

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against Shanghai Henlius Biotech, Inc. (Stock Code: 2696) and one Former Director

### **SANCTIONS AND DIRECTIONS**

The Stock Exchange of Hong Kong Limited (**Exchange**)

#### **CENSURES:**

- (1) **Shanghai Henlius Biotech, Inc. (Company)**; and

#### **CRITICISES:**

- (2) **Dr Scott Shi-Kau Liu**, former executive director and chief executive officer of the Company (**Dr Liu**),

#### **AND FURTHER DIRECTS:**

Dr Liu to attend 26 hours of training on regulatory and legal topics and Listing Rule compliance, including at least three hours on each of (i) director's duties, (ii) the Corporate Governance Code, and (iii) the requirements under Rule 2.13 and, Chapters 3A, 11 and 14 of the Listing Rules, as pre-requisite of any future appointment as director of any company listed or to be listed on the Exchange.

### **SUMMARY OF FACTS**

The Company was listed on 25 September 2019, raising net proceeds of HK\$3,147 million (approximately US\$403 million). AMTD Global Markets Limited (**AMTD**, now renamed as oOo Securities (HK) Group Limited) acted as joint bookrunner, joint lead manager and underwriter of the Company's IPO. Proceeds from placees arranged by AMTD amounted to approximately US\$117 million, representing 29% of the net IPO proceeds.

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On the first day of listing, Dr Zidong Zhang (**CFO Zhang**), former CFO of the Company, signed an investment management agreement (**IMA**) on behalf of the Company. Pursuant to the IMA, the Company engaged AMTD as its asset manager, agent, and trustee to invest a sum of US\$117 million on its behalf. The IMA contained provisions that “the term of the agreement is for two years, which will be automatically renewed unless agreed by both parties” and “during the term of the agreement, [the Company] cannot withdraw the invested sum”. The entire sum was funded by the IPO proceeds, the use of which did not adhere to the intended use of proceeds as detailed in the prospectus.

CFO Zhang recommended the IMA to Dr Liu, who was not involved in the negotiation with AMTD or the signing of the IMA and therefore he had not seen the IMA.

On the next day following listing, Dr Liu approved the management fee for the first two years of US\$3.5 million payable to AMTD under the IMA, being 1.5% of the investment sum per annum. Before approving the payment, Dr Liu made enquiry of CFO Zhang about the IMA and learned that, among others, (i) AMTD was a licensed financial institution for asset management in Hong Kong, (ii) the Company could fully or partially redeem the investment sum within the term of the IMA, (iii) the management fee payable to AMTD was comparable to the market practice, (iv) the Company had sufficient idle funds for the investment, and (iv) the investment would be of high liquidity and low risk, in nature.

Dr Liu failed to take adequate action to discharge his director’s duties. In particular, before approving the management fee, he failed to examine the IMA and understand its nature and the parties’ respective rights and obligations. He failed to bring the matter to the Board for consideration or procure the Company to consult its compliance adviser.

Had he done so, he should have (i) questioned whether the IMA and its terms were fair and reasonable and in the Company’s interest, (ii) noted that the Company’s use of IPO proceeds in this manner did not adhere to the intended use disclosed in the IPO prospectus, and (ii) procured the Company’s compliance with the Listing Rules in relation to the IMA or the use of IPO proceeds in a manner different from that as detailed in the prospectus.

AMTD used the entire sum on behalf of the Company to subscribe for bonds and, subsequently, purchase promissory notes issued by certain private entities. As disclosed in the Company’s 2023 annual report, the Company recovered in total US\$30,640,000 from AMTD during the financial year (**FY**) ended 31 December 2020, 2021 and 2022. During FY2023, the Company further recovered an amount of US\$20,000,000 from AMTD.

The IMA was significant given the amount involved and its effect. Also, the investment under the IMA constituted a discloseable transaction to the Company. However, the Company did not disclose the IMA in the prospectus or other listing documents, which should provide sufficient information to enable an investor to make an informed assessment of the Company's activities and financial position. The Company failed to disclose the amount involved in the IMA and its effect in its FY 2019 and FY2020 annual reports.

The Company did not adhere to the relevant internal control policy effective at the material time to monitor the use of its IPO proceeds. The Company failed to announce the use of IPO proceeds in connection with the IMA which did not adhere to the intended use of proceeds as detailed in the prospectus and only disclosed the IMA for the first time in its FY2022 annual results. It did not consult its compliance adviser in respect of the IMA or the use of IPO proceeds in a manner different from that as detailed in the prospectus.

## **SETTLEMENT**

The Company and Dr Liu did not contest their respective breaches and agreed to accept the sanctions and/or direction as set out in this statement.

## **LISTING COMMITTEE'S FINDINGS OF BREACH**

The Listing Committee found that:

- (1) The Company breached Rules 2.13(2), 3A.23, 11.07, 11.13, and 14.34 by failing to:
  - (a) disclose the IMA in the prospectus or other listing documents;
  - (b) consult its compliance adviser;
  - (c) announce the IMA in a timely manner; and
  - (d) disclose the amount involved in the IMA and its effect in the FY2019 and FY2020 annual reports.
  
- (2) Dr Liu breached Rules 3.08 and 3.09B(2) by failing to:
  - (a) apply reasonable skill, care and diligence in respect of the IMA. Given his knowledge of the IMA and involvement in approving the management fee, he should have taken adequate proactive steps to safeguard the interests of the Company;
  - (b) use his best endeavours to procure the Company's compliance with the Listing Rules; and

- (c) ensure the Company had in place adequate and effective internal controls in respect of the monitoring of the use of IPO proceeds.

**CONCLUSION**

The Listing Committee decided to impose the sanctions and direction set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and/or direction apply only to the Company and/or Dr Liu, and not to any other past or present directors of the Company.

Hong Kong, 2 September 2025