# Mabpharm Limited
# 迈博药业有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2181

# 2022 ANNUAL REPORT


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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Wang Hao *(Chief Executive Officer)*
Mr. Li Yunfeng
Dr. Li Jing
Mr. Tao Jing

### Non-executive Directors

Mr. Jiao Shuge *(Chairman)*
Mr. Guo Jianjun

### Independent Non-executive Directors

Mr. Guo Liangzhong
Dr. Zhang Yanyun
Dr. Liu Linqing
(retired from office on June 17, 2022)
Mr. Leung, Louis Ho Ming
(appointed on June 17, 2022)

## AUDIT COMMITTEE

Dr. Liu Linqing *(Chairman)*
(retired from office on June 17, 2022)
Mr. Leung, Louis Ho Ming *(Chairman)*
(appointed on June 17, 2022)
Mr. Jiao Shuge
Mr. Guo Liangzhong

## REMUNERATION COMMITTEE

Dr. Zhang Yanyun *(Chairman)*
Dr. Wang Hao
Mr. Guo Liangzhong

## NOMINATION COMMITTEE

Mr. Guo Liangzhong *(Chairman)*
Mr. Tao Jing
Dr. Zhang Yanyun

## JOINT COMPANY SECRETARIES

Mr. Li Yunfeng
Mr. Tsang Ho Yin

## AUTHORIZED REPRESENTATIVES

Mr. Li Yunfeng
Mr. Tsang Ho Yin

## REGISTERED OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Block G79
Lujia Road East
Koutai Road West
China Medical City Taizhou
PRC
225300

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 18/F, Hong Xiang Centre
83 Queen's Road East
Wanchai
Hong Kong

## AUDITOR

Ernst & Young
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

## LEGAL ADVISORS

### As to Hong Kong law

Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

### As to PRC law

Shanghai Allbright (Shenzhen) Law Offices
23rd Floor, Tower 1
Excellence Century Centre
Fu Hua 3rd Road
Futian District Shenzhen
PRC

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

## PRINCIPAL BANK

Shanghai Pudong Development Bank
(Medical High-Tech Zone Branch)
1/F, Data Building, Taizhou Avenue
Medical High-Tech Zone
Taizhou, Jiangsu
PRC

## STOCK CODE

2181

## COMPANY WEBSITE

www.mabpharm.cn

# Financial Highlights

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2022** | 2021 | Change |
| | ***RMB'000*** | *RMB'000* | *(%)* |
| | **(audited)** | (audited) | |
| Revenue | **55,918** | 82,882 | (32.5) |
| Cost of sales | **(15,375)** | (16,777) | (8.4) |
| Gross profit | **40,543** | 66,105 | (38.7) |
| Other income | **27,302** | 14,818 | 84.2 |
| Other gains and losses | **(4,682)** | (6,637) | (29.5) |
| Selling and distribution expenses | **(28,213)** | (9,423) | 199.4 |
| Research and development expenses | **(147,906)** | (263,572) | (43.9) |
| Administrative expenses | **(90,557)** | (90,632) | (0.1) |
| Impairment losses on financial assets | **(118)** | – | – |
| Finance costs | **(7,188)** | (2,403) | 199.1 |
| Loss before tax | **(210,819)** | (291,744) | (27.7) |
| Income tax expense | **–** | – | – |
| Loss and total comprehensive expense for the year | **(210,819)** | (291,744) | (27.7) |
| Attributable to: | | | |
| Owners of the Company | **(210,819)** | (291,744) | (27.7) |
| | ***RMB*** | *RMB* | |
| Loss per share attributable to ordinary equity holders of the Company | | | |
| – Basic and diluted | **(0.05)** | (0.07) | (28.6) |

| | **At December 31, 2022** | At December 31, 2021 | Change |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *(%)* |
| | **(audited)** | (audited) | |
| Non-current assets | **716,401** | 652,132 | 9.9 |
| Current assets | **201,120** | 247,770 | (18.8) |
| Current liabilities | **188,401** | 235,004 | (19.8) |
| Net current assets | **12,719** | 12,766 | (0.4) |
| Non-current liabilities | **328,176** | 62,917 | 421.6 |
| Net assets | **400,944** | 601,981 | (33.4) |

# Chairman's Statement

Dear Shareholders,

We are grateful for your unremitting supports extended to Mabpharm Limited ("**Mabpharm**") throughout the years! Your endorsement and support has provided the strongest momentum for the rapid growth and innovation of Mabpharm. With expectations from the Shareholders and the whole society, Mabpharm has achieved remarkable progress in 2022! I would like to once again express my sincere gratitude to you!

Mabpharm has been committed to the research and development as well as commercialization of new biological drugs for the treatment of allergic diseases, autoimmune diseases and cancer. CMAB008類停®, the first home-made product developed by us to fill in the gap in the domestic market, has been marketed in the procurement platform across all the provinces within China, and extended presence to hospitals of all levels, primary medical institutions and pharmacies. Moreover, in 2022, infliximab has been included in the tenth diagnosis and treatment plan of COVID-19 as a remedy as well as the Expert Consensus on Diagnosis, Treatment and Prevention of COVID-19 among Children (Fifth Edition) for the treatment of MIS-C, suggesting further improvement in its role as a guideline. We worked together with our sales partners to earnestly expedite the academic promotion of CMAB008類停® and offer aids to needy patients in our give-back-to-society initiative, which set the solid foundation for its continued rapid growth in sales volume. In terms of the overseas market, the Company has launched registration and market exploration in more than 30 countries and/or regions, passed the on-site audit by overseas partners, and expects to pass the first GMP audit of Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme ("**PIC/s**") member countries soon and obtain marketing approval.

Mabpharm has established a product portfolio targeting allergic diseases, autoimmune diseases and tumors. Our existing pipeline consists of 9 monoclonal antibody drugs and 1 strong antibody drug. CMAB008類停® (infliximab), our first antibody new drug, has been approved for commercialization and successfully launched in the domestic market. As the first infliximab product manufactured by a Chinese company, CMAB008類停® targets the indications of Crohn's disease, ulcerative colitis, rheumatoid arthritis, ankylosing spondylitis and psoriasis, suggesting huge and long-term unsatisfied market needs. CMAB007, the first home-made anti-IgE monoclonal antibody new drug developed by the Company for the treatment of allergic diseases, has successfully passed the on-site audit by NMPA in 2022 and is expected to be marketed soon. Besides, the first domestically-produced anti-EGFR monoclonal antibody for first-line treatment of colorectal cancer also completed clinical trials and filed NDA in March 2023. Furthermore, in 2022, CMAB017, an internationally innovative drug developed by us for the treatment of tumor, and CMAB015, a specific drug for the treatment of psoriasis, were approved for clinical trials. The Company also successfully developed CMAB023, a next-generation anti-allergic new drug with better efficacy. In the future, we will step up efforts in the research and development of advantageous antibody new drugs targeting allergic diseases, autoimmune diseases and tumors, forge a more focused and concentrated product pipeline, and nurture on-going innovation capacity and strong competitiveness leveraging our well-established research and development system.

## Chairman's Statement

Mabpharm has been dedicated to the research, development and innovation in the biopharmaceutical field, gained insight into the core technology of mass preparation of antibody drugs and fostered a sophisticated and comprehensive research, development, innovation and commercialization platform. We have established four antibody drug production lines with a total cell reactor scale of 18,000 liters. Besides, the construction of plants in our new R&D and industrial base in Taizhou has also been completed, and the Company's large-scale GMP production line in construction has been under installation and commissioning, which is expected to start operating soon and will bring the aggregate scale of our cell reactor to over 40,000 liters. The solid equipment, technology and quality foundation we have in the field of antibody drug preparation will enable us to possess an excellent competitive advantage in future medical insurance and centralized procurement negotiations. Leveraging the competitive advantages in the R&D and mass production capacity in anti-body drugs in the PRC, we also proactively engaged in CDMO business without compromising our independent product R&D, and secured desirable results.

In the biopharmaceutical industry, China's fastest growing sector, government authorities have initiated constant medical reforms to optimize industry structure and guarantee national well-being, contributing to a significant enhancement in the efficiency of China's pharmaceutical market, and rapid increase in penetration in biological products market, especially antibody drugs representative of modern medical innovation. Innovative companies with more competitive advantages in innovation, quality and pricing will benefit a great deal. This trend will drive the development of the pharmaceutical market in China for a long time into the future. Riding on the trend of the overall pharmaceutical policy reform, we focus on niche markets such as allergic, respiratory, gastrointestinal and autoimmune diseases and tumors with tremendous unmet medical needs, make prior arrangements in respect of market blind spots, and launch comprehensive and flexible cooperation with national leading pharmaceutical businesses, in an effort to expedite the exponential growth of the sales of our products and give back to society.

The huge demands for antibody drugs in the global market, especially from the Pharmaceutical Inspection Convention are under explosive growth. In light of the policy reform in China, the economies of scale of antibody drugs will greatly enhance the global competitiveness of Chinese antibody drugs. We will work closely with our overseas market partners to initiate new drug registration and research and development in different countries and regions in a comprehensive and flexible manner, with an aim to promote our products' global influence and accelerate their sales growth in the global market.

Global biopharmaceutical market has embraced an explosive stage of development. As China's pharmaceutical industry reform policy has been established, tremendous potential needs that were untapped upon in the past are transforming into real market demands. Our highly competitive biological new drugs are expected to be marketed in succession; and our innovation and commercialization team will continue to provide stable and efficient R&D pipeline and capacity guarantee. Relying on the significant advantages of our drugs in terms of quality and cost, we are well-positioned to capture opportunities presented in the policy reform and the significant increase in market penetration of biological new drugs, and satisfy the huge market demand with premium biological new drugs and ultimately benefit patients. Mabpharm is well-positioned to lead the current cycle of development of biopharmaceutical industry and achieve steady progress with our quality-prioritized strategy and innovation-driven initiative!

**Mabpharm Limited**
**Jiao Shuge**
*Chairman of the Board*

March 24, 2023

# Corporate Profile

## CORPORATE PROFILE

We are a leading biopharmaceutical company in China, focusing on the research, development and commercialization of new drugs and biosimilar for cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience. Our pipeline of drug candidates currently consists of 9 monoclonal antibody drugs and 1 strong antibody drug, 3 of which are our core products:

✓ **CMAB008 類停® (infliximab):** was approved for marketing by the NMPA in July 2021 (Guo Yao Zhun Zi S20210025) for the treatment of 1) ulcerative colitis in adults; 2) ankylosing spondylitis; 3) rheumatoid arthritis; 4) Crohn's disease in adults and pediatric patients aged above 6 years old; 5) fistula Crohn's disease; and 6) psoriasis. The antibody drug production base of Taizhou Pharmaceutical under the Company in China Medical City, Taizhou, Jiangsu Province also successfully passed the GMP compliance inspection for CMAB008類停® by Jiangsu Provincial Drug Administration. According to the regulations of China's basic medical insurance program (the "**Medical Insurance**"), CMAB008 類停® has also been automatically included in the Medical Insurance, and has obtained the Medical Insurance registration code from the National Healthcare Security Administration.

CMAB008 類停® is approved for the treatment of six indications which have huge long-term unmet market demand (with more than 10 million patients in the PRC which is still growing). As of the end of 2022, CMAB008類停® has been marketed on the procurement platform across all the provinces within China, and extended presence to over 500 hospitals (of all levels), primary medical institutions and pharmacies. Meanwhile, in addition to general indications, infliximab has been included in the tenth diagnosis and treatment plan of COVID-19 as a remedy, as well as the Expert Consensus on Diagnosis, Treatment and Prevention of COVID-19 among Children (Fifth Edition) for the treatment of MIS-C, suggesting further improvement in its role as a guideline. In 2022, we launched over 100 special academic forums on CMAB008 類停®, involving more than 1,000 pharmaceutical experts. Besides, we conducted the relief donation of CMAB008 類停® to give back to the society and benefit the low-income patients. With the progress in both academic fields and contributions to society, CMAB008 類停® has secured remarkable market recognition, which set the solid foundation for its continued rapid growth in sales volume. During the Reporting Period, Taizhou Pharmaceutical, a wholly-owned subsidiary of the Company, entered into an exclusive promotion service agreement with Kexing Biopharm Co., Ltd.* (科興生物製藥股份有限公司) ("**Kexing Biopharm**"), a company listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688136), pursuant to which Taizhou Pharmaceutical granted an exclusive licence to promote CMAB008類停® in mainland China (excluding Hong Kong, Macau and Taiwan regions) to Kexing Biopharm. Taizhou Pharmaceutical receives partnership milestone payments and commercial milestone payments for this exclusive promotion licence, and is expected to generate substantial revenue from ongoing sales in the future. For the details of the above transaction, please refer to the announcement of the Company dated March 31, 2022. With high quality innovative drugs as the foundation, the Company will provide innovative antibody drugs to patients in the PRC by offering more economical and affordable drug supply solutions and fully participating in China's national healthcare system reform initiatives. The Company has also initiated cooperation with partners who have accumulated abundant overseas market resources over a long period of time to rapidly expand to overseas markets. At present, the Company has launched registration and market exploration in more than 30 countries and/or regions. During the Reporting Period, we passed the on-site audit by overseas partners, and expect to pass the first GMP audit of PIC/s member countries soon and obtain marketing approval.

- ✓ **CMAB007 (omalizumab):** completed phase III clinical trials for the indication of asthma and new drug application ("**NDA**") data collation. The NDA for CMAB007 has been submitted to the NMPA in October 2021. It has successfully passed site inspection by the NMPA, and is expected to be approved for commercialization in the second quarter of 2023. We expect that upon commercialization, CMAB007 will be the first home-made omalizumab launched in the domestic market. The Company has been expediting cooperation with China's leading drug sellers for the sale of CMAB007, aiming to rapidly increase the sales of CMAB007. Given that similar drugs have been approved overseas for urticaria and allergic rhinitis indications and are developing to address food allergy indications, we will expedite the clinical and registration work of CMAB007 for these indications to capture the huge allergic disease market demand in China. CMAB007 will be the first antibody drug produced in China to treat allergic diseases, and the marketing of CMAB007 will bring more economical and efficient therapeutic alternatives to more than 5 million patients with allergic diseases in China.

- ✓ **CMAB009:** completed pre-NDA study, and filed NDA to NMPA in March 2023. CMAB009 uses the Chinese hamster ovary cell ("**CHO**") expression system, which is equally effective as the cetuximab drug currently available for treatment of metastatic colorectal cancer ("**mCRC**"), and significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity. CMAB009 is the first anti-epidermal growth factor receptor ("**EGFR**") monoclonal antibody drug developed in China that has been applied with the NMPA for NDA for treatment of colorectal cancer, and it is expected to be approved for marketing in the second quarter of 2024. The marketing of CMAB009 is expected to provide affordable biological sovereign remedy with better efficacy for more than 1 million Chinese patients with tumors. Meanwhile, CMAB009 is also expected to expand its indications to head and neck squamous cell carcinoma. It also offers great potential in treating other cancers when used together with various small molecular drugs

  (All the above products are collectively referred to as "**Core Products**").

- ✓ **CMAB807 (denosumab):** currently under phase III clinical trials for osteoporosis, completed case study and is under data compilation for NDA application. The clinical trial application for treatment of tumor bone metastasis (CMAB807X) has been approved by NMPA in January 2022 (Clinical trial approval notice number: 2022LP00032).

Among our other drug candidates, we have obtained approval from the NMPA for clinical trial of our newly developed "strong antibody" drug CMAB017 for the treatment of advanced solid tumors, including but not limited to colorectal cancer, head and neck squamous cell carcinomas and esophageal squamous cell carcinomas. Compared with currently marketed EGFR anti-body drugs, CMAB017 has better efficacy and safety according to pre-clinical studies. In addition, we have commenced phase I clinical trials for CMAB819 (nivolumab). CMAB015 (secukinumab), a biosimilar developed by us, approval has been obtained and phase I clinical trials have been launched, which boasts remarkable efficacy advantages in the treatment of autoimmune diseases such as psoriasis, and has become one of the most rapidly growing biological agents in the treatment of psoriasis in China. We have also developed CMAB022 (ustekinumab), a biosimilar, which promises sound market prospect for the treatment of moderate to severe plaque psoriasis, active psoriatic arthritis, active ankylosing spondylitis and active non-radiographic axial spondyloarthritis. We have also successfully developed a broad-spectrum anti-allergic anti-thymic stromal lymphopoietin ("**TSLP**") monoclonal antibody.

We have strong in-house capabilities in pharmaceutical research, manufacturing, pre-clinical and clinical development. We promote the commercialization of drugs developed by us through business cooperation with leading domestic enterprises engaged in sales of pharmaceutical products, This approach enables us to capitalize on the economies of scale arising from the substantial sales resources and experience of our business partners accumulated throughout the years in disease-specific fields, and to build up and enhance our own distinctive and efficient sales system with a focus on specific indications. We focus on the R&D of monoclonal antibodies. Our core R&D team members have more than 19 years of experience in this area, and have led three major projects under the "863" Program, also called the State High-Tech Development Plan, among other national-level scientific research projects. In addition, one of our core R&D team members is also a member of the 12th Session of the Chinese Pharmacopoeia Commission.

We have completed the construction of three new production lines in Taizhou in 2021, increasing our total cell reactor scale to 18,000 liters. The construction of plants in our new R&D and industrial base in Taizhou has also been completed, and the Company's large-scale GMP production line in construction has been under installation and commissioning, which is expected to start operating in 2023 and will bring the aggregate scale of our cell reactor to over 40,000 liters. The solid equipment, technology and quality foundation we have in the field of antibody drug preparation will enable us to possess an excellent competitive advantage in future medical insurance and centralized procurement negotiations. Leveraging the competitive advantages in the R&D and mass production capacity in anti-body drugs in the PRC, we also proactively engaged in CDMO business without compromising our independent product R&D, and secured desirable results.

We believe that we are well positioned to seize China's substantial market opportunities, in particular those resulting from China's recent healthcare regulatory reforms, including new medical insurance measures. The primary focus of our R&D – monoclonal antibody drugs targeting cancers and autoimmune diseases – has substantial untapped clinical demand in China.

Further, during the rapid growth of the pharmaceutical market in China, the central procurement under the medical insurance that may be extended to cover biological drugs in the future and the increased effort in national negotiations on medical insurance will restructure the pharmaceutical market in China to a large extent. We will actively participate in the national medical reform with our advantages in terms of advanced technology, quality and cost, as well as aggressive and flexible product cooperation model, and capture the opportunities presented during the policy reform so as to capture the huge unmet market demand in China. We have also initiated our global market expansion and accelerated the registration and launching of our drugs in the international market.

## Business Review

### *Research and development of our drug candidates*

Set out below is an overview of our drug candidates and their R&D status as of December 31, 2022:

| Field | Target | Indication | Drug candidate code | Classification | Pre-clinical | Phase I | Phase II or Phase II/III | Phase III | Expected time to reach the next regulatory milestone | Anticipated completion of regulatory review | Commercial rights | Competitive marketed drugs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Autoimmune Disease | TNFα | Rheumatoid Arthritis<br>Ulcerative colitis in adults<br>Ankylosing spondylitis<br>Crohn's disease in adults and pediatric patients aged above 6 years old<br>Fistula Crohn's disease<br>Psoriasis | CMAB008 (INN name: Infliximab) | New Drug/ Core Product | | | | | | Approved for marketing in July 2021 | PRC and overseas (excluding Japan, North America and Europe) | Remicade®, Humira®, Enbrel®, Simponi®, Yisaipu®, Anbainuo® |
| Respiratory Disease | IgE | Asthma | CMAB007 (INN name: Omalizumab) | New Drug/ Core Product | | | | | New drug marketing application submitted in October 2021 | Quarter 2, 2023 | PRC and overseas (excluding Japan, North America and Europe) | Xolair® |
| Cancer | EGFR | Colorectal Cancer | CMAB009 (INN name: Cetuximab) | New Drug/ Core Product | | | | | New drug marketing application submitted in March 2023 | Quarter 2, 2024 | PRC and overseas (excluding Japan, North America and Europe) | Erbitux® |

| Field | Target | Indication | Drug candidate code | Classification | Pre-clinical | Phase I | Phase II or Phase II/III | Phase III | Expected time to reach the next regulatory milestone | Anticipated completion of regulatory review | Commercial rights | Competitive marketed drugs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bone-related diseases | RANKL | Osteoporosis | CMAB807 (INN name: Denosumab) | Biosimilar | | | | | Pending new drug marketing application submission (Quarter 4, 2023) | Quarter 4, 2024 | Global | Prolia®<br>博優倍® |
| | | Tumor bone metastasis | CMAB807X (INN name: Denosumab) | Biosimilar | | | | | Phase III (Quarter 4, 2023) | Quarter 4, 2027 | Global | XGEVA® |
| Cancer | PD1 | Non-small cell lung cancer, hepatocellular carcinoma and squamous cell carcinoma of the head and neck | CMAB819 (INN name: Nivolumab) | New Drug | | | | | Phase III (Quarter 4, 2023) | Quarter 4, 2027 | Global | Opdivo®, Keytruda®, Tyvyt®, JS001 |
| Cancer | EGFR | Colorectal cancer, head and neck squamous cell carcinomas and esophageal squamous cell carcinoma | CMAB017 | Innovative drug | | | | | Phase III (Quarter 4, 2024) | Quarter 4, 2028 | Global | Vectibix® |

| Field | Target | Indication | Drug candidate code | Classification | Pre-clinical | Phase I | Phase II or Phase II/III | Phase III | Expected time to reach the next regulatory milestone | Anticipated completion of regulatory review | Commercial rights | Competitive marketed drugs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Autoimmune Disease | IL-17A | Plaque psoriasis, psoriatic arthritis and ankylosing spondylitis | CMAB015 (INN name: Secukinumab) | Biosimilar | | | | | Phase III (Quarter 4, 2023) | Quarter 4, 2025 | Global | Cosentyx® |
| Allergy, Inflammatory Disease | IL-5 | Asthma and eosinophilic granulomatous polyangitis | CMAB018 (INN name: Mepolizumab) | Biosimilar | | | | | Pending submission of clinical trial application (Quarter 4, 2024) | Quarter 4, 2027 | Global | Nucala® |
| Inflammatory Diseases | IL-12 & IL-23 | Moderate to severe plaque psoriasis, active psoriatic arthritis, active ankylosing spondylitis, active non-radiographic axial spondyloarthritis | CMAB022 (INN name: Ustekinumab) | Biosimilar | | | | | Pending submission of clinical trial application (Quarter 4, 2024) | Quarter 3, 2027 | Global | Stelara® |
| Allergic diseases such as asthma | TSLP | Severe asthma in adults and children aged above 12 | CMAB023 (INN name: Tezepelumab) | Biosimilar | | | | | Pending submission of clinical trial application (Quarter 2, 2025) | Quarter 2, 2028 | Global | TEZSPIRE® |

*Notes:*

1. The research and development of CMAB810 (pertuzumab) and CMAB816 (canakinumab) was suspended in October 2022.

2. We commenced the research and development of CMAB023 (Tezepelumab), a new drug candidate, in August 2022.

**Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: We may not be able to ultimately develop and market our drug candidates (including Core Products) successfully.**

## Core Product Candidates

### *CMAB008 (infliximab)*

*類停®-CMAB008 (infliximab)*

CMAB008 (infliximab), trade name: 類停®, is a recombinant anti-tumor necrosis factor alpha ("**TNFα**") chimeric monoclonal antibody that was approved by the NMPA (Guo Yao Zhun Zi S20210025) on July 12, 2021 for the treatment of:

(i) ulcerative colitis in adults;

(ii) ankylosing spondylitis;

(iii) rheumatoid arthritis;

(iv) Crohn's disease in adults and pediatric patients aged above 6 years old;

(v) fistula Crohn's disease; and

(vi) psoriasis.

CMAB008 類停® is the first China-made infliximab approved for marketing, which is a monoclonal antibody biosimilar independently developed by the Company and one of the Core Products of the Company. CMAB008 類停® uses the CHO expression system, and is a monoclonal antibody targeting TNF$\alpha$ that specifically merges with TNF$\alpha$ and blocks the inflammatory cascade response caused by TNF$\alpha$. The researches we have completed have shown that, compared to other anti-TNF$\alpha$ drugs on the market, CMAB008 類停® (infliximab for injection) has a stronger affinity for TNF$\alpha$ and a stronger glycosylation character, with rapid onset of effect, long-lasting efficacy, long dosing intervals and no hypersensitivity reactions. The results of our completed researches including, clinical trials, non-clinical comparative studies and pharmacological comparisons of CMAB008 類停® have also shown that CMAB008 類停® is identical to the original infliximab in terms of efficacy, safety, pharmacological profile and quality.

CMAB008 類停® is the first infliximab launched in the domestic market following "Remicade", the original drug imported and sold by Xi'an Janssen. CMAB008 類停® is approved for the treatment of six indications which have huge long-term unmet market demand with more than 10 million patients in the PRC which is still growing. During the past two years, following the inclusion in the medical insurance system and shift in habit towards adopting biological agents, the overall market share of infliximab witnessed a rapid increase, especially in the field of inflammatory bowel disease ("**IBD**") diseases, for which infliximab has become the key biological agent for treatment due to its rapid onset of effect and obvious curative effect.

Infliximab has been included in the PRC's national Medical Insurance drug catalogue, and in accordance with relevant regulations on Medical Insurance of the PRC, our CMAB008類停® is applicable to the Medical Insurance coverage of infliximab, thus providing a new and more economical and affordable option for patients. As of the end of 2022, CMAB008類停® has been marketed on the procurement platform across all the provinces within China, and extended presence to over 500 hospitals (of all levels), primary medical institutions and pharmacies. Meanwhile, in addition to general indications, infliximab has been included in the tenth diagnosis and treatment plan of COVID-19 as a remedy, as well as the Expert Consensus on Diagnosis, Treatment and Prevention of COVID-19 among Children (Fifth Edition) for the treatment of MIS-C, suggesting further improvement in its role as a guideline. In 2022, we launched over 100 special academic forums on CMAB008 類停®, involving more than 1,000 pharmaceutical experts. Besides, we conducted the relief donation of CMAB008 類停® to give back to the society and benefit the low-income patients. With the progress in both academic fields and contributions to society, CMAB008 類停® has secured remarkable market recognition, which set the solid foundation for its continued rapid growth in sales volume. During the Reporting Period, Taizhou Pharmaceutical entered into an exclusive promotion service agreement with Kexing Biopharm, pursuant to which Taizhou Pharmaceutical granted an exclusive licence to promote CMAB008類停® in mainland China (excluding Hong Kong, Macau and Taiwan regions) to Kexing Biopharm. Taizhou Pharmaceutical receives partnership milestone payments and commercial milestone payments for this exclusive promotion licence, and is expected to generate substantial revenue from ongoing sales in the future. For the details of the above transaction, please refer to the announcement of the Company dated March 31, 2022.

With high quality innovative drugs as the foundation, the Company will provide innovative antibody drugs to patients in the PRC by offering more economical and affordable drug supply solutions and fully participating in China's national healthcare system reform initiatives. The Company has also initiated cooperation with partners who have accumulated abundant overseas market resources over a long period of time to rapidly expand to overseas markets. At present, the Company has launched registration and market exploration in more than 30 countries and/or regions. During the Reporting Period, we passed the on-site audit by overseas partners, and expect to pass the first GMP audit of PIC/s nations soon and obtain marketing approval.

### *CMAB007 (omalizumab)*

CMAB007 (omalizumab), a recombinant humanized anti-immunoglobulin E ("**IgE**") monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite medium/high dose of inhaled corticosteroids ("**ICS**") plus long-acting beta-agonists ("**LABA**"). We believe that, once approved by the NMPA for marketing, it will be the first mAb asthma therapy developed by a domestic company marketed in the domestic market of China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of four clinical trials of a total of 824 subjects who have been administered CMAB007, which were the largest clinical trials of Monoclonal antibody treating asthma in China. Based on our clinical trial results, CMAB007 can improve asthma patients' conditions with lower-dose ICS and reduce the incidence of acute asthma attacks.

The NDA for CMAB007 has been submitted to the NMPA in October 2021, and it has successfully passed site inspection by the NMPA. It is expected to be approved for commercialization in the second quarter of 2023. We expect that upon commercialization, CMAB007 will be the first home-made omalizumab launched in the domestic market. The Company has been expediting cooperation with China's leading drug sellers for the sale of CMAB007, aiming to rapidly increase the sales of CMAB007. Given that similar drugs have been approved overseas for urticaria and allergic rhinitis indications and are developing to address food allergy indications, we will expedite the clinical and registration work of CMAB007 for these indications to capture the huge allergic disease market demand in China and bring more economical and efficient therapeutic alternatives to more than 5 million patients with allergic diseases in China.

### *CMAB009*

CMAB009, a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate based on cetuximab for first-line treatment of mCRC in combination with FOLFIRI. CMAB009 is the first anti-EGFR monoclonal antibody drug developed in China that applied with the NMPA for NDA for treatment of colorectal cancer. CMAB009 uses the CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in marketed cetuximab products. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials. Based on our clinical trial results compared to published clinical trial results for currently marketed cetuximab products, CMAB009 is equally effective as the cetuximab drug currently available for treatment of mCRC, and significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity.

During the Reporting Period, CMAB009 has completed pre-NDA study, filed NDA to NMPA in March 2023, and it is expected to be approved for marketing in the second quarter of 2024. The marketing of CMAB009 is expected to provide affordable biological sovereign remedy with better efficacy for more than 1 million Chinese patients with tumors. Meanwhile, CMAB009 is also expected to expand its indications to head and neck squamous cell carcinoma. It also offers great potential in treating other cancers when used together with various small molecular drugs.

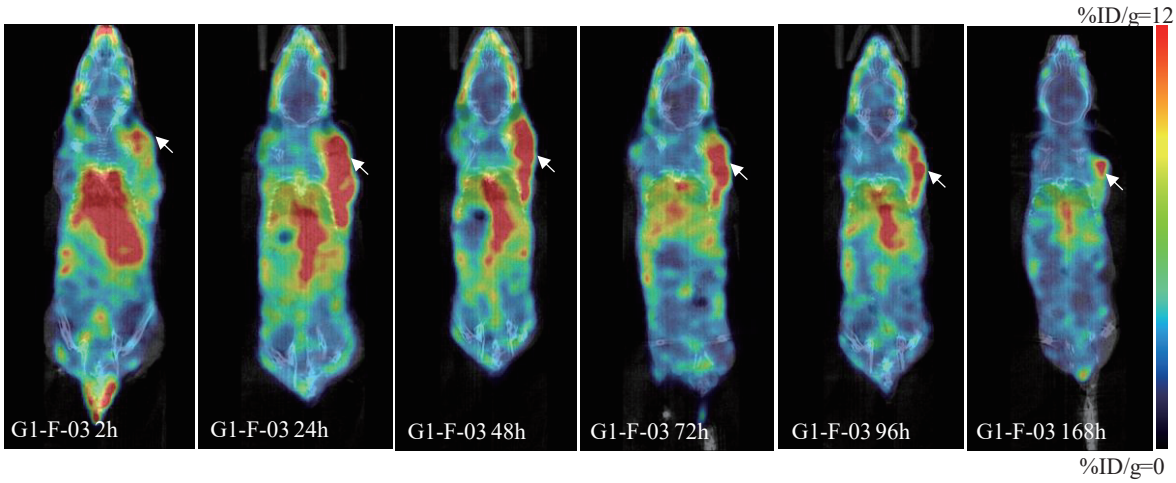
### Other Product Candidates

**CMAB807 (denosumab)** is a human immunoglobulin G2 ("**IgG2**") monoclonal antibody with affinity and specificity for human receptor activator of nuclear factor kappa-B ligand ("**RANKL**"), which is a transmembrane or soluble protein essential for the formation, function, and survival of osteoclasts, the cells responsible for bone resorption. CMAB807 prevents RANKL from activating its receptor, RANK, on the surface of osteoclasts and their precursors. Prevention of the RANKL/RANK interaction inhibits osteoclast formation, function, and survival, thereby decreasing bone resorption and increasing bone mass and strength in both cortical and trabecular bones. CMAB807 is currently under phase III clinical trials for osteoporosis, and has completed case study. We expect that CMAB807 will be approved by NMPA for marketing in the fourth quarter of 2024 for the indication of osteoporosis.

We have also developed a dosage form of CMAB807, i.e. CMAB807X (denosumab), for the treatment of tumor bone metastasis and conducted pre-clinical study, and obtained the Clinical Trial Approval Notice. We expect that phase III clinical trials for tumor bone metastasis will be launched in the fourth quarter of 2023. It is currently expected that CMAB807X will be approved by NMPA for marketing in the fourth quarter of 2027 for the treatment for indication of tumor bone metastasis.

