



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 Directors:

Mr. ZHANG Wenjie (*Chairman*)

Dr. ZHU Jun (*Chief Executive Officer*)

Non-executive Directors:

Mr. CHEN Qiyu

Mr. WU Yifang

Ms. GUAN Xiaohui

Mr. WEN Deyong

Dr. WANG Xingli

Independent non-executive Directors:

Mr. SO Tak Young

Dr. CHAN Lik Yuen

Dr. ZHAO Guoping

Dr. SONG Ruilin

Head office and Principal Place of

Business in the PRC:

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Xuhui District

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PRC

Registered Office in the PRC:

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China (Shanghai) Pilot Free Trade Zone

PRC

Principal place of business

in Hong Kong:

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16 Harcourt Road

Hong Kong

23 December 2024

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the Initial Joint Announcement and the Second Joint Announcement pursuant to which the Offeror, Fosun Pharma and the Company jointly announced that the Offeror and the Company have entered into the Merger Agreement and the Supplemental Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement and the Supplemental Merger Agreement, including the Pre-Conditions and the Conditions. After completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED TRANSACTION

Pursuant to the Merger Agreement and the Supplemental Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions set out in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT AND THE SUPPLEMENTAL MERGER AGREEMENT*” below, a Shareholder (other than Fosun Pharma Industrial Development and Fosun Industrial) may, in exchange of its Shares, elect:

- (A) the **Cash Alternative** on the following basis that the Offeror will pay in cash the Cancellation Price in the amount of:
 - (i) HK\$24.60 per H Share to the H Shareholders (other than Fosun Industrial) for the cancellation of the H Shares;
 - (ii) RMB22.444794 per Unlisted Share, which is equivalent to the Cancellation Price of each H Share based on the Exchange Rate, to the Unlisted Shareholders (other than the Offeror and Fosun Pharma Industrial Development), for the cancellation of the Unlisted Shares; or

- (B) the **Share Alternative** on the following basis that the Hong Kong Rollover Entity and the PRC Rollover Entity will issue respectively:
 - (i) one Hong Kong Rollover Share per H Share;
 - (ii) one PRC Rollover Share per Unlisted Share; and
 - (iii) upon issuance of the Hong Kong Rollover Shares or PRC Rollover Shares (as the case may be), the Offeror will issue new shares in its share capital to the Hong Kong Rollover Entity or PRC Rollover Entity (as the case may be) on the basis of each 0.233108 shares in the Offeror’s share capital for each Share to be cancelled (or 1 share in the Offeror’s share capital for each 4.289864016 Shares to be cancelled).

The Shareholders (other than Fosun Pharma Industrial Development and Fosun Industrial) may elect the Cash Alternative or (subject to the Share Alternative Cap) the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Shares (but not, for the avoidance of doubt, a combination of the two). Shareholders who do not make any election or whose elections are invalid will receive the Cash Alternative.

No fractions of a share or a cent will be issued or paid, respectively, and the number of Rollover Securities issuable to a Qualifying Shareholder who elects the Share Alternative will be rounded down to the nearest Hong Kong Rollover Shares or PRC Rollover Shares, or as otherwise consented to by the Executive and announced by Rollover Entities and/or the Company, whilst payments in cash, if any, will be rounded up to the nearest cent. The Share Alternative is also subject to the Share Alternative Cap, further details of which are set out in the section headed “5. *INFORMATION ON THE SHARE ALTERNATIVE*” below.

Only Shares held by registered Shareholders who are Qualifying Shareholders will be eligible for the Share Alternative. Accordingly, Shareholders (other than Fosun Pharma Industrial Development and Fosun Industrial) who wish to elect the Share Alternative are required to withdraw the portion of their Shares deposited in CCASS, if any, from CCASS and enter into the Company's H share register of members, on or before the date that such Shareholder delivers its election of the Share Alternative. See the section headed "*5. INFORMATION ON THE SHARE ALTERNATIVE — Withdrawal of Shares from CCASS*" below for more information.

The Offeror will take reasonable steps to put in place measures so that a Shareholder (other than Fosun Pharma Industrial Development and Fosun Industrial) is only able to elect one settlement method, i.e. the Cash Alternative or the Share Alternative (but not both). This includes requiring Share Alternative Holders with all or part of their Shares held in CCASS on or after the date of this Composite Document to provide their account holder information as part of the Election Form; and the Company will make enquiries under section 329 of the SFO.

See the sections headed "*4. INFORMATION ON THE CASH ALTERNATIVE*" and "*5. INFORMATION ON THE SHARE ALTERNATIVE*" below for more information on, among other things, a comparison of the Cancellation Price, the settlement arrangements, the Share Alternative Cap, and a summary of Rollover Securities.

The cancellation of 25,393,818 Unlisted Shares and 32,331,100 H Shares respectively held by Fosun Pharma Industrial Development and Fosun Industrial is to be settled by the issuance of the Offeror's shares to them on the basis of each share in the share capital of the Offeror issued for the cancellation of each 4.289864016 Shares as held by them upon completion of the Merger.

If, after the date of the Initial Joint Announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the gross amount or value of such dividend, distribution and/or, as the case may be, return of capital (before tax) after consultation with the Executive, in which case any reference in the Initial Joint Announcement, Second Joint Announcement, this Composite Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. As at the Latest Practicable Date, the Company has not declared any dividend that has not been paid, and has no intention to declare, make or pay any dividend to the Shareholders between the date of this Composite Document and the date on which the Merger becomes effective pursuant to the terms of the Merger Agreement and the Supplemental Merger Agreement, or lapses (as the case may be).

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT AND THE SUPPLEMENTAL MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement and the Supplemental Merger Agreement are summarized as follows:

Parties (1) The Offeror; and
(2) the Company.

Overview of the Merger Subject to the terms and conditions of the Merger Agreement (as supplemented by the Supplemental Merger Agreement), the Merger will be implemented by the Offeror merging the Company by way of merger by absorption under PRC laws, and will involve a cancellation of all the existing Shares and the subsequent absorption of the Company by the Offeror.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company from the Implementation Date and the Company will eventually be deregistered in the PRC.

The Merger Agreement and the Supplemental Merger Agreement also contemplate the Share Alternative, which are detailed in the section headed “5. *INFORMATION ON THE SHARE ALTERNATIVE*” below.

Consideration

Pursuant to the Merger Agreement and the Supplemental Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions, the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Pre-Conditions to the Merger Agreement becoming effective”, “Conditions to effectiveness” and “Conditions to implementation” below, the Offeror will pay (or procure the payment of) the Cancellation Price for the cancellation of the Shares in the amount of (a) HK\$24.60 per H Share to the H Shareholders (other than Fosun Industrial and (as applicable) the Share Alternative Holders holding H Shares) for the cancellation of the H Shares, and (b) RMB22.444794 per Unlisted Share, which is equivalent to the Cancellation Price of each H Share based on the Exchange Rate, to the Unlisted Shareholders (other than the Offeror, Fosun Pharma Industrial Development and (as applicable) the Share Alternative Holders holding Unlisted Shares) for the cancellation of the Unlisted Shares; and under the Share Alternative, the Hong Kong Rollover Entity will issue one Hong Kong Rollover Share for each H Share and the PRC Rollover Entity will issue one PRC Rollover Share for each Unlisted Share, whereas upon issuance of the Hong Kong Rollover Shares/PRC Rollover Shares (as the case may be), the Offeror will issue new shares in its share capital to the Hong Kong Rollover Entity/PRC Rollover Entity (as the case may be) on the basis of each 0.233108 shares in the Offeror’s share capital for each Share to be cancelled (or 1 share in the Offeror’s share capital for each 4.289864016 Shares to be cancelled), subject to the Share Alternative Cap. The cancellation of the 25,393,818 Unlisted Shares and 32,331,100 H Shares respectively held by Fosun Pharma Industrial Development and Fosun Industrial is to be settled by the issuance of the Offeror’s new shares to them upon completion of the Merger.

