12.1%	N/A	N
7 April 2022	HBM Holdings Limited (2142.HK)	Global	N/A		25	N/A	325	N/A	N/A	N	N	7.1%	N/A	N
8 June 2022	Shanghai Junshi Biosciences Co., Ltd. (1877.HK) ("**Junshi**")	Global	5%	5%	N/A	75 *(Note 1)*	N/A	N/A	N/A	N	N	N/A	N/A	N
		Maximum	**20%**	**29%**	**650**	**1,300**	**2,400**					**29.5%**	**59.1%**	
		Minimum	**5%**	**5%**	**25**	**75**	**250**					**7.1%**	**59.1%**	
		Average	**14.3%**	**18.1%**	**171.6**	**687.5**	**750**					**14.5%**	**59.1%**	
		Median	**16%**	**19%**	**150**	**687.5**	**380**					**12.1%**	**59.1%**	
	The Company		**10%**	**18%**	**150 (equivalent to around RMB1 billion)**	**50**	**650**	**N/A**	**N/A**	**Y**	**Y**	**17.6%**	**5.9%**	**Y (in China)**

Source: the announcements of the respective companies

Notes:

1. Both announcements of BeiGene and Junshi did not disclose further details such as the timeframe of the respective regulatory milestone payments. For Junshi, we assume the exchange rate to be US$1 to RMB6.7

2. The total payments of both percentages are computed by summing up the relevant upfront payments, regulatory, development and sales milestone payments according to the respective announcements

3. Details of sales milestone payments to be achieved in each sales tier were not disclosed in the announcements of the Comparable Arrangement, therefore the portion of the sales milestone payments out of the relevant tiered sales milestones cannot be computed

4. For our calculation purpose, we assume (i) "teens" to be ranged from 13% to 19%; (ii) "high-teens" to be 19%; (iii) "low-teens" to be 13%; (iv) "mid-teens" to be 16%; and (v) "high single digits" to be 9%. For Alphamab, Innovent and Antengene which indicate their respective royalty payments to be "double digits", since the range is wide, we have excluded their respective range in our calculation

Royalty payment

As shown in the above table, the royalty payments of the Comparable Arrangement ranged from an average of 14.3% to 18.1%, with the median of 16% to 19%. On this basis, we consider the Royalty Payments of 10% to 18% is found to be generally in line with the market practice.

Upfront payment

Since the subject matter of each Comparable Arrangement varies, we consider it is inappropriate to directly compare the absolute amounts of the Upfront Payment with the upfront payment of the Comparable Arrangement. Instead, we computed the portion of upfront payment out of the total payments according to the announcements of the Comparable Arrangement. Based on our review, we noted that the minimum and maximum portion are 7.1% and 29.5%, with an average and median of 14.5% and 12.1%, respectively. The portion of the Upfront Payment of 17.6% is found to be within the range of the Comparable Arrangement and higher than both the average and median of the Comparable Arrangement. On this basis, we consider the Upfront Payment to be fair and reasonable.

Regulatory milestone payments

As shown in the above table, only 2 out of the 16 Comparable Arrangement contains regulatory milestone payments. Although the absolute amounts of Regulatory Milestone Payments are generally lower than that of the 2 Comparable Arrangement, the Regulatory Milestone Payments specify details such as conditions and timeframe for receiving the relevant payment, which the others do not. In our view, although the monetary amounts of the Regulatory Milestone Payments appear to be lower, given (i) the licensing product of the 2 other Comparable Arrangements were licensed on a global scale, as compared with the License Agreement which only involves the United States as the licensing territories; and (ii) Fosun Pharmaceutical Industrial will be responsible for regulatory

activities of the Licensed Product in the Field in the United States, including the cost for any studies (including a bridging study) and the marketing authorisation application fee pursuant to the License Agreement (i.e. cost sharing arrangement) which does not exist in other Comparable Arrangement, overall speaking, we consider the Regulatory Milestone Payments to be justifiable.

Sales milestone payments

As shown in the above table, only 9 out of the 16 Comparable Arrangement contains sales milestone payments. Based on our review, we noted that the minimum and maximum amounts are approximately US$250 million and US$2,400 million, with an average and median of approximately US$750 million and US$380 million, respectively. The Sales Milestone Payments of US$650 million is found to be within the range of the Comparable Arrangement and higher than the median of the Comparable Arrangement. On this basis, we consider the Sales Milestone Payments to be justifiable.

Transfer price payments

As stated in the Letter from the Board, the Transfer Price Payments were determined after arm's length negotiations between the parties based on the expected supply quantity of the Licensed Product during the term of the License Agreement with reference to margin charged by the Company for other license arrangements already entered into by the Company with independent third parties and the Royalty Payments already received by the Company (which will also be on an ongoing basis and based on the volume of products to be sold).