**CMAB819 (nivolumab)** is our biosimilar drug candidate currently undergoing phase I clinical trial. CMAB819 was approved by the NMPA for clinical trial. We have commenced the phase I clinical trial. We expect that CMAB819 may be approved by the NMPA for marketing in the fourth quarter of 2027. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer, hepatocellular carcinoma and head and neck squamous cell carcinomas (HNSCC).

**CMAB017 (anti-EGFR probody)** is an innovative probody drug, and has been approved by the NMPA for clinical trials for the treatment of advanced solid tumors, including but not limited to colorectal cancer, head and neck squamous cell carcinomas and esophageal squamous cell carcinomas. Results of the completed experimental study on tissue distribution of tumor-bearing mice show that CMAB017 concentrates locally in tumor 24-72 hours after administration. We expect to commence phase III clinical trial in the fourth quarter of 2024. We expect that CMAB017 may be approved by the NMPA for marketing in the fourth quarter of 2028. Regarding CMAB017, the design of blocking peptide is expected to significantly reduce adverse skin reactions, gastrointestinal mucosa, etc. The selection of human immunoglobulin G1 ("**IgG1**") constant region can enhance the effect mediated by Fc fragment of antibody and thus improve the curative effect. CMAB017 is a biological class I new drug with better efficacy and safety than similar products available on the market, and it is expected that more new strong antibody drugs will be developed by leveraging the research and development platform of CMAB017. CMAB017 is indicated for the treatment of advanced solid tumors, including but not limited to colorectal cancer, head and neck squamous cell carcinomas and esophageal squamous cell carcinoma.




**CMAB015 (secukinumab)** is a biosimilar candidate for secukinumab, and has been approved by the NMPA for clinical trials of the treatment of psoriasis and ankylosing spondylitis. We have launched phase I clinical trials for CMAB015. We expect that CMAB015 may be approved by the NMPA for marketing in the fourth quarter of 2025. CMAB015 targets interleukin 17A ("**IL-17A**") for treating plaque psoriasis, psoriatic arthritis and ankylosing spondylitis. Secukinumab is the most effective curer for psoriasis at present, which offers significant efficacy and guarantees much more stable condition after drug withdrawal compared with peers.

**CMAB022** is a candidate biosimilar product of stelara® (ustekinumab). Ustekinumab is a monoclonal antibody targeting interleukin-12 ("**IL-12**") and interleukin-23 ("**IL-23**"). It inhibits these two proinflammatory cytokines by binding to the P40 subunit shared by IL-12 and IL-23 and preventing them from binding to the cell surface IL-12 receptor $\beta 1$. IL-12 and IL-23 are two natural proteins, which play a key role in immune-mediated inflammatory diseases, including plaque psoriasis, psoriatic arthritis and Crohn's disease, indications include: moderate to severe plaque psoriasis in adult patients who are candidates for systemic therapy or phototherapy; adults with active psoriatic arthritis (PsA); adults with active ankylosing spondylitis (AS); adults with active non-radiographic axial spondyloarthritis (nr-axSpA) with objective signs of inflammation. The pilot processes are currently in development. We expect to apply for clinical trials in the fourth quarter of 2024 and CMAB022 may be approved by the NMPA for marketing in the third quarter of 2027.

**CMAB018** is a biosimilar candidate for mepolizumab, which is under preclinical study. At present, the screening of high expression engineering cells and the establishment of engineering cell bank have been completed, the research on production process is in progress and it is expected that we will apply for clinical trial in the fourth quarter of 2024. We expect that CMAB018 may be approved by the NMPA for marketing in the fourth quarter of 2027. CMAB018 targets interleukin 5 ("**IL-5**") in treating severe asthma and eosinophilic granulomatous polyangiitis.

**CMAB023** is an anti-TSLP IgG2-lambda monoclonal antibody, and a biosimilar drug candidate for TEZSPIRE (Tezepelumab). TSLP is a key epithelial cytokine in response to pro-inflammatory stimuli (such as lung allergens, viruses and other pathogens), which can be found at the top of multiple inflammatory cascades and will trigger excessive and sustained immune response to airway inflammation relating to severe asthma such as eosinophilia. Therefore, the early upstream activity of TSLP in the inflammatory cascade has been identified as a potential target in a wide range of asthma patients. Blocking TSLP can prevent immune cells from releasing pro-inflammatory cytokines, thus preventing asthma from deterioration and enhancing control over asthma. We have successfully developed CMAB023, which has completed cell line construction and is under process development. It is expected that CMAB023 will apply for clinical trials in the second quarter of 2025, and obtain marketing approval from the NMPA in the second quarter of 2028. As a broad-spectrum anti-allergic antibody drug, it covers broader scope of allergic patients, offers a better curative effect, and contributes significantly to mitigating the deterioration of asthma among patients with severe asthma.

Currently, we focus more on autoimmune diseases. In light of the competitive products in the market and the subsequent research and development of more desirable drugs, we have suspended the R&D of CMAB810 (pertuzumab) and CMAB816 (canakinumab).

### Research and development of new drug candidates

We have launched a series of follow-up R&D on new antibody drugs for the treatment of autoimmune diseases and/or tumor diseases. We expect to successfully complete the screening of several new antibody drugs, cell banking and even start pre-clinical animal experiments, thus further expand our product line and provide sufficient drug candidate pipeline expansion for our long-term development.

### Research and development system

We have developed efficient R&D capabilities, broad and advanced preparation technologies, and low-cost drug production capabilities that will allow us to offer high quality and affordable innovative biopharmaceutical products to patients in China and other markets. Within our product pipeline, CMAB008 has been marketed and commercialized, CMAB007 is due to be approved soon for marketing while the NDA application for CMAB009 has been submitted, and CMAB807 is at the finalization stage of phase III clinical trials. We also own a number of patents for our core technologies, including antibody engineering and humanization technologies, efficient expression vector construction technologies, efficient clone screening technologies, as well as a proprietary R&D animal model. Our R&D activities are carried out by three core teams: basic R&D, clinical trials, and product preparation in compliance with GMP. The operations, design, and construction needs of these three core teams are supported by an assisting engineering team. Our R&D teams consist of professionals who have extensive industry experience in biologics R&D and have gained valuable work experience at global pharmaceutical companies. Employees in our R&D teams possess strong academic backgrounds from leading institutions in immunology, molecular biology, oncology or monoclonal antibody development.

## DRUG CANDIDATES COMMERCIALIZATION AND PRODUCTION FACILITIES CONSTRUCTION

### Existing production facilities

Our production site in Taizhou has two buildings of 30,000 square meters in total and houses our mAb production facilities. The two buildings are equipped with production facilities currently in operation, including (i) four 3×1,500L antibody bioreactor systems and related purification lines, (ii) an injection vial filling line capable of manufacturing four million units per annum and (iii) a pre-filled syringes production line capable of manufacturing one million units per annum. Our production facilities have successfully passed the GMP compliance inspection for CMAB008 by the Jiangsu Medical Products Administration and have commenced commercial production.

### Construction of new production facilities

We constructed new production facilities on a parcel of industrial land of approximately 100,746 square meters in the Taizhou Hi-tech Zone. Our expansion plan includes the construction of (i) large-scale monoclonal antibody drug substance production lines with scale of each cell reactor reaching 7,500L and 18,000L, respectively, and (ii) two drug product filling lines which have already completed the construction of the plant. In particular, the Company's large-scale GMP production line in construction has been under installation and commissioning, which is expected to start operating in 2023 and will bring the aggregate scale of our cell reactor to over 40,000 liters.

### Marketing and distribution

Further, during the rapid growth of the pharmaceutical market in China, the central procurement under the medical insurance that may be extended to cover biological drugs in the future and the increased effort in national negotiations on medical insurance will restructure the pharmaceutical market in China to a large extent. We will actively participate in the national medical reform with our advantages in advanced technology, quality and cost, as well as the strong sales teams of our partners who possess profound experience in fields of specific diseases, and capture the opportunities presented during the policy reform so as to capture the huge unmet market demand in China. At the same time, we have also initiated our global market expansion, launched drug registration in over 30 countries, and will soon obtain the first PIC/s certification for our products, thereby laying the solid foundation for the commercialization of our drug products in the global market.

We have been striving to choose the optimal business model to promote the commercialization of our products based on changes in China's overall pharmaceutical market and its segments, and adopt corresponding sales and marketing strategies, including cooperation with sales partners and to establish an in-house sales team in potential niche markets. Joining forces with our sales partners, we will focus on precision marketing through academic promotion and center around increasing knowledge and awareness of the clinical benefits of our pharmaceuticals among medical professionals. We intend to focus on hospitals with potential clinical demand for our products as our primary customer base. We intend to continue to communicate frequently with major hospitals in China to understand these hospitals and their doctors' academic views on antibody drugs and patient demands, and meet industry experts regularly to understand industry trends. We will continue to launch and participate in academic conferences, seminars and symposia, which include large-scale national and provincial conferences organized by the Chinese Medical Association or its local chapters, as well as smaller events tailored to specific cities and hospital departments to promote our brand awareness. We have implemented certain procedures to ensure that the academic promotion and general marketing efforts made by us and our business partners are in compliance with applicable laws and regulations.

We sell our products to (i) distributors that sell our products to hospitals and (ii) direct-to-patient pharmacies and others. We have established our network of distributors for CMAB008 in accordance with the national drug sales regulations. Our distribution model is consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables. We intend to select sales providers and distributors according to their qualification, reputation, market coverage and sale experience. Sales service providers are expected to have long-term experience in prescription drug sales and a proven track record, while a distributor must maintain its business license and other requisite licenses and permits. A distributor must also maintain extensive hospital coverage in the designated region. A distributor must be capable of delivering our products to covered hospitals in a safe and timely manner. We plan to actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network.

### Quality assurance

We believe that an effective quality management system for our raw materials, equipment and finished products is critical to ensure the quality of our services and maintain our reputation and success. To ensure that our products and services consistently meet high industry standards and requirements, we have also established a company-level quality assurance department to inspect the quality of our products and services. It is also responsible for the approval, organization and coordination of quality control and quality assurance procedures within each subsidiary. Facilities and equipment are subject to inspection measures such as united registrar systems, factory acceptance testing, site acceptance testing, installation qualification, operator qualification, performance qualification, and regular maintenance throughout their entire life cycles. Our manufacturing business lines are inspected in accordance with the PRC national laboratory quality control standard and the GMP management requirements; our research and development business lines are also inspected in accordance with the GMP management requirements.

## FUTURE AND OUTLOOK

We leverage our efficient sales system with a focus on niche markets to capture the opportunities presented in the pharmaceutical reform in China.

Under the implementation of the new medical insurance policy in recent years, the pharmaceutical market in China is undergoing significant market restructuring. Companies with more competitive advantages in quality and pricing have benefited greatly from the negotiations on medical insurance price between the National Healthcare Security Administration and regional healthcare security administrative bodies at all levels and negotiations in relation to central procurement for drugs covered under the medical insurance. As a result, the overall market penetration has increased significantly during the reformation. This trend will drive the development of the pharmaceutical market in China for a long time into the future. Riding on the trend of the overall pharmaceutical policy reform, we will join forces with our partners to build a sales team in China with high efficiency and academic promotion as its core strategy, focusing on niche markets, such as gastroenterology, respiratory, rheumatology and oncology, with an aim to promote our products and cultivate the practice of antibody drugs application. We will actively monitor, and participate in, the negotiations of medical insurance, especially focusing on capturing the huge potentials brought by the negotiations of central procurement for biological products under the medical insurance. Relying on the significant advantages of our drugs in terms of quality and cost, we will capture opportunities presented in the significant increase in market penetration caused by the policy reform, effectively satisfying the unmet market demand in China in respect of biological agents with high quality products and ultimately benefiting patients.

The antibody drugs development in overseas markets has shown a rapid increase resulting in a huge unmet global market demand for antibody drugs, especially for those with PIC/s as the core. In light of the policy reform in China, the economies of scale of antibody drugs will greatly enhance the global competitiveness of Chinese antibody drugs. In view of this, we are collaborating closely with our overseas market expansion partners to initiate new drug registration and launching new drugs in different countries and regions in a comprehensive and flexible manner with multiple products, with an aim to promote our products' global presence and accelerate their growth in the global market.

### Continue to advance the clinical research and commercialization of our drug candidates

Over the short-term, we intend to focus on market exploration and sales of CMAB008 and CMAB007, and completing clinical trials and the eventual commercialization of our current pipeline of other drug candidates, including, in particular, CMAB009, CMAB807, CMAB015 and CMAB022. To bring our products to market, we aim to reinforce our R&D teams, particularly the clinical medicine team, through the provision of regular professional training and pushing ahead with the clinical trials for product candidates. We are working with partners to build a sales team composed of professionals with extensive academic promotion experience and strong competence. Our goal is to generate stable revenue stream and profitability through cooperation with leading enterprises in China and cultivating our in-house sales team to enhance our commercialization capacity.

### Continue to maintain investments in advanced technologies and product development

We believe R&D is the key element to support our future growth and our ability to maintain our competitiveness in a global biopharmaceutical market. We plan to upgrade the development of our integrated technological platforms from molecular design to commercialized production, and focus on the R&D of biologics with huge clinical demand and the potential for sustained and rapid growth in China. In order to capture new opportunities in the biopharmaceutical market, we plan to continue increasing our investment in innovative technologies for the development of drugs with improved curative effects and less toxic side effects in order to maintain our industry leading position. We also expect to invest in talent to expand and enhance our R&D team.

### Continue to attract and nurture high quality talent to support our rapid growth

Recruiting and retaining high quality scientific and technological talent as well as other leaders in R&D technology will be key to our success. We plan to leverage our close cooperation with elite universities in China and internationally to recruit and develop outstanding R&D personnel. We also plan to provide systematic and sophisticated training and development programs to our research teams in order to enhance and optimize their scientific and technical abilities to benefit our Company. Part of this strategy involves the creation of an incentive scheme to retain and motivate high-performing team members.

### Establish global brand awareness and foster deeper and more extensive cooperative relationship with domestic and overseas renowned pharmaceutical companies

To build our brand internationally and to support our sustainable growth, we plan to in-license products from global pharmaceutical companies for sales in China and/or to transfer or out-license overseas product rights of certain of our drug candidates to other pharmaceutical companies. We have established collaborative partnerships with domestic and foreign pharmaceutical companies with overseas channel resources, and constantly seek more opportunities to cooperate with potential partners with sales resources, in order to enter and expand our market share in markets outside of China and to further broaden the geographic coverage of our business. As part of this strategy, we may take advantage of strategic opportunities for cooperation and mergers and acquisitions internationally to expand our pipeline of products for R&D development and sales in overseas markets.

## FINANCIAL INFORMATION

The financial information set out below in this annual report represents an extract from the audited consolidated financial information for the year ended December 31, 2022 with comparative figures for the corresponding period in the previous year, which has been reviewed by the Audit Committee.

## FINANCIAL REVIEW

The following table summarizes our results of operations for the year ended December 31, 2022 and 2021:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | 2021 | Change | Change |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *(%)* |
| Revenue | **55,918** | 82,882 | (26,964) | (32.5) |
| Cost of sales | **(15,375)** | (16,777) | 1,402 | (8.4) |
| Gross profit | **40,543** | 66,105 | (25,562) | (38.7) |
| Other income | **27,302** | 14,818 | 12,484 | 84.2 |
| Other gains and losses | **(4,682)** | (6,637) | 1,955 | (29.5) |
| Selling and distribution expenses | **(28,213)** | (9,423) | (18,790) | 199.4 |
| Research and development expenses | **(147,906)** | (263,572) | 115,666 | (43.9) |
| Administrative expenses | **(90,557)** | (90,632) | 75 | (0.1) |
| Impairment losses on financial assets | **(118)** | – | (118) | – |
| Finance costs | **(7,188)** | (2,403) | (4,785) | 199.1 |
| Loss before tax | **(210,819)** | (291,744) | 80,925 | (27.7) |
| Income tax expense | **–** | – | – | – |
| Loss and total comprehensive expense for the year | **(210,819)** | (291,744) | 80,925 | (27.7) |
| Attributable to: | | | | |
| Owners of the Company | **(210,819)** | (291,744) | 80,925 | (27.7) |
| | ***RMB*** | *RMB* | | |
| Loss per share attributable to ordinary equity holders of the Company | | | | |
| – Basic and diluted | **(0.05)** | (0.07) | 0.02 | (28.6) |

## REVENUE

Revenue of the Group decreased from RMB82.9 million for the year ended December 31, 2021 to RMB55.9 million for the year ended December 31, 2022, primarily because total revenue did not exceed the amount generated from the intellectual property transfer agreement on CMAB806 recognised in the previous year despite an increase in revenue from other sources during the Reporting Period as compared with the previous year.

Set out below are the components of revenue for the periods indicated:

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Revenue from the sale of pharmaceutical products | **21,544** | 1,636 |
| Revenue from exclusive rights for commercialisation in Mainland China | **10,613** | – |
| Revenue from CDMO contracts | **23,761** | – |
| Revenue from the intellectual property transfer agreement on CMAB806 | **–** | 81,246 |
| | **55,918** | 82,882 |

## COST OF SALES

Cost of sales of the Group decreased from RMB16.8 million for the year ended December 31, 2021 to RMB15.4 million for the year ended December 31, 2022, primarily due to a corresponding decrease in revenue.

## OTHER INCOME

Other income of the Group increased from RMB14.8 million for the year ended December 31, 2021 to RMB27.3 million for the year ended December 31, 2022, which was primarily due to a significant increase in government grants and subsidies related to income during the Reporting Period. Set out below are the components of other income for the periods indicated:

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **382** | 1,954 |
| Government grants and subsidies related to income | **26,920** | 12,864 |
| | **27,302** | 14,818 |

## OTHER GAINS AND LOSSES

Other losses of the Group decreased by 29.5% from RMB6.6 million losses for the year ended December 31, 2021 to RMB4.7 million losses for the year ended December 31, 2022, which was primarily due to a decrease in foreign exchange losses during the Reporting Period as compared with the previous year. Set out below are the components of other gains and losses for the periods indicated:

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Net foreign exchange losses | **(4,000)** | (6,591) |
| Gains/(losses) on disposal of property, plant and equipment | **33** | (73) |
| Gain on termination of a lease contract | **240** | – |
| Fair value gains on financial assets at fair value through profit or loss | **44** | – |
| Others | **(999)** | 27 |
| | **(4,682)** | (6,637) |

## RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of pipelines of the Group decreased by 43.9% from RMB263.6 million for the year ended December 31, 2021 to RMB147.9 million for the year ended December 31, 2022, mainly due to the fact that no intellectual property license-in expense was incurred during the Reporting Period as compared with the previous year.

The Group's research and development expenses mainly include contracting costs, raw materials and consumables, staff costs, depreciation, intellectual property license-in expenses and others. Set out below are the components of research and development expenses for the periods indicated:

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Contracting costs | **57,872** | 98,348 |
| Raw materials and consumables | **18,966** | 26,131 |
| Staff costs | **43,054** | 47,765 |
| Depreciation | **17,602** | 13,676 |
| Intellectual property license-in expenses | **–** | 66,038 |
| Others | **10,412** | 11,614 |
| Total | **147,906** | 263,572 |

## ADMINISTRATIVE EXPENSES

Administrative expenses of the Group remain relatively stable for the years ended December 31, 2021 and 2022.

Administrative expenses of the Group primarily comprise staff salary and benefit costs of our non-R&D personnel, utilities, depreciation and agency and consulting fees.

Set out below are the components of administrative expenses for the periods indicated:

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Staff costs | **42,552** | 41,562 |
| Depreciation | **26,036** | 27,779 |
| Others | **21,969** | 21,291 |
| Total | **90,557** | 90,632 |

## FINANCE COSTS

Finance costs of the Group increased by 199.1% from RMB2.4 million for the year ended December 31, 2021 to RMB7.2 million for the year ended December 31, 2022, which was primarily due to an increase in interest expense arising from loans from a related party amounted to RMB45.0 million, a loan from a commercial bank amounted to RMB29.65 million and a loan from a third-party amounted to US$7.5 million during the Reporting Period.

The Group's finance costs mainly include interests on related-party borrowings, bank and other borrowings and lease liabilities.

## LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances decreased by 58.8% from RMB81.6 million as at December 31, 2021 to RMB33.6 million as at December 31, 2022 due to the utilization of funds for the purposes of production, research and development as well as operation as scheduled.

Current pledged bank deposits decreased by 100.0% from approximately RMB34.7 million as at December 31, 2021 to nil as at December 31, 2022, which was attributable to the release of the deposit pledged with the bank for bank credit letter issued for procurement of facilities at Taizhou production site.

Financial assets at fair value through profit or loss increased from nil as at December 31, 2021 to RMB15.0 million as at December 31, 2022 due to the purchase of certain financial products to maximize return on capital.

As of December 31, 2022, we had unutilized bank loan facilities of RMB50.0 million.

Set out below is an analysis of the liquidity and capital resources as at the dates indicated:

| | As at December 31, | | |
|---|---|---|---|
| | **2022** | 2021 | Change |
| | ***RMB'000*** | *RMB'000* | *(%)* |
| **Current Assets** | | | |
| Trade receivables | **9,532** | 793 | 1102.0 |
| Prepayments and other receivables | **41,733** | 58,846 | (29.1) |
| Amounts due from a related party | **446** | 9,452 | (95.3) |
| Inventories | **100,797** | 53,211 | 89.4 |
| Contract costs | **–** | 9,164 | (100.0) |
| Financial assets at fair value through profit or loss | **15,044** | – | – |
| Pledged bank deposits | **–** | 34,748 | (100.0) |
| Cash and bank balances | **33,568** | 81,556 | (58.8) |
| Total | **201,120** | 247,770 | (18.8) |

## INDEBTEDNESS

As at December 31, 2022, we did not have non-trade amounts due to a related party, while had lease liabilities of RMB41.6 million, interest-bearing bank and other borrowings of RMB84.7 million and loans from a related party of RMB45.0 million. As at the same date, none of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness.

Set out below is a breakdown of our outstanding non-trade amounts due to a related party, lease liabilities, interest-bearing bank and other borrowings and loans from a related party at the dates indicated:

| | As at December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Unsecured and unguaranteed amounts due to Biomabs | **–** | 739 |
| Lease liabilities | **41,629** | 45,690 |
| Interest-bearing bank and other borrowings | **84,708** | – |
| Loans from Biomabs | **45,000** | – |

As at December 31, 2022, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements (excluding our contingent rental agreements) in an aggregate amount of RMB41.6 million.

## CONTINGENT LIABILITIES, CHARGE OF ASSETS AND GUARANTEES

As at December 31, 2022, the 100,746-square-meter land located at No. 288 Xiangtai Road of the Taizhou Hi-tech Zone with a carrying amount of RMB35.1 million and several production and office buildings with a total floor area of 50,835 square meters located in the same address above and with a carrying amount of RMB108.1 million were pledged to Bank of Communications Co., Ltd. Taizhou Branch as security for the bank loans of the Group amounting to RMB29.7 million as at December 31, 2022.

Save as disclosed, we did not have any other outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are guaranteed, unguaranteed, secured or unsecured, any guarantees or other material contingent liabilities.

## CAPITAL STRUCTURE

There were no changes in the capital structure of the Group during the Reporting Period. The share capital of the Group only comprises ordinary shares. As at December 31, 2022, the total issued share capital of the Company was US$412,408 divided into 4,124,080,000 shares.

The capital structure of the Group was 56.3% debt and 43.7% equity as at December 31, 2022, compared with 33.1% debt and 66.9% equity as at December 31, 2021.

## FOREIGN EXCHANGE

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollars and the U.S. dollars. The conversion of foreign currencies, including the Hong Kong dollars and the U.S. dollars, into RMB has been based on rates set by the People's Bank of China. The Group primarily limits our exposure to foreign currency risk by closely monitoring the foreign exchange market. During the Reporting Period, the Group did not enter into any currency hedging transactions.

## GEARING RATIO

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2022, the gearing ratio of the Group was 56.3% (as at December 31, 2021: 33.1%).

The following table sets forth our other key financial ratios as of the dates indicated.

| | At December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Current ratio[(1)] | 1.1 | 1.1 |
| Quick ratio[(2)] | 0.5 | 0.8 |

*Notes:*

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

As at December 31, 2021 and December 31, 2022, our current ratio was 1.1, and our quick ratio decreased from 0.8 as at December 31, 2021 to 0.5 as at December 31, 2022, primarily due to an increase in inventories in relation with the increase in sales volume of pharmaceutical products.

# Environmental, Social and Governance Report

## ABOUT THE REPORT

This is the fourth Environmental, Social and Governance ("**ESG**") Report (the "**Report**" or the "**ESG Report**") released by Mabpharm Limited ("**Mabpharm**", "**we/us**" or the "**Company**"), which is designated to give an objective and true view of the Company's strategies, policies, measures and achievements in terms of sustainable development, and focuses on the disclosure of the Company's information in environmental, social and governance aspects.

### Basis of Preparation

The Report has been prepared pursuant to the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") as set out in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

### Reporting Cycle

From January 1, 2022 to December 31, 2022 (the "**Reporting Period**", "**2022**" or the "**Year**").

### Reporting Scope

The reporting scope of the Report covers Mabpharm Limited (02181.HK) and its subsidiaries, which is in line with the annual report of the Company.

### Source of Information and Guarantee for Reliability

Save as otherwise indicated, data contained herein are derived from the internal information, investigation and interview records and relevant documents of the Company. The Board of the Company undertakes that the Report does not contain any false information or misleading statement, and is responsible for its truthfulness, accuracy and completeness.

### Confirmation and Approval

The Report has been approved by the Board on March 24, 2023 upon confirmation by the management.

### Availability

The Report is incorporated in the 2022 annual report of the Company. Out of concern for environmental protection, we recommend you to read the electronic version which is available at the website of the Stock Exchange (www.hkexnews.hk) and the official website of the Company (www.mabpharm.cn).

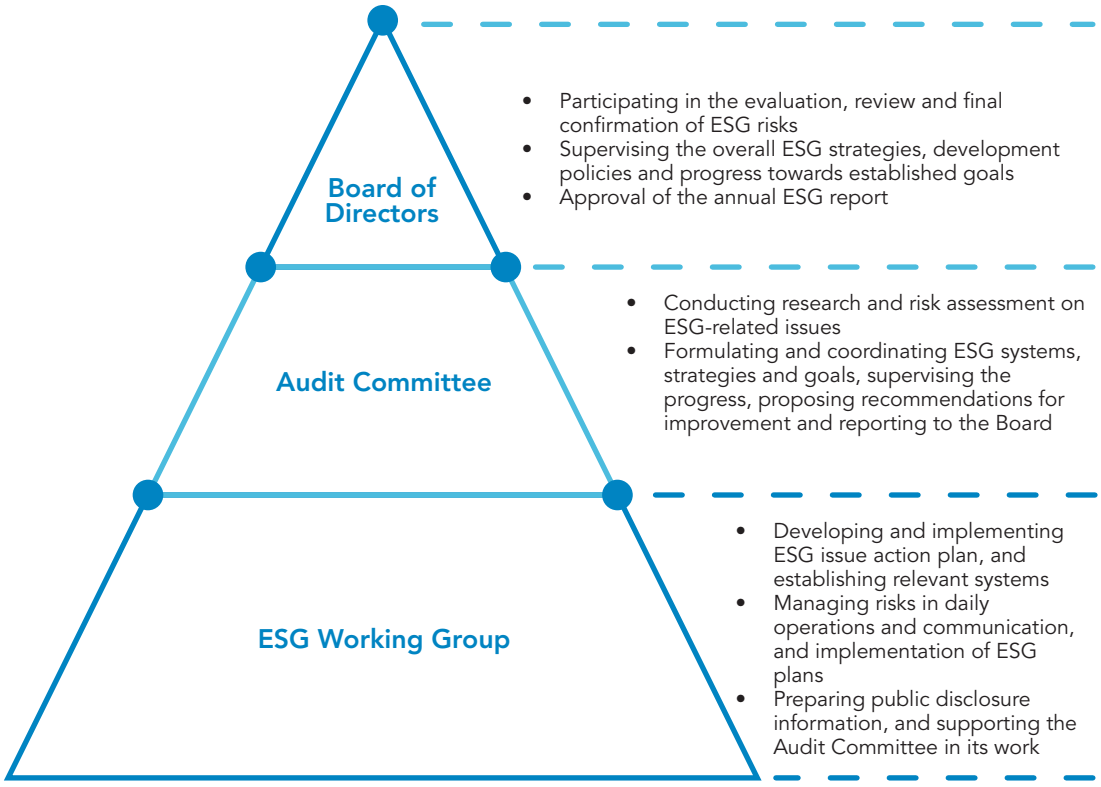
# 1. ESG GOVERNANCE

Committed to its corporate mission of "innovation, quality and excellence", Mabpharm enhanced penetration in the research and development of the biopharmaceutical field to create economic benefits, while also proactively fulfilling its social responsibilities. We remain dedicated to the steady sustainable development strategy, establish diversified communication channels based on a sound and rational ESG governance system, listen extensively to expectations of different stakeholders, and improve our ESG performance through environmental, social and governance three aspects, in a bid to drive our sustainability.

## 1.1 ESG Management

We integrate the concept of sustainable development into our daily business activities and make constant efforts to implement ESG management. In order to effectively proceed with ESG tasks, Mabpharm has established a three-level management structure in which the Board is responsible for overall planning, the Audit Committee performs daily management and the ESG working group provides support with clear division of responsibilities and balance among them. The ESG working group consists of key functional departments including the internal control and internal audit department, office, environmental health and safety department, human resources department, procurement department, legal department, finance department and logistics department.

Under the leadership of the Audit Committee, the ESG working group formulated and implemented the ESG-related issue action plans according to the ESG Working Group Management System (《ESG工作小組管理制度》). The ESG management structure of Mabpharm and the major functions at each level are set out below:



### *Board Statement*

The Board of Directors of Mabpharm acts as the highest responsible organization for the management and public disclosure of the Company's ESG issues, and is ultimately responsible for the Company's sustainable development strategies, ESG policies, ESG risks, establishment of relevant goals and ESG performance.

The Board of Directors participates in the determination of the materiality and priority of ESG issues each year, regularly reviews and manages ESG risks, and conducts materiality analysis of the identified risks based on their importance to stakeholders. Meanwhile, it raises suggestions and opinions on ESG issues that may affect the Company's long-term sustainable development. In addition, the Board of Directors regularly reviews the ESG-related policies, management, performance and progress towards goals, and discusses whether it is necessary to increase, decrease or modify key ESG issues to ensure the sustainability of the Company.

In order to better supervise ESG issues, the Audit Committee under the Board of Directors, as the supervisory body of ESG issues, is responsible for identifying and evaluating specific ESG risks and opportunities, supervising the implementation and performance of ESG tasks in routine business operations, and regularly reporting to the Board of Directors.

During the Reporting Period, the Audit Committee reviewed the progress towards the environmental goals in 2022, and reported the achievement and the effectiveness of relevant work and management to the Board of Directors. Based on the results achieved in 2022, the Board of Directors proposed the future development direction to provide guidance for the follow-up work of the Audit Committee and the ESG working group.