In connection with the cancellation of the 25,393,818 Unlisted Shares and 32,331,100 H Shares respectively held by Fosun Pharma Industrial Development and Fosun Industrial, the Offeror will issue new shares in its share capital to Fosun Pharma Industrial Development and Fosun Industrial on the basis of each share in the share capital of the Offeror issued for the cancellation of each 4.289864016 Shares as held by them. Fosun Pharma Industrial Development will also subscribe for shares in the Offeror by reference to the Shares held by Shareholders (other than the Offeror, Fosun Pharma Industrial Development and Fosun Industrial and Share Alternative Holders (to the extent their Shares or the relevant proportion thereof are settled by the Rollover Securities)) to be cancelled for cash under the Merger, adopting the same ratio of each 1 share in the Offeror for each 4.289864016 Shares held by the aforesaid Shareholders and to be cancelled under the Merger. The subscription amount will be paid up by setting it off against the financing principal amount to fund the Cancellation Price, interest and transaction expenses to be borne by Fosun Pharma Industrial Development in connection with the Merger. Fosun Pharma Industrial Development and Fosun Industrial have on 24 June 2024 entered into an agreement with the Offeror with respect to the above arrangement.

Fosun Industrial will hold issued shares in the Offeror that are proportionate to its shareholding in the Company immediately before the Merger becoming effective, and in the case of Fosun Pharma Industrial Development, its final shareholding in the Offeror after the Merger becoming effective will depend on the extent of shares in the Company to be cancelled for cash as described above.

**Pre-Conditions to the
Merger Agreement
becoming effective**

The Merger Agreement is subject to the satisfaction of the following pre-conditions, being the filing, registration or approval, as applicable, with or by (a) the National Development and Reform Commission of the PRC, (b) Ministry of Commerce of the PRC, (c) the State Administration of Foreign Exchange of the PRC, or their respective local authorities (as the case may be), and (d) the securities regulatory authorities and/or stock exchanges with relevant jurisdictions, and such other applicable governmental approvals in respect of the Merger having been obtained or completed (collectively, the “**Pre-Conditions**”). Save for the governmental approvals as mentioned in (a) to (d) above, the Offeror is not currently aware of any other applicable governmental approval which is required in respect of the Merger.

The above Pre-Conditions are not waivable. If the Pre-Conditions are not satisfied by the Long-stop Date, the Merger Agreement will not become effective and will be automatically terminated.

As at the Latest Practicable Date, the Pre-Conditions have been fulfilled.

Conditions to effectiveness

After the Pre-Conditions are satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is capable of being waived) (the “**Conditions to effectiveness**”):

- (1) the obtaining of the written approval by the shareholder of the Offeror approving the Merger as contemplated under the Merger Agreement in accordance with the articles of association of the Offeror and the PRC Laws;
- (2) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger as contemplated under the Merger Agreement in accordance with the Articles and the PRC Laws; and
- (3) the passing of special resolution(s) by way of poll approving the Merger as contemplated under the Merger Agreement at the H Shareholders’ Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not satisfied by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

**Conditions to
implementation**

After the Merger Agreement becomes effective upon satisfaction of the Pre-Conditions and all the Conditions to effectiveness, the implementation of the Merger shall be subject to the following conditions being satisfied (the “**Conditions to implementation**”):

- (1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;
- (2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger; and
- (3) there being no law, restriction or prohibition or order of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition (1) above and the Offeror shall be entitled to waive Condition (2) above. Condition (3) above is not capable of being waived. If the above Conditions to implementation are not satisfied (or waived, as the case may be) by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

**Payment of
consideration**

Rule 20.1 of the Takeovers Code provides that settlement in cash will have to be made within seven (7) business days after the fulfilment (or waiver) of the Pre-Conditions and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation).

However, in light of the offering of the Share Alternative to Qualifying Shareholders, the population of the Shareholder which has elected the Share Alternative cannot be ascertained prior to the latest date by which Shareholders may deliver the Election Form.

The payment of the Cancellation Price to HenLink is subject to completion of certain administrative procedures required under applicable PRC Laws, some of which also require cooperation and initiation on the part of HenLink, including filing and settlement of applicable taxation by HenLink with the Taxation Administration, as well as registration with the Foreign Exchange Administration (or the local counterparts of the foregoing governmental authorities (as the case may be)), and it therefore may not be completed within seven (7) business days after the fulfilment (or waiver) of the Pre-Conditions and all the Conditions.

As for the settlement of the Share Alternative, the Offeror shall, as soon as possible and in any event no later than 42 business days after the fulfilment (or waiver, if applicable) of the Pre-Conditions and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), or as otherwise consented to by the Executive and announced by the Offeror and/or the Company, issue its shares to Fosun Pharma Industrial Development and Fosun Industrial, and procure the Rollover Entities to issue the Rollover Securities to Share Alternative Holders, in consideration for the Unlisted Shares and H Shares respectively held by them to be cancelled. In the event the *Pro Rata* Downward Adjustment Mechanism is triggered, part of the Share Alternative will be settled in cash as described in the section headed “5. INFORMATION ON THE SHARE ALTERNATIVE — *Cap on the Share Alternative*” below in this Composite Document by the same time as the settlement of the part of the Share Alternative to be settled through the issuance of the Rollover Securities.

The settlement period of 42 business days for the Share Alternative as referred to above has taken into account:— (i) an election period for the Share Alternative of 15 business days following the Effective Date, during which Shareholders who are not a registered holder of Shares, but who are minded to take up the Share Alternative (subject to the Share Alternative Cap), may withdraw their Shares from CCASS (please refer to the section headed “5. INFORMATION ON THE SHARE ALTERNATIVE — *Withdrawal of Shares from CCASS*” below for further details); (ii) a 20-business day period during which the Offeror will make enquiries to confirm that each of the Shareholders has only elected one settlement method, i.e. the Cash Alternative or the Share Alternative (but not both); and (iii) a 7-business day period to effect settlement of the Share Alternative.

By way of summary, the table below sets out the indicative timing with respect to the Offeror's settlement of the Cancellation Price in cash (including any election of the Cash Alternative) and the Share Alternative:

Shareholders	Latest time for settlement (subject to the Executive's consent)
1. Shareholders electing the Cash Alternative (other than HenLink) or Shareholders who have not made any election within the prescribed timeline	<p>(i) For Shareholders who have validly elected the Cash Alternative on or before the expiry of the Election Period as per the instructions set out in this Composite Document, they will be paid the Cancellation Price in cash by no later than 7 business days after the later of (i) the Effective Date; and (ii) the date on which valid election for the Cash Alternative has been received by or on behalf of the Offeror; and</p> <p>(ii) For Shareholders who have not elected the Cash Alternative or the Share Alternative within the Election Period, or who have elected the Share Alternative within the Election Period but whose election is and remains invalid upon expiry of the Election Period, they will be paid the Cancellation Price in cash by no later than 7 business days after the expiry of the Election Period.</p>

Shareholders	Latest time for settlement (subject to the Executive's consent)
2. HenLink (to the extent it elects the Cash Alternative)	It will be paid the Cancellation Price in cash by no later than 7 business days after the completion of the applicable administrative procedures required under applicable PRC Laws as identified above.
3. Qualifying Shareholders validly electing the Share Alternative in accordance with the instructions set out in this Composite Document	They will be issued the relevant Rollover Securities, except where the <i>Pro Rata</i> Downward Adjustment Mechanism is engaged, in which case they will be paid a combination of Rollover Securities and cash calculated as described in the section headed “5. INFORMATION ON THE SHARE ALTERNATIVE” below in this Composite Document, by no later than 42 business days after the Effective Date, or such other time as otherwise consented to by the Executive and announced by the Offeror and/or the Company.
4. Shareholders electing the Share Alternative but whose election is found to be invalid or invalidated after the expiry of the Election Period (e.g. they are found to have elected both the Cash Alternative and the Share Alternative)	They will be paid the Cancellation Price in cash by no later than 42 business days after the Effective Date, or such other time as otherwise consented to by the Executive and announced by the Offeror and/or the Company.

The Offeror has applied to the Executive, and the Executive has granted, a waiver from strict compliance with Rule 20.1 of the Takeovers Code in connection with the timing of settlement of the Share Alternative, as well as with HenLink.

After payment of consideration is made to the Shareholders by or on behalf of the Offeror, all rights attaching to such Shares shall cease to have effect and the relevant Shares shall be cancelled (subject to the rights of the Dissenting Shareholders as described in paragraph “Right of a Dissenting Shareholder” in this section). The share certificates for the relevant Shares will cease to have effect as documents or evidence of title.

Payment of cash consideration to the H Shareholders is deemed to be completed once the Offeror or any entity designated by it has despatched to the H Shareholders (other than Fosun Industrial and (as applicable) the Share Alternative Holders holding H Shares) the cheques for such consideration.

