

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Shanghai Henlius Biotech, Inc.

上海復宏漢霖生物技術股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2696)

VOLUNTARY ANNOUNCEMENT KEY FINDINGS OF THE INDEPENDENT INVESTIGATION AND INTERNAL CONTROL REVIEW

Reference is made to the announcement of Shanghai Henlius Biotech, Inc. (the “**Company**”) dated 10 November 2023 (the “**Announcement**”) in relation to the internal investigation results in relation to the Investment Incident and the Company’s announcement dated 31 March 2023 in relation to the then-management of the Company entering into the Investment Management Agreement. Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Whilst the key material information in connection with the Investment Incident and the related findings and rectifications have been disclosed in the Announcement, the Company would like to take this opportunity to give further details on the key findings of the independent investigation into the Investment Incident (“**Independent Investigation**”) and the internal control review (“**Internal Control Review**”) conducted by an independent consultant (“**Independent Consultant**”), which are summarised below.

KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

Summarised below are the key findings of the Independent Investigation:

- Part of the Company’s IPO proceeds, which amounted to around HK\$920 million, were raised through AMTD Global Markets Limited (now renamed as orientiert XYZ Securities Limited, the “**Investment Manager**”) in its capacity as one of the IPO’s joint bookrunners.
- The chief financial officer at the time was involved in the discussion of the Investment Management Agreement and signed it (together with certain other related documents) on behalf of the Company on 25 September 2019. Pursuant to the Investment Management Agreement, the Company engaged the Investment Manager to manage its assets in the investment management account, which is maintained by the Investment Manager. Subsequent to the signing of the Investment Management Agreement, the then chief financial officer authorised the deposit of such part of the proceeds into the investment management account and authorised the Investment Manager to trade the account on behalf of the Company. Pursuant to the Investment Management Agreement, the Investment Manager used such part of the proceeds to subscribe for bonds issued by a private entity whom evidence suggests that it appears to be related to the Investment Manager.

- The account statement as at 31 December 2022 provided by the Investment Manager and related documents indicated the Company, through the Investment Manager, purchased promissory notes issued by three private entities with the total principal amount of US\$86,360,000. The documents which the Company holds in relation to such purchases are incomplete.
- According to the Company's articles of association, investment project plans must be submitted to the Board for prior approval. Further, according to the authorisation and approval rules that was in effect at the relevant time, before the Company could enter into a contract, the relevant personnel have to submit an application for approval to enter into a contract. The relevant contract had to be approved by the Legal Department, finance manager, finance director, vice president, chief financial officer, chief executive officer and the chairman of the Board before the contract could be entered into. Based on the records available to the Company, there are no records showing the above documents have been submitted to the Board and/or the relevant personnel for discussion, review or approval.
- As for the successor of the above chief financial officer, at the time when he was the chief financial officer, he was mainly involved in the recovery of the outstanding principal under the Investment Management Agreement and managed to recover an aggregate amount of US\$49.3 million.

INTERNAL CONTROL REVIEW – KEY FINDINGS, RECOMMENDATIONS AND REMEDIAL ACTIONS

Further details of the key findings, recommendations and remedial actions of the Internal Control Review are summarised below:

- **Key finding 1: Deficiencies in rules governing investment management projects**

At the time when the then chief financial officer of the Company signed the Investment Management Agreement with the Investment Manager, the Company had not formulated any specific policies governing matters relating to investment management.

The business funds management rules (“**Business Funds Management Rules**”) effective at the material time only required the Company to submit the proposed investment plan and investment management contract to its controlling shareholder if the investment projects relate to derivatives trading or wealth management. Before entering into the aforementioned investment projects, the Company has to go through the relevant approval procedures (for clarity, this is because the controlling shareholder is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange and has its own internal control requirements on its subsidiaries).

Rectification recommendations

1. If the management of the Company decides that the Company will not be engaged in any type of investment business in the foreseeable future, the Company's rules should expressly prohibit such investment activity and the Company should take steps to ensure the policy is adequately promoted and implemented; or

2. If the management of the Company decides that the Company will continue to engage in investment businesses, the Company should specify a mainly responsible department that oversees investment management and formulate relevant policies governing investment management in accordance with the Company's investment direction and risk appetite. These policies should also be approved by the Board and thereafter be used as the basis for all investment-related activities.