## 1.2 Stakeholder Identification and Communication

Mabpharm attaches importance to communication with stakeholders, and establishes a normalized communication mechanism to ensure extensive listening, communication and response to the needs of stakeholders, in a bid to facilitate the Company to make more effective management decisions and continuously improve the ESG management capacity. Based on our own business and operation characteristics, and with reference to industry experience and practice on the domestic and overseas markets, we identify major stakeholders who have decision-making power and influence on the Company, including shareholders, patients, government, employees, suppliers, community public and partners. We have established diversified communication channels to listen to the voices of stakeholders from all aspects, and guaranteed the fulfillment of the Company's responsibilities to all parties:

| Stakeholders | Major issues of concern | Communication and response method |
|---|---|---|
| Shareholders/investors | ESG management system<br>Risk management<br>Technology and innovation<br>Product quality and safety<br>Business ethics and anti-corruption | General meetings<br>Brokerage summit<br>Performance conference<br>Announcements<br>Site survey |
| Government/regulatory authorities | ESG management system<br>Industry cooperation<br>Product quality and safety<br>Business ethics and anti-corruption<br>Technology and innovation<br>Intellectual property rights<br>Environmental management and compliance<br>Energy consumption<br>Water resources management<br>Emission management<br>Packaging materials<br>Climate change response and adaptation | Industry standard establishment communication<br>Policy formulation communication<br>Government cooperation projects |

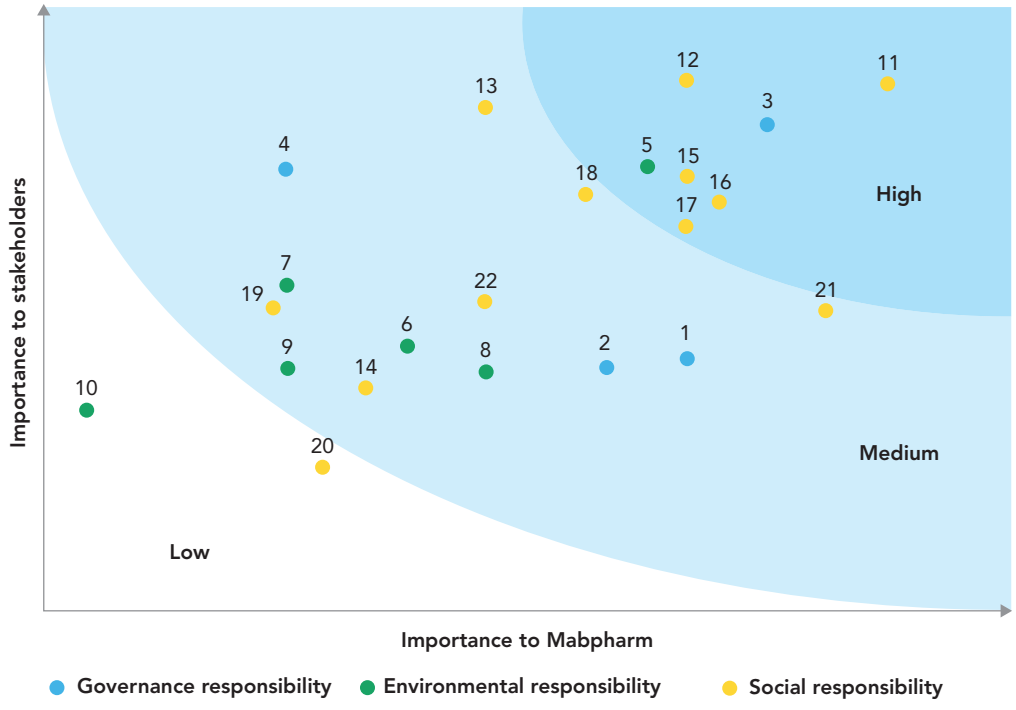
| | Stakeholders | Major issues of concern | Communication and response method |
|---|---|---|---|
|  | Cooperative partners | Industry cooperation | Industry exchange<br>Explore global cooperation<br>Industry forum |
|  | Clients | Drug availability<br>Responsible publicity<br>Business ethics and anti-corruption<br>Privacy protection | Customer service and customer complaint handling<br>Customer satisfaction questionnaire<br>Pharmacovigilance hotline |
|  | Employees | Employee health and safety<br>Employee rights and interests<br>Employee promotion and training | Employee interviews<br>Internal email<br>Employee care activities<br>Employee satisfaction survey |
|  | Suppliers | Supply chain management<br>Business ethics and anti-corruption | Supplier audit and communication<br>Supplier conference |

| | Stakeholders | Major issues of concern | Communication and response method |
|---|---|---|---|
|  | Media | Industry cooperation<br>Business ethics and anti-corruption<br>Product quality and safety<br>Technology and innovation<br>Intellectual property rights | Information disclosure of listed companies<br>Official site<br>Press release<br>Press conference/media communication meeting |
|  | Community public | Emission management<br>Energy consumption<br>Water resources management<br>Community contribution<br>Charitable undertakings | Site survey<br>Social welfare<br>Public welfare activities |

## 1.3 Analysis of Issues of Materiality

The expectations of stakeholders serve an important consideration for us to formulate ESG strategies and optimize ESG management. In order to take into full consideration the expectations of all stakeholders towards Mabpharm, we identified 22 issues that have a substantial impact on the Company and all stakeholders from multiple sustainable development issues in line with the ESG Guide of the Stock Exchange, ranked such issues according to their importance to the Company and stakeholders, and drew up a materiality matrix of Mabpharm in 2022.

### Mabpharm's Matrix of Material Issues



| No. | Issues of Materiality | No. | Issues of Materiality |
|---|---|---|---|
| | **Governance responsibilities** | | **Social responsibilities** |
| 1. | ESG management system | 11. | **Product quality and safety** |
| 2. | Risk management | 12. | **Technology and innovation** |
| 3. | **Business ethics and anti-corruption** | 13. | Intellectual property rights |
| 4. | Supply chain management | 14. | Responsible marketing |
| | | 15. | **Privacy protection** |
| | **Environmental responsibilities** | 16. | **Employee health and safety** |
| 5. | **Environmental management and compliance** | 17. | **Employee rights and interests** |
| 6. | Energy consumption | 18. | Employee promotion and training |
| 7. | Water resources management | 19. | Community contribution |
| 8. | Emissions management | 20. | Charitable undertakings |
| 9. | Packaging materials | 21. | Drug availability |
| 10. | Climate change response and adaptation | 22. | Industry cooperation |

## 2. REFINED GOVERNANCE

Mabpharm regards compliance management as the foundation and driving force of sustainable development, always upholds the most stringent business ethics, constantly improves the corporate operation mechanism and internal management system, and effectively manages potential risks, thus laying a solid foundation for the Company to achieve sustainable, steady and high-quality development.

### 2.1 Corporate Governance

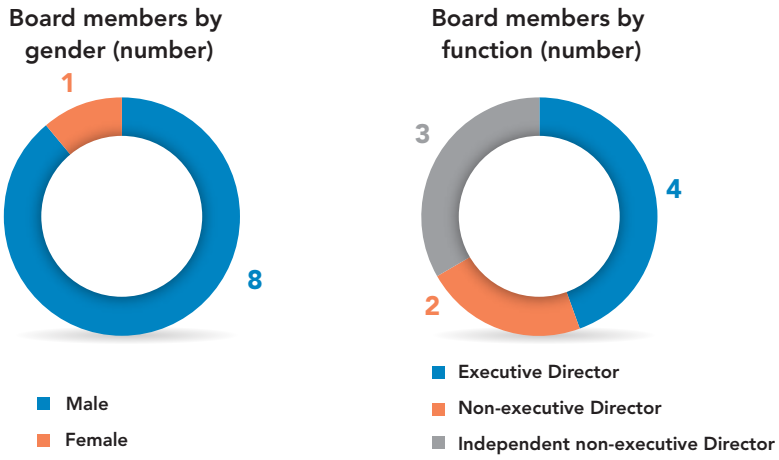
Since its listing in 2019, the Company has upheld the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Securities Law of the People's Republic of China (《中華人民共和國證券法》), as well as the Corporate Governance Guidelines for Listed Companies issued by the Stock Exchange and other applicable laws and regulations, forged a "outside-in and top-down" management policy and principle within the Company, and focused on the importance of optimizing internal governance, in an endeavor to promote the establishment and improvement of a sound operating atmosphere and effectively protect the practical interests of stakeholders.

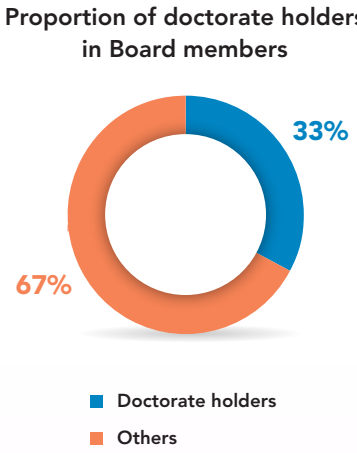
#### *2.1.1 Corporate Governance Structure*

Board members have been dedicated to prioritizing the interests of shareholders and strictly abide by relevant codes of conduct and laws and regulations. Each committee under the Board of Directors assumes independent responsibilities and proactively cooperates with each other, focusing on controlling the Company's operation and governance direction, and urging the implementation of the management model. The Company consists of three different Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

### *2.1.2 Board Diversity*

Mabpharm is committed to promoting the diversity and inclusiveness of the composition and professional capabilities of the Board. The Company has appointed the Nomination Committee to regularly evaluate the diversity of the Board in order to proactively promote the diversity of the Board. As of the end of the Reporting Period, the Board consisted of 9 Directors, including one female Director. Meanwhile, all the Board members possess extensive industry experience and strong educational background.



## 2.2 Compliance Operation and Business Ethics

Mabpharm upholds integrity operation and remains committed to the business philosophy of "compliance of utmost importance". Focusing on the three aspects of risk management, anti-corruption and anti-fraud and responsible marketing, it materializes the main purpose of compliance operation at multiple levels, and implements self-restraint of business ethics to promote the benign, sustainable and healthy corporate development. The Company integrates business ethics and legal compliance into the whole process of its operation and management, and constantly improves the internal control and internal audit structure and mechanism with the support of internal risk management control, so as to identify, prevent and control risks to the greatest extent possible. We also implement the anti-corruption system to ensure compliance operation and maintain a clean and integrity corporate image.

### *2.2.1 Risk Management*

In order to prevent and effectively control possible internal risks, we have formulated and implemented policies and systems related to risk management, established a risk governance framework, and developed risk control procedures and measures to analyze, control and even preclude risks in an all-round manner.

Establishing a sound risk prevention and control system is the basic guarantee for long-term stable operation of an enterprise. We have established a three-tier risk governance structure with clear division of powers and responsibilities, which involves the Board of Directors, the Audit Committee and relevant departments. The framework emphasizes the joint supervision and implementation by the Board of Directors, the Audit Committee and employees of all departments under their management, and each employee of the Company will participate in the prevention and suppression of potential risks, endeavoring to minimize the damage caused by such risks to the Company's value and working structure.


**Risk governance structure**

The Company prepared the Internal Control System (《內控制度》), which is properly implemented by relevant departments under the supervision of the Audit Committee to guide the internal audit of the Company, maintain dynamic monitoring on risks and urge the rectification of abnormalities. Members of the Audit Committee stay tuned with the updates of relevant laws, regulations and policies, and timely evaluate the rationality and feasibility of the existing governance structure and system. Meanwhile, members of the Board of Directors and the Audit Committee will regularly conduct internal review of the Company's system, and constantly improve and revise the existing governance approaches and management systems based on the evaluation results, so as to promote the self-driven optimization of the internal governance methods. During the Reporting Period, the Company did not record any sudden or unexpected compliance risks.

### *2.2.2 Anti-corruption and Anti-fraud*

We strictly abide by relevant state laws and regulations, including the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), resolutely implement the principle of fair and impartial business conduct, and maintain a zero tolerance attitude towards malpractice. Through the preparation of internal systems such as Anti-Fraud Management System (《反舞弊管理制度》), we restrict all kinds of fraud and corruption in written form, prevent acts that prejudice the interests of the Company and shareholders, and establish a sound atmosphere of integrity, diligence and dedication. The Company has set up a special Internal Audit and Internal Control Department to identify and evaluate the aspects prone to fraud in production and operation, and to follow up and crack down on corruption and fraud that may occur in daily business activities.

In order to strengthen the determination to combat corruption and fraud, we gain insight into and manage the potential corruption risks in the business process through various forms. The Company regularly distributes anonymous questionnaires to all departments to further understand the internal governance of the relevant departments and inspect and control potential risks in time. Meanwhile, we send electronic questionnaires to shareholders, customers and suppliers, so as to get informed of the improper behaviors that may be overlooked in external business activities and further strengthen our integrity through the satisfaction evaluation and suggestions of other parties. We are committed to working with business partners to create a transparent and healthy business environment. In the process of cooperation with the external and third parties, we have incorporated relevant anti-fraud clauses and contents into the agreements in order to jointly crack down on all possible corruption.

We set up an open report hotline and complaint mailbox to encourage internal employees and external partners to give feedback on the Company's potential fraud and corruption, and the Internal Audit and Internal Control Department will properly handle the reports and complaints collected. After confirming the authenticity and accuracy of the complaint information, the Internal Audit and Internal Control Department will investigate and deal with the personnel and departments involved, and publicize the results after resolution for mutual supervision and learning among the employees. In case of privacy leakage that may occur during the reporting process, we will keep the identity information of the whistleblowers strictly confidential and never disclose any relevant information without the authorization of the parties, in a bid to ensure the information and life safety of the whistleblowers as far as practicable and preclude potential retaliation.

In order to involve more employees in the anti-corruption and anti-fraud initiatives, strengthen employees' awareness of compliance and integrity, and help employees improve their anti-fraud ideological level and skills, we proactively carry out employee professional ethics training. During the Reporting Period, the Company provided anti-fraud and corruption-related trainings to all Directors, senior management and employees, and placed relevant documents in a prominent position in the office system so that they may obtain reference and basis for judgment promptly in case of unexpected events. During the Reporting Period, the Company did not record any lawsuits or cases of corruption or unfair competition.

### *2.2.3 Responsible Marketing*

For the publicity and sales activities in daily business activities, we insist on "high standards and strict requirements" to restrain the development of irresponsible behavior in related activities, and strictly abide by relevant national laws and regulations such as the Standard Operating Procedures for Promoting Materials Management (《推廣材料管理標準操作流程》), Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), Regulations on the Administration of Drug Instructions and Labels (《藥品説明書和標籤管理規定》), and Measures for the Administration of Drug Packaging (《藥品包裝管理辦法》). The Company adheres to the principles of legal compliance, standardized management and division of labor and cooperation to manage intellectual property rights, ensure that all marketing contents and forms meet compliance requirements, prevent exaggerated or false activities, and guarantee that customers and patients are presented with true and reliable product information in external publicity activities.

While conducting joint publicity activities with external partners, we strictly restrict the marketing behavior of partners through strict cooperation terms, stringent examination of external marketing processes and materials, regular communication with partners, and confirmation of marketing activities, so as to ensure marketing compliance and maintain our corporate image.

In order to establish a sense of responsible marketing and ensure the compliance of external publicity, we regularly carry out responsible marketing training for employees, which involves the systematic identification and treatment of potential risks in the marketing process. Meanwhile, through the regular assessment mechanism of responsible marketing, the Company ensures that employees apply "what they have learned" to "what they have done", and in practice conveys professional knowledge and skills to the external and third parties in the communication process, aspiring to protect the Company's legitimate rights and interests and earnestly fulfill its responsibilities to all stakeholders.

During the Reporting Period, the Company did not record any administrative punishment or litigation cases due to marketing violations.

## 3. INNOVATION EMPOWERMENT

Product and technological innovation is an inexhaustible driver behind the constant progress of biopharmaceutical enterprises. We are committed to bringing more high-quality and affordable innovative biopharmaceuticals to the market leveraging our rich R&D experience and efficient production capacity. We pay attention to product quality and safety in the process of research and development, attach importance to intellectual property rights protection, and encourage R&D personnel to strive for innovation for the benefit of patients.

### 3.1 Innovative Research and Development

As a leading biopharmaceutical company in China, Mabpharm maintains a constant focus on the research, development and production of new drugs and biosimilar drugs for the treatment of cancer and autoimmune diseases. We insist on R&D innovation, constantly upgrade the R&D platform and preparation technology, and attract and train high-caliber and skillful R&D talents, aiming to provide more and better treatment schemes for patients.

### *3.1.1 Product Research and Development*

*Research and development system*

Mabpharm boasts efficient R&D capability, extensive and advanced preparation technology, and capitalizing on mature technology in the field of antibody drugs and abundant industry experience in monoclonal antibody research, the Company proactively explores new potential targets to provide more affordable innovative biopharmaceutical products with high quality for patients in China and other emerging markets.

We have a number of core technology patents, including those in antibody engineering and humanization technology, high expression vector construction technology, efficient cloning and screening technology, and proprietary animal R&D models. In 2022, we continued to invest in our R&D with a total R&D input of RMB147,906,000. Our R&D team is composed of proprietary R&D personnel, and its core members possess profound industry experience in global pharmaceutical companies and in the research and development of biological agents. As of the end of the Reporting Period, the Company had 305 R&D personnel, of whom 216 hold a bachelor's degree or above, and R&D personnel accounted for 73% of the total employees of the Company.

Mabpharm proactively explores digital and information tools and leverages technology to empower R&D and innovation. During the Reporting Period, the Company vigorously promoted the construction of LIMS laboratory digital management system, and launched LIMS system project for laboratory management to improve the efficiency and quality of laboratory research and development. In the second half of 2022, the Company's laboratory successfully passed the assessment of the second-level biological laboratory, laying a solid foundation for further upgrading the inspection platform.

*Diversified product pipeline*

Mabpharm has cultivated diversified and high-quality product pipelines, and our candidate drug pipelines consists of 9 monoclonal antibody drugs and 1 strong antibody drug. In particular, CMAB008類停® (infliximab) has been approved for marketing by NMPA[1] in July 2021 for the treatment of six indications; the new drug marketing applications of CMAB007 (omalizumab) and CMAB009 have been submitted to the NMPA in October 2021 and March 2023, respectively; CMAB807 (denosumab, for the treatment of osteoporosis) is under phase III clinical trials; CMAB819 (nivolumab) and CMAB015 (secukinumab) are under phase I clinical trials; CMAB017 (anti-EGFR probody) and CMAB807X (denosumab, for the treatment of tumor bone metastasis) have been approved for clinical trials; and several candidate products are in the pre-clinical research stage.

[1] National Medical Products Administration

## Infliximab was Included in the COVID-19 Diagnosis and Treatment Plan ("Tenth Trial Edition")

The commercial product of the Company, infliximab for injection (trade name: 類停®), was approved for marketing by NMPA in July 2021 (Approval Number: Guo Yao Zhun Zi S20210025), which is the first infliximab biosimilar commercialized in China. 類停® has been approved in China for all indications approved for the original drug, including rheumatoid arthritis, psoriasis, ankylosing spondylitis, ulcerative colitis in adults, Crohn's disease in adults and pediatric patients aged above 6 and fistula Crohn's disease, and it is completely consistent with the original drug in efficacy, safety, pharmaceutical characteristics and quality.

On January 6, 2023, the National Health Commission of the People's Republic of China (the "**National Health Commission**") issued the "COVID-19 Infection Diagnosis and Treatment Plan (Tenth Trial Edition)", which further optimized the relevant diagnosis and treatment on the basis of the ninth edition. In particular, the infliximab treatment proposal was introduced to the treatment of MIS-C (multisystem inflammatory syndrome in children). Infliximab 5-10mg/kg is recommended for patients who do not show improvement or even experience a worsening in condition after receiving gamma globulin and hormone therapy.

## CMAB807X Received Drug Clinical Trial Approval Notice

During the Reporting Period, CMAB807X (denosumab) independently developed by Mabpharm received the Drug Clinical Trial Approval Notice issued by NMPA. CMAB807X is a dosage form of CMAB807, which is expected to be used to treat tumor bone metastasis, and to prevent solid tumor bone metastasis.

The approval of the clinical trial of CMAB807X (denosumab) marks a crucial milestone for Mabpharm in its constant commercialization efforts of drugs. At present, drugs for prevention and treatment of tumor bone metastasis promise great potential in the domestic market, and the research and development, clinical trials, production and marketing of CMAB807X will provide more treatment alternatives for patients and further reduce costs.

## New Drug Clinical Trials Application was Approved by NMPA

During the Reporting Period, NMPA approved the application for clinical trials of CMAB017, a new class I biological drug, for the treatment of advanced solid tumors, including but not limited to colorectal cancer, head and neck squamous cell carcinoma and esophageal squamous cell carcinoma. The Company expects to commence phase III clinical trials in the fourth quarter of 2024.

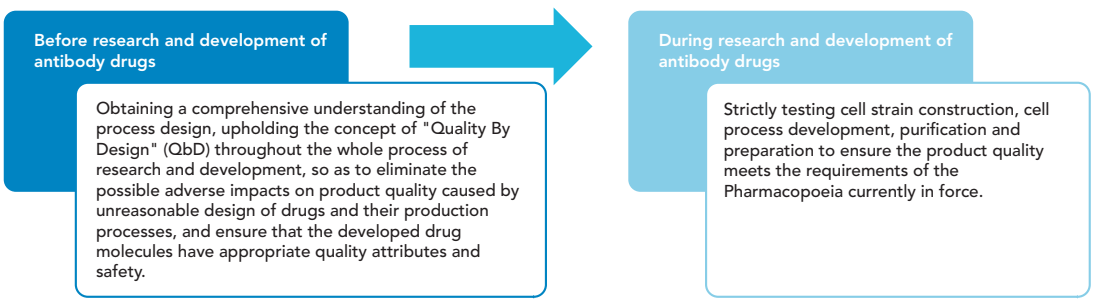
Regarding CMAB017, the design of blocking peptide is expected to significantly reduce adverse skin reactions, gastrointestinal mucosa, etc. Compared with similar products available on the market, CMAB017 is a new class I biological drug with better efficacy and safety. In the future, the Company is expected to develop more new strong antibody drugs based on the research and development platform of CMAB017.

CMAB015 (secukinumab), a biosimilar candidate developed by us, has been approved by NMPA for clinical trials for the treatment of psoriasis and ankylosing spondylitis, and the Company has launched phase I clinical trials in the first quarter of 2023.

*R&D process optimization*

We are committed to constantly optimizing the R&D process and innovative technologies, striving to improve product safety and quality, improving R&D efficiency and providing customers with reliable products. In 2022, we upgraded the upstream process development platform, optimized the traditional cell culture process, which was transformed from low-density inoculation culture to high-density inoculation culture, thereby significantly increasing the target protein yield and greatly improving the culture efficiency.

We pay attention to quality and safety in the process of drug research and development, and strive to minimize quality and safety risks from the source and ensure the stability and effectiveness of product research and development.




**Product quality considerations in R&D and design process**

*R&D and innovation publicity and implementation*

Mabpharm recognizes the significance of R&D innovation to pharmaceutical enterprises. We attach importance to the training of R&D personnel, constantly improve the training system, and formulate annual training plans to enhance the skills of R&D personnel. We require all on-the-job personnel to attend trainings at least once a month, and the training courses involve industry regulations, operation technology, personal safety and occupational health. When new employees join the Company, the department head will provide them with on-the-job trainings, help them understand their responsibilities and work processes, and require them to complete the quality document system training and assessment before taking up their posts.

Training for R&D personnel

### *3.1.2 Intellectual Property Rights Protection*

Mabpharm strictly abides by the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and other state laws and regulations. We have formulated and implemented the Intellectual Property Management System of Taizhou Mabtech Pharmaceutical Limited (《泰州邁博太科藥業有限公司知識產權管理制度》) to standardize the possible distribution of rights and interests related to the commercialization of scientific and technological achievements such as technology development, technology transfer, technical consultation and technical services, specify the possible response methods in case of intellectual property disputes, and further clarify the rights and responsibilities and work processes of relevant departments to promote the construction of intellectual property compliance management.

*Intellectual property rights protection measures*

In terms of internal management, Mabpharm is committed to fostering the culture of intellectual property rights protection, and improving the intellectual property awareness of all employees through daily work exchanges and diverse publicity and trainings. During the Reporting Period, the Intellectual Property Department of the Company launched systematic trainings on patent mining for R&D staff to encourage them to strive for innovations. In addition, we also conduct retrieval trainings for R&D personnel through the online training courses on PatSnap to further strengthen their understanding of intellectual property rights. In order to reduce the external potential risk of intellectual property infringement, the Intellectual Property Department of the Company proactively assists the Procurement Department in the qualification examination of suppliers, facilitates the Procurement Department to examine and identify the patent infringement of suppliers, and effectively prevents and controls the infringement risks.

In 2022, Mabpharm applied for 7 patents and 5 trademarks, and was granted 4 patents and 1 trademark. As of the end of the Reporting Period, the Company obtained 25 patents, 2 copyrights and 111 trademarks. During the Reporting Period, the Company did not record intellectual property infringement incidents.

## 3.2 Quality Assurance

Quality is the cornerstone for business survival and development, and the quality of drugs is directly related to the life and health of patients. Concentrating on drug quality and safety, and committed to the mission of "upholding innovation, focusing on quality and pursuing excellence", Mabpharm has established a life-cycle quality management system for drug products covering R&D, clinical trials and production, continued to optimized product recall and adverse reaction management, comprehensively implemented information security and privacy protection management, and strictly protected the legitimate rights and interests of subjects.

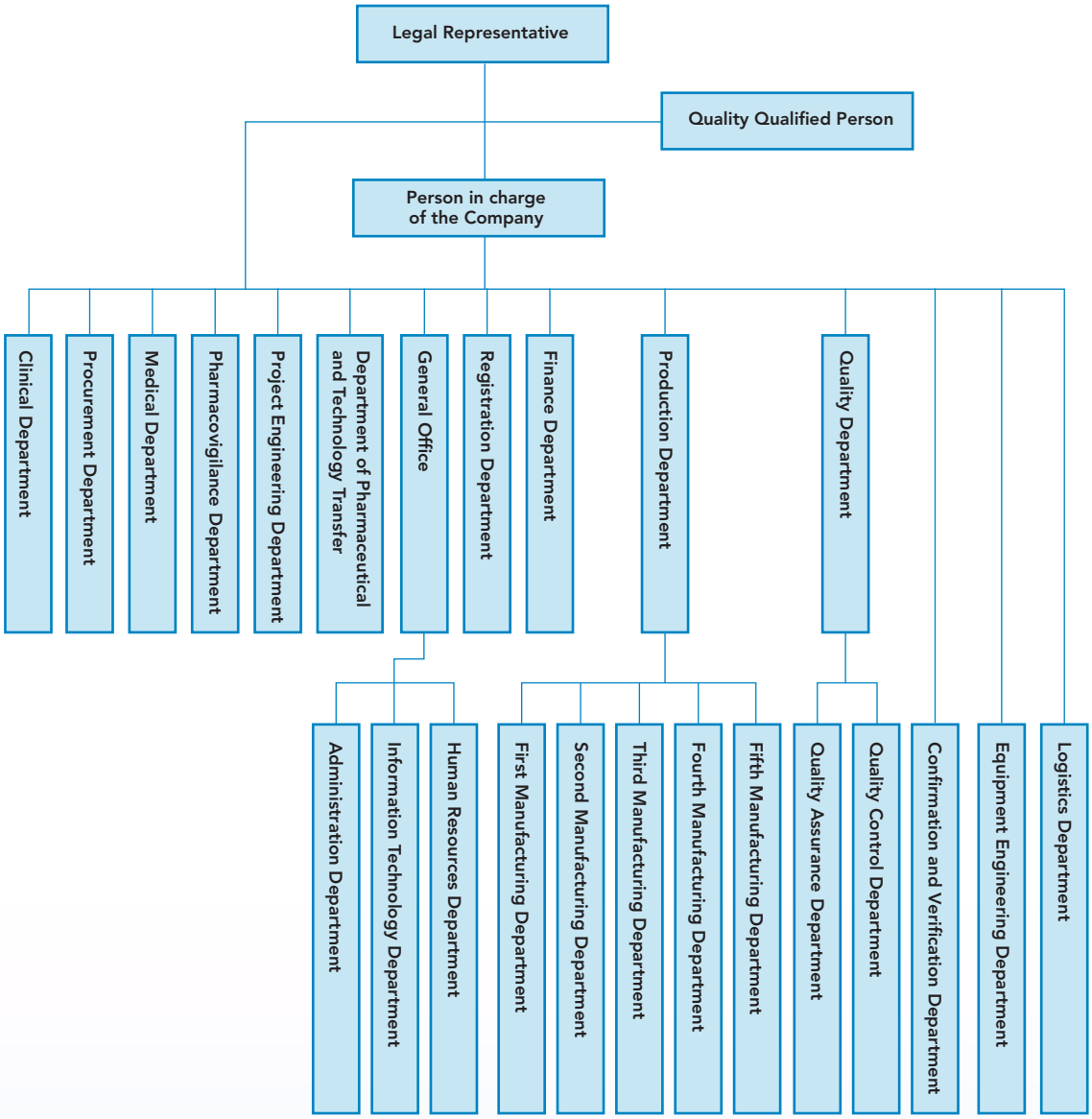
### *3.2.1 Quality Control*

*Quality management system*

Mabpharm acts in strict accordance with the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法實施條例》), the Quality Management Standard for Drug Clinical Trials (《藥物臨床試驗質量管理規範》), the Good Manufacture Practice (revised in 2010) (《藥品生產質量管理規範(二零一零年修訂)》), the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), the Quality Management Standard for Non-clinical Research of Drugs (《藥品非臨床研究質量管理規範》) and other relevant laws and regulations. The Company keeps abreast of the updates of regulations and guidelines such as NMPA, FDA[2], EMA[3], ICH[4] and ISPE[5]. During the Reporting Period, according to the updates of EU Aseptic Appendix[6], NMPA Clinical Trial Drug Appendix[7] and FDA OOS Guide[8], the Company improved the internal clinical work management system and standard operating procedures such as Clinical Department Management System to ensure that the quality management system is constantly in line with the requirements of PIC/S[9] and EMA and other related laws and regulations.

2 Food and Drug Administration
3 European Medicines Agency
4 The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use
5 The International Society for Pharmaceutical Engineering
6 https://www.gmp-compliance.org/files/guidemgr/20220825_gmp-an1_en_0.pdf
7 https://www.nmpa.gov.cn/xxgk/ggtg/qtggtg/20220527182006196.html
8 https://www.fda.gov/media/158416/download
9 Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme

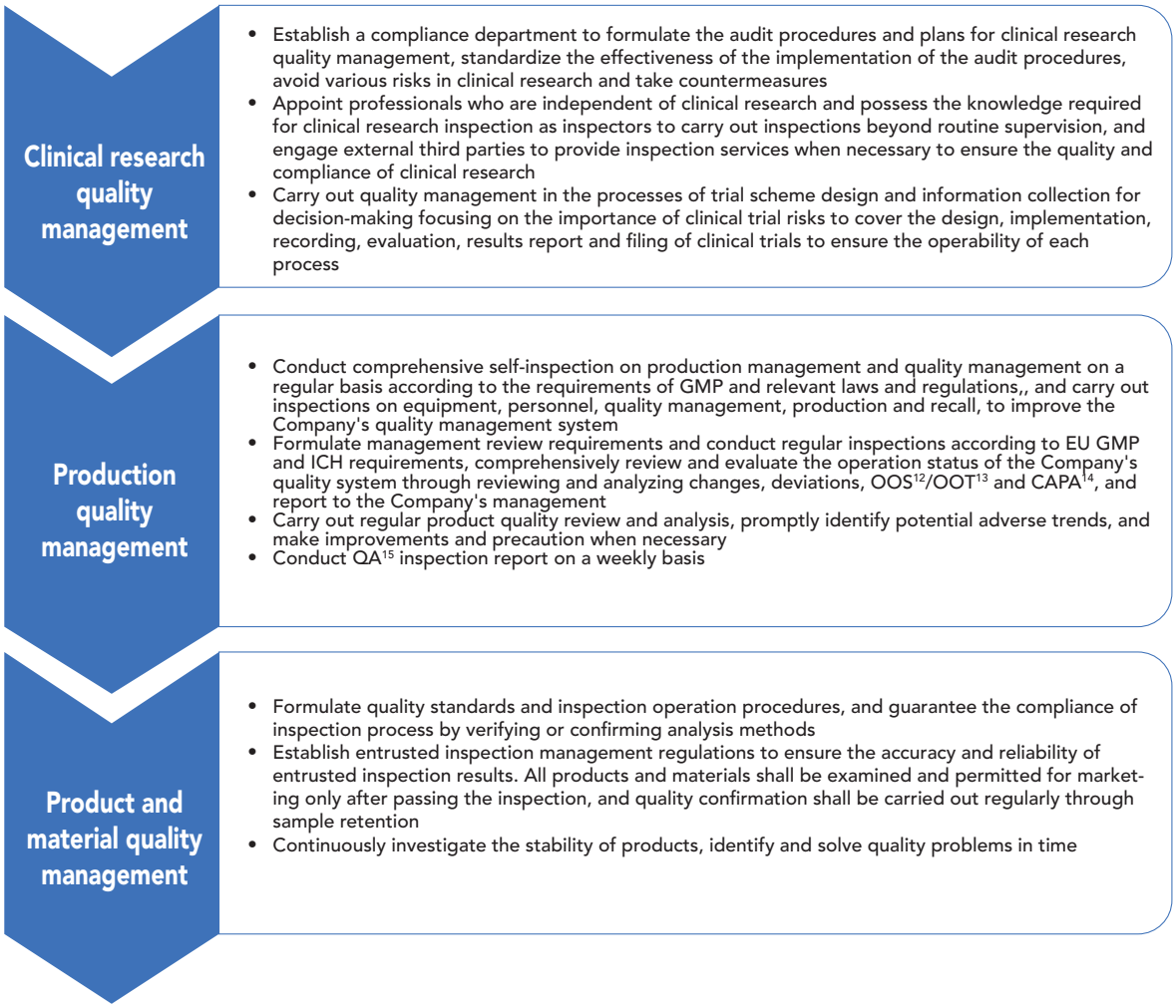
Mabpharm has established a quality management structure with clear hierarchy and division of labor, and continues to allocate abundant resources to ensure that quality management is compatible with the number of inspectors and the scale of drug production, and equipment configuration is compatible with the scale of drug production and quality inspection requirements. The organizational structure of the Company's quality management system is as follows:



Mabpharm proactively carries out internal and external quality audits to ensure the effectiveness of the internal quality management system. During the Reporting Period, the Company conducted four internal and external audits, covering all the six cGMP[10] systems, including but not limited to production equipment and facilities, aseptic guarantee, environmental monitoring, laboratory management, quality assurance, data integrity and other contents, and the audit results were all qualified. As of the end of the Reporting Period, the Company's CMAB007 successfully passed the registration site verification and GMP[11] compliance inspection, and the Company promoted the registration and declaration of other product varieties as scheduled.