Payment of cash consideration to the Unlisted Shareholders is deemed to be completed once the Offeror or any entity designated by it has made remittance to the Unlisted Shareholders (other than the Offeror, Fosun Pharma Industrial Development and (as applicable) the Share Alternative Holders holding Unlisted Shares) of such consideration by way of bank transfer for such consideration.

Payment of consideration to Fosun Pharma Industrial Development and Fosun Industrial is respectively deemed to be completed once the Offeror has despatched to them the certification of capital contribution affixed with the Offeror’s official seal reflecting the Offeror’s shareholding structure after the issuance of the shares of the Offeror to Fosun Pharma Industrial Development and Fosun Industrial and in accordance with the Merger Agreement and Supplemental Merger Agreement.

Settlement with respect to the Share Alternative is deemed to be completed upon: (i) in the case of the PRC Rollover Entity, the despatch by the Offeror or the PRC Rollover Entity to the Share Alternative Holders holding Unlisted Shares of the PRC Rollover Entity's certification of capital contribution affixed with the PRC Rollover Entity's official seal reflecting its shareholding structure after the issuance of the PRC Rollover Shares to the Share Alternative Holders holding Unlisted Shares; and (ii) in the case of the Hong Kong Rollover Entity, the despatch by the Offeror or the Hong Kong Rollover Entity to the Share Alternative Holders holding H Shares of the share certificates evidencing ownership in the Hong Kong Rollover Entity which reflects its shareholding structure after the issuance of the Hong Kong Rollover Shares to the Share Alternative Holders holding H Shares.

Dividend

Unless with the prior written consent of the Offeror, the Company shall not declare, make or pay any dividend, distribution (whether in cash or in kind) and/or return of capital to the Shareholders since the date of the Merger Agreement.

As at the Latest Practicable Date, the Company had not declared any dividend that had not been paid.

Right of a Dissenting Shareholder

According to the Articles, any Dissenting Shareholder may request the Company and/or the Consenting Shareholders to acquire its Shares at a "fair price".

If any Dissenting Shareholder exercises its right, the Offeror (if so elected by the Company and/or the Consenting Shareholders) will assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by such Dissenting Shareholder at a “fair price” and the Offeror may liaise with such Dissenting Shareholder in relation to the same, and the Dissenting Shareholder must refund the Cancellation Price received (if any) to the Offeror in order to be entitled to exercise such right. For the Dissenting Shareholders who exercise the right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.1% of the consideration by each of the seller and the buyer. The stamp duty payable by the seller will be deducted from the cash received by the relevant Dissenting Shareholders who exercise the above right. For the avoidance of doubt, regardless of when the Dissenting Shareholder exercises such right, the Dissenting Shareholder will be deemed to have ceased to have any right with respect to the Shares (other than the right to request for acquisition at a “fair price” as described above) after payment of the Cancellation Price is made to the Shareholders by or on behalf of the Offeror.

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

- (1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM and (where applicable) the H Shareholders’ Class Meeting;
- (2) such Dissenting Shareholder having been validly registered as a Shareholder on the share register of the Company since the record date for the EGM and (where applicable) the H Shareholders’ Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and
- (3) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Dissenting Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:

- (1) such Dissenting Shareholder has undertaken to the Company to waive its right or has elected the Share Alternative;
- (2) such Dissenting Shareholder is prohibited from exercising its right in accordance with applicable laws;
- (3) any Share held by such Dissenting Shareholder is subject to pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval from the relevant pledgee, third party or competent authority or;
- (4) such Dissenting Shareholder has not returned any cash Cancellation Price received by it within 3 business days after (and excluding) the date of receipt (including the situation where such Dissenting Shareholder receives Cancellation Price after the Declaration Period).

Termination

The Merger Agreement may be terminated in any of the following circumstances:

- (1) by either the Offeror or the Company, if
 - (i) any competent governmental authority issues any order, decree, ruling or takes any other action which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination);
 - (ii) the Conditions to effectiveness not having been satisfied on or before the Long-stop Date; or
 - (iii) the Conditions to implementation not having been satisfied or (if applicable) waived on or before the Long-stop Date;

- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material impact on the Merger and such breach is not remedied by the Company within 30 days following the written notice from the Offeror; or
- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material impact on the Merger and such breach is not remedied by the Offeror within 30 days following the written notice from the Company.

Conditional upon the fulfilment (or waiver, as applicable) of the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Conditions to effectiveness” and “Conditions to implementation” above, the Merger will be implemented. After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company from the Implementation Date and the Company will be eventually deregistered in the PRC.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions to implementation (1) to (3) set out in the paragraph headed “Conditions to implementation” in this section or terminate the Merger Agreement in accordance with the paragraph headed “Termination” in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror in the context of the Merger.

4. INFORMATION ON THE CASH ALTERNATIVE

Comparisons of value

The Cancellation Price is HK\$24.60 per H Share and RMB22.444794 per Unlisted Share (equivalent to the Cancellation Price of HK\$24.60 per H Share based on the Exchange Rate).

The Cancellation Price per H Share represents:

- (A) a premium of approximately 36.67% over the closing price per H Share of HK\$18.00 on the Stock Exchange on the Undisturbed Date;
- (B) a premium of approximately 37.28% over the average closing price of HK\$17.92 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Undisturbed Date;

- (C) a premium of approximately 40.01% over the average closing price of HK\$17.57 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Undisturbed Date;
- (D) a premium of approximately 52.04% over the average closing price of HK\$16.18 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Undisturbed Date;
- (E) a premium of approximately 63.13% over the average closing price of HK\$15.08 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Undisturbed Date;
- (F) a premium of approximately 82.09% over the average closing price of HK\$13.51 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Undisturbed Date;
- (G) a premium of approximately 30.57% over the closing price per H Share of HK\$18.84 on the Stock Exchange on the last trading day prior to the Initial Joint Announcement Date (i.e. 22 May 2024, the same below) and on the last business day before the Initial Joint Announcement Date (i.e. 21 June 2024);
- (H) a premium of approximately 35.31% over the average closing price of HK\$18.18 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the last trading day prior to the Initial Joint Announcement Date;
- (I) a premium of approximately 38.75% over the average closing price of HK\$17.73 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the last trading day prior to the Initial Joint Announcement Date;
- (J) a premium of approximately 50.83% over the average closing price of HK\$16.31 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the last trading day prior to the Initial Joint Announcement Date;
- (K) a premium of approximately 62.06% over the average closing price of HK\$15.18 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the last trading day prior to the Initial Joint Announcement Date;

- (L) a premium of approximately 81.42% over the average closing price of HK\$13.56 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the last trading day prior to the Initial Joint Announcement Date;
- (M) a premium of approximately 6.72% over the closing price per H Share of HK\$23.05 on the Stock Exchange on the last trading date prior to the Second Joint Announcement Date (i.e. 22 August 2024);
- (N) a premium of approximately 2.93% over the closing price per H Share of HK\$23.90 on the Stock Exchange on the Latest Practicable Date;
- (O) a premium of approximately 456.43% over the audited consolidated net asset value of the Company as at 31 December 2023 of approximately RMB4.03 per Share (equivalent to approximately HK\$4.42 per Share); and
- (P) a premium of approximately 373.08% over the unaudited consolidated net asset value of the Company as at 30 June 2024 of approximately RMB4.74 per Share (equivalent to approximately HK\$5.20 per Share).

The trading volume of H Shares on the last trading day prior to the Initial Joint Announcement Date was 1,303,518 Shares, which was significantly higher than the average daily trading volume over the Undisturbed Period of 257,882 Shares. In light of such volume movements, the Offeror believes that a comparison of value with the historical trading data by reference to the Undisturbed Date represents a better reflection of the Cancellation Price.

Highest and lowest prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$23.90 on 20 December 2024 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$12.50 on 27 December 2023.

Funding for the Merger

On the basis of (i) the Cancellation Price of HK\$24.60 per H Share and RMB22.444794 per Unlisted Share (equivalent to the Cancellation Price of HK\$24.60 per H Share based on the Exchange Rate), (ii) 163,428,541 H Shares and 380,066,312 Unlisted Shares in issue as at the Latest Practicable Date, and (iii) that the Cancellation Price for the cancellation of 25,393,818 Unlisted Shares and 32,331,100 H Shares respectively held by Fosun Pharma Industrial Development and Fosun Industrial is to be satisfied by the issuance by the Offeror of its shares to them, the maximum amount of aggregate Cancellation Price required to be paid by the Offeror to cancel, upon the fulfilment (or waiver, if applicable) of the Pre-Conditions and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), (i) the H Shares held by the H Shareholders (other than Fosun Industrial),

and (ii) the Unlisted Shares held by the Unlisted Shareholders (other than the Offeror and Fosun Pharma Industrial Development) is HK\$3,224,997,048.60 and approximately RMB1,990,873,989.23, respectively.