Company's remedial actions and relevant status

The Independent Consultant has reviewed and confirmed that the Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For mergers and acquisitions or entry into a new market ("**M&A Activities**"), the Company shall follow the rules governing authorization and approval (the "**Authorisation and Approval Rules**").

In September 2023, the Company circulated the revised Business Funds Management Rules internally in order to promote and implement the revised Business Funds Management Rules.

The Independent Consultant conducted interviews with the Company's personnel and reviewed the Company's accounting journal and confirms that no prohibited investments were made during the rectification period.

- **Key finding 2: Compliance adviser was not consulted before entering into the Investment Management Agreement**

The Company did not consult its compliance adviser before entering into the Investment Management Agreement.

Rectification recommendations

When engaging in investment activities, the Company should consult its compliance advisor in a timely manner in order to ensure compliance with the Listing Rules.

Company's remedial actions and remedial status

The Independent Consultant has reviewed and confirmed that the Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules. In September 2023, the Company circulated the revised Business Funds Management Rules internally in order to promote and implement the revised Business Funds Management Rules.

The Independent Consultant obtained the Company's training records and materials and confirms that in May 2023, the Company conducted a routine training regarding listed companies compliance matters for its directors, supervisors, senior management and all its employees.

The Independent Consultant conducted interviews with the Company's personnel and reviewed the Company's accounting journal and confirms that no prohibited investments were made during the rectification period.

- **Key finding 3: Investment project was not reported to the parent company for approval**

According to the Company's Business Funds Management Rules, the responsible department is required to submit proposed management plans and relevant contract(s) to its controlling shareholder for approval (for clarity, the approval procedures relate to the applicable approval procedures in accordance with the regulatory requirements of the place of listing) in relation to wealth management projects. However, prior to entering into the Investment Management Agreement, the Company did not comply with the aforementioned procedures.

Rectification recommendations

1. The Company is recommended to strictly implement and adhere to the Business Funds Management Rules and shall not engage in high-risk capital businesses. For capital businesses that are subject to approval procedures, the Company shall prepare the corresponding management plans and contracts in accordance with the Business Funds Management Rules and submit them to the controlling shareholder to go through the applicable approval procedures in accordance with the regulatory requirements of the place of listing before engaging in such businesses; and
2. The Company is recommended to embed a culture of compliance and enhance employees' awareness on compliance.

Company's remedial actions and remedial status

The Independent Consultant has reviewed and confirmed that the Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules. In September 2023, the Company circulated the revised Business Funds Management Rules internally in order to promote and implement the revised Business Funds Management Rules.

The Independent Consultant conducted interviews with the Company's personnel and reviewed the Company's accounting journal and confirms that no prohibited investments were made during the rectification period.

- **Key finding 4: Investment Incident was non-compliant with the Company's policy in relation to decisions making process of the Board**

According to the Company's articles of association, investment project plans must be submitted to the Board for approval. However, the Company was unable to provide supporting documents indicating that prior approval from the Board was obtained before entering into the Investment Management Agreement.

Rectification recommendations

1. Before carrying out its business operations, the Company should emphasize the importance and necessity of adhering to the decision-making procedures of the Board, and it should require employees of different levels and the management to strictly adhere to the internal rules of the Company and the relevant procedures as set out in the Company's articles of association; and
2. The Company is recommended to embed a culture of compliance and enhance employees' awareness on compliance.

Company's remedial actions and remedial status

The Independent Consultant has reviewed and confirmed that the Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow to the Authorisation and Approval Rules.

The Independent Consultant obtained the Company's training records and materials and confirms that in May 2023, the Company conducted a routine training regarding listed companies compliance matters for its directors, supervisors, senior management and all its employees.

The Independent Consultant conducted interviews with the Company's personnel and reviewed the Company's accounting journal and confirms that no prohibited investments were made during the rectification period.

- **Key finding 5: Investment Management Agreement not approved as required**

The then chief financial officer of the Company signed the Investment Management Agreement with the Investment Manager on behalf of the Company on 25 September 2019. At the time when the Investment Management Agreement was signed, the Company did not have a system governing the counterparty review process, or the approval, signing and filing procedures of the contracts.