While building its internal quality management system, the Company has established a drug life cycle quality management system covering clinical research, production, products and materials, so as to establish efficient quality assurance. During the Reporting Period, Mabpharm did not receive any complaints about product quality and safety.

10 Current Good Manufacture Practices
11 Good Manufacture Practice of Medical Products




Life Cycle Quality Management System of Mabpharm

12 Out of Specification
13 Out of Trend
14 Corrective Action and Preventive Action
15 Quality Assurance

*Construction of quality management culture*

Mabpharm attaches great importance to the improvement of internal quality awareness, and has formulated the Management Regulations of Training Standards, developed training files for employees, and regularly conducted online and offline trainings at the Company level and department level for employees who are about to take up their posts and in-service employees. Meanwhile, the Company is also committed to expanding employee training channels, and launched several online trainings by external experts and regulatory agencies to improve employees' knowledge and skills. During the Reporting Period, we conducted multiple quality management trainings for all employees, covering topics such as deviation, change, corrective and preventive actions (CAPA), sterile drugs, microbial knowledge, and publicity of GMP regulations.

| Induction training | On-the-job continuing education |
|---|---|
| • Including induction trainings for new employees, post transfer trainings, post return trainings and qualification trainings for special profession<br>• All staff shall take up their post after receiving trainings and passing the examination<br>• Carry out trainings for GMP-related personnel in a planned and targeted manner, so as to ensure that they acquire the skills required by GMP laws and regulations and practical operation requirements before taking up their posts. | • Carry out on-the-job continuing education each year according to the annual training plans, which includes planned on-the-job continuing education, trainings before new documents or changes take effect, external trainings, post-related new regulations and professional and technical trainings<br>• Strengthen GMP management standardization and carry out on-the-job continuing education |

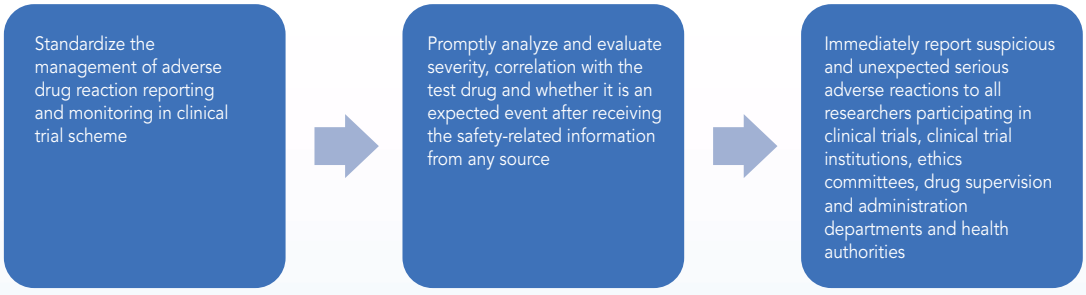
**Mabpharm's quality theme training**

*Product recall and adverse reaction management*

Mabpharm pays constant attention to product quality and risk control to ensure the medication safety of patients. The Company strictly abides by the Good Manufacture Practice (revised in 2010) (《藥品生產質量管理規範(二零一零年修訂)), Measures for the Supervision and Administration of Pharmaceutical Production (Decree No.28) (《藥品生產監督管理辦法(局令第28號)》), Quality Management Standards for Pharmacovigilance (No.65 in 2021) (《藥物警戒質量管理規範(二零二一年第65號)》), Guidelines for Composing Master Documents of Pharmacovigilance System (《藥物警戒體系主文件撰寫指南》) and other laws and regulations, and formulated and improved the Articles of Association of Drug Safety Committee, Standard Operating Procedures for Compensation of Personnel and Standard Operating Procedures for Internal Communication and Coordination in Pharmacovigilance Activities.

The Company has established a perfect product recall and adverse reaction management system, and set up a pharmacovigilance department to be responsible for the monitoring, collection, evaluation and reporting of adverse drug reactions. According to relevant laws and regulations, we have established and proactively expanded the collection channels of individual adverse drug reaction reports, implemented an adverse drug reaction reporting system, reported adverse drug reaction according to requirements and within time limits, and strengthened product quality monitoring and management.

During the Reporting Period, we formulated the Q&A Manual for Patients Using 類停®, and designed and distributed drug safety information report cards specifying adverse reactions and contact information, so that medical institutions and drug trading enterprises can report adverse reactions to the Marketing Authorization Holder (the "**Holder(s)**"). In addition, we also set up 400 hotlines for Holders and printed it in the product manual, so as to facilitate patients, their families and medical professionals to report adverse reactions, consult medical-related matters and lodge complaint about 類停®. We monitor the hotlines from time to time to ensure that no adverse reaction report is missed.




**Mabpharm's Processing Flow of Adverse Product Reaction Report**

In order to further strengthen the effective handling of product quality and safety issues, Mabpharm formulated emergency plans for drug safety incidents, recall management procedures and product recall plans, which specify the handling of recalls at all levels in detail to ensure that there will be directive rules and regulations for all aspects of emergency handling of drug safety incidents. The Clinical Department, Medical Department, Pharmacovigilance and Compliance Department of the Company cooperated effectively and proactively communicated with the research unit. In designing and reviewing the clinical trial scheme, we develop emergency plans and improve the mechanism of early warning, disposal and aftermath, including the notification of researchers and institutional ethics committees in research units, active treatment of subjects, and commercial insurance claims in clinical research to avoid and minimize the losses and negative effects caused by sudden safety accidents. We also regularly organize simulated recall drills to guarantee quick initiation and effective implementation of various response plans in the event of an emergency.

**Simulated Recall Exercise of Infliximab for Injection**

During the Reporting Period, Mabpharm conducted a simulated recall exercise for infliximab for injection to test the effectiveness of the product recall system and improve the emergency response capability. During the drill, each unit was assigned clear responsibilities and exerted concerted efforts. The recall team prepared the recall plan and conducted investigation and evaluation of drugs, the sales department was responsible for notifying the relevant sales companies, the logistics department transferred relevant drugs in stock to the isolation area and set up signs to avoid confusion, and all relevant personnel were required to complete follow-up statistics collection and reporting. The simulated recall proceeded as scheduled, and the recall rate of drugs sold reached 100%.

In addition, the Company also regularly conducts internal trainings, proactively participates in external trainings, and launches publicity for partners to improve the capabilities of relevant personnel to deal with adverse reactions and optimize service quality.

## Internal trainings

- Conduct trainings for new employees in each department based on actual condition, including pharmacovigilance regulations and related technical guiding principles, and composing of important pharmacovigilance documents
- Launch inter-departmental training for medical personnel and clinical operators, including basic knowledge and regulations of pharmacovigilance, SAE[16]/SUSAR[17] reporting process, pregnancy event management, adverse drug reaction database and signal detection, etc.
- Carry out company-wide training on basic knowledge of pharmacovigilance and adverse drug reaction reporting according to the requirements of laws and regulations. All employees in Taizhou and Shanghai have completed and passed the training assessment, totaling approximately 800 personnel
- Conduct answering and recording trainings for phone call operators (including Taizhou front desk and security personnel), and conduct trainings on adverse reaction reports and report forms filling for sales personnel

## External trainings

- Proactively participate in relevant trainings of the NMPA and Jiangsu Medical Products Administration, understand the safety characteristics and risks of marketed drugs, continuously improve and refine the pharmacovigilance system and related activities, ensure the medication safety of patients, and extend the life cycle of drugs
- Conduct trainings for partners, including product characteristics and adverse reaction information of marketed 類停®, collection and reporting channels of individual adverse drug reaction reports, medical consultation and reporting and handling procedures of product complaints, etc. During the Reporting Period, Taizhou Mabtech Pharmaceutical Limited , a wholly-owned subsidiary of Mabpharm, established a sales cooperation relationship with Kexing Biopharm Co., Ltd.* (科興生物製藥股份有限公司) , and conducted trainings for its relevant personnel, with a total of 124 participants

16 Serious Adverse Event
17 Suspicious and Unexpected Serious Adverse Reactions

**Drug Safety Committee Meeting**

In December 2022, the Company held a meeting for the Drug Safety Committee, at which it reviewed the operation of the Drug Safety Committee and the improvement plan for future tasks, discussed important issues, and reached solutions at the meeting, thereby specifying the direction for the constant improvement of the Company's quality management.

During the Reporting Period, Mabpharm did not record any product and service violations, and received 9 reports of adverse reactions, without any reports of unexpected adverse reactions.

### *3.2.2 Information Security and Privacy Protection*

Building a safe and effective information security and privacy protection system is one of the major tasks of Mabpharm. We are committed to constantly improving the internal control process and achieving the security and controllability of customer information and privacy. Focusing on the laws and regulations related to information security, the Company has formulated and improved the standard operating procedures and Employee Manual for all departments, and standardized the management of internal customer information and subject information to prevent privacy leakage.

Before research commences, all newly hired and in-service employees of Mabpharm are required to participate in information security-related trainings, and may only take up their posts after passing the examination and entering into a confidentiality agreement. We have also signed confidentiality agreements with all partners involved in clinical research, such as research units and suppliers, to specify the responsibility for privacy protection in written form and clearly standardize the confidentiality measures for clinical research materials. Meanwhile, in accordance with relevant laws and regulations, all clinical trials are subject to approval by the research center to ensure effective protection of the privacy of subjects. The Company respects and guarantees the information rights of subjects in the research process and privacy protection, and the clinical research subjects have the right to decide whether to participate in the research, so as to guarantee that research is carried out only after the subjects sign the informed consent form, and strictly protect the rights and interests of the subjects.

The Company also takes all-round security measures such as personnel management, equipment management and routine management to minimize information security risks in research.

| Personnel management | Equipment management | Routine management |
|---|---|---|
| • The information of clients and subjects is only available to personnel with authorization, and other personnel can only obtain relevant information after obtaining approval from superiors<br>• Identify the members who participate in different stages of drug clinical research and their different responsibilities, and ensure that they are only allowed access to professional information at specific stages | • Install professional security software on work computers and update regularly to prevent computer viruses and external malicious attacks. All employees are required to use work computers to perform their routine tasks<br>• Encrypt files on the working computers of key members. Relevant personnel are required to apply for decryption, and obtain the declassified file after strict examination and approval by the superior | • Use the subject identification code to replace the clinical trial data of the subjects, so as to prevent disclosure of the privacy of the subjects<br>• Develop monitoring plans, emphasize the legitimate rights and interests of subjects and privacy protection, and strengthen the risk management in clinical research<br>• Incorporate the protection of data and documents privacy into routine management meetings, and conduct regular privacy protection training to improve employees' awareness of information security |

## 4. WIN-WIN COOPERATION

Mabpharm is committed to establishing high-quality and stable relations with upstream and downstream suppliers, and working hand in hand with all partners to achieve common progress. We strive to create a transparent and fair cooperation platform for suppliers, constantly standardize the procurement management process and proactively exploring green procurement practices. Meanwhile, the Company makes full use of its own advantages, establishes close cooperative relations with peers and industrial partners, actively participates in the formulation of industry standards, and contributes to the efficient development of the industry chain.

### 4.1 Responsible Procurement

A healthy and stable supply chain is the cornerstone for us to provide customers with high-quality products. We constantly improve the supplier management system, strengthen supplier communication, uphold good moral requirements and business norms, and conduct procurement activities in a responsible manner. On the precondition of protecting the rights and interests of suppliers, we proactively guide them to fulfill their environmental and social responsibilities and promote the sustainable development of the value chain.

### *4.1.1 Supplier Management System*

The Company has established a complete supplier management system. Through formulation of an internal management system, the Company proposes standardized requirements for supplier access, replacement, termination of cooperation, complaint and annual evaluation of suppliers, aiming to provide reliable guarantee for compliance and high-quality supply in the procurement process. In 2022, we further upgraded and optimized the Standard Management Regulations for Suppliers, introduced the "Supplier Management Requirements for Drugs in Different Stages", and refined the supplier assessment requirements for drugs from preclinical research to commercialization, phase IV clinical trials and withdrawal.

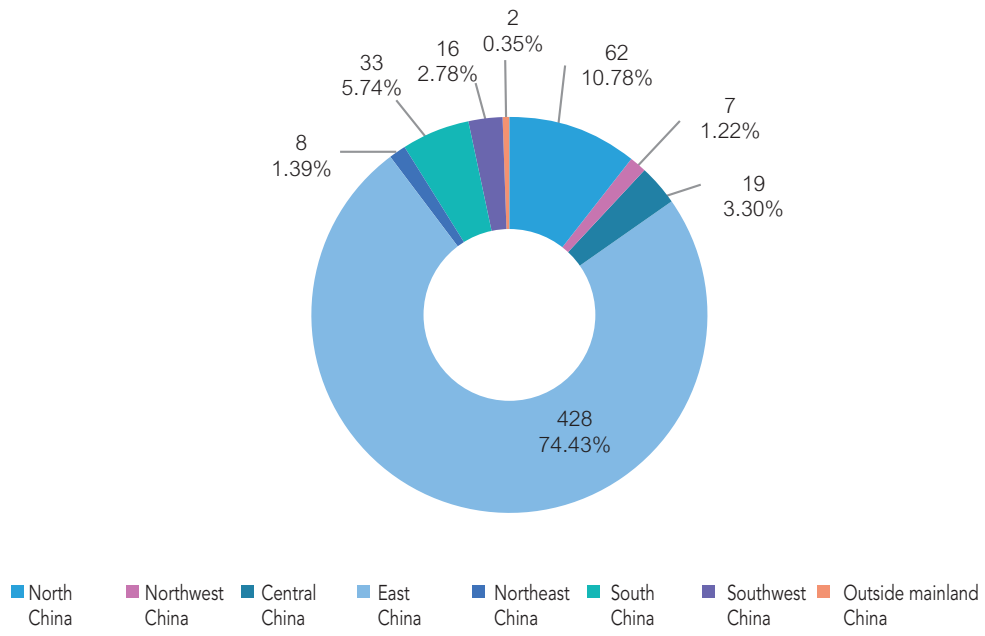
Based on the product types of suppliers, we categorize suppliers into raw and auxiliary materials and packaging materials suppliers, consumables suppliers, reagent suppliers and service suppliers, and impose hierarchical management. In order to investigate the product quality and operation compliance, the Company conducts on-site audits on key suppliers of Class A raw and auxiliary materials and packaging materials[18] according to the audit cycle. During the Reporting Period, the Company launched the 2022 suppliers audit in strict accordance with the supplier audit plan formulated by the Quality Department and subject to the anti-COVID-19 policies, and conducted on-site audits on 9 suppliers. In view of the defects identified in the audit process, we promptly communicated with suppliers, required them to take corrective measures within a certain period of time, followed up the rectification status and facilitated suppliers to optimize their operations and product quality.

[18] Class A raw materials are key materials, which have an important impact on drug quality and drug safety.

## On-site Audit and Rectification of Suppliers

During the Reporting Period, Mabpharm identified the following defects during its audit process of one supplier: 1. there was no sign indicating the initial differential pressure next to the efficient differential pressure on the clean transfer window, and there was no standard regulation for monitoring the differential pressure; and 2. there were unmeasured measuring cylinders and volumetric bottles in the reagent preparation room. The Company communicated with the supplier in time and required it to carry out rectification. Under our supervision, the supplier has finished rectification of corresponding problems.

In order to ensure the continuity of supply chain and promptly solve the problems in business cooperation, we proactively conduct various formal and informal communications with suppliers. In our daily work, we establish smooth communication channels with suppliers through meetings, WeChat, telephone calls and emails, in an endeavor to jointly resolve problems and challenges in cooperation and achieve win-win cooperation. As of December 31, 2022, we had 575 suppliers, and a breakdown by region[19] is as follow:




**Number of suppliers by region**

19 A breakdown of suppliers by region:
North China: Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia
East China: Shanghai, Jiangsu, Zhejiang, Shandong and Anhui
Northeast China: Liaoning, Jilin and Heilongjiang
Central China: Hubei, Hunan, Henan and Jiangxi
South China: Guangdong, Guangxi, Hainan and Fujian
Southwest China: Sichuan, Chongqing, Guizhou, Yunnan and Tibet
Northwest China: Shaanxi, Gansu, Xinjiang, Qinghai and Ningxia
Outside mainland China: Hong Kong, Macao and Taiwan of China and overseas

### *4.1.2 Sustainable Supply Chain*

While ensuring the compliance of the supply chain, Mabpharm also attaches importance to its sustainability, incorporates ESG-related indicators into the supplier management process, and requires suppliers to abide by applicable laws and regulations and the Company's business ethics standards in order to effectively control the social and environmental risks of the supply chain. We investigate the ESG performance of suppliers in the supplier admission stage, including their labor management, business ethics and environmental management. We will not establish cooperative relations with suppliers with poor credit, past records of administrative punishment and management negligence.

Upholding the "zero tolerance" attitude towards corruption, the Company insists on delivering the transparency and integrity concept to suppliers, and strives to eliminate corruption in the supply chain by taking action itself. The Company manages the bidding process at different levels according to the amount. For bidding projects with a significant amount, we will engage a third-party bidding agency to conduct public bidding, so as to effectively prevent and control the potential conflict of interest. In order to further standardize suppliers' behavior, we incorporate the anti-corruption commitment clause into the contracts and require them to abide by; and for suppliers who violate our business ethics and anti-corruption standards, we will resolutely cancel their bidding qualifications and punish them according to the contract terms and regulations. In addition, we carry out relevant business ethics trainings for internal procurement personnel, strengthen employees' anti-corruption awareness, urge employees to be responsible for their own actions, and investigate and punish misconduct.

In terms of green procurement, we give priority to renewable resources and products and equipment conducive to energy conservation and emission reduction, and constantly reduce the procurement of derivative products with heavy pollution and emission, so as to promote the green development of the whole industrial chain.

**Green Procurement Practice of Mabpharm**

During the Reporting Period, in order to reduce the impact of disinfectant on the environment and the health and safety of our employees, we proactively conducted technical exchanges with a number of disinfectant suppliers. Upon extensive investigation, the Company determined to replace the currently used disinfectant with an imported brand that is more friendly to the environment and the health and safety of employees, aiming to reduce the environmental pollution in its production process and improve the safety standards during storage and transportation.

Upon resolution, the Procurement Department of the Company promptly developed and prepared all kinds of documents required for the replacement, and expedited the process as soon as possible. At present, the replacement is in progress, and we expect to use the more environmentally friendly disinfectant commencing from April 2023.

Addressing the risks and uncertainties of the external environment, we have taken a series of measures to guarantee the stability of the supply chain. The Company proactively searched for suppliers in the region where it operates, and has established relations with approximately 30 local suppliers in 2022, thereby effectively shortening the product delivery period, greatly reducing the procurement cost and enhancing the flexibility of the supply chain. In addition, we have adopted the dual-source purchasing strategy, and cooperated with at least two suppliers for materials such as filter element, deep filter plate, virus-removing film bag and disposable bags, thus providing a solid guarantee for the continuity of the supply chain.

## 4.2 Industry Cooperation

Mabpharm remains committed to the industry mission of win-win cooperation, constantly seeks external cooperation resources, and establishes an all-round, deep-rooted and multi-field strategic cooperation mechanism. We proactively participate in industry exchange activities and promote discussion and exchange among enterprises by participating in academic forums, industry summits and other activities.

In 2022, Li Jing, an executive Director of the Company, attended four meetings of the Chinese Pharmacopoeia Commission and participated in the formulation of national pharmacopoeia standards

On August 12, 2022, the Company delivered a speech at the third biopharmaceutical quality science conference themed "New Requirements of Pharmacopoeia for Quantitative Analysis of Glycosylation of Antibody Drugs"

From August 25 to 27, 2022, the Company participated in the round-table discussion themed "How to Establish a Research and Development and Product Pipeline that Meets Clinical Needs from Multiple Perspectives" at the seventh bio-industry conference of Enmore

On April 17 and November 20, 2022, the Company participated in the round-table discussion themed "The World Pattern and China's Current Status of Bispecific Antibodies in the Treatment of Tumors" at the meeting of the Special Committee on Clinical Research of Tumor Drugs of China Anti-Cancer Association

### Engage Industry Experts for Discussions Before Formulating Clinical Development Plans

In the new drug initiation stage, Mabpharm will engage domestic head experts in related fields to conduct a comprehensive and in-depth discussion on the clinical development plan, specify the correlation between clinical needs and product characteristics, and select indications that help efficiently and steadily complete clinical research and obtain marketing approval.

In addition, we have also reached cooperation with several renowned research centers and hospitals in the medical field to carry out research projects and promote the research and development of innovative drugs. In the process of technical cooperation with partners, Mabpharm facilitates the establishment of an industrial ecosystem through giving full play to its own advantages, and strives to become a reliable partner, an innovative enabler and a contributor to the global health industry.

### Research on New Target Drugs for Prevention and Treatment of Osteoporosis

Mabpharm proactively conducted innovative research and development cooperation, and jointly applied for the fourth sub-project of the national key research and development plan "Research on New Target Drugs for Osteoporosis" with Peking Union Medical College Hospital of China Academy of Medical Sciences and Peking University Third Hospital, in which we were responsible for the research and development of innovative antibody drugs and the phase III clinical trials of the CMAB807 project.

## 5. JOINT GROWTH WITH EMPLOYEES

Mabpharm has been committed to the talent development strategy and goal of "selecting talents, utilizing talents and retaining talents", and is dedicated to creating an equal, diverse, warm, inclusive, healthy and safe working environment for employees, proactively providing a smooth development path and realizing the common growth of employees and the Company.

### 5.1 Employment and Employee Rights and Interests

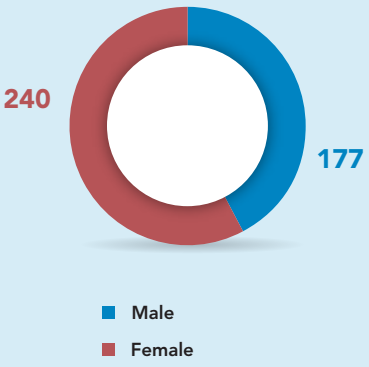
In the employment process, Mabpharm strictly abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and other laws and regulations, and has formulated a series of internal rules and regulations, such as Employee Manual, Salary Management Regulations, Overtime Management Regulations, Travel Expenses Management Regulations, Attendance Management Regulations and Training Management System to specify working hours, leave system, salary and benefits, reward and punishment mechanism and termination of labor relations, thereby fostering a sound human resource management system.

#### *5.1.1 Employment*

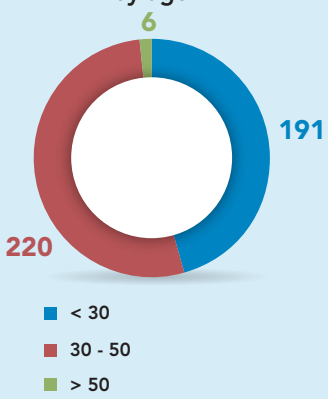
We attach importance to the integration of multi-cultures, uphold a legal and compliant recruitment process, and strive to build a fair and impartial recruitment environment. Mabpharm undertakes to treat every applicant equally and will not discriminate against them because of nationality, race, skin color, gender, age, marital status, religious belief or physical defects. We resolutely eliminate child labor or forced labor. The Company verifies the age information of applicants before they join the Company, and enters into labor contracts with employees on the basis of equality, voluntariness and consensus. In case of irregularities, the employment contracts will be terminated in strict accordance with relevant procedures and such irregularities will be promptly reported to relevant institutions. We proactively protect the rights and interests of employees, and enter into employment agreements with all the staff. During the Reporting Period, Mabpharm had 417 employees (all of them are full-time employees), and 126 new employees were recruited during the Reporting Period.

## Employee Information

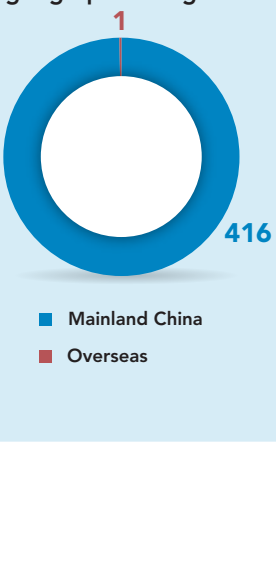
### Number of employees by gender



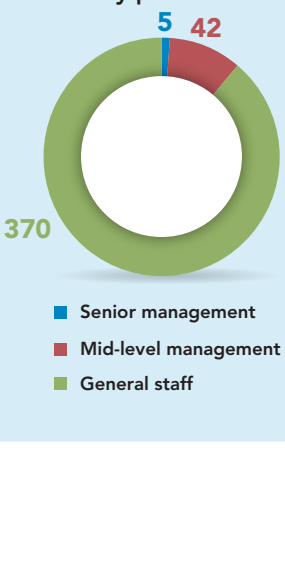

### Number of employees by age




### Number of employees by geographical region

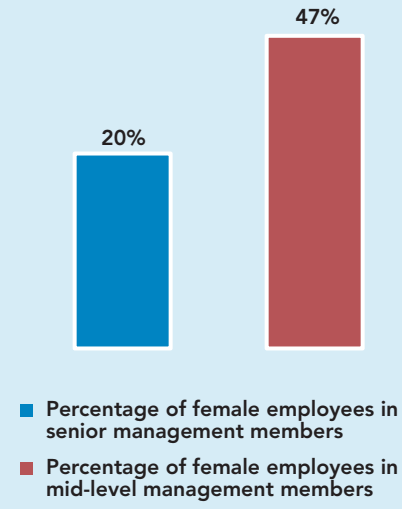



### Number of employees by position

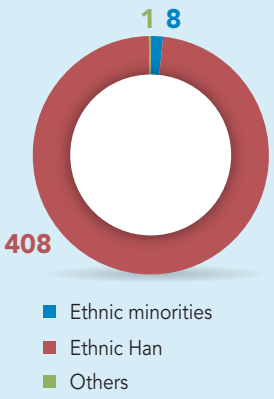


## Employee Diversity Information

### Percentage of female employees in management members




### Number of employees by ethnic groups



Mabpharm regularly conducts talent review, streamlines post requirements and prepares recruitment plans, and injects new energy into the Company through campus recruitment and social recruitment. In addition to offline recruitment, the Company proactively launches online recruitment activities, develops recruitment channels in the form of livestream recruitment and campus air presentations to circulate post requirements. During the Reporting Period, we continued to promote the campus ambassador recruitment program, publicize the corporate culture to campus students, enhance the brand awareness of the Company, and attract more outstanding talents to join us.

**"Livestream Recruitment" Featured Activity**

During the Reporting Period, Mabpharm participated in multiple livestream recruitment activities such as employment assistance for undergraduates in Jiangsu University and Medical Expo Talent and Intelligence Exchange Conference to introduce the recruitment information such as corporate culture, welfare benefits and post requirements to the audience, which broadened our recruitment coverage and provided employment channels for more outstanding talents.

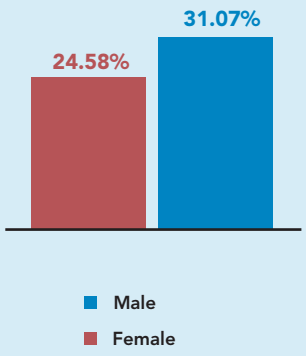

Picture: Livestream post recommendation activity for undergraduates in Jiangsu on June 2


Picture: Livestream activity at the China Medical City Convention and Exhibition Center Talent and Intelligence Exchange Conference on November 21

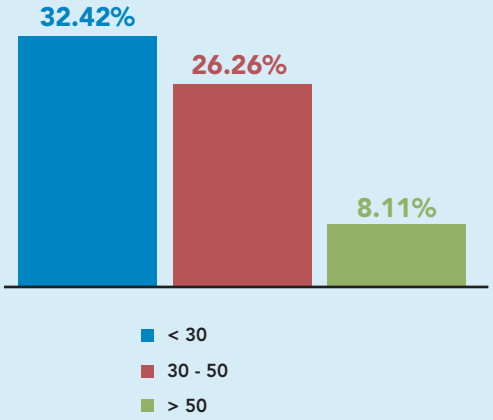
Mabpharm values each talent and pays attention to their development. For employees who apply for resignation, the Company inquires them with their demands and reasons for resignation through interviews, and communicates with them, striving to retain them with the Company. For employees who have left the Company, the Company created a message group for quit employees, paying attention to their whereabouts and publishing vacancies in the Group regularly. We report the employee turnover rate on a regular basis, analyze and summarize the reasons for turnover, and provide suggestions for the subsequent employee development and retention. During the Reporting Period, we recorded a total turnover rate of 27.34%, and the turnover rate in China and overseas was 27.40% and 0, respectively.

## Employee Turnover

### Turnover rate by gender




### Turnover rate by age



### *5.1.2 Salaries and Benefits*

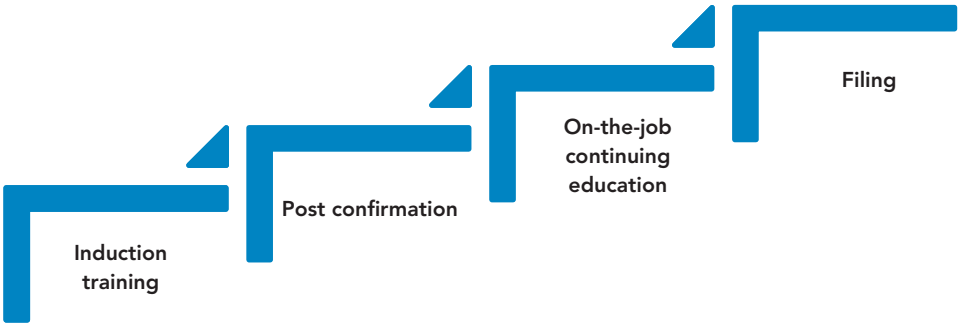
We abide by the Company's internal rules and regulations, establish an open and transparent performance evaluation system and salary structure, provide employees with competitive salary and welfare benefits in the market, constantly attract outstanding talents, strengthen talent pool, improve employee loyalty, and effectively enhance team cohesion and corporate competitiveness.

In terms of welfare benefits, in addition to contributing social insurance and housing provident fund for employees in accordance with relevant national and local regulations, Mabpharm also grants employees with internal benefits such as holiday subsidies, birthday gift certificates, health checkups, wedding/maternity gifts, and high-temperature subsidies, thereby effectively improving employees' well-being. For employees with extra and irregular working hours, we strictly abide by the laws and regulations of the place where we operate to pay overtime pay in full or arrange reasonable leave. In addition, Mabpharm communicates the talent subsidy policy of the government to employees in time, and proactively facilitates qualified personnel to declare government subsidies and benefits such as interview subsidies, living allowances, rental subsidies, house purchase vouchers, etc., so as to comprehensively protect employees' rights and interests.

## 5.2 Training and Development

### *5.2.1 Employee Training*

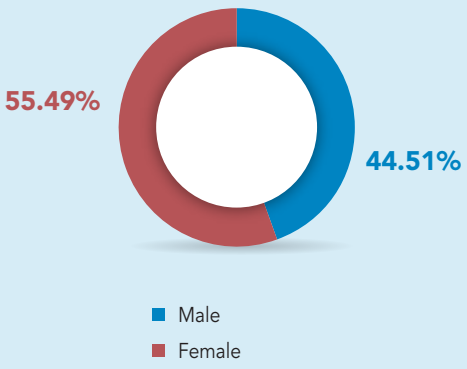
With the upgrading of knowledge and technology, the Company is required to introduce new ideas through trainings, cultivate employees' innovative thinking and enhance their comprehensive capabilities, so as to achieve sustainable development. With the support of the Employee Manual, Salary Management Measures and Training Management System, Mabpharm has established a sound training management system, and formulated corresponding training plans commensurate to employees' post functions to achieve mutual growth between them and the Company.