Lustrous Star Limited, which is indirectly wholly owned by Fosun Pharma, has undertaken with the Offeror to pay on its behalf the total Cancellation Price for the cancellation of the H Shares.

The payment of the total Cancellation Price for the Merger will be financed by internal cash resources and/or external debt financing including loan facilities respectively entered into between the Offeror/Lustrous Star Limited (which is indirectly wholly owned by Fosun Pharma) and China Merchants Bank Co., Ltd. Shanghai Branch. The external debt financing obtained by the Fosun Pharma Group for the funding for the payment of Cancellation Price is guaranteed by Fosun Pharma, and is secured by (i) share charge with respect to shares in the Company as held by the Offeror; (ii) share charge with respect to the shares in the Offeror as held by Fosun Pharma Industrial Development; and (iii) share charge with respect to shares in Lustrous Star Limited as held by Fosun Industrial. The payment of interests on, repayment of or security for any liability, contingent or otherwise, in connection with such external debt financing, is not intended to depend on, to any significant extent, business of the Company.

Settlement of the consideration to which the Shareholders are entitled will be implemented in full in accordance with the terms of the Merger Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

The Offeror has appointed CICC and Fosun International Capital as its joint financial advisers in respect of the Merger. CICC, being the lead financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the satisfaction of the Offeror's obligations in respect of the full implementation of the Merger in accordance with its terms.

5. INFORMATION ON THE SHARE ALTERNATIVE

Cap on the Share Alternative

The maximum number of Shares to be exchanged for Rollover Securities pursuant to the election to receive the Share Alternative shall not exceed the Share Alternative Cap (being 43,479,588 Shares, representing 8% of the total number of issued Share in the Company as at the Second Joint Announcement Date). In the event that aggregate number of Shares underlying all elections for the Share Alternative by Share Alternative Holders which comply with the eligibility requirements regarding the Share Alternative set out in this Composite Document and the Election Form exceeds the Share Alternative Cap, the number of Shares to be settled by the Share Alternative (with each such H Share being exchanged for one Hong Kong Rollover Share and each such Unlisted Share being exchanged for one PRC Rollover Share) for each Share Alternative Holder shall be reduced on a *pro rata* basis

pursuant to the formula set out below (“**Pro Rata Downward Adjustment Mechanism**”), and the consideration for the remaining portion of each such Share Alternative Holder’s respective Shares will be settled in cash at the Cancellation Price at the same time as the timing for settlement of the Share Alternative by the issuance of the Rollover Securities, i.e. by no later than 42 business days after the Effective Date, or such other time as otherwise consented to by the Executive and announced by the Offeror and/or the Company.

- (1) the number of Shares held by each Share Alternative Holder that will be exchanged for Hong Kong Rollover Shares or PRC Rollover Shares under the Share Alternative shall be calculated as follows:

$$NS = \frac{A}{B} \times C$$

“NS” = *number of Shares held by that Share Alternative Holder to be exchanged for Hong Kong Rollover Shares or PRC Rollover Shares under the Share Alternative*

“A” = *Share Alternative Cap (being 43,479,588 Shares)*

“B” = *aggregate number of Shares underlying all elections for the Share Alternative validly made by Share Alternative Holders as per the the instructions set out in this Composite Document, provided that such amount is greater than the Share Alternative Cap*

“C” = *total number of Shares held by that Share Alternative Holder who elected for the Share Alternative*

- (2) the remaining number of Shares held by each such Share Alternative Holder shall be settled in cash at the Cancellation Price.

No fractions of a share or a cent will be issued or paid, respectively, and the number of Rollover Securities issuable to a Shareholder who elects the Share Alternative will be rounded down to the nearest Hong Kong Rollover Shares or PRC Rollover Shares, or as otherwise consented to by the Executive and announced by Rollover Entities and/or the Company, whilst payments in cash, if any, will be rounded up to the nearest cent.

The decision of the Rollover Entities as to any downward adjustment in respect of valid elections of the Share Alternative in accordance with the *Pro Rata Downward Adjustment Mechanism* and as to the treatment of fractions will be conclusive and binding on all Shareholders.

Subject to the Share Alternative Cap as aforesaid, H Shareholders and Unlisted Shareholders electing the Share Alternative who are Qualifying Shareholders will, on settlement, receive Hong Kong Rollover Shares and PRC Rollover Shares, respectively, such that their indirect shareholding interest in the Offeror through the Hong Kong Rollover Entity or the PRC Rollover Entity (as the case may be) is proportionate to their shareholding in the Company.

Value of the Rollover Securities

The Hong Kong Rollover Shares will be shares of the Hong Kong Rollover Entity which is newly incorporated and unlisted; and the PRC Rollover Shares will be shares of a newly incorporated, unlisted company incorporated in the PRC. The value of the Rollover Securities will be primarily determined by the value of the Offeror (which in turn will be primarily determined by the value of the Company after completion of the Merger). Please refer to section headed “APPENDIX V — ESTIMATE OF VALUE OF THE ROLLOVER SECURITIES” in this Composite Document.

Withdrawal of Shares from CCASS

Only Shares held by registered Shareholders who are Qualifying Shareholders will be eligible for the Share Alternative. For Qualifying Shareholders who hold all or part of their Shares in CCASS and wish to elect the Share Alternative, all (but not part only) of their Shares must first be withdrawn from CCASS by:

- (1) contacting their CCASS Participant(s) and making the withdrawal request; physical share certificate(s) in the name of HKSCC Nominees Limited will be withdrawn together with accompanying transfer form(s). The transfer form(s) should be duly completed, signed and stamped by the Hong Kong Stamp Duty Office at the Hong Kong Inland Revenue Department;
- (2) following step (a) above, arranging delivery of the original duly completed, signed and stamped transfer form(s), together with the original share certificate(s) in the name of HKSCC Nominees Limited and associated fee to the H Share Registrar (at address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong; between the office hours: 9:00 a.m. to 4:30 p.m., Hong Kong time, on a business day) for re-registration in the name of the Shareholder; and
- (3) in 10 business days after receipt by the H Share Registrar of the documents pursuant to step (b) above, arranging collection from the H Share Registrar of the original share certificate(s) in the name of the Shareholder.

The above procedures are for guidance only. Shareholders (other than Fosun Pharma Industrial Development and Fosun Industrial) who wish to withdraw their Shares from CCASS should consult their CCASS Participant(s) for further information and assistance on the withdrawal process and timing.

NOTICE TO QUALIFYING SHAREHOLDERS: If you wish to elect the Share Alternative, you must first withdraw all (but not part only) of your Shares from CCASS and record your Shares on the Company's H share register of members. If you fail to do so, you will receive the Cash Alternative. Please also note that if you have withdrawn your Shares from CCASS but have not yet delivered original duly completed, signed and stamped transfer form(s), together with the original share certificate(s) in the name of HKSCC Nominees Limited and associated fee to the H Share Registrar for re-registration of Shares in your name, the Cash Alternative will be paid to HKSCC Nominees Limited, in which event you will be required to liaise with the relevant CCASS Participant(s) and/or the operator of CCASS as regards return/remission of consideration paid by the Offeror by reference to the register of members of the Company as maintained by the H Share Registrar. Whilst the Latest Election Date is set to fall on the 15th business day after the Effective Date (or such other time as the Executive may permit) to facilitate Qualifying Shareholders to withdraw Shares from CCASS, this process may take time and the processing time will be dependent on your CCASS Participant(s). Please contact your CCASS Participant(s) as soon as possible to enquire about timing and follow their instructions on withdrawal. You must have your original share certificate (evidencing the Shares being validly elected for the Share Alternative are registered on the Company's H share register of members in your name) or the transfer receipt (showing that the Shares are in the process of being recorded on the Company's H share register of members in your name) when lodging your Election Form.

Settlement of the Share Alternative

The total number of Shares elected to be subject to the Share Alternative can only be determined after the Effective Date and after the period mentioned above (i.e. after the Last Election Date) to allow Qualifying Shareholders intending to elect the Share Alternative to withdraw their Shares from CCASS. If the number of Shares underlying all valid elections for the Share Alternative exceeds the Share Alternative Cap, the *Pro Rata* Downward Adjustment Mechanism described above will apply.