According to the authorisation and approval rules that was in effect at the relevant time, before the Company could enter into a contract, the relevant personnel have to submit an application for approval to enter into a contract. The relevant contract had to be approved by the staff from different departments and the Company's decision-makers in the approval process before the contract could be entered into. However, the Company was unable to provide the approval records evidencing the Company obtained the necessary approvals before entering into the Investment Management Agreement.

Rectification recommendations

The Company is recommended to strengthen the promotion and implementation of the rules governing contract management ("**Contract Management Rules**"), and require all employees to adhere to them when entering into and signing contracts.

Company's remedial actions and remedial status

The Company has implemented policies governing matters relating to the contract approval procedures and dispute resolutions procedures and has circulated an internal email reminding employees of the requirements of relevant procedures.

The Independent Consultant sampled contracts entered into by the Company and the relevant approval procedures during the rectification period and confirms that the Company has consolidated the process for approval of contracts as stipulated in the Contract Management Rules.

- **Key finding 6: Process of approval for payment of investment management fees is inconsistent with Company's policies**

The Company paid the Investment Manager a sum of US\$3,510,000 as investment management fees under the Investment Management Agreement. However, in the relevant application for internal approval for payment of the fees, there is evidence to suggest that the type of business and reason for payment were not accurately recorded. The Company was also unable to provide documents evidencing that payment of the fees was either approved by the chairman of the Board or the Board itself.

Rectification recommendations

1. It is recommended that the Company strengthen the training of employees in the Finance Department to ensure that the Company's business operations comply with its financial regulations and accounting-related laws and regulations;
2. In relation to fee payments, the relevant personnel should ensure that the payment approval procedures are complied with and such payment has been approved by the relevant decision-maker(s) before making payments to external parties; and
3. The Company should enhance promotion on its reporting mechanism and encourage employees to report violations of Company regulations in a timely manner.

Company's remedial actions and remedial status

The Independent Consultant sampled applications for fee payments during the rectification period and confirmed that the samples were approved in accordance with the Authorisation and Approval Rules through the office automation system ("**OA System**") before payments were made to external parties.

The Independent Consultant has reviewed the Company's "Guide on Reporting and Handling of Compliance and Ethics Violations" and confirmed that it sets out the internal reporting mechanism and reporting channels within the Company. The Company has also published the reporting mechanisms on its intranet.

- **Key finding 7: No tracking on investment project**

The Investment Management Agreement provides that the Investment Manager shall provide the Company with quarterly statements within fifteen business days of the end of each quarter. As of 31 March 2023, the Company has not received and was thus not able to provide all the quarterly statements from 2019 to 2022. In relation to its investment business, the Company has not established relevant policies and procedures to promptly track the investment positions, returns and other relevant matters.

Rectification recommendations

The Company is recommended to establish tracking and management mechanism for its investments in order to obtain relevant information (such as statements and relevant data for verification) in a timely manner. The Company should track and record the latest status of its investment targets, record the relevant information and report them to the management in a timely manner.

Company's remedial actions and remedial status

The Independent Consultant has reviewed and confirmed that the Company has added references in the revised Business Funds Management Rules prohibiting investment in stocks, bonds, funds and real estate. For M&A Activities, the Company shall follow the Authorisation and Approval Rules.

The Independent Consultant conducted interviews with the Company's personnel and reviewed the Company's accounting journal and confirms that no prohibited investments were made during the rectification period.

- **Key finding 8: Documents relating to the investment project were not properly kept**

Before 1 January 2020, the Company did not have a system for contract management, and the documents in relation to the investments were not properly kept.

In addition, the Company was unable to provide the original copy of the Investment Management Agreement, the executed version of some relevant documents that were signed by all relevant parties, and certain documents which were mentioned by some of the interviewees.

Rectification recommendations

The Company is recommended to strengthen the promotion and implementation of rules governing contract management, and require all employees to adhere to such rules to file all contracts.

Company's remedial actions and remedial status

The Independent Consultant has reviewed the rules governing file management (the “**File Management Rules**”) and confirmed the rules specify how different documents should be categorised and filed. In September 2023, the Company circulated the File Management Rules internally in order to promote and implement the File Management Rules.