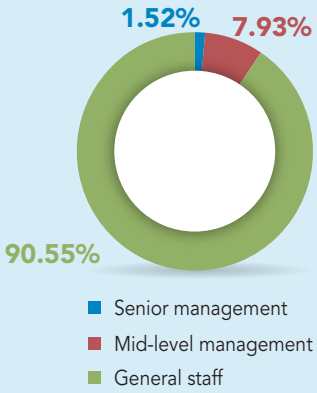

Mabpharm implements the Training Standard Management Regulations, investigates and analyzes the training needs of employees, and formulates employee training plans of all departments according to the training matrix. The training courses cover Drug Administration Law, Good Manufacture Practice, occupational health knowledge of safety and fire control, general management documents, standard operating procedure (SOP), professional development and new employee induction training, so as to meet the various needs of employees for career development and constantly improve their professional capabilities. During the Reporting Period, the Company held 1,749 training sessions, involving a total of 13,555 full-time attendees, with a total of 20,332 hours, and the average training hours per employee reached 49 hours.

## Employee Training Information

**Percentage of employees trained by gender**




**Percentage of employees trained by position**



The Company has a sufficient number of personnel with appropriate qualifications (including education background, training, and practical experience) to engage in management and various operations. Employees are clear about their post responsibilities, familiar with the requirements related to their responsibilities, and receive induction training and continuing education. During the Reporting Period, the Company conducted 14 trainings on laws and regulations.

**Training Activities on Laws and Regulations**

The Company conducted trainings for GMP-related personnel in a planned and targeted manner in order to ensure that they can acquire the skills required by GMP laws and regulations and the practical job requirements before taking up their posts.

**Case: Safety Production Knowledge Training**

In order to ensure and enhance employees' awareness of safety production, the Company held trainings on relevant safety regulations.


We encourage employees to improve their professional quality through self-study. The Company sets up a reading corner where employees may borrow and read professional books. If employees obtain relevant certifications required for their posts, the Company will help them apply for subsidies from the industrial park.

**Setting up a Reading Corner to Facilitate Reading by Employees**

In August 2022, in order to improve the professional knowledge and comprehensive quality of employees, all departments of Mabpharm purchased different kinds of books which employees may borrow and read, thereby creating a sound environment for employees to achieve self-improvement.

### *5.2.2 Talent Development*

In order to create a fair and impartial working atmosphere, we have established a sound personal performance management and assessment system, and make post adjustments, including lateral transfer, rotation, promotion, demotion, temporary transfer, transfer and special post adjustment according to the results of personal performance assessment, the improvement in personal capabilities, job vacancies and other conditions. Mabpharm encourages the internal flow of talents and provides employees with a broader development platform.

| | |
|---|---|
| Senior management assessment | **Annual assessment** |

- In the form of work report

| | |
|---|---|
| Mid-level management assessment | **Annual/quarterly assessment** |

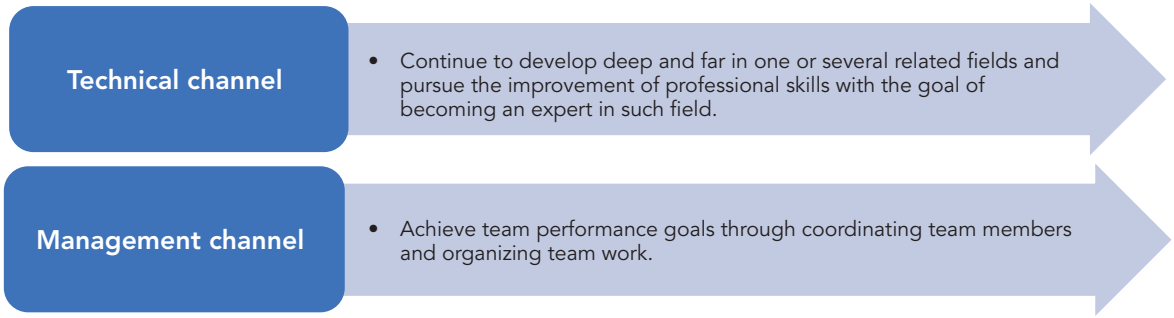
- Mainly in the form of annual assessment and with reference to quarterly assessment results
- Conduct appraisal through performance assessment by the Company's appraisal team and democratic appraisal by employees of each department

| | |
|---|---|
| Staff assessment | **Annual/quarterly assessment** |

- Mainly in the form of quarterly and annual assessment
- In the form of comprehensive evaluation of work performance and attitude by the superiors
- According to the assessment results, relevant incentives will be reflected in quarterly performance salary and year-end salary

**Mabpharm's Performance Evaluation System**

We maintain a clear plan for the promotion and development of employees based on scientific analysis. The Company has set up "two channels", namely, technical (professional) channel and management channel, to clarify the career development path of employees with different functions, facilitate employees identify their own career development direction, motivate employees to improve their professional skills and realize the overall improvement of the Company.




## 5.3 Occupational Health and Safety

Guaranteeing occupational safety and health is the fundamental commitment made by Mabpharm to its employees. We strictly abide by relevant laws and regulations and local laws and regulations of the places where we operate, including the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and have formulated a series of internal rules and regulations such as the Work Safety Responsibility System, Management System for Hazardous Chemicals, Control System for Safety Risk Hierarchical Management, and the Hidden Danger Investigation and Management System to ensure the health and safety of all employees during their employment.

In 2022, in order to achieve the goal of "all-round, whole-process and all-staff" safety management, Mabpharm established a safety production and occupational health committee, which involves the General Office, Production Department, Quality Department, Department of Pharmaceutical and Technology Transfer, Confirmation and Verification Department, Logistics Department and Project Engineering Department, so as to comprehensively improve the Company's occupational safety and health management level and satisfy the needs of production and employees for health. During the Reporting Period, the Company did not record any work-related accidents or casualties.

| Indicator | Unit | 2022 |
|---|---|---|
| Number of work-related injuries | case | 0 |
| Number of work-related casualties | person | 0 |
| Days lost due to work-related injuries | day | 0 |
| Hours lost due to work-related injuries | hour | 0 |

## Occupational health protection measures

Distributing labor protection articles

Picture taken at the labor protection articles distribution site

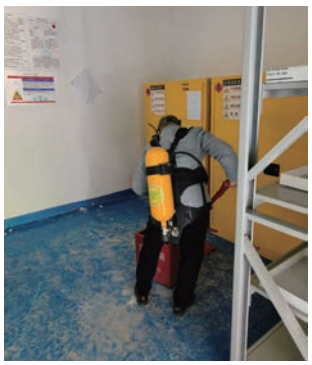
Conduct physical examination

Picture taken at the physical examination site

Establish safety culture

Picture taken at safety training site

Emergency drills



Picture taken at the isopropanol leakage drill site

## Occupational health protection measures

Security risk investigation

Picture taken at the biosafety drill site

## 5.4 Care for Employees

### *5.4.1 Employee Communication*

Opinions from employees are crucial to the Company during its development and expansion. We attach great importance to their opinions and keep in touch with employees through various channels. At the beginning of 2022, Mabpharm prepared an interview plan for all departments, which was proceeded on schedule each month, and all employees were interviewed face to face, and the Company summarized problems identified in the interview. The Company regularly conducts satisfaction surveys for fresh graduates, and responds to their concerns in follow-up forums or WeChat groups to help newcomers integrate into the Company as soon as possible; Since September 2022, we commenced to collect rational proposals from employees, and the first batch of suggestions was collected and summarized on October 14, 2022. In addition, we set up an email-box for anonymous report by employees, aiming to listen extensively to their expectations.

**Rational Suggestion Mechanism**

## Fresh Graduates Symposium

On November 11, 2022, in order to obtain an understanding of the work and ideological trends of the 2022 fresh graduates after joining the Company and address their confusions, Taizhou Mabtech Pharmaceutical Limited held the "Living up to the Times and Pursuing Dreams" symposium for the 2022 fresh graduates at the General Office to help new employees better integrate into their posts.




### *5.4.2 Employee Support*

Mabpharm advocates a pleasant, harmonious and warm working atmosphere, and extends various care and benefits to employees in time. For female employees, the Company provides welfare subsidies such as Women's Day gift, maternity gift, wedding gift, etc., and meanwhile, it sets up maternal and child rooms where necessary to provide comprehensive and selfless care for female employees during pregnancy and lactation. During COVID-19 quarantine periods, we provided living materials for in-service employees and lent them a helping hand whenever necessary. In addition, we also carried out a series of activities such as "coolness delivery activity " to promote employees' well-being.


The Company distributed holiday benefits to all female employees as condolences on March 8

The Company provided materials for in-service employees during COVID-19 quarantine periods

**"Extending Care to Employees and Pooling Concerted Efforts for Development" Special Consultation and Deliberation Month Activity**

On the morning of September 29, 2022, Zhang Yongsheng, director of the Social Legal Committee of the Taizhou Chinese People's Political Consultative Conference ("TCPPCC"), and Ding Xu, deputy director, led members of the Federation of Trade Unions of the TCPPCC to pay a visit to Taizhou Mabtech Pharmaceutical Limited. Focusing on the topic of "Extending Care to Employees and Pooling Concerted Efforts for Development", they launched a special consultation month activity on people's livelihood, and encouraged Mabpharm to keep abreast of the healthy development of employees, stimulate their vitality and make greater contributions to promoting regional economic development and pharmaceutical industry.

On-site inspection

Discuss and exchange ideas on the theme of "employee innovation and rights protection"

## Launching Various Activities to Enhance Employees' Well-being

Mabpharm attaches importance to employees' spiritual life, and organizes colorful group activities each year to relieve employees from work pressure. We regularly organize employee birthday parties, sports meetings, teambuilding and other activities to strengthen communication among employees, enhance teamwork and improve the cohesion within the Company.

In 2022, Mabpharm organized five birthday parties for all employees


One-day Taizhou tour for fresh graduate employees on August 27


Internal employee teambuilding on November 13

Staff sports activity every Thursday

## 6. HARMONIOUS ECOLOGY

Mabpharm is dedicated to the vision of becoming an "environment-friendly high-tech enterprise", implements the environmental protection concept, and focus on reducing the negative environmental impact in the process of business development while enhancing product strength. We continue to improve the environmental protection management system, refine the environmental management system, implement various environmental management measures, strictly control the discharge of various pollutants, enhance the efficiency of resources consumption, boost energy efficiency, establish a carbon emission management system, and constantly improve our environmental performance, aiming to drive high-quality growth with the fundamental support of green and low carbon development.

### 6.1 Environmental Management

The Company strictly abides by the Law of the People's Republic of China on Environmental Protection (《中華人民共和國環境保護法》), Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》), Law of the People's Republic of China on Water Pollution Prevention and Control (《中華人民共和國水污染防治法》), Law of the People's Republic of China on Air Pollution Prevention and Control (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》), Law of the People's Republic of China on Prevention and Control of Soil Pollution (《中華人民共和國土壤污染防治法》) and Water Law of the People's Republic of China (《中華人民共和國水法》) and other national laws, regulations and industry standards. Based on the requirements of relevant laws and regulations, we establish and constantly improve the Company's environmental management rules and regulations and management framework, develop reasonable and scientific environmental policies, and proactively practice the concept of sustainable development.

In order to ensure the orderly development of environmental management of Mabpharm, we set up an environment, health and safety department to coordinate environmental management, establish environmental management systems and define environmental management objectives and responsibilities at the same time, so as to achieve comprehensive management of water resources, energy and emissions and improve the overall environmental performance of the Company. Based on the actual operation of the Company, we have formulated and constantly improve internal management systems and operating procedures such as Standard Management Regulations for Wastes, Hazardous Chemicals Management System and Sewage Treatment and Disposal Regulations to guide the orderly development of the Company's environmental management and guarantee the standardization and compliance of the Company's environmental management. During the Reporting Period, we updated the Hazardous Chemicals Management System to further standardize hazardous chemicals management and control related environmental risks. Meanwhile, the Operating Procedures for Sewage Treatment Devices and the Standard Operating Procedures for the Maintenance of Sewage Treatment Systems were formulated to standardize the operation process of wastewater treatment and guarantee up to standard discharge.

Based on our business conditions, we set sustainable development goals and performance improvement directions in the management of water resources, energy, emissions and carbon emissions. In 2022, we formulated and implemented corresponding measures to improve the Company's environmental performance.

| | |
|---|---|
| **Water resources management** | • Establish water intensity management objectives and gradually reduce water intensity<br>• Formulate and strictly implement the water recycling plan<br>• Regularly check the effectiveness of water management to improve water utilization |
| **Energy management** | • Continue to promote the refined management of energy consumption<br>• Strengthen green operation and realize negative growth of energy consumption intensity<br>• Explore and implement energy-saving projects |
| **Emissions management** | • Improve the recycling rate of waste water and solid waste<br>• Improve the comprehensive management of waste gas emission<br>• Achieve 100% disposal of pollutants and wastes |
| **Carbon emission management** | • Gradually establish a low-carbon system<br>• Adopt low-carbon energy-saving technology<br>• Strengthen the publicity to enhance employees' low-carbon awareness |

## 6.2 Emissions Management

Mabpharm strictly abides by relevant national laws and regulations, and takes internal documents as the guidance to carry out the management of waste water, waste gas and waste in a reasonable and orderly manner to ensure proper and compliance disposal of emissions. During the Reporting Period, Mabpharm did not record violations related to environmental protection, excessive pollutants or illegal discharge.

### *6.2.1 Waste Management*

Mabpharm upholds the principle of harmlessness, reduction and recycling in waste management, and formulated management systems such as Standard Management Regulations for Wastes and Management System for Hazardous Chemicals, and imposes strict supervision and management over the collection, classification, storage, transfer and disposal of wastes, so as to ensure proper and compliance dispose of wastes and prevent environmental pollution caused by wastes. For wastes generated in the process of production and operation, we identify and classify them according to national laws, regulations, standards and internal systems, while for non-hazardous waste, we store it in the temporary storage room, and entrust a qualified third party for removal and disposal on a regular basis.

In 2022, the Company updated the Hazardous Chemicals Management System according to the requirements of No. 52 Order of the Ministry of Emergency Management of the People's Republic of China, Guidelines for Safety Risk Prevention and Control of Hazardous Chemicals Production and Construction Projects, and DB32/T4293-2022 Guidelines for Safety Management of Hazardous Chemicals in Industrial Enterprises, which standardized the management of hazardous chemicals in the whole process from procurement, transportation, loading and unloading, warehousing, storage, receipt, use, safety inspection and waste disposal, so as to guarantee safety production and prevent environmental pollution. The main hazardous wastes generated by Mabpharm are waste drugs, waste chemical reagents, waste packaging containers, waste resin and sewage station sludge. We classify, store and pretreat the hazardous wastes generated, post hazardous waste labels on them, regularly transfer hazardous wastes from the production site to the hazardous waste warehouse, and entrust a qualified third party to handle them comprehensively. Meanwhile, we record the transfer of hazardous waste and register it in the Hazardous Waste Generation Link Record Form, Hazardous Waste Storage Link Record Form, Hazardous Waste Generation Monthly Report and Hazardous Waste Generation List, so as to ensure the consistency of hazardous waste accounts and materials. In addition, we will regularly clean the temporary storage places of hazardous wastes to avoid long-term accumulation.

Hazardous waste temporary storage room

Mabpharm is committed to reducing waste generation, recycling waste, reducing its environmental footprint and improving resource utilization. Through effective evaluation of the waste generated, we obtain an understanding of the generation and treatment methods of different types of waste, so as to formulate a targeted waste management plan to ensure compliance disposal and explore opportunities for waste reduction. Meanwhile, we also explore the use of recyclable materials, striving to turn waste into resources and reduce waste.

**Transformation of Sludge Tank**

During the Reporting Period, the Company separated the biochemical sludge from the physicochemical sludge by installing a sludge tank, and turned the sludge, which is hazardous waste, into general solid waste, thus effectively reducing the amount of hazardous waste.



In order to encourage employees to participate in waste management, we provide employees with trainings on waste management policies, disposal measures and waste classification requirements, to enlighten them of the importance of waste treatment and improve their waste management capabilities.

### *6.2.2 Waste Water Management*

In strict accordance with the relevant national requirements and standard operating procedures, we categorize the waste water generated in the operation process according to its nature, and formulate corresponding disposal measures for compliance disposal. We detect the chemical oxygen demand ("**COD**") content of the waste water generated from the preparation of purified water, and directly discharge certain of the waste water therefrom subject to laws and regulations, so as to reduce the cost of sewage treatment. For the experimental waste water, we conduct sample test to ensure that the waste water discharge concentration meets the requirements of discharge standards such as Integrated Waste water Discharge Standard (GB8978) (《污水綜合排放標準》) and Pollutant Discharge Standard for Urban Sewage Treatment Plants (GB18918) (《城鎮污水處理廠污染物排放標準》) before discharge. We guarantee that the on-line monitoring equipment of sewage station monitors the contents of COD, ammonia nitrogen and total phosphorus in waste water on an hourly basis, we inspect the operation of the equipment every 12 hours, and record the operation parameters of the equipment every 24 hours, so as to solve problems in time and strengthen compliance discharge management. Meanwhile, we employ a third party to regularly maintain the waste water monitoring equipment to ensure that it is in good condition. In addition, during the Reporting Period, the Company engaged a third party to conduct sample test on our waste water discharge and issued a report, which showed that all the discharge indicators were up to standard.

### *6.2.3 Waste Gas Management*

Mabpharm attaches importance to waste gas emission management, and through formulating and implementing a series of measures, it ensures the compliance disposal of waste gas and is committed to reducing waste gas emissions in the production process. The major waste gas pollutants generated in the production and operation process of the Company are hydrogen chloride, non-methane total hydrocarbons, ammonia and particulate matter. We treat the malodorous gas and laboratory waste gas generated in sewage station and waste temporary storage room in a centralized manner, and remove the pollutants in the gas through water spraying and acid-base neutralization, and discharge through a 20m-high exhaust funnel after it is up to standard. Meanwhile, we inspect the waste gas treatment device every 24 hours, check the equipment operation and dosing condition, ensure its normal operation, and timely identify and solve problems. In addition, the Company entrusts a qualified third-party organization to monitor the exhaust gas every six months. During the Reporting Period, all the monitoring results were up to standard.

20m-high exhaust funnel

## 6.3 Resource Management

Responding to the concept of sustainable development and keeping abreast of the times, Mabpharm proactively explores approaches to improve the efficiency of resource consumption, continues to promote energy management, optimizes energy structure, innovates on technology and processes, improves energy efficiency, implements the concept of energy conservation and emission reduction in all aspects of production and operation, and dedicates itself to high-quality development driven by ecological protection, green and low carbon.

### *6.3.1 Energy Management*

Mabpharm regarded energy conservation and consumption reduction as the focus of its operation. The Company strictly abides by the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and other laws and regulations, proactively promotes comprehensive energy-saving and consumption reduction technological transformation based on scientific and technological innovation, constantly broadens new approaches of energy conservation and emission reduction, and implements low-carbon operation in the course of operation. In order to better record, follow up and manage the energy consumption, we have established a normalized monitoring mechanism. Through energy consumption analysis on a monthly basis and comparing the energy consumption differences by periods, we analyze the reasons for the increase or decrease of energy consumption and further optimize the use of facilities and equipment.

In order to constantly reduce carbon emissions, we proactively search for energy-saving and efficient production facilities and equipment, replace high-energy-consuming equipment with high-efficiency equipment, vigorously promote the implementation of various energy-saving and consumption-reduction measures, and continue to promote energy-saving and emission reduction in all aspects of operation. Meanwhile, we regularly review the implementation of energy-saving and consumption-reduction measures, and discuss new suggestions with relevant departments to update and improve energy-saving and consumption-reduction measures, in a bid to minimize the Company's energy consumption and reach the advanced level in the industry. At present, we have implemented the following measures:

| | |
|---|---|
| List of energy conservation and consumption reduction measures | Open public facilities as needed based on energy consumption and workshop production plan, and close public facilities in time to save energy |
| | Inspect the industrial steam trap on a regular basis, and take prompt remedies in case of abnormal temperatures to prevent the steam from leaking |
| | Run the bottle washing machine in the laboratory at full capacity as far as possible, so as to reduce the cleaning times and energy consumption of the cleaning machine |
| | Reasonably set the supply air temperature and humidity of the clean air conditioning unit according to changes in seasons, and appropriately extend the service life of filters subject to the use of clean air conditioning unit to improve efficiency |

During the Reporting Period, we further optimized the energy consumption performance though energy conservation renovation projects:

### Adopt Hot Water System for Air Conditioning Unit

The air conditioning unit currently in use adopts a brand-new unit to supply air to multiple air-conditioning units, and the heating medium adopts hot water system for heating. Compared with traditional air conditioners, air conditioning units currently in use are able to perform separate temperature control and dehumidification, thereby conserving consumption of power, steam, chilled water and other energy.

### Upgrade and Optimize Variable Frequency Centrifugal Chiller

The frequency conversion centrifugal water chiller is initiated by frequency conversion with low current at startup, and therefore causes no impact on the user transformer leveraging the stable current, and adopts continuously variable transmission for cooling capacity regulation within the range of 15%-100%. It can make full use of cooling water as low as 12.8°C and enjoys obvious energy-saving effect. Frequency conversion centrifugal water chillers are able to improve the unit efficiency by 10%, thereby greatly reducing the influence of global warming potential (GWP) and consume less electricity.

## Use LED Energy-saving Lamps in Workshops

During the Reporting Period, we replaced the original lighting lamps in workshop with LED energy-saving lamps. The illumination of a 5-watt energy-saving lamp is basically as bright as a 25-watt traditional bulb, which conserves energy by 80% as compared with traditional lamps, and the energy consumption of energy-saving lamps is 57% less than traditional bulbs.

**Local Elevation of Process Workshop**

In view of the tall equipment in the process workshop, the Company raised the local space, improved the room operation efficiency, and thus saved the use of materials in the construction process and the energy consumption caused by the excessive selection parameters of related supporting facilities.

**Adopt Cold Source Management System for Water Chillers**

The original water chillers require manual work to turn on the corresponding number of units and auxiliary facilities, and after renovation, the water chillers adopt a cold source management system, and operates the cold source system in the most energy-saving approach based on the monitoring and calculation of key parameters to improve energy efficiency.

Set out below are the detailed control approach:

- Automatically increase or decrease the number of cold water chillers based on the water outlet temperature and the energy consumption ratio of units in operation
- Realize automatic frequency increase and decrease based on the set water pressure difference between supply and return
- Realize automatic frequency increase and decrease based on temperature difference between supply and return
- Automatically determine the number of fans to be turned on and the operating frequency based on the outlet water temperature
- Install automatic control valves in the original chilled water and cooling water pipelines

Mabpharm advocates the concept of green and low-carbon environmental protection, dedicates itself to creating a green office environment, and promotes the concept of environmental protection and energy conservation in daily office process. Through the use of energy conservation office equipment, we set the air conditioning temperature in winter and summer in a scientific and reasonable range, carry out daily publicity on energy conservation and environmental protection culture, and post posters and slogans on energy conservation and emission reduction to encourage employees to save electricity.

### *6.3.2 Water Resources Management*

Upholding the concept of rational water consumption and water conservation, Mabpharm constantly improves water resources management, enhances the utilization rate of water resources, proactively carries out water conservation measures, raises employees' awareness of water conservation, and strives to protect valuable water resources. Water resource consumed by the Group is municipal water, which is mainly used for daily operation, office, laboratory and production.

We have adopted a series of water conservation management and upgrading measures to comprehensively improve the efficiency of water consumption.

| R&D and operation |
|---|

- Transform the freeze dryer, replace tap cooling water with circulation chilled water, and improve the utilization rate of water circulation
- Adopt design of water system with concentrated water recovery mode, which can improve the utilization rate of water resources compared with direct discharge of concentrated water
- Set up a cooling pool in the public system to recover water for injection, purified water and steam condensate, and replenish the cooling tower with chilled water, so as to realize water circulating

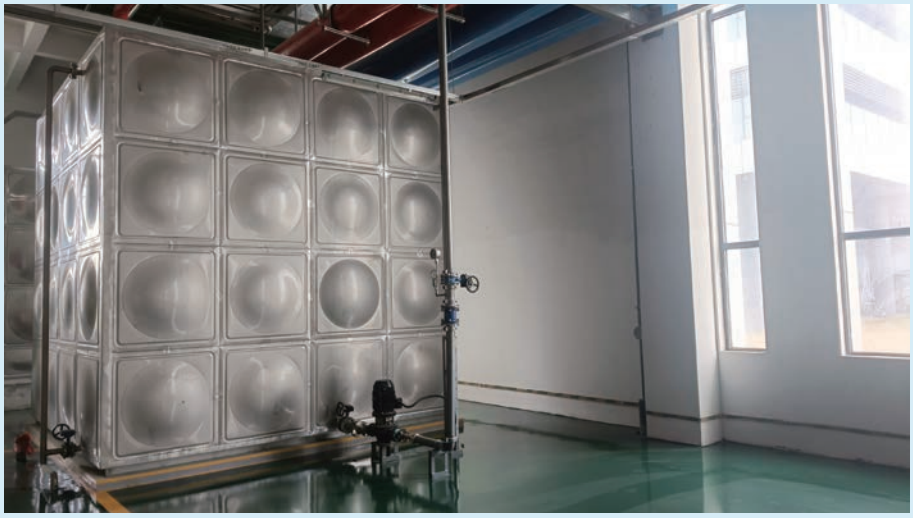
| Office work |
|---|

- Post propaganda slogans to enhance employees' awareness of water conservation
- Turn off the faucet in time to prevent waste of water resources

Meanwhile, through keeping track of water consumption at water consumption points, the Company conducts difference analysis of water consumption data on a monthly basis, and timely formulates targeted optimization measures in case of increased water consumption to avoid waste of water resources and improve the utilization efficiency. Regarding equipment with significant water consumption, we constantly improve water resources management and control by adding measuring instruments, regularly collecting information on consumption and analyzing the water consumption and frequency, so as to carry out the subsequent detailed water conservation initiatives.

## Install Hot Water Recovery Tank in Energy Center

We have installed a set of 64m$^3$ hot water recovery tank on the first floor of the energy center to collect and recycle industrial steam, pure steam condensate and reverse osmosis (RO) concentrated water of water purifier in the plant, and the cooling tower is replenished with energy through liquid level control to reduce water waste.



### *6.3.3 Packaging Material Management*

Mabpharm is committed to reducing the environmental impact of packaging materials in production, circulation and recycling, and proactively exploring the application of green recyclable packaging materials. We have formulated internal policies and systems, such as Standard Management Regulations for Material Balance, Standard Operating Regulations for Packaging Post of Penicillin Bottle Line, and Process Flow of Infliximab Preparation for Injection, established a management mechanism for the consumption of packaging materials to standardize the use, recycling and destruction of packaging materials. We carefully manage the use of packaging materials, distribute finished packages such as labels, instructions, small boxes and medium boxes as required, and count and destroy unqualified packages to ensure that the balance and recovery rate of each batch of materials is within the specified range.

The Company proactively promotes the use of sustainable packaging materials, purchases and uses paper made of renewable materials, decomposable packaging boxes, and adopts recyclable containers to avoid the use of disposable packaging materials, and is committed to mitigating the adverse impact on the environment caused by the use of packaging materials in the whole process of R&D, operation and product packaging, and improving resource utilization. For the discarded packaging materials, we will recycle them after unified recovery, and the packaging material wastes with active plastics will be disposed of by qualified third parties.

| Green Packaging |
| --- |
| Mabpharm proactively applies new environmental friendly packaging materials. The packaging cartons and instructions of our marketed infliximab for injection are made of recyclable and decomposable materials and processes that meet environmental protection requirements. Meanwhile, the Company continues to promote the application of packaging boxes made of degradable materials in other R&D and clinical projects to reduce the environmental pollution caused by packaging materials. |

## 6.4 Addressing Climate Change

At present, the impact of global climate change is gradually intensifying, as indicated by frequent extreme weather conditions, and climate change has rose to be a global challenge that transcends national boundaries. In 2015, world leaders expedited the signing of the Paris Agreement, which aims to limit the global average temperature increase to 2℃ in this century. In 2021, the 26th Conference of the Parties (COP26) to the United Nations Convention on Climate Change further promoted the implementation of the Paris Agreement, demonstrating the close cooperation among countries in tackling climate change.

Addressing global climate change, Mabpharm, as a responsible enterprise, proactively aligns its own development and construction with the mainstream trends to tackle climate change, and mitigates the impact of climate change on the Company and stakeholders through actively coping with climate change risks and taking effective risk response measures. We refer to the suggestions of TCFD (Task Force on Climate-related Financial Disclosures), identify various risks, and take timely and targeted measures to minimize the risks brought about by climate change with due consideration to the Company's operation, industry and geographical conditions.

During the Reporting Period, we initially identified the risks of climate change related to our business, and adopted multiple response measures.

| Risk category | | Risk description | Countermeasures |
|---|---|---|---|
| Transitional risks | Policy and law | Government policies and laws and regulations on carbon emission are getting stricter, and the national carbon emission trading market is under active construction | Stay tuned with the energy conservation and emission reduction policies in the place where the Company operates, and timely comprehend and comply with the latest requirements of relevant regulatory authorities |
| | Technology | The requirements for various low-carbon environmental protection technologies are on constant improvement | Accelerate the innovation of low-carbon technology, analyze the adaptability of newly developed technology to the Company's business, and make a comprehensive evaluation before the new technology is put into use |
| | Reputation | Internal and external stakeholders pay constant attention to the Company's ESG information. If the Company fails to take prompt measures to tackle climate change or the information disclosure is insufficient, the Company's reputation will be affected | Pay more attention to the disclosure requirements related to sustainable development and climate change, fully disclose ESG-related information, and actively participate in highly recognized green environmental protection actions in China and abroad |
| | Market | Uncertain market signal | Pay attention to market dynamics and analyze market environment trends |
| Physical risks | Acute | Extreme weather (rainstorm, typhoon, heavy snow, flood, high temperature, cold spell) may have an impact on the health and safety of employees and the normal operation of the Company | Pay close attention to the weather forecast and formulate emergency plans to deal with the impact of sudden weather events |
| | Chronic | The normal R&D, production and operation of the Company are susceptible to changes in temperature and rainfall | Identify chronic physical risks, evaluate their impact on the business and take corresponding measures |

## 7. GIVING BACK TO SOCIETY

Mabpharm has been committed to fulfilling corporate social responsibilities in public welfare and community activities. Through participating in charitable donations and public welfare services, it continues to promote inclusive medical care and contributes to community construction, thereby giving back to society with practical actions, and striving to build a harmonious community.

### 7.1 Inclusive Medical Care

We remain true to our original aspirations, and commit ourselves to bringing high-quality and affordable innovative biopharmaceuticals to the market relying on our professional capabilities and medical resources, and benefiting the public with our strength. We leverage our marketed products to help patients with immune diseases, promote the trial of products for public welfare purpose, hold popular science education activities, carry out drug donation programs to help needy patients reduce self-paying expenses, and take practical actions to inherit the spirit of public welfare and fulfill the responsibilities of pharmaceutical companies.

## Love Aid Project for Patients with Autoimmune Diseases

Committed to the original aspiration of enabling more needy patients with autoimmune diseases to receive effective and standardized drug treatment and helping them acquire new hopes and opportunities, Beijing RenZe Foundation launched the "Love Aid Project for Patients with Autoimmune Diseases". Mabpharm was invited to participate in the project, in which we provided approximately 2,000 free drugs (infliximab) to more than 300 patients with autoimmune diseases. In addition to free aid drugs, we donated an additional RMB296,000 as project funds to support the implementation of the aid project.


| Product Trial for Public Welfare Purpose |
| --- |
| In order to enable more patients to benefit from the research and development and innovation of drugs, we have launched a product trial project for public welfare purpose. The Company provides drugs (including basic, therapeutic and first-aid drugs, etc.) for patients participating in different stages of phase I-III clinical trials free of charge, and purchases clinical research commercial insurance for subjects to cope with possible risks, and pays all related clinical testing expenses (such as laboratory examination, imaging examination, gene mutation detection, etc.) and compensation for losses caused by accidents in time. |

| Public Welfare Science Popularization Activities |
| --- |
| Mabpharm is currently carrying out a series of phase I-III clinical research on drugs. In order to help patients and their families who participate in the clinical research project better understand the relevant disease and diagnosis and treatment methods, the Company holds public welfare science lecture jointly with hospital researchers during the project to inform patients of the basic knowledge of such diseases and the latest progress in diagnosis and treatment. |

## 7.2 Social Welfare

While paying attention to its business development, Mabpharm proactively promotes all kinds of volunteer activities, regularly organizes extensive public welfare activities and encourages employees to participate. During the Reporting Period, we launched the coolness delivery activity to firefighters on August 1 Army Day, and volunteer activities for pandemic prevention and control, giving back to the community with our contributions and creating a better future together.