Additionally, settlement of Shares in respect of which valid elections of the Share Alternative have been received will be subject to the receipt of evidence of title with respect to the Shares held by the Share Alternative Holder(s) in exchange for Rollover Securities (and, where the *Pro Rata* Downward Adjustment Mechanism has been applied, together with cash at the Cancellation Price).

Settlement of the consideration in respect of election of the Share Alternative payable by the Offeror (i.e. registered capital/shares in the Rollover Entities) will be made as soon as possible, and in any event not more than 42 business days after the Effective Date, or such

other time as otherwise consented to by the Executive and announced by the Offeror and/or the Company. The Offeror has applied to the Executive, and the Executive has granted, before the date of this Composite Document for a waiver from strict compliance with Rule 20.1 of the Takeovers Code for settlement of the Share Alternative with the Share Alternative Holders.

The Share Alternative will be settled by reference to the register of members of the Company as of the deadline for tendering of Election Form. If by such time you have withdrawn your Shares from CCASS but have not yet delivered original duly completed, signed and stamped transfer form(s), together with the original share certificate(s) in the name of HKSCC Nominees Limited and associated fee to the H Share Registrar for re-registration of Shares in your name, you will be required to liaise with the relevant CCASS Participant(s) and/or the operator of CCASS as regards return/remission of consideration paid by the Offeror by reference to the register of members of the Company as maintained by the H Share Registrar.

Documentation required for election of the Share Alternative

Relevant documents evidencing title must be received, on behalf of Offeror, by the H Share Registrar (in the case for intending Qualifying Shareholders who hold H Shares) or the Company or other person(s) to be designated by the Offeror for this purpose (in the case for intending Qualifying Shareholders who hold Unlisted Shares), to render the election of the Share Alternative by Qualifying Shareholders (other than Fosun Pharma Industrial Development and Fosun Industrial) who have elected the Share Alternative complete and valid.

The following documentation will be required to be brought to the H Share Registrar or the Company (as the case may be) for election of the Share Alternative:

- (1) evidence of title for the Shares held by the Share Alternative Holder (and for holders with all or part of their Shares held in CCASS, following withdrawal of these Shares from CCASS);
- (2) duly completed Election Form electing the Share Alternative;
- (3) (if you are an overseas Shareholder (except those in the British Virgin Islands, Canada and the Cayman Islands)) duly completed Qualifying Shareholder Questionnaire; and
- (4) the KYC information/documentation stated in the Election Form, for the purposes of (amongst other things) being issued the Rollover Securities and recording details of the Share Alternative Holder on the Rollover Entities' register of members.

Non-qualifying Shareholders not eligible for Share Alternative

The availability of the Share Alternative, and the receipt of Rollover Securities by a Share Alternative Holder, are subject to the laws and regulations of the jurisdiction in which such Shareholders (other than Fosun Pharma Industrial Development and Fosun Industrial) are subject. Shareholders (other than Fosun Pharma Industrial Development and Fosun Industrial) wishing to elect the Share Alternative should be aware of the laws and regulations of their jurisdiction and ensure that they are able to elect the Share Alternative and receive Rollover Securities under such laws and regulations. Additionally, Rollover Securities issued will not be registered under any securities laws in any jurisdiction (including Hong Kong or overseas) and may only be issued to persons resident in a jurisdiction pursuant to an exemption from the requirements of the securities laws or regulations of that jurisdiction. In particular, the Share Alternative will not be made to: (a) holders (comprising both registered owners and beneficial owners) of Shares with a registered address (or otherwise resident) in the United States; and (b) overseas Shareholders (except those in the British Virgin Islands, Canada and the Cayman Islands) unless such overseas Shareholder has confirmed that it falls within the scope of an exemption from the selling restrictions laws and regulations of that Shareholder's resident jurisdiction, and, having consulted relevant legal advisers, the Offeror is satisfied that the Offeror may offer the Share Alternative and the PRC Rollover Entity or the Hong Kong Rollover Entity (as the case may be) may issue the Rollover Securities to the Shareholder, and the Shareholder may be offered the Share Alternative and receive the Rollover Securities.

See the section headed "IMPORTANT NOTICES" for further information and please also refer to the Election Form.

Summary of Rollover Securities and Shareholding Structure of the Offeror

See "APPENDIX VI — SUMMARY OF ROLLOVER SECURITIES" to this Composite Document for a summary of key information about, and terms and conditions, attached to the Rollover Securities assuming that the Share Alternative is settled up to the Share Alternative Cap.

Risk factors

For Qualifying Shareholders who elect the Share Alternative, your attention is also drawn to certain risk factors and other considerations. Certain key risk factors and considerations are summarised below:

- (1) the Hong Kong Rollover Shares and the PRC Rollover Shares are securities in private and unlisted companies incorporated in and governed by the laws of Hong Kong and the laws of PRC respectively, and as of the Latest Practicable Date, the Rollover Entities have no intention for these securities to be listed or admitted to trading on any exchange or market, or be quoted on any inter-dealer system; accordingly, these securities will be illiquid and the Rollover Entities believes that it is unlikely that an active trading market will develop for the Rollover Securities;

- (2) as of the Latest Practicable Date, there is no intention or plan for all or any part of the business of the Company to be re-listed on any stock exchange, and there can be no assurance of such intention or plan in the future;
- (3) your interest in the Rollover Entities will be that of a minority shareholder with limited shareholder protection rights and you will not have the benefits and protections of the Listing Rules;
- (4) the value of the Rollover Entities and your Rollover Securities in the future remains uncertain and can be adversely affected by changes in the business and economic environment, and competition in the global biopharmaceutical industry, and there can be no assurance that your Rollover Securities can be sold in the future for a value that is at least the same as the Cancellation Price;
- (5) transfers of Rollover Securities are subject to transfer restrictions stipulated in the respective Rollover Entities' articles of association (which is summarised in "APPENDIX VI — SUMMARY OF ROLLOVER SECURITIES" to this Composite Document);
- (6) dividend payments in respect of the Rollover Securities will not be guaranteed or secured. Payment of dividends on the Rollover Securities (if any) would solely depend on whether such payment is recommended or declared by the respective Rollover Entities' boards of directors and/or shareholders' meeting and subject to such Rollover Entity's constitutional documents and applicable laws; and
- (7) the Rollover Entities and the Offeror may not be "public companies" under the Codes on Takeovers and Mergers and Share Buy-backs, in which case, the protections under these codes will not be applicable or afforded to Share Alternative Holders.

See the section headed "APPENDIX VI — SUMMARY OF ROLLOVER SECURITIES" to this Composite Document for more information.

6. REASONS AND BENEFITS OF THE MERGER AND INTENTIONS OF THE OFFEROR

(1) Benefits of the Merger to the Offeror and the Company:

- (i) *The listing status of the Company no longer provides meaningful access to capital and imposes additional costs on the Company*

Since the listing of the H Shares on the Stock Exchange in 2019, the Company has not raised any funds through equity financing. As the H Shares have been traded within a relatively low-price range with sluggish trading volume for most of the time, the Company's ability to raise funds from the equity market is significantly limited. Following the Merger, the H Shares will be delisted from the Stock Exchange, and the

Company is expected to substantially reduce the administrative resources which it would otherwise need to incur in relation to maintaining its listing status, and the Offeror will be able to manage the Company by focusing on its strategic direction and business operations.

(ii) *The unsatisfactory share price performance distracts the Company from its business operations*

Over a long period of time, the Company's share price performance has not been satisfactory due to a combination of global macroeconomic challenges, healthcare industry changes, and the overall Hong Kong stock market momentum.

The Offeror considers that the depressed share price has not fully reflected the Group's core value as a global biopharmaceutical company with a diversified and high-quality product pipeline, which might be detrimental to its business focus as well as its employee morale. The Merger will help the Offeror and the Group to concentrate on solving critical issues in relation to the core business and operations, free from distractions brought by share price fluctuations.

(iii) *Enhancement on the Company's business operations*

The Fosun Pharma Group is a global innovation-driven pharmaceutical and healthcare industry group and directly operates businesses including pharmaceuticals, medical devices, medical diagnosis, and healthcare services. The Fosun Pharma Group is committed to the long-term development of the Group's business. After the Merger, it will be more efficient and feasible for the Fosun Pharma Group to provide business resources and enable the Group to execute its long-term strategy and sustainable growth.