The Contract Management Rules clarifies which department is responsible for reviewing the content of the contracts. Business departments are responsible for filing contracts in a timely manner, and they are also required to keep the original copy of the finalised and signed contract. A scanned copy of the contract shall be uploaded to the Company's file management system.

- **Key finding 9: Improvement in employee handover procedures**

The Company's handover procedure requires a departing employee to fill in a “Work Handover Process” form, and the departing employee can only obtain a certificate of employment when the process has been approved by relevant departments. However, the following findings were identified:

1. The Company provided the certificate of employment of a former chief executive officer of the Company, but was unable to provide his corresponding handover form, nor was the Company able to produce the corresponding handover documents. It was also found that the former chief executive officer did not return the Company's laptop when he left the Company.
2. A former chief financial officer of the Company did not return the Company's laptop when he left the Company. However, when reviewing the relevant handover form of the former chief financial officer, it was found that the Finance Department granted confirmation before the IT Department had confirmed whether the laptop was returned, and the Finance Department did not consider resulting compensation issues. Another former chief financial officer of the Company also did not return the Company's laptop when he left the Company. However, the relevant handover form shows that the IT Department has confirmed that the laptop was returned.

Rectification recommendations

1. All employees of the Company are encouraged to strictly adhere to the rules and regulations governing the departure and handover procedures of employees. The Human Resources Department must confirm that the relevant handover procedures are completed before it issues a certificate of employment;
2. The Company is recommended to improve the current employee departure procedures. It is recommended that other departments (such as the IT Department) should first review the departing employee's handover form. Only when those departments have provided the relevant confirmations shall the Finance Department review and calculate and/or verify the compensation amount (if any); and
3. In order to further enhance the data security of the computers of the Company's employees, and to minimize the risk of data leakage if the employees' computers are lost, stolen or improperly destroyed, the Company is recommended to utilise software for data encryption and identity authentication.

Company's remedial actions and remedial status

The Independent Consultant obtained the records of the Company's internal meeting, which provides that the Company has improved the departure and handover procedures of employees, including:

- If the IT Department discovers that there is IT property not returned upon the employee's departure during the review of handover procedures, it shall notify the departing employee by 16:00 on his or her last working day, copying the Finance Department and Human Resources Department;
- During the departure and handover procedures, if the IT Department discovers that the Company's laptop has not been returned by a departing employee, it shall notify the Human Resources Department, the Finance Department and the business department by way of email. The Finance Department will be responsible for calculating the relevant amount payable by the departing employee to the Company. The Human Resources Department will then deduct such amount from the departing employee's salary. If such deduction is not possible (eg. the outstanding amount of salary is insufficient), the Finance Department shall require the departing employee to repay any outstanding amount to the Company's account.

The Independent Consultant also obtained the Company's internal email record informing its employees of the updated IT security rules and which provide that it is mandatory to carry out computer data backup measures in the case of departures of middle to senior level management staff. The Independent Consultant sampled the certificates of employment during the rectification period and confirmed that the Finance Department, the IT Department and other relevant departments have verified and confirmed that the expenses, personal borrowings and the Company's laptop have been duly returned or settled before issuing a certificate of employment.

In addition, the Company has formulated information safety management rules which requires backup of the organization's important messages and the information system and regularly testing on the status of backed up data. The Company has also obtained the relevant qualification certification for its information security management system.

- **Key finding 10: Failure to report promptly internal control deficiencies in relation to the Investment Incident to the Board**

A number of internal control deficiencies were identified by the Internal Audit Department and Internal Control Department when investigating the Investment Incident, but there was no evidence indicating that they were reported to the Board or the audit committee of the Company.

Rectification recommendations

1. It is recommended that the Internal Audit Department strictly adhere to the rules governing the internal audit rules (“**Internal Audit Rules**”) to report any issues discovered during the audit process to the Board and audit committee in a timely manner;
2. It is recommended that the Company shall ask employees to sign a commitment letter on work ethics; and
3. The Company shall carry out audit review regularly and the Board can consider engaging an independent third-party auditor to take part in the audit review process.