## Coolness Delivery Activity to Firefighters in Summer

In hot summer days, firefighters stick to their front-line posts and safeguard millions of households. In order to extend gratitude to the firefighters for their contribution to the stability and prosperity of the community, the Company launched a coolness delivery activity on August 1 Army Day, offering condolences to the frontline firefighters and paying tribute to the "Heroes in Harm's Way".


## Volunteers for COVID-19 Pandemic Prevention and Control

During the COVID-19 quarantine periods in Taizhou, employees of the Company proactively signed up to participate in the volunteer services of the community to fight against COVID-19, offering help to conduct nucleic acid detection and delivery of materials. They courageously took responsibility in times of difficulties, marched into pandemic areas, and received letters of praise from the community.


## APPENDIX I HONORS AND AWARDS

Highlight: List of honors and awards granted to the Group in 2022, including awards/recognized titles, awarding units and time of award

| No. | List of honors and awards | Granted to | Time of award | Granted by |
|---|---|---|---|---|
| 1 | Medical High-tech Zone (Gaogang District) May 1 Labor Award | Taizhou Mabtech Pharmaceutical Limited | 2022.04 | Taizhou Gaogang District Federation of Trade Unions |
| 2 | Honorary Certificate of Outstanding Engineer | Shao Shunru, QA Manager | 2022.05 | High-tech Management Committee and other institutions |
| 3 | 2022 "Medical City Craftsman" | Yuan Xiuzhen, Quality Director | 2022.07 | Taizhou Gaogang District Federation of Trade Unions |
| 4 | 2022 Top Ten "Open Competition" Outstanding Innovations | Du Nianhong, Metrology Supervisor | 2022.12 | |
| 5 | 2022 "Open Competition" Outstanding Innovation Achievement Award | Huang Yong, Operation Department I | | |
| 6 | 2022 "Open Competition" Outstanding Innovation Achievement Award | Zhuang Jianlin, Equipment Department | | |
| 7 | 2022 Excellent Trade Union Workers of Medical High-Tech Zone (Gaogang District) | Li Juan, General Office | 2023.02 | |

## APPENDIX II KEY PERFORMANCE INDICATORS

| Indicator | Unit | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| **Environmental performance indicators** | | | | |
| Total greenhouse gas emissions[20] (scope 1 and scope 2) | ton | **7,868.11** | 8,104.02 | 5,005.37 |
| Direct greenhouse gas emission (scope 1) | ton | **12.17** | 12.89 | 9.66 |
| Indirect greenhouse gas emission (scope 2) | ton | **7,855.94** | 8,091.13 | 4,995.71 |
| Total greenhouse gas emissions per employee (excluding contractors) | ton/employee | **18.87** | 16.74 | 14.87 |
| Sulfur dioxide | ton | **0.00** | 0.00 | / |
| Nitrogen compounds | ton | **0.00** | 0.00 | / |
| Non-methane total hydrocarbon | ton | **0.01** | 0.02 | / |
| Total hazardous waste emissions | ton | **24.37**[21] | 15.37 | 4.79 |
| Total hazardous wastes emissions per employee (excluding contractors) | ton/employee | **0.06** | 0.03 | 0.01 |
| Total non-hazardous wastes emissions | ton | **40.00** | 37.50 | 8,784.91 |
| Total non-hazardous wastes emissions per employee (excluding contractors) | ton/employee | **0.10** | 0.08 | 26.15 |
| Water consumption | $m^3$ | **95,274.56** | 155,132.10 | 81,197.80 |
| Fresh water | $m^3$ | **95,248.86** | 145,528.10 | 75,897.80 |
| Recycling water | $m^3$ | **25.70** | 9,604.00 | 5,300.00 |
| Total water consumption per employee (excluding contractors) | $m^3$/employee | **228.48** | 320.52 | 241.66 |

[20] Greenhouse gas emissions: scope 1 greenhouse gas emissions of the Company come from the consumption of gasoline in self-owned vehicles; scope 2 greenhouse gas emissions of the Company come from purchased electricity and purchased steam. The calculation of greenhouse gas emissions refers to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) issued by the National Development and Reform Commission of the People's Republic of China. The calculation of power emission factor refers to the Notice on Implementing the Management of Greenhouse Gas Emission Reports of Enterprises from 2023 to 2025 issued by the Ministry of Ecology and Environment of the People's Republic of China, in which the power grid emission factor is adjusted to 0.5703 $tCO_2$/MWh.

[21] The increase in the total emissions of hazardous wastes in 2022 was due to sludge removal in sewage treatment stations.

| Indicator | Unit | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Total energy consumption[22] | 000'KWh | 19,600.46 | 13,722.95 | 8,878.69 |
| Diesel and gasoline[23] | 000'KWh | 47.89 | 50.53 | 37.81 |
| Electricity | 000'KWh | 8,079.02 | 7,019.76 | 4,860.88 |
| Steam | 000'KWh | 11,473.55[24] | 6,652.67 | 3,980.00 |
| Total energy consumption per employee (excluding contractors) | 000'KWh/ employee | 47.00 | 28.35 | 26.42 |
| Total packaging materials consumed for finished products | ton | 1.96 | 1.87 | 2.45 |
| Packaging materials consumed per production unit | kg/employee | 4.69 | Not applicable | Not applicable |
| **Social performance indicators** | | | | |
| Employees of contractors | total number | 150 | 80 | 347 |
| Employees (excluding contractors) | total number | 417 | 484 | 336 |
| By gender | Female | 240 | 251 | 189 |
| | Male | 177 | 233 | 147 |
| By employment type | Full-time | 417 | 484 | 336 |
| | Part-time | 0 | 0 | 0 |
| By age group | Aged under 30 | 191 | 166 | 135 |
| | Aged 30-50 | 220 | 307 | 193 |
| | Aged over 50 | 6 | 11 | 8 |
| By region | China | 416 | 483 | 336 |
| | Overseas | 1 | 1 | 0 |
| By employee category | Senior management | 5 | 5 | 5 |
| | Middle management | 42 | 43 | 38 |
| | General staff | 370 | 436 | 293 |

22 Energy consumption: calculated according to General Principles for Comprehensive Energy Consumption Calculation (GB2589-2020).

23 Diesel and gasoline: only self-owned vehicles consumed gasoline in 2022

24 The increase of steam consumption in 2022 is due to the increase of production frequency.

| Indicator | Unit | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Employee turnover rate | % | 27.34 | 23.90 | 25.89 |
| By gender | Female | 24.58% | 20.91% | 22.75% |
| | Male | 31.07% | 27.37% | 29.93% |
| By age group | Aged under 30 | 30.89% | 29.90% | 37.04% |
| | Aged 30-50 | 23.64% | 20.80% | 19.17% |
| | Aged over 50 | 50.00% | 10.53% | 0.00% |
| By region | China | 27.40% | 23.93% | 25.89% |
| Work-related fatalities | person | 0 | 0 | 0 |
| Fatality rate | % | 0 | 0 | 0 |
| Lost days due to work injury | day | 0 | 0 | 0 |
| Average lost days due to work injury | day/employee | 0 | 0 | 0 |
| Percentage of trained employees | % | 78.66 | 87.54 | 89.58 |
| By gender | Female | 55.49% | 51.21% | 90.48% |
| | Male | 44.51% | 48.79% | 88.44% |
| By employee category | Senior management | 1.52% | 0.24% | 40.00% |
| | Middle management | 7.93% | 5.80% | 81.58% |
| | General staff | 90.55% | 93.96% | 93.86% |
| Average training hours completed per employee | hour | 48.76 | 19.94 | 29.50 |
| By gender | Female | 47 | 20 | 32 |
| | Male | 51 | 20 | 26 |
| By employee category | Senior management | 49 | 2 | 3 |
| | Middle management | 48 | 13 | 17 |
| | General staff | 49 | 21 | 40 |

| Indicator | Unit | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Total number of suppliers | number | 575 | 646 | 607 |
| Number of suppliers by geographical region | | 573 | 643 | 603 |
| China | number | 2 | 3 | 4 |
| Hong Kong, Macao and Taiwan and overseas | number | | | |
| Percentage of total products sold or shipped subject to recalls for safety and health reasons | % | 0 | 0 | Not applicable |
| Number of products and service related complaints received | case | Not applicable | Not applicable | Not applicable |
| Number of concluded legal cases regarding corrupt practices brought against the Company or our employees | case | 0 | 0 | 0 |

# APPENDIX III HKEX INDEX

## INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

| Subject areas, aspects, general disclosure and key performance indicators | | | Section |
|---|---|---|---|
| **Environmental** | | | |
| A1: Emissions | General disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste. | Harmonious Ecology |
| | A1.1 | The types of emissions and respective emissions data. | Appendix II: Key Performance Indicators |
| | A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and intensity | Appendix II: Key Performance Indicators |
| | A1.3 | Total hazardous waste produced and intensity. | Appendix II: Key Performance Indicators |
| | A1.4 | Total non-hazardous waste produced and intensity. | Appendix II: Key Performance Indicators |
| | A1.5 | Description of emission target(s) set and steps taken to achieve them. | Environmental Management<br>Emissions Management |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Environmental Management<br>Emissions Management |

| Subject areas, aspects, general disclosure and key performance indicators | | | Section |
|---|---|---|---|
| A2:Use of Resources | General disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Environmental Management<br>Resource management |
| | A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity. | Appendix II: Key Performance Indicators |
| | A2.2 | Water consumption in total and intensity. | Appendix II: Key Performance Indicators |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Environmental Management<br>Resource management |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Environmental Management<br>Resource management |
| | A2.5 | Total packaging material used for finished products and with reference to per unit produced. | Appendix II: Key Performance Indicators |
| A3: Environmental and Natural Resources | General disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources. | Harmonious Ecology |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environmental Management<br>Emissions Management<br>Resource management |
| A4: Climate Change | General disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Addressing Climate Change |
| | A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them. | Addressing Climate Change<br>Environmental Management<br>Resource management |

| Subject areas, aspects, general disclosure and key performance indicators | | | Section |
|---|---|---|---|
| **Social** | | | |
| B1: Employment | General disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Joint Growth with Employees |
| | B1.1 | Total work force by gender, employment type, age group and geographical region. | Employment and Employee Rights and Interests |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment and Employee Rights and Interests |
| B2: Health and Safety | General disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Occupational Health and Safety |
| | B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year | Occupational Health and Safety |
| | B2.2 | Lost days due to work injury. | Occupational Health and Safety |
| | B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Occupational Health and Safety |
| B3: Development and Training | General disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Training and Development |
| | B3.1 | The percentage of employees trained by gender and employee category. | Training and Development |
| | B3.2 | The average training hours completed per employee by gender and employee category. | Training and Development |

| Subject areas, aspects, general disclosure and key performance indicators | | | Section |
|---|---|---|---|
| B4: Labor Standards | General disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | Employment and Employee Rights and Interests |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labor. | Employment and Employee Rights and Interests |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | Employment and Employee Rights and Interests |
| B5: Supply Chain Management | General disclosure | Policies on managing environmental and social risks of the supply chain. | Responsible Procurement |
| | B5.1 | Number of suppliers by geographical region. | Responsible Procurement |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Responsible Procurement |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Responsible Procurement |
| | B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Responsible Procurement |

| Subject areas, aspects, general disclosure and key performance indicators | | | Section |
|---|---|---|---|
| B6: Product Responsibility | General disclosure | Information on<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Innovation Empowerment |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Quality Assurance |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | Quality Assurance |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Innovative Research and Development |
| | B6.4 | Description of quality assurance process and recall procedures. | Quality Assurance |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Quality Assurance |
| B7: Anti-corruption | General disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Refined Governance |
| | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases. | Compliance Operation and Business Ethics |
| | B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | Compliance Operation and Business Ethics |
| | B7.3 | Description of anti-corruption training provided to directors and staff. | Compliance Operation and Business Ethics |
| B8: Community Investment | General disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Giving Back To Society |
| | B8.1 | Focus area of contribution. | Giving Back To Society |
| | B8.2 | Resources contributed to the focus area. | Giving Back To Society |

# Report of Directors

The Board of the Company is pleased to present this report of Directors together with the Consolidated Financial Statements of the Group for the year ended December 31, 2022.

## PRINCIPAL ACTIVITIES

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience.

There was no significant change in the nature of the Group's principal activities during the Reporting Period and up to the date of this annual report.

Particulars of the Company's principal subsidiaries as at December 31, 2022 are set out in Note 1 "CORPORATE AND GROUP INFORMATION" to the Consolidated Financial Statements.

## BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388 (2) and Schedule 5 to the Companies Ordinance can be found in the section headed "Management Discussion and Analysis" of this annual report.

The financial risk management objectives and policies of the Group are set out in Note 36 "FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES" to the Consolidated Financial Statements.

Further details relating to the Group's relationships with its key stakeholders, the Group's environmental policies and performance, as well as the compliance with the relevant laws and regulations that have a significant impact on the Group can be found in the Environmental, Social and Governance Report on pages 42 to 48. The "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" form part of this report of Directors.

## RESULTS

Details of the consolidated loss and total comprehensive expense of the Group for the Reporting Period and the Group's financial position as at December 31, 2022 are set out in the Consolidated Financial Statements on pages 186 to 188.

## FINAL DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended December 31, 2022.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed in promoting a sustainable and environmental friendly environment. We endeavour to comply with the relevant laws and regulations regarding environmental protection and implement effective measures to achieve efficient use of resources, waste reduction and energy saving. For instance, we utilize the waste water generated in RO reverse purification process, and the recycled waste water is mainly used for supplementing water to equipment units and as domestic water, etc. We also review our environmental policies on a regular basis.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's Environmental, Social and Governance Report can be found on pages 38 to 128.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause our financial conditions or results materially different from the expected or historical results can be summarized as follows, some of which are beyond our control:

1. risks related to financial prospects and funding

    - ability to raise additional capital to fund our operations in a timely manner on acceptable terms

    - risk of obsolescence for our inventory, which may adversely impact our financial conditions and results of operation

2. risks related to product development and commercialization

    - ability to develop, obtain approval for or commercialize any of our drug candidates or incur significant delays in doing so

3. risks related to governmental regulation

    - changes in government regulations or in practices relating to the pharmaceutical and biotechnology industries, including healthcare reform in the PRC

4. risks related to intellectual property

    - be successful in protecting our own intellectual property

5. other risks related to our industry and business

    - competition in the biopharmaceuticals market, in particular for therapeutic antibody drugs

6. risks related to doing business in the PRC

    - adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China

    - government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries

7. risks related to Novel Coronavirus

    - delay advancement of R&D (including clinical trials, obtaining regulatory approvals and developing of new drug candidate) and construction of production facilities

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## BOARD COMMITTEES

Please refer to pages 165 to 169 of the Corporate Governance Report for further details in relation to (1) Remuneration Committee, (2) Audit Committee, and (3) Nomination Committee as established by the Board.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

**Executive Directors**
Dr. Wang Hao
Mr. Li Yunfeng
Dr. Li Jing
Mr. Tao Jing

**Non-executive Directors**
Mr. Jiao Shuge *(Chairman)*
Mr. Guo Jianjun

**Independent Non-executive Directors**
Mr. Guo Liangzhong
Dr. Zhang Yanyun
Dr. Liu Linqing
(retired from office on June 17, 2022)
Mr. Leung, Louis Ho Ming
(appointed on June 17, 2022)

In accordance with article 108 of the Articles of Association, Mr. Guo Jianjun, Mr. Guo Liangzhong and Dr. Zhang Yanyun will retire from office by rotation at the forthcoming AGM, among whom Mr. Guo Jianjun, Mr. Guo Liangzhong and Dr. Zhang Yanyun are eligible and will offer themselves for re-election.

## DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

## CHANGES IN INFORMATION OF DIRECTORS

So far as the Directors are aware and save as disclosed in this report, there has been no other change of information of Directors during the Reporting Period.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the Independent Non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this annual report, all of the Independent Non-executive Directors are independent. The Nomination Committee has conducted an annual review and considers that all Independent Non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive Director. The Board believes that the balance between the Executive Directors and the Independent Non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with us under which they agreed to act as Executive Directors for an initial term of three years, which may be terminated by not less than three months' notice in writing served by either the Executive Director or us.

Each of the Non-executive Directors and the Independent Non-executive Directors has signed an appointment letter with us for a term of three years and two years, respectively. Under their respective appointment letters, each of the Independent Non-executive Directors is entitled to a fixed Director's fee while the Non-executive Directors are not entitled to any remuneration.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND EXECUTIVE OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Related Party Transactions" below and Note 33 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

## CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed under the section headed "Related Party Transactions" below and Note 33 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements, no contracts of significance (as defined in Appendix 16 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a controlling shareholder of the Company had a material interest, whether directly or indirectly, during or at the end of the Reporting Period.

## MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers and the largest customer accounted for 73.6% and 42.5%, respectively, of the Group's total sales during the Reporting Period. The Group attaches great importance to the long-term relationship with its customers. The Group strives to build mutual trust with customers, strengthen communication and commitment with them, provide customers with high-quality products and maintain sustainable development.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 54.4% and 26.7%, respectively, of the Group's total purchases for the Reporting Period. The Group values long standing relationships with its suppliers. The Group is aiming to develop mutual trust and enhance communication and commitment with its suppliers with a view to deliver high quality products to its customers and maintain sustainable growth.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had a material interest in the Group's five largest customers and five largest suppliers during the Reporting Period.

During the Reporting Period, the Group did not experience any significant disputes with its customers and suppliers.

## REMUNERATION OF DIRECTORS

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 10 "DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION" to the Consolidated Financial Statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Apart from our businesses, Mr. Guo Jianjun, our Non-executive Director and ultimate Controlling Shareholder, has interest in Sinomab Group which is principally engaged in the CRO business in the PRC ("**Businesses of Sinomab Group**"). The Directors consider that the businesses of our Group and the Businesses of Sinomab Group are clearly delineated and do not directly compete with each other because the business nature and the target customers of the Group and Sinomab Group are entirely different. For further details of Businesses of Sinomab Group, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Business" of the Prospectus.

The Directors confirm that during the Reporting Period they did not have any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

## DEED OF NON-COMPETITION

Each of the Controlling Shareholders and Sinomab (each a "Covenantor" and collectively the "**Covenantors**") has entered into the deed of non-competition with the Company on April 16, 2019 ("**Deed of Non-Competition**"). Pursuant to the Deed of Non-competition, each of the Covenantor has irrevocably and unconditionally undertaken to the Company that, with the exception of the Excluded Business, he/it shall not, and shall procure his/its close associates (other than any members of the Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of the Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of the Group, in particular any research, development, manufacturing and commercialization of drug products having the same chemical target as those biologic products of the Group. For further details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" of the Prospectus.

The Independent Non-executive Directors have reviewed the compliance of the Deed of Non-competition by the Covenantors, and considered that the non-competition undertakings have been complied with during the Reporting Period. The Covenantors have provided the Company with the confirmation in writing of compliance of the non-competition undertakings.

## FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 275 of this annual report. This summary does not form part of the Consolidated Financial Statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the Reporting Period are set out in Note 15 "PROPERTY, PLANT AND EQUIPMENT" to the Consolidated Financial Statements.

## SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period are set out in Note 28 "SHARE CAPITAL" to the Consolidated Financial Statements.

## DONATION

During the Reporting Period, the Group has made a charitable donation amounting to RMB296,000 and approximately 2,000 free drugs (infliximab) to Beijing RenZe Foundation in support of its love aid project for patients with autoimmune diseases (2021: Nil).

## DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

## EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

## DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended December 31, 2022 are set out on page 189 to the Consolidated Financial Statements. The distributable reserves of the Company as at December 31, 2022 were RMB1,334.8 million (2021: RMB1,335.9 million).

## BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company as at December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 25 "INTEREST-BEARING BANK AND OTHER BORROWINGS" to the Consolidated Financial Statements.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2022, the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

| Name of Director | Nature of interest | Number of Shares or underlying Shares | Approximate percentage of shareholding interest[1] |
|---|---|---|---|
| Mr. Guo Jianjun (郭建軍) | Interest in controlled corporation (L)[2] | 2,227,000,000 | 54.00% |
| Dr. Wang Hao (王皓) | Beneficial owner (L)[3] | 24,827,006 | 0.60% |
| Mr. Li Yunfeng (李雲峰) | Beneficial owner (L)[3] | 3,236,234 | 0.08% |
| Dr. Li Jing (李晶) | Beneficial owner (L)[3] | 3,236,234 | 0.08% |
| Tao Jing (陶靜) | Beneficial owner (L)[3] | 3,236,234 | 0.08% |
| | Interest of Spouse (L)[3] | 75,192 | 0.002% |

*Notes:*

(1) As at December 31, 2022, the total number of issued shares of the Company was 4,124,080,000 Shares.

(2) The Company is held as to 49.95% and 4.05% by Asia Mabtech and United Circuit, respectively. United Circuit is held as to 100% by Asia Mabtech, which is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust, of which Mr. Guo Jianjun is the settlor. As such, Mr. Guo Jianjun is deemed or is taken to be interested in 167,025,000 Shares beneficially owned by United Circuit and 2,059,975,000 Shares beneficially owned by Asia Mabtech for the purpose of Part XV of the SFO.

(3) These interests represented the share options granted under the Pre-IPO Share Option Scheme. For details, please refer to Note 29 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements.

Save as disclosed above, so far as the Directors and the chief executive of the Company are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares or underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified under Division 7 and 8 of Part XV of the SFO or recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2022, the interests of relevant persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying shares, as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

| Name of Shareholder | Nature of interest | Number of Shares | Approximate percentage of shareholding interest |
|---|---|---|---|
| Asia Mabtech[1] | Beneficial owner (L); Interest in controlled corporation (L) | 2,227,000,000 | 54.00% |
| United Circuit[1] | Beneficial owner (L) | 167,025,000 | 4.05% |
| Guo Family Trustee[1] | Interest in controlled corporation (L) | 2,227,000,000 | 54.00% |
| Asia Pacific Immunotech Venture Limited[1] | Interest in controlled corporation (L) | 2,227,000,000 | 54.00% |
| Mr. Guo Jianjun[1] | Interest in controlled corporation (L) | 2,227,000,000 | 54.00% |
| CDH PE[2] | Beneficial owner (L) | 742,348,180 | 18.00% |
| CDH Fund V, L.P. ("**CDH Fund**")[2] | Interest in controlled corporation (L) | 742,348,180 | 18.00% |
| CDH V Holdings Company Limited ("**CDH V**")[2] | Interest in controlled corporation (L) | 742,348,180 | 18.00% |
| China Diamond Holdings V Limited ("**CDH Diamond V**")[2] | Interest in controlled corporation (L) | 742,348,180 | 18.00% |
| China Diamond Holdings Company Limited ("**China Diamond**")[2] | Interest in controlled corporation (L) | 742,348,180 | 18.00% |
| FH Investment[3] | Beneficial owner (L) | 213,435,680 | 5.18% |
| Link Best Capital Limited[3] | Interest in controlled corporation (L) | 213,435,680 | 5.18% |

*Notes:*

(1) The Company is held as to 49.95% and 4.05% by Asia Mabtech and United Circuit, respectively. United Circuit is held as to 100% by Asia Mabtech, which is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust, of which Mr. Guo Jianjun is the settlor and Guo Family Trustee is the trustee. As such, Mr. Guo Jianjun is deemed or is taken to be interested in 167,025,000 Shares beneficially owned by United Circuit and 2,059,975,000 Shares beneficially owned by Asia Mabtech for the purpose of Part XV of the SFO.

(2) The Company is held as to 18.00% by CDH PE. CDH PE is wholly-owned by CDH Fund. Pursuant to the SFO, CDH Fund is therefore deemed to be interested in the shares held by CDH PE. CDH Fund is controlled by CDH V, which in turn held as to 80% by China Diamond V. China Diamond V is held as to 100% by China Diamond.

(3) FH Investment is a direct wholly-owned subsidiary of Link Best Capital Limited, which is held by independent third parties.

Saved as disclosed above, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified.

## PRE-IPO SHARE OPTION SCHEME

On August 10, 2018, the Company adopted the Pre-IPO Share Option Scheme. For the details of the Pre-IPO Share Option Scheme, please refer to the disclosure in the Prospectus.

Below is a summary of the principal terms of the Pre-IPO Share Option Scheme:

### Purpose

The purpose of the Pre-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group.

### Duration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme commenced on August 10, 2018 and ended on the day immediately before the Listing date.

### Participants

Eligible participants include directors and employees of the Company or any of its subsidiaries who, in the sole opinion of the Board, have contributed to the Company and/or any of the subsidiaries.

### Maximum number of shares that can be awarded

The maximum number of Shares in respect of which options may be granted shall be equivalent to 2.5% of the issued share capital of the Company immediately after capitalization prior to the Global Offering.

### Exercise Period

The date of expiry of the option is determined by the Board which shall not be later than the last day of the option period, which must expire not more than 10 years from the date of grant. 20% of the share options granted will be exercisable commencing from the fourth, fifth, sixth, seventh and eighth anniversary of the Listing Date, respectively.

### Exercise Price

The exercise price of the options shall be the final offer price per share at which the Shares are acquired by the investors pursuant to the Global Offering which amounted to HK$1.50 per Share.

### Outstanding Share Options

On August 18, 2018, the Company granted an aggregate of 83,512,500 share options to 62 Grantees, representing rights to subscribe for 83,512,500 Shares (taking into account the Capitalization Issue). Subsequent to the granting of the share options, a total of 18 of the grantees resigned from their respective positions within our Group. As such, the share options granted to these 18 grantees were lapsed and no longer exercisable. As of December 31, 2022, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 76,469,098 Shares and 1.85% of the issued share capital of the Company as at the date of this annual report. None of the share options granted under the scheme has been exercised by any grantee.

Details of the movements of the options granted under the Pre-IPO Share Option Scheme during the Reporting Period are as follows:

| Category | Grant Date | Outstanding at January 1, 2022 | Number of Share Options During the Reporting Period | | | Outstanding at December 31, 2022 |
|---|---|---|---|---|---|---|
| | | | Granted | Exercised | Forfeited | |
| **Category 1: Directors** | | | | | | |
| Dr. Wang Hao | August 18, 2018 | 24,827,006 | – | – | – | 24,827,006 |
| Mr. Li Yunfeng | August 18, 2018 | 3,236,234 | – | – | – | 3,236,234 |
| Dr. Li Jing | August 18, 2018 | 3,236,234 | – | – | – | 3,236,234 |
| Mr. Tao Jing | August 18, 2018 | 3,236,234 | – | – | – | 3,236,234 |
| | Sub-total | 34,535,708 | – | – | – | 34,535,708 |
| **Category 2: Employees** | August 18, 2018 | 43,840,739 | – | – | (1,907,349) | 41,933,390 |
| | Total | 78,376,447 | – | – | (1,907,349) | 76,469,098 |

For further details, please refer to Note 29 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements.

Save as disclosed above and in Note 29 "SHARE-BASED PAYMENT TRANSACTIONS" to the Consolidated Financial Statements, the Company does not have any other share option schemes.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Note 33 "RELATED PARTY TRANSACTIONS" to the Consolidated Financial Statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

### Continuing Connected Transactions

During the Reporting Period, the Group has carried out the following continuing connected transactions (as defined in the Listing Rules) which are not exempted from annual reporting requirement under Chapter 14A of the Listing Rules. Details of the transaction are set out below:

#### *Connected Persons*

Mr. Guo Jianjun, our Non-executive Director and one of our Controlling Shareholders and Ms. Guo Hua (an associate of Mr. Guo Jianjun), indirectly controls 5% and 61.67% of the voting rights in Sinomab, respectively, and Biomabs is a wholly-owned subsidiary of Sinomab. Therefore, Biomabs is a connected person of the Group pursuant to the Listing Rules.

#### *Clinical Trials Agreement for CMAB807*

On March 1, 2021, Biomabs and Taizhou Pharmaceutical entered into the clinical trials agreement pursuant to which Biomabs will continue and complete the phase III clinical trials of CMAB807 in the PRC ("**807 Clinical Trials Agreement**").

Pursuant to the 807 Clinical Trials Agreement, Taizhou Pharmaceutical shall engage Biomabs to continue to develop and complete phase III clinical trials of CMAB807. The scope of services to be provided by Biomabs includes, but not limited to: (i) continue to act as the applicant of the phase III clinical trials of CMAB807; (ii) enter into agreements with other clinical trial institutions (e.g. hospitals and CROs); (iii) continue to perform its obligations under agreements relating to the clinical trials of CMAB807 which Biomabs has already entered into before entering into the 807 Clinical Trials Agreement; and (iv) conduct other activities which should be conducted by the applicant of the clinical trials of CMAB807.

On or before the 10th day of each calendar month, (i) both parties to the 807 Clinical Trials Agreement shall confirm the amount of the expenses to be reimbursed in relation to the clinical trials of CMAB807, which have been paid by Biomabs on behalf of Taizhou Pharmaceutical for the previous calendar month; and (ii) Taizhou Pharmaceutical shall pay Biomabs such agreed reimbursements.

The term of the 807 Clinical Trials Agreement will expire on December 31, 2023 or completion of the phase III clinical trial of CMAB807, whichever is earlier.

The annual cap for the aggregate agreed reimbursements payable by Taizhou Pharmaceutical under the 807 Clinical Trials Agreement for the year ending December 31, 2022 was RMB7 million.

The total amount incurred by Taizhou Pharmaceutical under the 807 Clinical Trials Agreement for the year ended December 31, 2022 was approximately RMB2,559,000 (including value added tax of RMB142,000).

### *CDMO Agreement for CMAB807*

On March 1, 2021, Biomabs and Taizhou Pharmaceutical also entered into the CDMO agreement ("**CDMO Agreement**") pursuant to which Biomabs will develop and manufacture CMAB807 in the PRC for Taizhou Pharmaceutical.

Pursuant to the CDMO Agreement, Taizhou Pharmaceutical shall engage Biomabs to develop and manufacture CMAB807 in accordance with the marketing authorization holder system under the Pharmaceutical Administration Law (《藥品管理法》) in the PRC including but not limited to (a) obtaining validation of the manufacturing process; (b) preparing all relevant documentation; and (c) applying to the NMPA for the new drug application.

The fees payable under the CDMO Agreement is RMB48 million in total and will be payable in five instalments with each payable within 20 days upon the occurrence of certain agreed milestones of the commercialization of CMAB807, starting from the effective date of the CDMO agreement. In addition, Biomabs can request for an additional fees of up to RMB5 million to be paid by Taizhou Pharmaceutical in respect of additional works and expenses incurred due to changes in, among others, relevant laws and rules or as agreed between Taizhou Pharmaceutical and Biomabs.

The term of the CDMO Agreement will expire on December 31, 2023 or completion of the phase III clinical trial of CMAB807, whichever is earlier.

The annual cap for fees payable by Taizhou Pharmaceutical under the CDMO Agreement for the year ending December 31, 2022 was RMB15 million.

The total amount incurred by Taizhou Pharmaceutical under the CDMO Agreement for the year ended December 31, 2022 was nil. As certain hospitals where clinical trials were conducted have to reallocate and concentrate their resources to prevent and control Corona Virus Disease ("**COVID-19**"), there is a delay in the progress of the clinical trial of CMAB807. Therefore, the milestone for payment to Biomabs under the CDMO Agreement was not reached during the Reporting Period.

### *Confirmation by the Independent Non-executive Directors*

The Independent Non-executive Directors have reviewed the above continuing connected transactions and has confirmed that such transactions are:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better terms; and

(iii) in accordance with the agreements related to such transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

### *Confirmation by the auditors*

Based on the work performed, the auditor of the Company confirmed to the Board that nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions:

(1) have not been approved by the Board;

(2) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) have exceeded the annual cap as set by the Company.