(2) Benefits of the Merger to the Shareholders:

(i) *Cancellation Price represents a compelling exit premium under a challenging capital market environment*

The Merger provides an attractive opportunity for the Shareholders to monetize their investment at a compelling premium to the prevailing market price of the Shares. The Cancellation Price of HK\$24.60 per Share represents a premium of approximately 36.67% over the closing price of HK\$18.00 per Share as quoted on the Stock Exchange on the Undisturbed Date. The Cancellation Price also represents a premium of approximately 40.01%, 52.04%, 63.13% and 82.09% over the average closing prices of approximately HK\$17.57, HK\$16.18, HK\$15.08 and HK\$13.51 per Share as quoted on the Stock Exchange for the 10, 30, 60 and 180 trading days immediately prior to and including the Undisturbed Date, respectively.

The biopharmaceutical industry that the Group engages in is full of challenges, including volume-based procurement of drugs in the PRC and ongoing regulatory reforms, as well as the geopolitical tensions and other global macroeconomic factors. In light of the challenging environment, the Group aims to continue to explore new targets and mechanisms and conduct a series of clinical studies worldwide to diversify the product portfolio into new disease fields, which may not bring in immediate return in the short term. Besides, the Group anticipates to increase efforts on commercialization of new products for the next few years in order to expand the sales and extend its market reach to cover more countries and regions. As such, research and development, as well as marketing and commercialization activities may bring additional investment and spending.

Furthermore, the Hang Seng Healthcare Index has declined by approximately 30.10% during the 12-month period immediately prior to and including the last trading date prior to the Second Joint Announcement. Considering the Group's business strategy and long-term depressed market trend, the Merger affords the Shareholders the opportunity to monetize their investments in the Company under a challenging capital market environment.

(ii) *An opportunity to exit investments with low trading liquidity*

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the last trading date prior to the Initial Joint Announcement was approximately 0.18 million Shares per day, representing only approximately 0.11% of the issued H Shares as at the date of the Second Joint Announcement. The low trading liquidity of the Shares could make it difficult for the Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares or to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.

(iii) *The Share Alternative provides an opportunity for Qualifying Shareholders to remain invested*

In the long term, China's biopharmaceutical industry has broad development prospects, but it also faces many challenges in the short term.

The Fosun Pharma Group and the Group will continue to devote themselves to overcoming challenges in relation to the core business and operations, and to execute its long-term strategy and gain sustainable growth, free from distractions brought by share price fluctuations in the short term. The Share Alternative will allow Qualifying Shareholder who have confidence in the long-term development of the Company to remain invested (subject to the Share Alternative Cap) in the Company through election of the Share Alternative. Fosun Pharma, as the controlling shareholder of the Offeror, is

committed to creating enduring value for all shareholders of the Offeror in the longer term. Please also refer to the risk factors set out in the section headed “5. INFORMATION ON THE SHARE ALTERNATIVE — Risk Factors” above.

(3) Benefits of the Merger to the Unlisted Shareholders:

The Unlisted Shares are not listed on any Stock Exchange, hence there is a lack of a public platform for the Unlisted Shareholders to exit their investments. The Merger provides a feasible opportunity for the Unlisted Shareholders to exit their investments at a compelling premium to the prevailing market price.

(4) Intentions of the Offeror

It is the intention of the Offeror that the Group will continue to carry on its current principal business, and the Offeror does not have specific plans to make any major changes to the business of the Group, following the successful delisting of the Company. As at the Latest Practicable Date, there is no plan to list the Company in the PRC or on any other overseas stock exchange. The Offeror also does not have plans to make redundancies or material changes to the number of employees of the Group.

After completion of the Merger, the Offeror will continue to consider business decisions which best enhance shareholders’ value in the long term. The Offeror is also committed to actively working with any Shareholder acquiring Rollover Securities through the Share Alternative to facilitate liquidity proposals for the shares in the Rollover Entities and/or the Offeror, as the case may be. Trade sales and capital market opportunities for such unlisted companies would be seriously considered and proactively facilitated as and when such opportunities arise.

The Board notes the intention of Offeror and welcomes, in particular, that the existing business of the Group shall continue unaffected, notwithstanding the Merger or the completion thereof, and that Offeror intends to retain the existing employees of the Group, and existing employment and hiring practices will remain unaffected (with usual personnel changes in the ordinary course of business). Subject to the Group’s business needs and prevailing market conditions, it is noted that the Offeror may explore various business opportunities to further develop the existing business of the Group, improve efficiency and create shareholder value.

7. INFORMATION ON THE OFFEROR AND THE COMPANY

(1) Information on the Offeror

The Offeror is a company incorporated in the PRC with limited liability on 12 September 2008. The business scope of the Offeror as set out in the business registration certificate including, *inter alia*, technology development, technology consulting, technology services and technology transfer of biomedicines, research and development of new medicines, and investment. As at the Latest Practicable Date, the 265,971,569 Unlisted Shares in the

Company held by it was its sole asset and the Offeror had no other businesses. It has on 23 July 2024 effected a change in registration in the PRC and was converted into a joint stock limited company.

As at the Latest Practicable Date, the Offeror is wholly owned by Fosun Pharma Industrial Development, which in turn is wholly-owned by Fosun Pharma. Fosun Pharma Industrial Development is principally engaged in industrial investments, medical industry investments, import and export of goods and technologies. The Fosun Pharma Group is a leading healthcare group in the PRC and principally engages in the businesses of pharmaceutical manufacturing, medical devices and medical diagnosis, healthcare services and pharmaceutical distribution and retail.

The Offeror and the Offeror Concert Parties will not be considered as Independent H Shareholders under the Takeovers Code and accordingly, they will not be entitled to vote at the H Shareholders' Class Meeting.

(2) Information on the Company

The Company is a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange. The Company is primarily engaged in research and development of monoclonal antibody drugs (except for the development and application of human stem cells, genetic diagnosis and treatment technologies), transfer of self-developed technology, and provision of related technical services and technical consultation.

(3) Shareholdings in the Company and Relevant Securities in Issue

As at the Latest Practicable Date, the relevant securities of the Company in issue are 543,494,853 Shares, which comprise 163,428,541 H Shares and 380,066,312 Unlisted Shares.

Set out below is the shareholding in the Company as at the Latest Practicable Date:

Shareholders	Number of H Shares interested	Approximate % of the H Shares in issue	Number of Unlisted Shares interested	Approximate % of the Unlisted Shares in issue	Approximate % of the Shares in issue
Offeror and the Offeror Concert Parties^(Note 1)					
The Offeror	—	—	265,971,569	69.98%	48.94%
Fosun Pharma Industrial Development	—	—	25,393,818	6.68%	4.67%
Fosun Industrial	32,331,100	19.78%	—	—	5.95%
Wuxi Tongshan Investment Enterprise (Limited Partnership) (無錫市通善投資企業(有限合夥)) ^(Note 2)	—	—	4,666,667	1.23%	0.86%
Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership) (上海果運生物技術合夥企業(有限合夥)) ^(Note 3)	—	—	5,356,950	1.41%	0.99%
Zhoushan Guohong Biotech Partnership Enterprise (Limited Partnership) (舟山果宏生物技術合夥企業(有限合夥)) ^(Note 4)	—	—	1,114,295	0.29%	0.21%
Zhoushan Guoyou Biotech Partnership Enterprise (Limited Partnership) (舟山果友生物技術合夥企業(有限合夥)) ^(Note 4)	—	—	508,235	0.13%	0.09%
Zhoushan Guozhi Biotech Partnership Enterprise (Limited Partnership) (舟山果智生物技術合夥企業(有限合夥)) ^(Note 4)	—	—	109,006	0.03%	0.02%
HenLink, Inc. ^(Note 5)	—	—	15,876,694	4.18%	2.92%
Dr. JZ Limited ^(Note 6)	50,000	0.03%	—	—	0.01%
Rongtong Ronghai No. 39 QDII SMA ^(Note 7)	3,145,097	1.92%	—	—	0.58%
Sub-Total for the Offeror and the Offeror Concert Parties^(Note 8)	35,526,197	21.74%	318,997,234	83.93%	65.23%
Independent H Shareholders	127,902,344	78.26%	—	—	23.53%
Independent Shareholders (other than Independent H Shareholders)	—	—	61,069,078	16.07%	11.24%
Total number of Shares in issue	163,428,541	100%	380,066,312	100%	100%

Notes:

1. CICC is the lead financial adviser to the Offeror in respect of the Merger. Accordingly, CICC and members of the CICC group are presumed to be acting in concert with the Offeror in respect of shareholdings of the CICC group in the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of the Shares held by members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purposes of the Takeovers Code). Exempt principal traders and exempt fund managers which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror.