Company’s remedial actions and remedial status

The Company’s Internal Audit Department has confirmed that it will strictly adhere to the Internal Audit Rules to report any issues discovered in the audit review process to the Board and audit committee.

The Company has also published and circulated the employee handbook (“**Employee Handbook**”) which sets out the code of conduct for employees, and the Company has provided training to employees of different seniorities on business ethics and compliance matters and signed compliance confirmations with employees. The Independent Consultant sampled employee compliance confirmations during the rectification period and confirmed that the signing procedures were complete.

- **Key finding 11: Annual internal audit plan were not promptly reported to the Board and audit committee**

Pursuant to the Company’s Internal Audit Rules, the Internal Audit Department should submit an internal audit work plan for the coming year and an internal audit report regarding the work conducted in the relevant year to the Board and the audit committee within 2 months of the end of each financial year.

However, the 2023 audit work plan was submitted to the Board and the audit committee after the 2 months period.

Rectification recommendations

It is recommended that the Internal Audit Department adhere to the requirements of the Internal Audit Rules and submit the internal audit work plan to the Board and the audit committee for review.

Company’s remedial actions and remedial status

The Independent Consultant has interviewed relevant personnel and confirms that the Company has formulated the internal audit plan for 2023 in accordance with the Internal Audit Rules and has submitted the same to the Board and audit committee.

- **Key finding 12: Failure to publicly disclose the Investment Management Agreement**

The Company entered into the Investment Management Agreement with the Investment Manager on 25 September 2019, but failed to announce in accordance with the Listing Rules and the internal guidance on information disclosure.

Rectification recommendations

1. It is recommended that the Company provide training on compliance with the Listing Rules and the internal guidance on information disclosure and promote and implement the relevant rules and procedures; and
2. It is recommended that the Company provide training to senior management in order to enhance their awareness and knowledge of the Listing Rules.

Company's remedial actions and remedial status

The Independent Consultant obtained the Company's training records and materials and confirms that the Company conducted a training for the directors, supervisors, senior management and all its employees on Listing Rules compliance in May 2023. The training covered topics such as Listing Rule requirements and enforcement examples in relation to inside information, insider dealing and notifiable transactions.

- **Key finding 13: Business Department failed to consult the Legal and Compliance Department when disputes arose in relation to the Investment Incident**

In 2022, the then chief financial officer engaged a law firm to provide legal service in relation to the Investment Incident. However, prior to engaging the law firm, the then chief financial officer failed to consult the Legal and Compliance Department and did not involve the Legal and Compliance Department in the selection of the law firm, which is inconsistent with the Company's Contract Management Rules.

Rectification recommendations

The Company should provide more training to different departments in order to enhance employees' risk awareness. When events which involve potential risks arise, the relevant departments should communicate with the Legal and Compliance Department in a timely manner.

Company's remedial actions and remedial status

The Independent Consultant has obtained the email records of the Company reminding employees of the procedures and rules governing the relevant approval and authorization procedures.

- **Key finding 14: Certain payments of funds were not approved in accordance with the Company’s standard operating procedures**

Certain payments of fees were approved by the then chief financial officer, which is inconsistent with the Authorisation and Approval Rules of the Company which requires approval from the president and chief executive officer of the Company.

Rectification recommendations

1. All business departments should refer to the Authorisation and Approval Rules when applying for approval for payment of funds.
2. The Finance Department should review the applications for approval for payment of funds and should not approve any application that does not comply with the Authorisation and Approval Rules.

Company’s remedial actions and remedial status

The Company has an automated approval procedure for payment of funds, which is implemented through office automation system. Going forward, the Company will require all business departments and employees to strictly adhere to the Company’s internal rules when carrying out the business operations. The Company will also require the Finance Department to review approval for payment applications strictly and prohibit payment of funds if the applications do not follow the Authorisation and Approval Rules.

The Independent Consultant carried out sampling tests and confirms that the necessary approvals had been duly obtained in accordance with the Authorisation and Approval Rules.

- **Key finding 15: Bank account is not used for its specified purpose**

Upon a review of the relevant bank account statements, it was noted that there were transfers of funds into the wrong Company bank account, which indicates a failure to maintain exclusive use of the relevant Company account.