Save as disclosed above, the related party transactions referred in Note 33 to the Consolidated Financial Statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Save as disclosed in this annual report, and except the continuing connected transactions that were granted full exemptions on the requirements under Chapter 14A of the Listing Rules by the Stock Exchange, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

## MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

## USE OF NET PROCEEDS FROM LISTING

With the Shares of the Company listed on the Stock Exchange on May 31, 2019 (the "**Listing Date**"), the net proceeds from the Global Offering were approximately HK$1,144.5 million. As at the date of this report, the Company used a total of approximately RMB967.4 million of the proceeds, including approximately RMB180.9 million for research and development of our Core Products, approximately RMB497.2 million for production scale-up, approximately RMB194.5 million for research and development of our other candidate products, approximately RMB74.8 million for working capital and general purpose, and RMB2.0 million for the acquisition of CMAB807 License. Save as disclosed below, the Company intends to apply such net proceeds in accordance with the purposes as set out in the prospectus of the Company dated May 20, 2019.

The table below sets out the planned applications of the net proceeds of the Global Offering and actual usage up to December 31, 2022:[1]

| Use of proceed | Allocation of the Net Proceeds *(RMB million)* | Utilized amount up to December 31, 2021 *(RMB million)* | Utilized amount during the Reporting Period *(RMB million)* | Utilized amount up to December 31, 2022 *(RMB million)* | Unutilized amount up to December 31, 2022 *(RMB million)* | Expected timeline for fully utilizing the unutilized amount |
|---|---|---|---|---|---|---|
| For R&D of our Core Products | 180.9 | 169.2 | 11.7 | 180.9 | – | – |
| For production scale-up and construction of new production facilities in Taizhou, PRC | 497.2 | 404.5 | 92.7 | 497.2 | – | – |
| For R&D of our other product candidates | 194.5 | 182.6 | 11.9 | 194.5 | – | – |
| For working capital and other general corporate purposes | 74.8 | 74.8 | – | 74.8 | – | – |
| For acquisition of CMAB807 License | 20.0 | 20.0 | – | 20.0 | – | – |
| Total | 967.4 | 851.1 | 116.3 | 967.4 | – | – |

*Notes:*

(1) The net proceeds of the Global Offering were received in Hong Kong dollar and translated to Renminbi for application planning.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three members, including two Independent Non-executive Directors, namely, Mr. Guo Liangzhong and Mr. Leung, Louis Ho Ming and one non-executive Director, namely, Mr. Jiao Shuge. The Audit Committee has reviewed, with the management of the Company, the audited Consolidated Financial Statements for the Reporting Period.

## INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2022 was audited by Ernst & Young who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, as at the date of this annual report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2022, we had a total of 417 employees, of which 93 are located in Shanghai and 324 are located in Taizhou. The table below sets forth a breakdown of our employees by function:

| Function | Number of Employees |
|---|---|
| Business units | 70 |
| R&D personnel [(1)] | 280 |
| Administration | 32 |
| Management | 35 |
| Total | 417 |

*Notes:*

(1) The number of R&D personnel here excludes 25 R&D team members who have been included in our management.

Our success depends on our ability to attract, recruit and retain qualified employees. We provide our employees with opportunities to work on cutting-edge biologics projects with world-class scientists. We aim to attract qualified employees with overseas educational backgrounds and relevant experience gained from global pharmaceutical or biotechnology companies. As of the date of this report, Dr. Li Jing and Dr. Wang Hao of our scientists held a Ph.D. degree or equivalent in fields that are highly relevant to our business. In addition, as of the same date, 216 out of our 305 R&D personnel (including those who are our management) held a bachelor's degree or above.

Our employment agreements typically cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees generally includes salary and bonus elements. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. We also make contributions to the social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund.

We have established a labor union at Taizhou that represents employees with respect to the promulgation of bylaws and internal protocols. As of December 31, 2022, all of our employees at Taizhou were members of the labor union. We believe that we maintain a good working relationship with our employees. We had not experienced any material difficulty in recruiting employees for our operations during the Reporting Period and up to the date of this report.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No significant event of the Group occurred after the Reporting Period and up to the date of this report.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Dr. Wang Hao (王皓)**, aged 54, is the chief scientist of our Company and was appointed as an Executive Director on July 20, 2018, and is primarily responsible for overseeing R&D activities and construction of R&D facilities of our Group. Dr. Wang was further appointed as the chief executive officer of our Company on October 28, 2020. Dr. Wang joined our Group and served as a deputy general manager of Taizhou Biotech and Taizhou Pharmaceutical since January 2017 and resigned in March 2017. Dr. Wang was appointed as general manager of Taizhou Biotech in August 2018.

Dr. Wang has over 23 years of experience in the medical and pharmaceutical technology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From 1998 to 2016, Dr. Wang consecutively served as an assistant researcher, associate researcher and researcher at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所). Dr. Wang also served as a member of the Second Immuno-Oncology Committee of Shanghai Immunology Association (上海市免疫學會第二屆腫瘤免疫專業委員會) since June 2015. He also worked as a deputy general manager of Zhangjiang Biotech from March 2017 to May 2018. Dr. Wang was also a manager of Jiangsu Maitai Shouchuang Biotechnology Co., Ltd. (江蘇邁太首創生物技術有限公司) from September 2017 to June 2018.

Dr. Wang obtained a bachelor degree in medicine in July 1991 and a master degree in medicine in July 1994 from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)). Following which, he received a Ph.D. in medicine in June 1997 from the same institution.

Dr. Wang was awarded twice with the National Award for Science and Technology Progress (國家技術發明獎) in December 2011 and December 2007, respectively, the Shanghai Oriental Scholar Professorship in June 2008 (上海高校特聘教授(東方學者)), and the Shanghai Award for Science and Technology Progress (上海市科學技術進步獎) in December 2003.

**Mr. Li Yunfeng (李雲峰)**, aged 46, is the chief financial officer of our Company and was appointed as an Executive Director on July 20, 2018. He is primarily responsible for overseeing the management of finance, investment and legal work of our Group. Mr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech respectively since March 2016.

Mr. Li has over 19 years of experience in the biotechnology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From January 2002 to June 2009, and from July 2010 to November 2012, Mr. Li was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)) as a deputy general manager. Mr. Li worked as a deputy general manager at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from July 2009 to June 2010 and a general manager of Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from December 2012 to March 2016. Mr. Li served as a deputy general manager of Zhangjiang Biotech from March 2016 to July 2017. He also worked as a deputy general manager of Biomabs and MTJA respectively from March 2016 to August 2018.

**Dr. Li Jing (李晶)**, aged 56, is a vice president of our Company and was appointed as an Executive Director on July 20, 2018. Dr. Li is primarily responsible for supervising clinical trials, and registration affairs of our Group. Dr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016 respectively.

Dr. Li has more than 20 years of experience in the biotechnology industry. Prior to joining our Company, Dr. Li was a medical director at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)) from March 2002 to August 2004. Dr. Li was a deputy general manager at Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from September 2004 to February 2006. From March 2006 to June 2009, Dr. Li was employed by Zhangjiang Biotech as a researcher. From May 2009 to July 2012, Dr. Li was a medical director at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司). From August 2012 to July 2017, Dr. Li served as a deputy general manager at Zhangjiang Biotech. Dr. Li also worked as a deputy general manager of MTJA and Biomabs from August 2012 and November 2015, respectively, and resigned in August 2018.

Dr. Li was accredited as a senior pharmaceutical engineer by Guangdong Medical and Pharmaceutical Advanced Professional Qualification Advisory Committee (廣東省醫藥專業技術高級專業技術資格評審委員會) in February 2001. In May 2007, Dr. Li was appointed by Shanghai Municipal Science and Technology Commission (上海市科學技術委員會) as a technology foresights expert in key areas of science and technology development for the year of 2007 to 2008. Dr. Li received Shanghai Municipality's Excellent Discipline Leaders Program (Category B) Scholarship (上海市優秀學科帶頭人計劃 (B類)資助) in November 2007. She was also appointed as a member of the Committee of Quality Expert of China Protein Drug Quality Alliance (中國蛋白藥物質量聯盟質量專家委員會) in March 2016, serving from March 2016 to March 2019. In August 2017, Dr. Li was appointed as a member of the 11th session of the Chinese Pharmacopoeia Commission (中華人民共和國藥典委員會), and has served consecutive terms as a member of the 12th session of the Chinese Pharmacopoeia Commission since September 2022.

Dr. Li received a bachelor degree in microbiology from Fudan University (復旦大學) in July 1989, and a Ph.D. in oncology from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)) in June 2009.

**Mr. Tao Jing (陶靜)**, aged 50, joined Taizhou Pharmaceutical in February 2015 as its deputy general manager and was appointed as the vice president of the Company and general manager of Taizhou Pharmaceutical in August 2018 and an executive director of the Company on October 28, 2020, and was elected as a member of the Standing Committee of Taizhou Gaogang District People's Congress in January 2022. He is primarily responsible for overseeing production of drugs of the Group. Prior to joining our Group, Mr. Tao was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業 (上海)股份有限公司)) as a deputy manager and manager in pronucleus department and an operation manager and deputy chief engineer from May 2002 to May 2012.

Mr. Tao served as a deputy chief engineer at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from June 2012 to July 2012. Mr. Tao served as a director of research and development department at MTJA and Zhangjiang Biotech respectively from August 2012 to March 2015, primarily responsible for pharmaceutical research and development. Mr. Tao received a bachelor degree in Biochemistry from Anhui University (安徽大學) in July 1994. He also obtained an advanced certificate in biochemistry from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

## NON-EXECUTIVE DIRECTORS

**Mr. Guo Jianjun (郭建軍)**, aged 71, was appointed as a Non-executive Director on June 1, 2018, and is mainly responsible for participating in decision-making of important matters of our Group. Prior to joining our Group, Mr. Guo consecutively worked as an organizational officer, office manager and technical manager of labour and human resources department in Luoyang Mining Machinery Factory (洛陽礦山機器廠) (currently known as Citic Heavy Industries Co., Ltd. (中信重工機械股份有限公司) (stock code: 601608), a listed company in Shanghai Stock Exchange) from July 1982 to December 2000. Mr. Guo was an engineer and procurement manager of China Overseas Property (Guangzhou) Co. Ltd (中海物業管理廣州有限公司) from January 2001 to May 2011.

Mr. Guo received education in Mining Machinery at Luoyang Mining Machinery Factory Workers College (洛陽礦山機器廠職工大學) and obtained a tertiary degree in mining machine in June 1982.

**Mr. Jiao Shuge (焦樹閣)**, aged 57, was appointed as the Chairman and a Non-executive Director of our Company on July 20, 2018, and is responsible for participating in formulating business and corporate strategies of our Group. Mr. Jiao joined our Group and served as a director of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016, respectively.

Mr. Jiao is currently a founding partner of CDH Investments Management Company Limited. Mr. Jiao once served as an independent non-executive director of China Mengniu Dairy Company Limited (stock code: 2319) and China Southern Airlines Company Limited (stock code: 1055) (both of the above companies are listed on the Stock Exchange), a director of Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司) (stock code: 000895, a company listed on the Shenzhen Stock Exchange), and general manager and legal representative of Ningbo Akin Electronic Technology Co.,Ltd. (寧波亞錦電子科技股份有限公司) (stock code: 830806), which is listed on National Equities Exchange and Quotations (the "**NEEQ**"). Mr. Jiao also serves as a non-executive director of WH Group Limited (stock code: 0288) and chairman of the board of directors and non-executive director of OCI International Holdings Limited (stock code: 0329), all of which are listed on the Stock Exchange, and a director of Hainan Poly Pharm Co. Ltd. (海南普利制藥股份有限公司) (stock code: 300630), which is listed on the Shenzhen Stock Exchange.

Mr. Jiao received a master degree in engineering from the No. 2 Research Institute of Ministry of Aeronautics and Astronautics (航空航天工業部第二研究院) in October 1989.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Guo Liangzhong (郭良忠)**, aged 58, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 with effect from the Listing. Mr. Guo worked as an officer in the accusation department at the Supreme People's Procuratorate of the People's Republic of China (中華人民共和國最高人民檢察院控申廳) from March 1991 to July 1993. Mr. Guo was a lawyer at Guangxi Far East Commercial Law firm (廣西遠東商務律師事務所) (currently known as Dentons (Nanning) (北京大成(南寧)律師事務所) from July 1993 to December 1994, and has been a partner at Beijing Huamao Guigu Law Firm (北京華貿矽谷律師事務所) since March 1995.

Mr. Guo graduated from China University of Political Science and Law (中國政法大學), with a bachelor degree in law and a master degree in criminal jurisprudence in July 1985 and January 1991, respectively. He obtained People's Republic of China Lawyer's Certificate (中華人民共和國律師資格證書) in July 1993.

**Dr. Zhang Yanyun (張雁雲)**, aged 67, is an Independent Non-executive Director of our Company and was appointed as a Director on August 10, 2018 with effect from the Listing. From 1997 to 1998, Dr. Zhang was a visiting researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2003, Dr. Zhang was a researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2017, Dr. Zhang consecutively served as a researcher and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究院). From 2008 to 2014, Dr. Zhang was the vice director at the Institute of Health Sciences, Shanghai Institute for Biological Sciences, Chinese Academy of Sciences and Shanghai Jiao Tong University School of Medicine (中國科學院上海生命科學研究院上海交通大學醫學院健康科學研究所). From 2012 to 2015, Dr. Zhang was the editor-in-chief of a professional journal named Current Immunology《現代免疫學》. Dr. Zhang has been the non-resident research fellow and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究所) since 2017.

Dr. Zhang received a bachelor degree in medicine in August 1983 and a master degree in medicine in December 1996 from Suzhou Medical College (蘇州醫學院) (currently known as Medical College of Soochow University (蘇州大學醫學部)). Following which, Dr. Zhang obtained a Ph.D. in social medicine from Graduate School of Medicine, University of Tokyo (東京大學醫學部) in March 2002.

**Mr. Leung, Louis Ho Ming**, aged 40, is an Independent Non-executive Director of our Company appointed on June 17, 2022 and was appointed as an independent non-executive Director and member of the audit committee and nomination committee and chairman of the remuneration committee of the GR Properties Limited (a company listed on the Main Board of the Stock Exchange with stock code: 108) since February 2020. Mr. Leung served as the financial controller and company secretary of AL Group Limited (a company listed on GEM of the Stock Exchange with stock code: 8360) from September 2019 to May 2022. Mr. Leung was also a chief financial officer and company secretary of Prosperous Future Holdings Limited (formerly known as China Child Care Corporation Limited, a company listed on the Main Board of the Stock Exchange with stock code: 1259) from June 2017 to May 2019 and from January 2018 to May 2019 respectively.

Mr. Leung holds a bachelor degree of Science in Quantitative Finance from The Chinese University of Hong Kong in 2004. He has been a member of Hong Kong Institute of Certified Public Accountant since 2008 and has over 10 years of experience in accounting and auditing for Hong Kong listed and private companies.

## SENIOR MANAGEMENT

**Dr. Wang Hao (王皓)**, aged 54, is the chief scientist and chief executive officer of our Company. For further details, please refer to the paragraph headed "– Executive Directors" in this section.

**Mr. Li Yunfeng (李雲峰)**, aged 46, is the chief financial officer of our Company. For further details, please refer to the paragraph headed "– Executive Directors" in this section.

**Dr. Li Jing (李晶)**, aged 56, is a vice president of our Company. For further details, please refer to the paragraph headed "– Executive Directors" in this section.

**Mr. Tao Jing (陶靜)**, aged 50, is the vice president of the Company and general manager of Taizhou Pharmaceutical. For further details, please refer to the paragraph headed "– Executive Directors" in this section.

**Mr. Zhuge Wenhui (諸葛文輝)** ceased to serve as a vice president of sales of the Company since June 2022, and has since been serving as a consultant of the Company.

## JOINT COMPANY SECRETARIES

**Mr. Li Yunfeng (李雲峰)** has been appointed as a joint company secretary of our Company. For details of his background, please refer to "Executive Directors" under this section.

**Mr. Tsang Ho Yin (曾浩賢)**, aged 37, has been appointed as a joint company secretary of our Company. Mr. Tsang is currently a partner of Stevenson, Wong & Co, specialising in corporate finance and commercial law. Mr. Tsang has been an independent non-executive director of Sterling Group Holdings Limited (stock code: 1825) since September 2021, an independent non-executive director from September 2021 to January 2023 and re-designated as a non-executive director of CROSSTEC Group Holdings Limited (stock code: 3893) since January 2023; a non-executive director of China Regenerative Medicine International Limited (stock code: 8158) since January 2020, a joint company secretary of Sundy Service Group Co. Ltd (stock code: 9608) since January 2021; a company secretary of Sunshine 100 China Holdings Ltd (stock code: 2608) since November 2019 and a joint company secretary of 1957 & Co. (Hospitality) Limited (stock code: 8495) since August 2022.

Mr. Tsang was an independent non-executive director of Inno-Tech Holdings Limited ("**Inno-Tech**") (a company which shares were listed on GEM of the Stock Exchange and delisted on 13 July 2021, stock code: 8202) from June 2019 to June 2020. Inno-Tech was a company incorporated in Bermuda with limited liability and its principal activities were (i) provision of outdoor advertising business through different advertising media network; (ii) television advertising operation; (iii) the event management business; (iv) seafood business; and (v) money lending business in Hong Kong. As disclosed in the announcements of Inno-Tech dated 1 June 2020, 3 July 2020 and 11 September 2020, Inno-Tech received a letter from the Official Receiver's Officer dated 9 June 2020 which stated that Gram Capital Limited has filed a winding-up petition to the High Court of the Government of the Hong Kong Special Administrative Region against Inno-Tech for principal sum of HK$195,000. On 9 September 2020, Inno-Tech was ordered to be wound up by the High Court of Hong Kong Special Administrative Region in HCCW 82/2020 and the Official Receiver was appointed as the provisional liquidator. Mr. Tsang confirmed that he was not a party to such winding up petition and is not aware of any actual or potential claim that has been or will be made against him as a result thereof.

Mr. Tsang was appointed as the company secretary of Sino Energy International Holdings Group Limited (stock code: 1096) from November 2018 to July 2019; the company secretary of Moody Technology Holdings Limited (stock code: 1400) from January 2019 to November 2019 and was appointed as the company secretary and authorized representative of Mobile Internet (China) Holdings Limited (stock code: 1439) from February 2020 to February 2021, a non-executive director of Summi (Group) Holdings Limited (stock code: 756) from July 2022 to September 2022.

Mr. Tsang obtained a bachelor degree in laws and commerce (accounting) from University of Melbourne, Australia in August 2008 and then obtained a master degree in laws from the same university in August 2010. Mr. Tsang then obtained the Postgraduate Certificate in Laws from the City University of Hong Kong in July 2011. Mr. Tsang was admitted as a solicitor in Australia and Hong Kong in May 2012 and December 2013, respectively.

## CHANGE IN INFORMATION OF DIRECTORS

As of December 31, 2022, there has been no change to the information of the Directors subject to disclosure under Rule 13.51B(1) of the Listing Rules.

# Corporate Governance Report

The Board of Directors is pleased to present to the shareholders the corporate governance report for the Reporting Period.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code since the Listing Date up to the date of this annual report. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the guidelines for the directors' dealings in the securities of the Company since the Listing Date.

Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code during the Reporting Period.

## BOARD OF DIRECTORS

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the Senior Management on the Company's behalf. The Senior Management reports to the Board on a regular basis and communicates with the Board whenever required.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Directors clearly understand the delegation arrangements in place. The Company will review the delegation arrangements periodically to ensure that they remain appropriate to the Company's needs.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstance, at the Company's expenses for discharging their duties to the Company.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

## Composition

As at the date of this annual report, the Board is comprised of nine Directors, with four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Dr. Liu Linqing had resigned as an independent non-executive Director and chairman of the Audit Committee of the Board due to personal reasons following conclusion of the annual general meeting held on June 17, 2022, and would not seek re-appointment. Dr. Liu Linqing had confirmed that he had no disagreement with the Board, and there was no other matter in relation to his resignation that needed to be brought to the attention of the Shareholders. To fill in the vacancy left by the resignation of Dr. Liu Linqing, Mr. Leung, Louis Ho Ming has been appointed as the independent non-executive Director and chairman of the Audit Committee of the Board on the same date. There is no financial, business, family or other material/relevant relationship between any members of the Board. A list of Directors and their respective biographies are set out in this annual report. As at the date of this annual report, none of our Directors is related to other Directors of the Company.

In order to take advantage of the skills, experiences and diversity of perspectives of the Directors and in order to ensure that the Directors give sufficient time and attention to the Group's affairs, we request each of the Directors to disclose to the Company, upon appointment and on a semi-annual basis thereafter, the number and nature of offices held in public companies or organisations and other significant commitments, together with the identity of such public companies or organisations and the time involved in such commitments.

During the year ended December 31, 2022, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, with (1) the appointment of at least three independent non-executive Directors who represent at least one-third of the Board and (2) at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Board believes that the balance between the Executive Directors and the Non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

As part of the Company's corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the Independent Non-executive Directors are clearly identified in all corporate communications containing the names of the Directors. In addition, an up-to-date list of Directors identifying the Independent Non-executive Directors and the roles and functions of the Directors is maintained on the Company's website and the Stock Exchange's website.

### Chairman and Chief Executive Officer

During the Reporting Period, the position of Chairman was held by Mr. Jiao Shuge and the position of Chief Executive Officer was held by Dr. Wang Hao. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. He is primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account any matters proposed by the other Directors for inclusion in the agenda. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

### Independent Non-executive Directors

The Independent Non-executive Directors play a significant role in the Board and the development of the Company's strategy and policies by virtue of their independent judgment and constructive and informed views, which carry significant weight in the Board's decision. The functions of independent non-executive Directors include (i) bringing an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, (ii) taking the lead where potential conflicts of interests arise, (iii) scrutinising the Company's performance in achieving agreed corporate goals and objectives and (iv) monitoring performance reporting.

In the year ended December 31, 2022, all Independent Non-executive Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation in Board and relevant committee meetings. They have also attended all general meetings to gain and develop a balanced understanding of the views of the Shareholders.

### Continuous Professional Development of Directors

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Every Director has received formal and comprehensive trainings to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development trainings to Directors to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. All Directors are also encouraged to attend relevant training courses.

The Directors informed the Company that they had received sufficient and relevant training and continuous professional development during the Reporting Period.

Records of training received by the Directors for the Reporting Period are summarized as follows:

| Directors | Participation in continuous professional development[1] |
|---|---|
| *Executive Directors* | |
| Dr. Wang Hao | ✔ |
| Mr. Li Yunfeng | ✔ |
| Dr. Li Jing | ✔ |
| Mr. Tao Jing | ✔ |
| *Non-executive Directors* | |
| Mr. Guo Jianjun | ✔ |
| Mr. Jiao Shuge | ✔ |
| *Independent Non-executive Directors* | |
| Mr. Guo Liangzhong | ✔ |
| Dr. Zhang Yanyun | ✔ |
| Dr. Liu Linqing (retired from office on June 17, 2022) | ✔ |
| Mr. Leung, Louis Ho Ming (appointed on June 17, 2022) | ✔ |

*Note:*

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

## Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

The following Directors, Mr. Guo Jianjun, Mr. Guo Liangzhong and Dr. Zhang Yanyun shall retire at the AGM, among whom Mr. Guo Jianjun, Mr. Guo Liangzhong and Dr. Zhang Yanyun are eligible and will offer themselves for re-election.

The term of appointment of directors has been disclosed in the report of directors of this report.

## Board Meetings and Directors' Attendance Records

The Company has adopted the practice of holding Board meetings regularly in person for at least four times a year at approximately quarterly intervals, with active participation of the majority of the Directors entitled to be present.

The Board has established the following mechanisms to ensure that independent views and input are available to the Board: (i) the Chairman will have regular gatherings with other Directors, and at least annually hold meetings with Independent Non-executive Directors and without the presence of other Directors. The Independent Non-executive Directors can freely provide their independent views to the Board; and (ii) the Independent Non-executive Directors participate in board committees (including Audit Committee, Nomination Committee and Remuneration Committee) meetings to bring independent views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They will also attend annual general meetings of the Company to understand the view of shareholders. The Board reviews the implementation and effectiveness of such mechanisms on an annual basis.

Since December 31, 2021, seven Board meetings were held during the Reporting Period, one of which was to approve the Company's annual results and annual report for the year ended December 31, 2021 and review the Company's risk management and internal control systems, another one of which was to approve the Company's interim results and interim report for the six months ended June 30, 2022 and the remaining were to discuss matters including, among other things, (i) application of loan facilities of RMB80 million by Taizhou Pharmaceutical, a wholly-owned subsidiary of the Company, from Bank of Communications Co., Ltd. Taizhou Branch to finance daily R&D expenses; (ii) borrowings of US$7.5 million by Mabpharm (HK) Limited, a wholly-owned subsidiary of the Company, from independent third parties for business operation; (iii) the grant of an exclusive licence by Taizhou Pharmaceutical to Kexing Biopharm to promote CMAB008類停® in mainland China (excluding Hong Kong, Macau and Taiwan regions); (iv) borrowings of RMB45 million by Taizhou Pharmaceutical from Biomabs, a connected person of the Company for business operation; and (v) corporate culture of the Company. Apart from the seven Board meetings held, the Chairman also held two meetings with the Independent Non-executive Directors in the absence of other Directors during the Reporting Period. The Company will continue to comply with code provision C.5.1 of the CG Code to hold at least four Board meetings each year, about once every quarter, and code provision C.2.7 of the CG Code for the Chairman to hold at least one meeting with the independent non-executive Directors without the presence of other Directors each year.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period is set out in the following table below:

| | Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| Directors | Board | Audit Committee[1] | Remuneration Committee[2] | Nomination Committee[3] | General Meetings[4] |
| *Executive Directors* | | | | | |
| Dr. Wang Hao | 7 | N/A | 1 | N/A | 1 |
| Mr. Li Yunfeng | 7 | N/A | N/A | N/A | 1 |
| Dr. Li Jing | 7 | N/A | N/A | N/A | 1 |
| Mr. Tao Jing | 7 | N/A | N/A | 1 | 1 |
| *Non-executive Directors* | | | | | |
| Mr. Guo Jianjun | 7 | N/A | N/A | N/A | 1 |
| Mr. Jiao Shuge | 7 | 2 | N/A | N/A | 1 |
| *Independent Non-executive Directors* | | | | | |
| Mr. Guo Liangzhong | 7 | 2 | 1 | 1 | 1 |
| Dr. Zhang Yanyun | 7 | N/A | 1 | 1 | 1 |
| Dr. Liu Linqing (retired from office on June 17, 2022) | 4 | 1 | N/A | N/A | 1 |
| Mr. Leung, Louis Ho Ming (appointed on June 17, 2022) | 3 | 1 | N/A | N/A | 0 |

*Notes:*

1. The Audit Committee held a meeting on March 25, 2022 and August 26, 2022, respectively, and all members of the Audit Committee attended the meetings.

2. The Remuneration Committee held a meeting on March 25, 2022 and all members of the Remuneration Committee attended the meetings.

3. The Nomination Committee held a meeting on March 25, 2022 and all members of the Nomination Committee attended the meetings.

4. The Company held its annual general meeting on June 17, 2022.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the Stock Exchange's website.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

### Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision D.3.3 of the CG Code.

The Audit Committee consists of three members, two Independent Non-executive Directors namely Mr. Leung, Louis Ho Ming and Mr. Guo Liangzhong and one Non-executive Director namely Mr. Jiao Shuge. Mr. Leung, Louis Ho Ming is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held two meetings, in which the Audit Committee has performed the following major tasks:

- reviewed the audited annual results and annual report for the year ended December 31, 2021;
- reviewed the interim results and interim report for the six months ended June 30, 2022;
- the Company's continuing connected transactions;
- in relation to the external auditor, reviewed their plans, reports and management letter, fees, involvement in non-audit services, and their terms of engagement;
- made recommendations to the Board for the re-appointment of the external auditor;
- discussed with the management and the external auditor on the issues concerning accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed, determined and made recommendations to the Board on the Company's policies and practices on corporate governance;
- reviewed and monitored the training and continuous professional development of the Directors and the senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and the Directors;
- reviewed the Company's status of compliance with the CG Code and disclosures in the Corporate Governance Report;
- reviewed the effectiveness of the Company's financial reporting system and associated procedures within the Group; and
- reviewed the risk management and internal control systems and the effectiveness of the Company's internal audit function.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor without the presence of management. The Audit Committee is satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended the re-appointment of the Auditor. During the Reporting Period, the Audit Committee complied with the code provision D.3.3(e)(i) of the CG Code and meet with the Company's auditors twice.

The attendance records of the members of the Audit Committee are as follows:

| Name of Members of the Audit Committee | Attendance |
|---|---|
| Dr. Liu Linqing (retired from office on June 17, 2022) | 50% |
| Mr. Leung, Louis Ho Ming (appointed on June 17, 2022) | 50% |
| Mr. Jiao Shuge | 100% |
| Mr. Guo Liangzhong | 100% |

### Remuneration Committee

The Company established the Remuneration Committee in compliance with Rules 3.25 and 3.26 of the Listing Rules and code provision E.1.2 of the CG Code.

The Remuneration Committee consists of three members, two Independent Non-executive Directors namely Dr. Zhang Yanyun and Mr. Guo Liangzhong, and one Executive Director namely Dr. Wang Hao. Dr. Zhang Yanyun is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages and policy for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Reporting Period, the Remuneration Committee met once to review and make recommendations to the Board on the remuneration policy and packages and other related matters.

The attendance records of the members of the Remuneration Committee are as follows:

| Name of Members of the Remuneration Committee | Attendance |
|---|---|
| Dr. Zhang Yanyun | 100% |
| Dr. Wang Hao | 100% |
| Mr. Guo Liangzhong | 100% |

## Nomination Committee

The Company established the Nomination Committee in compliance with code provision B.3.1 of the CG Code.

The Nomination Committee consists of three members, two Independent Non-executive Directors namely Mr. Guo Liangzhong and Dr. Zhang Yanyun, and one Executive Director Mr. Tao Jing. Mr. Guo Liangzhong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, gender, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the Board structure, the Board diversity policy and independence of the independent non-executive Directors and other related matters.

The attendance records of the members of the Nomination Committee are as follows:

| Name of Members of the Nomination Committee | Attendance |
|---|---|
| Mr. Guo Liangzhong | 100% |
| Mr. Tao Jing | 100% |
| Dr. Zhang Yanyun | 100% |

## Director Nomination Policy

The Company adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs. The Nomination Committee will also report annually on the Board's composition and make appropriate disclosures regarding the Board Diversity Policy in the Corporate Governance Report of the Company's annual reports.

## DIVERSITY

### Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") in accordance with the CG Code, which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to maintain the Company's competitive advantage and enhance its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics, law and accounting. Furthermore, our Directors range from around 45 years old to 70 years old. Our Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on the appointment of members of the Board.

The Company is also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

## Gender Diversity

### *Gender Diversity at Board Level*

We recognize that the gender diversity at the Board level can be improved. Gender diversity is achieved in respect of the Board as it is not a single gender board. That said, we will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female Senior Management and potential successors to our Board in a few years' time.

The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

The Company is of the view that this strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in the future with an aim to providing the Board with a pipeline of female candidates to achieve gender diversity in the Board in the long run. The Board currently has one female Director. The Nomination Committee will use its best endeavors and on suitable basis, within three years after the Listing, to identify and recommend at least one female candidate to our Board for its consideration on appointment of a Director with the goal to maintain at least one female Director in our Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its Shareholders as a whole when considering the appointment. The Company believes that such merit-based selection process with reference to the Board Diversity Policy and the nature of our business will be in the best interests of the Company and its Shareholders as a whole.

### *Gender Diversity at the Company*

The Company also attaches great importance to gender diversity of employees, and delegates the Nomination Committee of the Company to review the gender diversity of employees on a regular basis. As of the end of the Reporting Period, female employees accounted for 58% of the total number of employees, of whom females accounted for 11% of the total number of Directors, and 47% of the total number of mid-level management members.

The Company plans to provide more opportunities to female employees in terms of recruitment and talent cultivation, so as to achieve a more balanced gender mix within the Company.

The Company believes that achieving gender diversity at the Company will be in the best interests of the Company and its Shareholders as a whole.