As at the Latest Practicable Date, save as disclosed in Note 7 below and except for Shares held by members of the CICC group acting in the capacity of exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients, members of CICC group did not own or control any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, nor were there any Shares (or convertible securities, warrants, options or derivatives in respect thereof) borrowed or lent, or dealt for value in, by any member of the CICC group during the Relevant Period.

Any Shares held by members of the CICC group acting in the capacity of exempt principal traders will not be voted at the EGM or the H Shareholders’ Class Meeting (as applicable) unless the Executive allows such Shares to be so voted.

Any Shares held by members of the CICC group acting in the capacity of exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the EGM and/or the H Shareholders’ Class Meeting (as applicable) if: (i) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients; (ii) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over such Shares; (iii) all voting instructions shall originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for such Shares held by such member of the CICC group); and (iv) such non-discretionary client is not a concert party of the Offeror.

2. Wuxi Tongshan Investment Enterprise (Limited Partnership) (無錫市通善投資企業(有限合夥)) is a limited partnership established in the PRC, the general partner of which is Tongde Equity Investment Management (Shanghai) Co., Ltd.* (通德股權投資管理(上海)有限公司) which is in turn wholly owned by Hermed Capital, an entity indirectly owned by Fosun Pharma as to 50%, of which Ms. Guan Xiaohui (a director of the Offeror, Fosun Pharma and the Company) is a director.
3. Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership)* (上海果運生物技術合夥企業(有限合夥)) is established in the PRC and is an Unlisted Shareholder which is controlled by employees of the Company. Dr. Zhu Jun, an executive Director, holds approximately 3.09% interest in Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership)* (上海果運生物技術合夥企業(有限合夥)).
4. (i) Zhoushan Guohong Biotech Partnership Enterprise (Limited Partnership)* (舟山果宏生物技術合夥企業(有限合夥)) (formerly known as Shanghai Guohong Biotech Partnership Enterprise (Limited Partnership)* (上海果宏生物技術合夥企業(有限合夥))), (ii) Zhoushan Guoyou Biotech Partnership Enterprise (Limited Partnership)* (舟山果友生物技術合夥企業(有限合夥)) (formerly known as Shanghai Guoyou Biotech Partnership Enterprise (Limited Partnership)* (上海果友生物技術合夥企業(有限合夥))) and (iii) Zhoushan Guozhi Biotech Partnership Enterprise (Limited Partnership)* (舟山果智生物技術合夥企業(有限合夥)) (formerly known as Shanghai Guozhi Biotech Partnership Enterprise (Limited Partnership)* (上海果智生物技術合夥企業(有限合夥))) are established in the PRC and are Unlisted Shareholders which are controlled by employees and/or former employees of the Company and/or their family member.

5. HenLink, Inc. is a company incorporated in the Cayman Islands whose beneficial owners are certain employees of the Group. Mr. Zhang Wenjie, the chairman of the Company and an executive Director, holds approximately 8.93% interest in HenLink, Inc..
6. Dr. JZ Limited is wholly-owned by Dr. Zhu Jun, an executive Director.
7. Rongtong Ronghai No.39 QDII SMA is a qualified domestic institutional investor fund account (“Rogntong QDII”) approved by the relevant PRC authority and is independently managed by Rongtong Fund Management Co. Ltd. It holds 3,145,097 H Shares (representing approximately 1.92% of all issued H Shares and approximately 0.58% of all issued Shares) as at the Latest Practicable Date. As at the date of the Latest Practicable Date, the sole beneficial owner of the Rongtong QDII is CICC Grandeur (Xiamen) Equity Investment Fund Partnership (L.P.), in which CICC Capital Operation Co., Limited (“CICC Capital Operation”) acts as general partner and holds 0.04% in it. Both China International Capital Corporation Hong Kong Securities Limited (i.e. the lead financial adviser to the Offeror) and CICC Capital Operation are wholly owned by China International Capital Corporation and are members of the CICC Group. Rongtong QDII is therefore considered to be an Offeror Concert Party for the purposes of the Takeovers Code.
8. The Shares held by the Offeror and the Offeror Concert Parties exclude 64,100 H Shares held by the Fosun International Securities for the account of non-discretionary investment clients, which are allowed to be voted at the EGM and/or the H Shareholders’ Class Meeting (as applicable) and be counted as votes of the Independent Shareholders.

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties hold 354,523,431 Shares in the aggregate, representing approximately 65.23% of all issued Shares in the Company, in which, (i) the Offeror directly owns 265,971,569 Unlisted Shares, representing approximately 48.94% of all issued Shares in the Company, and (ii) the Offeror Concert Parties hold 88,551,862 Shares in aggregate, representing approximately 16.29% of all issued Shares in the Company, among which Fosun Pharma Industrial Development holds 25,393,818 Unlisted Shares (representing approximately 4.67% of all issued Shares in the Company), Fosun Industrial holds 32,331,100 H Shares (representing approximately 5.95% of all issued Shares in the Company), Wuxi Tongshan Investment Enterprise (Limited Partnership) (無錫市通善投資企業(有限合夥)) holds 4,666,667 Unlisted Shares (representing approximately 0.86% of all issued Shares in the Company), Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership) (上海果運生物技術合夥企業(有限合夥)) holds 5,356,950 Unlisted Shares (representing approximately 0.99% of all issued Shares in the Company), Zhoushan Guohong Biotech Partnership Enterprise (Limited Partnership) (舟山果宏生物技術合夥企業(有限合夥)) holds 1,114,295 Unlisted Shares (representing approximately 0.21% of all issued Shares in the Company), Zhoushan Guoyou Biotech Partnership Enterprise (Limited Partnership) (舟山果友生物技術合夥企業(有限合夥)) holds 508,235 Unlisted Shares (representing approximately 0.09% of all issued Shares in the Company), Zhoushan Guozhi Biotech Partnership Enterprise (Limited Partnership) (舟山果智生物技術合夥企業(有限合夥)) holds 109,006 Unlisted Shares (representing approximately 0.02% of all issued Shares in the Company), Rongtong Ronghai No.39 QDII SMA holds 3,145,097 H Shares (representing approximately 0.58% of all issued Shares in the Company), HenLink, Inc. holds 15,876,694 Unlisted Shares (representing approximately 2.92% of all issued Shares in the Company) and

Dr. JZ Limited holds 50,000 H Shares (representing approximately 0.01% of all issued Shares in the Company). Save as disclosed, none of the Offeror and the Offeror Concert Parties owns or has control or direction over any voting rights and rights over the Shares.

As at the Latest Practicable Date, save as disclosed above, the Company does not have any outstanding options, warrants, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, consisting of all of the independent non-executive Directors, being Mr. So Tak Young, Dr. Chan Lik Yuen, Dr. Zhao Guoping and Dr. Song Ruilin, pursuant to Rule 2.8 of the Takeovers Code. The Independent Board Committee will advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting; and (c) election between the Cash Alternative and Share Alternative. None of the Company's non-executive Directors form part of the Independent Board Committee as (a) Mr. Chen Qiyu, Mr. Wu Yifang, Ms. Guan Xiaohui and Mr. Wen Deyong are directors of Fosun Pharma, and (b) Dr. Wang Xingli is a member of the senior management of the Fosun Pharma Group (apart from the Group). For the opinions and advice of the Independent Board Committee, please refer to section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this Composite Document.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Merger. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. For the opinions and advice of the Independent Financial Adviser, please refer to section headed "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" in this Composite Document.

9. PROPOSED WITHDRAWAL OF LISTING OF H SHARES

As at the Latest Practicable Date, none of the Conditions to effectiveness and Conditions to implementation had been satisfied or (if applicable) waived. Upon satisfaction of all the Conditions to effectiveness, the Company does not intend to retain its listing on the Stock Exchange and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in the H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason.

10. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

In compliance with Rule 2.10 of the Takeovers Code, which is applicable to the Merger, the Merger Agreement, the Supplemental Merger Agreement and the Merger are conditional on (1) the approval by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Shareholders' Class Meeting; and (2) the number of votes cast against the resolution(s) at the H Shareholders' Class Meeting is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders.

The H Shareholders who have been registered as holders of H Shares on the register of members of the Company kept by the registrar of H Shares, Computershare Hong Kong Investor Services Limited, on Wednesday, 22 January 2025 will be entitled to attend the EGM and the H Shareholders' Class Meeting.