Rectification recommendations

The Company should strengthen the promotion and implementation of the rules governing the management of raised funds (“**Management of Raised Funds Rules**”), and strictly adhere to these rules. Funds that are not meant for a specific account should not be deposited into such account.

Company’s remedial actions and remedial status

The Independent Consultant obtained the August 2023 and September 2023 special account statements and confirmed that there were no unrelated proceeds remitted into such account, nor was there any fund remittance out of the account.

The Independent Consultant also obtained the internal email records of the Company, which sets out rules governing the management of the account used for raised funds.

- **Key finding 16: Management of bank confirmation requests can be improved**

It was revealed that a bank confirmation request relating to the Investment Incident was not properly reviewed or approved. The Company was unable to produce documents evidencing the application for the use of seal for the relevant bank confirmation request. The Company was also unable to provide records showing that the Finance Department has verified the details on the bank confirmation request.

Rectification recommendations

It is recommended that the Company strengthen the management of bank confirmation requests. When the Company issues or receives a bank confirmation request, the personnel in the Finance Department should confirm whether the balance amount is correct and state so when applying for the use of seal for the relevant bank confirmation request. They should follow the rules governing the use of seal (“**Seal Management Rules**”) and keep the relevant records.

Company’s remedial actions and remedial status

The Company notified and reminded the personnel in the Finance Department that when applying for the use of seals on bank confirmation requests, they should confirm the balance amount is correct after checking.

- **Key finding 17: Signatory of contracts in the Investment Incident has not obtained authorisation in accordance with internal policies**

The Investment Management Agreement and some other documents relating to the Investment Incident were signed by the then chief financial officer, who was not the legal representative of the Company at the material time, for and on behalf of the Company. There is no record showing that proper authorisations had been obtained for the execution of these documents.

Rectification recommendations

1. It is recommended that the Company enhance the promotion and implementation of the rules governing the authorization and signing of contracts, and should send such rules to the relevant personnel via email; and
2. The Company should clarify in the Employee Handbook that if an employee causes loss to the Company because of negligence, the relevant employee will be personally responsible. At the same time, the Company should embed a culture of compliance and should require employees of different levels and the management to strictly adhere to the working procedures as stipulated in the Company’s internal rules and regulations.

Company's remedial actions and remedial status

The Independent Consultant has obtained internal email records of the Company reminding employees of the procedures and rules governing the approval, authorization and dispute resolution of contracts.

The Independent Consultant has also reviewed the Employee Handbook and confirms that the Employee Handbook contains guidelines on the code of conduct of employees. The Company also conducts relevant training for new employees when they first join the Company.

- **Key finding 18: Certain signing procedures of contracts were not in accordance with internal management requirements**

It was found that certain contracts had not been subject to the review of the Legal and Compliance Department, nor were they approved in accordance with the Company's Contract Management Rules.

Rectification recommendations

It is recommended that the Company strengthen the promotion and implementation of the contract management requirements in order to avoid inconsistencies between the actual practice and the relevant rules.

Company's remedial actions and remedial status

The Independent Consultant carried out sampling of contracts entered into by the Company during the rectification period and reviewed and confirmed that the Company has implemented the rules governing the contract approval procedures stipulated in the Contract Management Rules. All the sampled contracts had been approved before they were executed.

The Independent Consultant has obtained the internal email records of the Company and confirms that the Company emailed to remind employees of the procedures and rules governing the approval, authorization and dispute resolution of contracts.

- **Key finding 19: Contracts in relation to the Investment Incident were not filed in accordance with internal procedures**

It was discovered that a contract signed with a law firm in relation to the Investment Incident was not filed in accordance with the Company's internal file management requirements, nor was the original copy of the document submitted in a timely manner to the Legal and Compliance Department, which was the responsible department for file management at the time.

Rectification recommendations

It is recommended that all departments strictly adhere to the File Management Rules, promptly update the index of contracts and submit the index and scanned copies of contracts to the relevant department in a timely manner.

Company's remedial actions and remedial status

The Independent Consultant has reviewed and confirmed that the Company's File Management Rules specifies how different documents should be classified and filed.

The Independent Consultant also reviewed the Company's records and confirmed the Company has made records of the status of its contracts.