Based on our independent research, since there are no Comparable Arrangement which discloses any details relating to transfer price payments, alternatively, we have been provided by the Company and reviewed 15 contracts entered between the Company for licensing out the Company's product of similar nature to the independent third parties, which we consider representing a fair, representative and exhaustive sample as it covers all of the licensing out contract entered with the independent third parties since the Company's establishment in 2010. Based on our review, we noted that (i) the transfer price payments were also based on the net selling price; and (ii) the transfer price payments, after aggregation with the royalty payments, generally ranged from approximately 15% to 25% of the respective net selling prices, with the average of approximately 19.4%. Accordingly, the Transfer Price Payments, after aggregating with the Royalty Payments which represents 18%-26% of Net Sales, are generally higher than that entered with the independent third parties. We consider it is reasonable to assess the reasonableness of the payments as a whole as both payments are on an ongoing basis and are based on the volume of products to be sold. Accordingly, on this basis, we consider the Transfer Price Payments to be acceptable.

Duration

In considering whether it is normal business practice for agreements of a similar nature to the License Agreement to have a duration of more than three years, we have reviewed the Comparable Arrangement based on the selected criteria as mentioned in the sub-paragraph under "Comparable Arrangement". During the period under our review, apart from the duration of product licensing of BeiGene which lasts for 10 years, the duration of the product licensing is not specifically stated in all of the other Comparable Arrangement. In other words, the majority of Comparable Arrangement does not have a definite term, which is comparable to that of the Company.

Given (i) the Group leverages on the extensive marketing capability possessed by Fosun Pharma to commercialise the Licensed Product in the Field in the United States, a longer duration of the License Agreement will provide and maintain stability of the Group's business; (ii) a comparatively long duration will facilitate the sales and marketing initiatives of Fosun Pharma and is expected to extend the period of income from commercialising the Licensed Product in the Field in the United States; and (iii) the Group has to devote capital commitment and management effort to obtain regulatory approval and develop the sales of the Licensed Product in the Field in the United States over a number of years, which makes it commercially desirable for the Group to have a sufficiently long term in order to capture the benefits arising from its effort in the initial years, we consider that it is a normal business practice for licensing arrangements similar to the type of the License Agreement to have a duration of more than three years.

Repurchase Options

As shown in the above table, there is no Comparable Arrangement contains repurchase options as the Company does. In our view, the Company is not obliged to exercise the Repurchase Options. Instead, the Company can discretionally decide whether to exercise the Repurchase Options on it own, which serves to provide feasibility to the Company for self-commercialisation of the Licensed Product in the future. Given (i) there are no other Comparable Arrangement offers such discretion and rights to the Company based on our independent research; and (ii) the Repurchase Options under the License Agreement provide flexibility to the Company as aforesaid, we consider the Repurchase Options are fair and reasonable and in the interest of the Company.

As regards the Floor Repurchase Price, taking into account that (i) it is primarily determined with reference to the aggregate of (a) the Upfront Payment and the Regulatory Milestone Payments of RMB200 million to be received by the Company; and (b) the estimated actual cost to be incurred by Fosun Pharmaceutical Industrial in relation to sales and marketing of the Licensed Product after three years of the first commercial sale of the Licensed Product in the United States; and (ii) it is essentially roughly the actual costs to be incurred by Fosun Pharmaceutical Industrial during the period without taking into consideration any finance cost that Fosun Pharmaceutical Industrial may incur as a result of the payments made to the Company; and (iii) the Board will evaluate whether the terms for the repurchase is fair and reasonable to the Company at the relevant time before deciding whether or not to exercise the option, we consider the Floor Repurchase Price to be justifiable.

Overall comment

As set out above, we have reviewed and assessed the terms of the License Agreement through comparison with (i) recent price quotations under similar condition received from independent third parties; and (ii) comparable arrangement based on our independent research.

In assessing the principal terms of the License Agreement, while certain terms maybe better off than the others or vice versa during our comparison process, we have reviewed and assessed the terms of the License Agreement as a package. In other words, we do not form our view on the terms of the License Agreement only based on our assessment on a particular term without considering the other terms as a whole. Generally speaking, based on our review, we noted that the major terms of the License Agreement, in particular the Upfront Payment and Royalty Payments which we have put more weight on, are generally no less favorable than the terms for similar arrangements between the Group and independent third parties. Taking into account of the reasons for entering into the License Agreement as mentioned in the sub-section headed "1(c). Background and reasons", overall speaking, we consider the terms of the License Agreement to be justifiable.

4. Internal control policies of the Group

Based on our understanding, the Company has adopted a series of internal control policies, which are conducted and supervised by the Company's relevant business departments, related internal audit and control department, the independent non-executive Directors and the external auditors of the Company.