(1) Suspension of registration of Share transfers

The register of members of the Company will be closed from Friday, 17 January 2025 to Wednesday, 22 January 2025 (both dates inclusive), during which no registration of transfers of Shares will be processed. If applicable, the Shareholders and the H Shareholders intending to attend the EGM and the H Shareholders' Class Meeting respectively must lodge their respective transfer documents and relevant share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the office of the secretary to the Board at 10th Floor, B8 Building, No. 188 Yizhou Road, Xuhui District, Shanghai, PRC (for Unlisted Shareholders) no later than 4:30 p.m. on Thursday, 16 January 2025.

(2) Proxy forms

Whether or not you intend to attend the EGM or the H Shareholders' Class Meeting, you are strongly urged to indicate your voting instructions and complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof, i.e. by 2:00 p.m. on Tuesday, 21 January 2025 in respect of the EGM and by 2:30 p.m. on Tuesday, 21 January 2025 in respect of the H Shareholders' Class Meeting). In the event that the relevant proxy form has been returned to the Company's H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or the office of the secretary to the Board (as the case may be) after the abovementioned deadline (where applicable), it will be considered to be invalid

and will not be taken into account. After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish. And in such event, the forms of proxy shall be deemed to be revoked.

(3) Voting at the EGM and the H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Listing Rules and Rule 2.9 of the Takeovers Code, all resolutions will be passed by way of poll at the EGM and the H Shareholders' Class Meeting.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

The Offeror and the Offeror Concert Parties will abstain from voting at the H Shareholders' Class Meeting.

Dr. Zhu Jun is the only Director holding an interest in any Shares which would entitle him or her to accept or reject the Merger. Since Dr. Zhu Jun is an Offeror Concert Party, he will abstain from voting at the H Shareholders' Class Meeting.

11. TAXATION

(1) Non-tax advice

You should consult with your professional adviser to understand the possible tax implications of the Merger or the exercise of the Dissenting Shareholders' rights. None of the Company, the Offeror, CICC, Fosun International Capital or the Independent Financial Adviser, nor their respective ultimate beneficial owners, directors, officers, employees, agents, affiliates, advisers, associates or any person participating in the Merger, assume any liability in respect of any tax incurred or other implication of any exercise of the Dissenting Shareholders' rights under the Articles.

(2) Hong Kong stamp duty

As implementation of the Merger involves cancellation of the H Shares but not the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Dissenting Shareholders who exercise their right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.1% of the consideration by each of the seller and the buyer. The stamp duty payable by the seller will be deducted from the cash received by the relevant Dissenting Shareholders who exercise such right.

(3) PRC income tax incidental to the consideration paid under the Merger

As the Company is a joint stock limited company incorporated in the PRC, the implementation of the Merger, which involves the Shareholders' receipt of the Cancellation Consideration may subject Shareholders to the income tax regime in the PRC.

Under PRC Laws, payments of the Cancellation Consideration to certain non-resident individuals and enterprises (as defined under the applicable PRC tax law) will be liable to taxation in the PRC. In relation to that and as required under the applicable PRC tax law, the Offeror or its agent as the payor of the Cancellation Consideration, is obligated to collect the relevant amount from relevant non-resident individuals and enterprises as withholding tax for the purpose of making the tax payment on behalf of such non-resident individuals and non-resident enterprises.

The Offeror will observe all applicable laws relating to taxation in the PRC and may be required withhold the income tax pursuant to the applicable PRC tax regulations if the Offeror can ascertain (e.g. in the case of certain Unlisted Shareholders) the profit arising from a Shareholders' receipt of Cancellation Consideration. The Offeror has identified 4 Shareholders whom the Offeror will withhold the income tax pursuant to the applicable PRC tax regulations: (i) Cayman Henlius, (ii) Wei-Dong Jiang, (iii) Scott Shi-Kau Liu, and (iv) HenLink. The above Shareholders had become Shareholders before the initial public offering of the Company in 2019 and thus the Offeror can ascertain the profit arising from their receipt of Cancellation Consideration. For the above Shareholders, the Offeror has applied to the Executive, and the Executive has granted, a waiver from strict compliance with Rule 20.1 of the Takeovers Code in connection with the timing of settlement of the Cancellation Consideration concerning them as follows:

- (a) In the case that they elect the Cash Alternative, settlement of the Cancellation Price will be paid in cash no later than 7 business days after the completion of certain administrative procedures in relation to tax required under the applicable PRC Laws, and in the case of HenLink, also after the completion of registration with the Foreign Exchange Administration (if applicable);
- (b) In the case that they have not elected the Cash Alternative or the Share Alternative within the Election Period or they have elected the Share Alternative within the Election Period but whose election is and remains invalid upon expiry of the Election Period, settlement of the Cancellation Price will be paid in cash no later than 7 business days after (i) the expiry of the Election Period or (ii) the completion of certain administrative procedures in relation to tax required under the applicable PRC Laws, and in the case of HenLink, also after the completion of registration with the Foreign Exchange Administration (if applicable), whichever is later;
- (c) In the case that they have validly elected the Share Alternative in accordance with the instructions as set out in the Composite Document, the subject Shareholders will be issued the relevant Rollover Securities (and where the Pro Rata Downward

Adjustment Mechanism is engaged, in which case the subject Shareholders will be paid a combination of Rollover Securities and cash) by (i) no later than 42 business days after the Effective Date or (ii) 7 business days after the completion of certain administrative procedures in relation to tax required under the applicable PRC Laws, and in the case of HenLink, also after the completion of registration with the Foreign Exchange Administration (if applicable), whichever is later; and

- (d) In the case that they elect the Share Alternative but whose election is found to be invalid or invalidated after the expiry of the Election Period, settlement of the Cancellation Price will be paid in cash by (i) no later than 42 business days after the Effective Date or (ii) 7 business days after the completion of certain administrative procedures in relation to tax required under the applicable PRC Laws, and in the case of HenLink, also after the completion of registration with the Foreign Exchange Administration (if applicable), whichever is later.

The cooperation of Shareholders including but not limited to the provision of investment cost, withdrawal of the Shares from CCASS, etc., will affect the filing process with the PRC tax authority and payment of Cancellation Consideration. It remains the relevant Shareholders' responsibility to inform themselves of the application taxation requirement arising from holding and dealings of Shares in connection with the Merger and the failure to observe the relevant requirements may result in the delay in receipt of the Cancellation Consideration and potential penalties. If you are entitled to a reduction in the rate of, or the elimination of, withholding income tax, you are responsible to apply to the PRC tax authority and deliver the approval to Offeror that it is entitled to a reduced tax rate under an applicable tax treaty between PRC and your country of residence as soon as practicable and in any event before the Latest Election Date.

You are reminded that you should inform yourself about and observe the tax compliance of PRC stamp duty and other transaction related taxes.

12. RECOMMENDATION OF THE BOARD

The Board (including members of the Independent Board Committee, whose views are given in the section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this Composite Document) is of the view that the terms of the Merger Agreement and the Supplemental Merger Agreement, including the Cancellation Consideration, and the proposed Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the terms of the Merger Agreement and the Supplemental Merger Agreement and taken into account the advice from the Independent Financial Adviser, the Independent Board Committee is of the view that the terms of the Merger Agreement and the Supplemental Merger Agreement and the proposed Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Therefore, the Board recommends that the Shareholders vote in favour of the resolutions in relation to the Merger at the EGM and (if applicable) the H Shareholders' Class Meeting.

As (i) Mr. Chen Qiyu, Mr. Wu Yifang, Ms. Guan Xiaohui and Mr. Wen Deyong are also directors of Fosun Pharma (which indirectly wholly-owns the Offeror) and (ii) Mr. Zhang Wenjie and Dr. Wang Xingli are both the Executive President of Fosun Pharma, they have abstained and will abstain from voting in any vote of the Board in relation to the Merger.

13. OTHER INFORMATION

In considering what action to take in connection with the Merger, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisers.

You are urged to read carefully the letter from the Independent Board Committee on pages 57 to 58 of this Composite Document, the letter from the Independent Financial Adviser on pages 59 to 102 of this Composite Document. Your attention is also drawn to the additional information set out in the Appendices to this Composite Document, all of which form part of this Composite Document.

* *For identification purposes only.*

On behalf of the Board

Shanghai Henlius Biotech, Inc.

A handwritten signature in black ink, consisting of stylized, cursive letters, positioned above a horizontal line.

Zhang Wenjie
Chairman