- **Key finding 20: Certain use of seal is not in accordance with the Company's internal procedures**

The Company's seal was affixed on certain documents. However, the Company could not provide records showing that there has been approval for the use of the Company's seal on those documents.

Rectification recommendations

1. In relation to the use of seals, the relevant departments should strictly adhere to the Company's Seal Management Rules and Authorisation and Approval Rules to obtain the relevant approval;
2. The keeper of the Company's seal should verify strictly that the approval procedures is completed before the Company's seal may be used; and
3. The Company should enhance promotion on its reporting mechanisms and encourage employees to report violations of Company regulations in a timely manner.

Company's remedial actions and remedial status

The Independent Consultant carried out sampling of contracts entered into by the Company during the rectification period, and confirms that the approval of use of seal was the final step in the approval of contracts in the Company's OA system.

As disclosed in the Announcement, the Company has completed the relevant rectifications of the internal control deficiencies and the Independent Consultant has confirmed that the above have been rectified.

Key Limitations and Assumptions

The Independent Consultant encountered certain key limitations during the process of the Independent Investigation, such as only being able to obtain electronic or scanned copies of documents, only being able to derive information on counterparties from publicly available information, the inability to conduct interviews or obtain documents from certain third party representatives that were involved in the Investment Incident (such as employees of the Investment Manager) and the inability to obtain certain electronic devices and emails of certain personnel of the Company (due to reasons such as loss of the device).

Whilst the materials obtained by the Independent Consultant are electronic documents and scanned copies of the originals and not the original copies, the Independent Consultant has compared the relevant copies obtained from the Company with copies which originated from another source and did not find any inconsistencies between them and as such it appeared to the Independent Consultant that there are no issues regarding the authenticity of the relevant copies of the documents.

Similarly, whilst the Independent Consultant was not able to interview a number of third party representatives involved in the Investment Incident (such as employees of the Investment Manager), it has checked the findings against the information which originated from another source, and did not find any discrepancy.

Further, even though the Independent Consultant were unable to obtain some of the electronic devices of certain personnel of the Company as they are lost, or to obtain or retrieve certain emails due to the change in backup systems, the Independent Consultant focused on reviewing email exchanges between those who have lost such devices and other key personnel involved in the Investment Incident and managed to conduct interviews with the key personnel of the Investment Incident to further understand the Investment Incident as part of the Independent Investigation.

Views of the Independent Investigation Committee

The Independent Investigation Committee has reviewed and considered the findings of the Independent Investigation. Taking into account the Limitations which the Independent Consultant encountered or observed as well as the alternative procedures taken in relation to the Limitations as set out in the sub-section headed “Key Limitations and Assumptions” above, the Independent Investigation Committee is of the view that the procedures adopted and the results from the Independent Investigation are reasonable and acceptable in light of each of the Limitations.

DISCLOSURE ON USAGE OF IPO PROCEEDS

Reference is made to the Company's Annual Report 2022 published on 24 April 2023 and the Company's Interim Report 2023 published on 27 September 2023. As disclosed in the Annual Report 2022 and Interim Report 2023, as a result of the Investment Incident, in order not to affect the progress of the funding and investment projects of the Company, the Company decided in July 2022 that self-owned liquidity of US\$69.7 million (approximately RMB470 million) would be used in the funding and investment projects of the Company, out of which, RMB226.7 million would be allocated to fund the ongoing clinical trials, regulatory filing and registration for other biosimilar candidates, including HLX12, HLX11 and HLX14; RMB243.3 million would be allocated to fund the ongoing clinical trials, regulatory filing and registration for bio-innovation drugs – HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07). Prior to July 2022, all such projects referred to in the use of IPO proceeds section of the respective annual and interim reports were utilising proceeds raised in the IPO as disclosed therein.

The shareholders of the Company and potential investors are urged to exercise caution in dealing in the securities of the Company.

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

Hong Kong, 20 December 2023

As at the date of this announcement, the Board of directors of the Company comprises Mr. Wenjie Zhang as the chairman and executive director, Mr. Jun Zhu as the executive director, Mr. Qiyu Chen, Mr. Yifang Wu, Ms. Xiaohui Guan, Mr. Deyong Wen and Dr. Xingli Wang 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.