In assessing whether the internal control policies are put in place and effectively implemented, we have discussed with the management of the Group and reviewed the relevant documentation regarding the menu of the internal control policies on continuing connected transactions which were properly endorsed by the Group. Having consider the above, in particular (i) that the above internal control policies include detective control to uncover any deviation against the terms of the License Agreement; and (ii) the clear segregation of duties of execution, checking and authorising the continuing connected transactions by designating different personnel or teams for the assessment, review and approval for the ongoing monitoring of the continuing connected transactions, we concur with the Directors that appropriate and adequate internal control policies are in place to ensure that the terms of the License Agreement are will be strictly followed.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the License Agreement.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular for which Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors/Supervisors and chief executives of the Company has interest and short positions in the shares of the Company, or short positions in the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO). The interest or long positions of Directors, Supervisors and chief executives of the Company in the underlying shares and debentures of any of its associated corporations of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Interest in shares of the associated corporation of the Company

Name	Name of Associated Corporation	Number of shares	Class	Nature of interest and capacity	Approximate percentage in relevant class of shares
Wenjie Zhang	HenLink, Inc.	1,417,000	Ordinary shares	Beneficial owner	8.93%
	Fosun International Limited	200,000	Share option	Beneficial owner	0.00%
Qiyu Chen	Fosun International Limited	15,959,400	Ordinary shares	Beneficial owner	0.19%
	Fosun International Limited	15,125,000	Share option	Beneficial owner	0.18%
	Fosun Pharma	114,075	A shares	Beneficial owner	0.01%
	Fosun Tourism Group	501,478	Ordinary shares	Beneficial owner	0.04%

Name	Name of Associated Corporation	Number of shares	Class	Nature of interest and capacity	Approximate percentage in relevant class of shares
Yifang Wu	Fosun Pharma	373,000	H shares	Beneficial owner	0.07%
	Fosun Pharma	1,007,100	A shares	Beneficial owner	0.05%
	Fosun International Limited	200,000	Ordinary shares	Beneficial owner	0.00%
Xiaohui Guan	Fosun International Limited	200,000	Ordinary shares	Beneficial owner	0.00%
	Fosun International Limited	1,000,000	Share option	Beneficial owner	0.01%
	Fosun Pharma	393,100	A shares	Beneficial owner	0.02%
	Fosun Pharma	25,000	H shares	Beneficial owner	0.00%
Deyong Wen	Fosun Pharma	20,000	H shares	Beneficial owner	0.00%
	Fosun Pharma	207,100	A shares	Beneficial owner	0.01%
Rongli Feng	Fosun Pharma	113,500	A shares	Beneficial owner	0.01%
Deli Kong	Fosun Pharma	27,200	A shares	Beneficial owner	0.00%

Save as disclosed in the foregoing, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company or their respective close associates had any interests or short/long positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, so far as the Directors were aware:

(a) each of Mr. Wenjie Zhang, Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen, Ms. Rongli Feng and Mr. Deli Kong holds certain positions with Fosun International Limited and/or Fosun Pharma, each of which indirectly owned as to 59.56% of the total Shares as at the Latest Practicable Date and is deemed to be interested in such Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and Supervisors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022, the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or Supervisors, and their respective close associates, is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

7. QUALIFICATION OF EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

Name	Qualification
Rainbow Capital (HK) Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Rainbow Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinions and/or the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, (i) Rainbow Capital did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) Rainbow Capital did not have any shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

8. MISCELLANEOUS

This circular has been prepared in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.henlius.com) for a period of 14 days from the date of this circular (both days inclusive):

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 22 of this circular;

(b) the letter from Rainbow Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 41 of this circular;

(c) the written consent of the Independent Financial Adviser referred to in paragraph 7 of this Appendix;

(d) the Amendment to License Agreement; and

(e) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Shanghai Henlius Biotech, Inc. (the "**Company**") will be held at Conference Room, 5th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC on Monday, 28 August 2023 at 3:30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the appointment of Mr. Zhu Jun as an executive director of the Company.

2. To consider and approve the resolution in relation to the appointment of Dr. XINGLI WANG as a non-executive director of the Company.

3. To consider and, if thought fit, approve the amendment to license and supply agreement dated 9 August 2023 entered into between the Company and Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司) (the "**Amendment to License Agreement**") as set out in the circular of the Company dated 11 August 2023 (including the transactions contemplated thereunder); and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Amendment to License Agreement.

SPECIAL RESOLUTION

4. To consider and approve the resolution in relation to the proposed amendments to the Articles of Association and Rules of Procedures for the Board, which will take effect immediately upon approval at the EGM.

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

Hong Kong, 11 August 2023

As at the date of this notice, 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.

Notes:

(1) All resolutions at the EGM will be taken by poll pursuant to the articles of association of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Hong Kong Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Hong Kong Listing Rules.

(2) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy (or more than one proxy if he/she holds more than one share) to attend and on a poll, vote on his/her behalf. A proxy needs not be a shareholder of the Company. If more than one proxy is so appointed, the form of proxy shall specify the number of shares in respect of which each such proxy is so appointed. In case of a poll every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.

(3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be delivered to at the Company's Board secretary office (for holders of Domestic Shares or Unlisted Foreign Shares), at 9th Floor, Innov Tower (Capitaland Building), Section A, 1801 Hongmei Road, Shanghai, PRC or the Company's H share registrar in Hong Kong (for holders of H shares), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the EGM (i.e. not later than 3:30 p.m. on Sunday, 27 August 2023) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the registers of members of the Company will be closed from Friday, 25 August 2023 to Monday, 28 August 2023 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the registers of members of the Company on Monday, 28 August 2023 shall be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Thursday, 24 August 2023.

(5) Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.

(6) References to time and dates in this notice are to Beijing time and dates.