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board would (i) develop and review the Company's corporate governance policies and practices; (ii) review and monitor training and continuous professional development of the Directors and senior management; (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and (v) review the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

## DIVIDEND POLICY

On March 27, 2020, the Board has adopted a dividend policy, retroactive to May 31, 2019, in which the Company may declare dividends in any currency in general meeting but no dividends shall exceed the amount recommended by the Board, subject to the Companies Law of the Cayman Islands and the Articles of Association of the Company. The Board shall comprehensively take into account the results of operations, financial condition, business strategy, operating requirements, capital requirements, Shareholders' interests and any other factors that the Board may deem relevant in forming reasonable distribution proposal. Any distribution of dividends proposed by the Board will be subject to the approval of the Shareholders.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants as the external auditor for the year ended December 31, 2022. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 184 to 185.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2022 are set out in the table below:

| **Services rendered for the Company** | **Fees paid and payable** *RMB'000* |
|---|---|
| **Audit services** | **3,200** |
| **Non-audit services** | **170** |
| – ESG Report Consulting Service | 170 |
| **Total** | **3,370** |

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global biologics outsourcing services market, our ability to offer quality biologics discovery, development and manufacturing services, our ability to manage our anticipated growth and to execute on our growth strategies, and our ability to compete with other biologics outsourcing services providers. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.

In order to meet these challenges, we have developed a risk management framework, which is broken down into the following components:

- Our general property and financial safety risk management system ensures that (i) the comprehensive accounting policies we adopted in connection with our financial reporting risk management are well-observed and effectively implemented and (ii) the regular trainings are well-conducted and attended by our finance staff.

- Our technology risk management system ensures that the research and development is conducted in compliance with the requirement of relevant laws and regulations and industry customs and norms, and our drug manufacturing complies with GMP. The system comprises a confidentiality risk management structure as well as the marketing department's regular issuance of national and global field reports analyzing external product risks.

- Our Audit Committee oversees and manages the overall risks associated with our business operations. Our Audit Committee is responsible for (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

- Our Chief Executive Officer, Dr. Wang Hao, is responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

- The relevant departments in our Company, including the finance department, the human resources department, the administration department, the customer support department, the procurement department and the business units, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

- Furthermore, we implement a screening process for potential customers, in order to screen out prospective customers with high risk of third party claims.

## Internal Control

We have engaged an internal control consultant to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to launch investigation into our controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, research and development and intangible assets. During the Reporting Period and up to the date of this annual report, there was no material issue remaining in relation to the internal controls of our Group.

We have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Reporting Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- Our Board, as the highest internal control authority, is responsible for promulgating and revising internal control policies, measures and procedures to ensure that we maintain sound and effective internal controls and compliance with applicable laws and regulations. Our CEO implements supervision and management of our internal control policies and decides on certain material matters relating to management and operation. We conduct regular and ad hoc internal audits on the CEO level.

- We have established a sound system to monitor our accounting and budgeting policies. During the first season of each year, our CFO works with our finance department to prepare a preliminary yearly budget plan, which includes estimates on cash flows and major expenditures. The budget plan is submitted to our CEO, who may review and approve within the scope of his authority. The budget items that are beyond the authority of our CEO are submitted to our Board of Directors for approval. Our finance department also submits quarterly financial statements to our senior management and annual financial statements to our senior management and Board of Directors.

- The general manager for each of our operation sites is responsible for implementing the relevant internal control policies, measures and procedures on the site and making regular inspections about the on-site implementation of such policies, measures and procedures.

- We have set up an independent quality assurance department, which is responsible for implementing the relevant internal control policies, measures and procedures relating to the relevant biologics discovery, development or manufacturing stage, educating the relevant employees about such policies, measures and procedures and addressing their questions and making regular inspections about the implementation of such policies, measures and procedures.

- We have adopted various measures and procedures regarding each aspect of our business operation, such as project management, quality assurance, protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our labor security, insurance, fire services and environmental protection departments and our compliance team for each stage of the biologics development process.

### Effectiveness of Risk Management and Internal Control

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee, on behalf of the Board, had conducted a review of the effectiveness of the risk management internal control system of the Company in respect of the Reporting Period and considered the system effective and adequate.

### Policy on the Disclosure of Inside Information

The Company has adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties and are not permitted to respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Pursuant to code provision E.1.5 of the CG Code, details of the remuneration by band of the members of the Board and senior management of the Company in respect of their qualifying services, whose biographies are set out on pages 150 to 155 of this annual report, for the Reporting Period are set out below:

| Remuneration band | Number of individuals |
|---|---|
| Below RMB1,000,000 | 6 |
| RMB1,000,001 to RMB1,500,000 | 3 |
| Above RMB1,500,000 | 1 |

## JOINT COMPANY SECRETARIES

Mr. Li Yunfeng, the executive Director and joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Mr. Tsang Ho Yin, a solicitor admitted to practice in Hong Kong, as the joint company secretary to assist Mr. Li Yunfeng in discharging the duties of a company secretary of the Company. His primary contact person at the Company is Mr. Li Yunfeng, the joint company secretary of the Company.

During the Reporting Period, Mr. Li Yunfeng and Mr. Tsang Ho Yin have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

The Company strives to provide ready, equal, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with Shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

The Company has developed and maintains the Shareholders communication policy, which is available on the Company's website.

A summary of the disclosure of interests of the substantial shareholders of the Company is set out on pages 139 to 140 of this annual report.

### Convening of Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. A written requisition shall be deposited at the principal office of the Company in Hong Kong. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

With regards to proposing a person for election as a Director, the procedures are available on the website of the Company.

### Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

| | |
|---|---|
| Address: | Room A, 18/F, Hong Xiang Centre,<br>83 Queen's Road East, Wanchai, Hong Kong |
| Telephone: | +852 2261 0878 |
| Fax: | +852 2261 0728 |
| Email: | yunfeng.li@mabpharm.net |

### Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting and other general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.mabpharm.cn where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

On March 25, 2022, the Board proposed to amend the Memorandum and Articles of Association of the Company to conform with the core shareholder protections standards set out in Appendix 3 of the Listing Rules which became effective on January 1, 2022. The proposed amendments to the Memorandum and Articles of Association have been approved by the Shareholders by way of a special resolution at the annual general meeting of the Company held on June 17, 2022. For further details, please refer to the announcement and circular of the Company dated March 25, 2022 and April 22, 2022, respectively, and the poll results announcement of the Company dated June 17, 2022, published on the websites of the Stock Exchange and the Company.

# Independent Auditor's Report

Ernst & Young
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**To the shareholders of Mabpharm Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Mabpharm Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 186 to 274 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Risk of misstatement of research and development expenses** | |
| As disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022, the Group incurred significant research and development ("**R&D**") expenses amounting to approximately RMB148 million. Large portions of the Group's R&D expenses were service fees paid to contract research organisations, clinical site management operators and clinical trial centres (collectively referred to as "**Outsourced Service Providers**").<br><br>The R&D activities with these Outsourced Service Providers were documented in detailed contracts and were typically performed over an extended period. Recording of these expenses in the appropriate financial reporting period based on the progress of the research and development projects involves estimations.<br><br>Related disclosures are included in notes 2.4 and 3 to the financial statements. | Our procedures included, among others:<br><br>• testing the design and implementation of management's control in relation to the accrual of the R&D expenses;<br><br>• checking contracts entered with and progress reports received from Outsourced Service Providers on a sample basis to evaluate the key estimation adopted by management in setting up the accrual for R&D services received; and<br><br>• evaluating the adequacy of the accrual of the R&D expenses by comparing the subsequent milestone billings received from the Outsourced Service Providers, if any, with the accrued R&D expenses at the year end. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

24 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Revenue | 5 | 55,918 | 82,882 |
| Cost of sales | | (15,375) | (16,777) |
| Gross profit | | 40,543 | 66,105 |
| Other income | 6 | 27,302 | 14,818 |
| Other gains and losses | 7 | (4,682) | (6,637) |
| Selling and distribution expenses | | (28,213) | (9,423) |
| Research and development expenses | | (147,906) | (263,572) |
| Administrative expenses | | (90,557) | (90,632) |
| Impairment losses on financial assets | | (118) | – |
| Finance costs | 9 | (7,188) | (2,403) |
| Loss before tax | 8 | (210,819) | (291,744) |
| Income tax expense | 12 | – | – |
| Loss and total comprehensive expense for the year | | (210,819) | (291,744) |
| Attributable to: | | | |
| Owners of the Company | | (210,819) | (291,744) |
| Loss per share attributable to ordinary equity holders of the Company | 14 | | |
| – Basic | | RMB(0.05) | RMB(0.07) |
| – Diluted | | RMB(0.05) | RMB(0.07) |

# Consolidated Statement of Financial Position

31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 636,306 | 483,673 |
| Right-of-use assets | 16 | 67,707 | 77,374 |
| Other non-current assets | 17 | 11,977 | 90,674 |
| Rental deposit to a related party | 33 | 411 | 411 |
| **Total non-current assets** | | 716,401 | 652,132 |
| **Current assets** | | | |
| Trade receivables | 19 | 9,532 | 793 |
| Prepayments and other receivables | 20 | 41,733 | 58,846 |
| Amounts due from a related party | 33 | 446 | 9,452 |
| Inventories | 18 | 100,797 | 53,211 |
| Contract costs | 21 | – | 9,164 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | 22 | 15,044 | – |
| Pledged bank deposits | 23 | – | 34,748 |
| Cash and bank balances | 23 | 33,568 | 81,556 |
| **Total current assets** | | 201,120 | 247,770 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 148,328 | 139,827 |
| Amounts due to a related party | 33 | 180 | 47,964 |
| Lease liabilities to third parties | 16 | 8,442 | 5,084 |
| Lease liability to a related party | 16 | 4,849 | 4,199 |
| Contract liabilities | 26 | 19,552 | 21,440 |
| Deferred income | 27 | 7,050 | 16,490 |
| **Total current liabilities** | | 188,401 | 235,004 |
| **Net current assets** | | 12,719 | 12,766 |
| **Total assets less current liabilities** | | 729,120 | 664,898 |

## Consolidated Statement of Financial Position

31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | *27* | **10,405** | 10,000 |
| Amounts due to a related party | *33* | **92,697** | – |
| Contract liabilities | *26* | **112,028** | 16,510 |
| Interest-bearing bank and other borrowings | *25* | **84,708** | – |
| Lease liabilities to third parties | *16* | **23,952** | 27,926 |
| Lease liability to a related party | *16* | **4,386** | 8,481 |
| **Total non-current liabilities** | | **328,176** | 62,917 |
| **Net assets** | | **400,944** | 601,981 |
| **Capital and reserves** | | | |
| Share capital | *28* | **2,804** | 2,804 |
| Reserves | *30* | **398,140** | 599,177 |
| **Total equity** | | **400,944** | 601,981 |

**Wang Hao**
*Director*

**Li Yunfeng**
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2022

| | Share capital *RMB'000* | Share premium* *RMB'000* | Other reserve* *RMB'000* | Share option reserve* *RMB'000* | Accumulated losses* *RMB'000* | Total equity *RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 2,804 | 1,400,504 | (32,763) | 31,695 | (520,755) | 881,485 |
| Loss and total comprehensive expense for the year | – | – | – | – | (291,744) | (291,744) |
| Recognition of equity-settled share-based compensation *(note 29)* | – | – | – | 12,240 | – | 12,240 |
| At 31 December 2021 | 2,804 | 1,400,504 | (32,763) | 43,935 | (812,499) | 601,981 |
| Loss and total comprehensive expense for the year | – | – | – | – | (210,819) | (210,819) |
| Recognition of equity-settled share-based compensation *(note 29)* | – | – | – | 9,782 | – | 9,782 |
| At 31 December 2022 | 2,804 | 1,400,504 | (32,763) | 53,717 | (1,023,318) | 400,944 |

* The reserves accounts comprised of RMB398,140,000 and RMB599,177,000 in the consolidated statements of financial position as at 31 December 2022 and 2021.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | | (210,819) | (291,744) |
| Adjustments for: | | | |
| Bank interest income | 6 | (382) | (1,954) |
| Finance costs | 9 | 7,188 | 2,403 |
| Depreciation of property, plant and equipment | 8 | 42,573 | 34,739 |
| Depreciation of right-of-use assets | 8 | 8,976 | 9,138 |
| (Gains)/losses on disposal of property, plant and equipment | 8 | (33) | 73 |
| Net foreign exchange losses | 7 | 4,000 | 6,591 |
| Write-down of inventories | 8 | – | 9 |
| Gains on termination of a lease contract | 8 | (240) | – |
| Impairment losses on financial assets | 8 | 118 | – |
| Fair value gains on financial assets at FVTPL | 8 | (44) | – |
| Share-based payment expenses | 8 | 9,782 | 12,240 |
| | | (138,881) | (228,505) |
| Increase in inventories | | (47,586) | (19,793) |
| Decrease in contract costs | | 9,164 | 7,605 |
| Increase in trade receivables | | (8,857) | (793) |
| Decrease/(increase) in prepayments and other receivables | | 17,113 | (27,173) |
| Decrease in other non-current assets | | 6,420 | 25,403 |
| Decrease/(increase) in amounts due from a related party | | 9,006 | (8,849) |
| Increase in amounts due to a related party | | 2,385 | 55,733 |
| Increase in trade and other payables | | 9,756 | 27,185 |
| Increase/(decrease) in contract liabilities | | 93,630 | (32,108) |
| (Decrease)/increase in deferred income | | (9,035) | 1,825 |
| **Net cash flows used in operating activities** | | (56,885) | (199,470) |

## Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received from banks | | 382 | 1,954 |
| Purchase of property, plant and equipment | | (125,128) | (148,666) |
| Disposal of property, plant and equipment | | 43 | 42 |
| Placement of pledged bank deposits | | – | (34,748) |
| Withdrawal of pledged bank deposits | | 34,748 | 2,000 |
| Purchase of financial assets at FVTPL | | (15,000) | – |
| **Net cash flows used in investing activities** | | (104,955) | (179,418) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from bank and other borrowings | | 77,332 | – |
| Proceeds from loans from a related party | | 45,000 | – |
| Interest paid | | (1,904) | (2,432) |
| Payment to a related party | | (2,999) | (8,447) |
| Repayments of the principal portion of lease liabilities | | (5,167) | (6,902) |
| Net cash flows from/(used in) financing activities | | 112,262 | (17,781) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (49,578) | (396,669) |
| Cash and cash equivalents at beginning of year | | 81,556 | 484,846 |
| Effects of foreign exchange rate changes, net | | 1,590 | (6,621) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | 33,568 | 81,556 |

# Notes to the Consolidated Financial Statements

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

Mabpharm Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2018, and its shares were listed on The Stock Exchange of Hong Kong Limited on 31 May 2019. The address of the registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the principal place of business is located at Block G79, Lujia Road East, Koutai Road West, China Medical City, Taizhou, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in the research, development and production of monoclonal antibody drugs for cancers and autoimmune diseases and the transfer of intellectual property.

The immediate holding company of the Company is Asia Mabtech Limited, a limited liability company incorporated in the British Virgin Islands, which is ultimately controlled by Mr. Guo Jianjun.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Taizhou Mabtech Pharmaceutical Limited ("**Taizhou Pharmaceutical**") (泰州邁博太科藥業有限公司)* | PRC/Mainland China | US$210,000,000 | – | 100% | Research and development, manufacturing, technical consulting, technology transfer and provision of technical services of biological products, diagnostic reagents, chemical biological reagents and drugs |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Shanghai Shengheng Biotechnology Limited ("**Shengheng Biotech**") (上海晟珩生物技術有限公司) | PRC/Mainland China | RMB30,000,000 | – | 100% | Research and development, technical consulting, technology transfer and provision of technical services of biological products, diagnostic reagents, chemical biological reagents and drugs |

* Taizhou Pharmaceutical is registered as a wholly-foreign-owned enterprise under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all IFRSs, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to IFRS Standards 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| IFRS 17 | *Insurance Contracts*[1] |
| Amendments to IFRS 17 | *Insurance Contracts*[1,5] |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4] |
| Amendments to IAS1 | *Non-current Liabilities with Covenants* (the "2022 Amendments")[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

These new and revised IFRSs are not expected to have any significant impact on the Group's financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract costs and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Transportation equipment | 19% per annum |
| Furniture, fixtures and machinery | 9.5% to 20% per annum |
| Buildings | 4.75% per annum |
| Leasehold improvements | Over the shorter of the lease term and 20 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### *Research and development costs*

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

***Group as a lessee (continued)***

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 50 years |
| Buildings | 3 to 18 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases (continued)

***Group as a lessee (continued)***

*(b) Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statement of financial position.

*(c) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of building (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### *Initial recognition and measurement (continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### *Financial assets at fair value through profit or loss (continued)*

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

#### *General approach (continued)*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

| | | |
|---|---|---|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

#### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, or making reference to the credit loss experience of similar companies in the market where the Group has not had sufficient credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, trade and other payables and amounts due to a related party.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

### Revenue recognition

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### *Revenue from contracts with customers (continued)*

The revenue from a licence is recognised over time if all of the following criteria are met:

(a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;

(b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in (a); and

(c) those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Otherwise, revenue is recognised at a point in time when the customer obtains the control of the license.

#### *Revenue from sale of pharmaceutical products*

Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally when the products are delivered and accepted by the customers.

Some contracts for the sale of pharmaceutical products provide customers with rights of return and sales rebates. The rights of return and sales rebates give rise to variable consideration.

*(i) Rights of return*

For contracts which provide a customer with a right to return the goods, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### *Revenue from sale of pharmaceutical products (continued)*

*(ii) Sales rebates*

Retrospective sales rebates may be provided to certain customers once the products are sold to special sales terminals agreed in the contract. Rebates are offset against amounts payable by the customer arising from its purchase. The most likely amount method is used to estimate the variable consideration. The selected method that best predicts the amount of variable consideration is primarily driven by the volume of products sold to special sales terminals contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognised in contract liabilities.

#### *Revenue from exclusive right for the commercialisation*

The revenue will be recognised overtime during the expected commercialisation period after the commercialisation authorisation from the local authorities is obtained.

#### *Revenue from intellectual property transfer agreements*

The Group will recognise the revenue from intellectual property transfer agreements at a point in time upon delivery of the control of rights of the intellectual property and acceptance by the customer.

#### *Revenue from contract development and manufacturing agreement*

The Group will recognise the revenue from contract development and manufacturing agreement at a point in time upon delivery of the control of rights of the deliverables and acceptance by the customer.

#### *Other income*

Bank interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Contract costs

The Group incurs costs to fulfil a contract for contract development and manufacturing. Other than the costs which are capitalised as inventories and property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The capitalised contract costs are charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial pricing model.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

### Other employee benefits

#### *Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

There were no borrowing costs eligible to be capitalised into property, plant and equipment during the reporting period. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends, if any, are disclosed in the notes to the financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Dividends (continued)

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group uses RMB as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

***Determining the timing of satisfaction of performance obligation of the intellectual property transfer***

The recognition of revenue from the intellectual property transfer requires judgement by the directors of the Company in determining the timing of satisfaction of the performance obligation.

In making their judgement, the directors of the Company have considered the detailed criteria for recognition of revenue set out in IFRS 15 and the detailed terms of transaction stipulated in the contracts entered into with its customer. The directors of the Company considered that the intellectual property transfer agreements do not require the Group to undertake activities that significantly affect the intellectual property. In addition, the intellectual property to be transferred by the Group does not directly expose the customer to any positive or negative effects of the Group's activities. Therefore, the directors of the Company determined that the transfer of the intellectual property is a promise to provide a right to use the Group's intellectual property. The customer can direct the use of and obtain substantially all of the remaining benefits from the intellectual property at the point in time at which the intellectual property is transferred and accepted by the customer. Accordingly, the Group accounts for the transfer of the intellectual property as a performance obligation satisfied at a point in time.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Judgements (continued)

#### *Research and development expenses*

Development expenses incurred on the Group's drug product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the reporting period, all expenses incurred for research and development activities were expensed when incurred as it is uncertain whether future economic benefits can be generated.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Accrual of research and development expenses*

The Group relies on contract research organizations, clinical site management operators, and clinical trial centres (collectively referred as "**Outsourced Service Providers**") to conduct, supervise, and monitor the Group's ongoing clinical trials in the PRC. Determining the amounts of research and development expenses incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as the number of patient enrolments, time elapsed and milestone achieved.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### *Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

## 4. OPERATING SEGMENT INFORMATION

### Segment information

For the purpose of resource allocation and performance assessment, the key management of the entities and business comprising the Group, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

### Geographical information

During the reporting period, all of the Group's revenue was derived from customers located in the PRC and the Group's non-current assets are substantially located in the PRC, accordingly, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

## 4. OPERATING SEGMENT INFORMATION (continued)

### Information about a major customer

Revenue of RMB23,761,000 was derived from a contract development and manufacturing agreement with a single customer (2021: RMB81,246,000 was derived from an intellectual property transfer agreement to a single customer).

## 5. REVENUE

An analysis of revenue is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Revenue from the sale of pharmaceutical products | **21,544** | 1,636 |
| Revenue from the exclusive right for the commercialisation in Mainland China | **10,613** | – |
| Revenue from the contract development and manufacturing agreement | **23,761** | – |
| Revenue from the transfer of an intellectual property | **–** | 81,246 |
| | **55,918** | 82,882 |

### Revenue from contracts with customers

#### *(a) Disaggregated revenue information*

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| **Geographical market** | | |
| Mainland China | **55,918** | 82,882 |
| **Timing of revenue recognition** | | |
| Over time | **10,613** | – |
| At a point in time | **45,305** | 82,882 |
| | **55,918** | 82,882 |

## 5. REVENUE (continued)

### Revenue from contracts with customers (continued)

#### *(a) Disaggregated revenue information (continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Revenue from the sale of pharmaceutical products | 10 | – |
| Revenue from the contract development and manufacturing agreement | 21,430 | – |
| Revenue from the transfer of an intellectual property | – | 70,058 |
| | 21,440 | 70,058 |

#### *(b) Performance obligations*

Information about the Group's performance obligations is summarised below:

*Sale of pharmaceutical products*

The performance obligation is satisfied upon delivery of the products and acceptance by the customer, and payment is generally due within 30 to 90 days from delivery. Some contracts provide customers with rights of return and sales rebates which give rise to variable consideration subject to constraint.

## 5. REVENUE (continued)

### Revenue from contracts with customers (continued)

#### *(b) Performance obligations (continued)*

*Exclusive right for the commercialisation*

The performance obligation is satisfied overtime during the expected commercialisation period after the commercialisation authorisation from the local authorities is obtained.

In June 2021, the Group entered into an agreement with an independent third-party customer, pursuant to which the Group granted the customer an exclusive right for the commercialisation of CMAB008 in the countries and regions other than Mainland China, Japan, Europe and North America, at a consideration of RMB20,000,000 (including value added tax), while RMB20,000,000 (including value added tax) has been received as at 31 December 2022. Under the agreement, the Group has an exclusive right to manufacture and supply CMAB008 to the customer for further commercialisation to ultimate customers. The Group will recognise revenue over the period of CMAB008 product life cycle with reference to the budgeted manufacture order from the customer (i.e. when the customer receives and consumes the benefits during the commercialisation stage).

In March 2022, the Group entered into an agreement with an independent third-party customer, pursuant to which the Group granted the customer an exclusive right for the commercialisation of CMAB008 in Mainland China, at a consideration of RMB150,000,000 (including value-added tax), while an amount of RMB125,000,000 (including value-added tax) has been received as at 31 December 2022. The Group recognised revenue over the period of CMAB008 product life cycle (10 years) of the contract.

*Intellectual property transfer agreement with a customer*

The performance obligation is satisfied upon delivery of the control of rights of the intellectual property and acceptance by the customer.

## 5. REVENUE (continued)

### Revenue from contracts with customers (continued)

#### *(b) Performance obligations (continued)*

*Contract development and manufacturing agreement with a customer*

The performance obligation is satisfied upon delivery of the control of rights of the deliverables and acceptance by the customer.

In May 2021, the Group entered into an agreement with an independent third-party customer for contract development and manufacturing in relation to CMAB806, at a consideration of RMB43,860,000 (including value added tax), while RMB32,288,000 (including value added tax) has been received as at 31 December 2022. The Group recognised revenue from this contract during the reporting period since the control of rights of the partial deliverables had been transferred to the customer.

The amounts of transaction prices allocated to the unsatisfied performance obligations as at 31 December are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **29,204** | 88,547 |
| Over one year | **135,613** | 16,510 |
| | **164,817** | 105,057 |

## 6. OTHER INCOME

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Bank interest income | **382** | 1,954 |
| Government grants and subsidies related to income *(note 27)* | **26,920** | 12,864 |
| | **27,302** | 14,818 |

## 7. OTHER GAINS AND LOSSES

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Net foreign exchange losses | **(4,000)** | (6,591) |
| Gains/(losses) on disposal of property, plant and equipment | **33** | (73) |
| Gains on termination of a lease contract | **240** | – |
| Fair value gains on financial assets at FVTPL | **44** | – |
| Others | **(999)** | 27 |
| | **(4,682)** | (6,637) |

## 8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Depreciation for property, plant and equipment | **42,573** | 34,739 |
| Depreciation for right-of-use assets | **8,976** | 9,138 |
| Write-down of inventories to net realisable value | **–** | 9 |
| (Gains)/losses on disposal of property, plant and equipment | **(33)** | 73 |
| Gains on termination of a lease contract | **(240)** | – |
| Impairment losses on financial assets | | |
| – Impairment of trade receivables | **118** | – |
| Fair value gains on financial assets at FVTPL | **(44)** | – |
| Foreign exchange differences, net | **4,000** | 6,591 |
| Staff cost (including directors' emoluments): | | |
| – Independent non-executive directors' fee | **308** | 294 |
| – Salaries and other benefits | **81,212** | 78,524 |
| – Pension scheme contributions | **8,368** | 7,479 |
| – Share-based payment expenses | **9,782** | 12,240 |
| – Consultation fee | **533** | 534 |
| | **100,203** | 99,071 |
| Auditors' remuneration | **3,328** | 2,976 |
| Short-term lease payment | **376** | 305 |
| Government grants and subsidies related to income | **(26,920)** | (12,864) |
| Expense incurred on intellectual property transfer agreement on CMAB807 | **–** | 66,038 |
| Cost of inventories sold and services provided | **13,980** | 8 |
| Cost of intellectual property transfer agreement on CMAB806 | **1,395** | 16,769 |
| Cost of inventories recognised as expense (included in research and development expenses) | **18,966** | 26,131 |

## 9. FINANCE COSTS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Interest on loans from a related party *(note 33)* | 527 | – |
| Interest on bank and other borrowings | 3,937 | – |
| Interest on lease liabilities | 2,724 | 2,403 |
| | 7,188 | 2,403 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Fees | 308 | 294 |
| Other emoluments: | | |
| Salaries, bonuses, allowances and benefits in kind | 3,807 | 3,567 |
| Pension scheme contributions | 219 | 228 |
| Share-based payment expenses | 3,011 | 5,686 |
| Consultation fee | 533 | 534 |
| | 7,570 | 10,015 |
| | 7,878 | 10,309 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures. No new share option was granted during the year.

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Mr. Guo Liangzhong | 103 | 98 |
| Dr. Zhang Yanyun | 103 | 98 |
| Dr. Liu Linqing *(note i)* | 47 | 98 |
| Mr. Liang Haoming *(note i)* | 55 | – |
| | 308 | 294 |

*Note:*

i. On 17 June 2022, Dr. Liu Linqing resigned as an independent non-executive director while Mr. Liang Haoming was appointed as the independent non-executive director. The amounts disclosed in this note represented the remuneration of the directors in respect of their qualifying services.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

### (b) Executive directors, non-executive directors and the chief executive

| | Salaries, bonuses, allowances and benefits in kind *RMB'000* | Pension scheme contributions *RMB'000* | Share-based payment expenses *RMB'000* | Consultation fee *RMB'000* | Total remuneration *RMB'000* |
|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | |
| **Executive directors:** | | | | | |
| Dr. Wang Hao | 1,072 | 63 | 2,165 | – | 3,300 |
| Dr. Li Jing | 886 | 30 | 282 | – | 1,198 |
| Mr. Li Yunfeng | 923 | 63 | 282 | – | 1,268 |
| Mr. Tao Jing | 926 | 63 | 282 | – | 1,271 |
| | 3,807 | 219 | 3,011 | – | 7,037 |
| **Non-executive directors:** | | | | | |
| Mr. Jiao Shuge | – | – | – | – | – |
| Mr. Guo Jianjun | – | – | – | 533 | 533 |
| | – | – | – | 533 | 533 |
| | 3,807 | 219 | 3,011 | 533 | 7,570 |
| Year ended 31 December 2021 | | | | | |
| **Executive directors:** | | | | | |
| Dr. Wang Hao | 1,025 | 57 | 4,087 | – | 5,169 |
| Dr. Li Jing | 828 | 57 | 533 | – | 1,418 |
| Mr. Li Yunfeng | 880 | 57 | 533 | – | 1,470 |
| Mr. Tao Jing | 834 | 57 | 533 | – | 1,424 |
| | 3,567 | 228 | 5,686 | – | 9,481 |
| **Non-executive directors:** | | | | | |
| Mr. Jiao Shuge | – | – | – | – | – |
| Mr. Guo Jianjun | – | – | – | 534 | 534 |
| | – | – | – | 534 | 534 |
| | 3,567 | 228 | 5,686 | 534 | 10,015 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

### (b) Executive directors, non-executive directors and the chief executive (continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The consultation fee paid to the non-executive director, Mr. Guo Jianjun, was for his advisory services provided to the Group.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors including the chief executive (2021: four directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who was neither a director nor chief executive of the Company are as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Salaries, bonuses, allowances and benefits in kind | 988 | 945 |
| Pension scheme contributions | 58 | 53 |
| Share-based payment expenses | – | – |
| | 1,046 | 998 |

The number of non-director and non-chief executive highest paid employee whose remuneration fell within the following band is as follows:

| | Number of employees | |
|---|---|---|
| | 2022 | 2021 |
| HK$1,000,001 to HK$1,500,000 | 1 | 1 |

## 12. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from income tax.

Hong Kong profits tax is provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No Hong Kong profits tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profits tax during the year.

Under the Law of the PRC of Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% throughout the reporting period.

In December 2021, Taizhou Pharmaceutical was reaccredited as a "High and New Technology Enterprise", therefore is entitled to a preferential tax rate of 15% for a three-year period since 2021. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC for every three years and Taizhou Pharmaceutical should self-evaluate whether it meets the criteria of High and New Technology Enterprise each year.

Pursuant to Caishui [2018] circular No. 76, Taizhou Pharmaceutical can carry forward its unutilised tax losses for up to ten years. This extension of expiration period applies to all the unutilised tax losses that were carried forward by Taizhou Pharmaceutical at the effective date of the tax circular.

Pursuant to the relevant EIT Laws, Taizhou Pharmaceutical enjoyed a super deduction of 175% on qualifying research and development expenditures during the years ended 31 December 2022 and 2021. In addition, Taizhou Pharmaceutical enjoyed a super deduction of 200% on qualifying research and development expenditures during the three months from 1 October 2022 to 31 December 2022.

## 12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Loss before tax | **(210,819)** | (291,744) |
| Income tax expense calculated at 25% | **(52,705)** | (72,936) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions and enacted by local authority | **19,108** | 28,365 |
| Tax effect of expenses not deductible for tax purposes | **3,496** | 3,223 |
| Effect of research and development expenses that are additionally deducted | **(12,062)** | (23,785) |
| Utilisation of tax losses previously not recognised | **–** | (223) |
| Tax effect of tax losses and deductible temporary differences not recognised | **42,163** | 65,356 |
| Income tax expense recognised in profit or loss | **–** | – |

The Group has unused tax losses of RMB1,101,410,000 available for offset against future profits as of 31 December 2022 (2021: RMB892,899,000). The tax losses of the entity will expire in one to ten years for offsetting against taxable profits of the companies in which the losses arose. The Group had deductible temporary differences of RMB140,368,000 at 31 December 2022 (2021: RMB111,488,000), which are mainly related to deferred income and accrued expenses.

Deferred taxation had not been recognised on the unused tax losses and deductible temporary differences since it is not probable that the taxable profits will be available against which the tax losses and deductible temporary differences can be utilised in the foreseeable future.

## 13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

## 14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share is based on the following data:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Loss attributable to ordinary equity holders of the Company for the purpose of calculating basic and diluted loss per share | **(210,819)** | (291,744) |

| | 2022<br>'000 | 2021<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | **4,124,080** | 4,124,080 |

The calculation of diluted loss per share for the years ended 31 December 2022 and 2021 did not assume the exercise of the pre-IPO share options since its inclusion would be anti-dilutive.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Transportation equipment *RMB'000* | Furniture, fixtures and machinery *RMB'000* | Leasehold improvements *RMB'000* | Buildings *RMB'000* | Construction in progress ("CIP") *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | |
| At 1 January 2022: | | | | | | |
| Cost | 1,027 | 279,927 | 78,632 | 117,918 | 98,401 | 575,905 |
| Accumulated depreciation | (614) | (72,583) | (14,852) | (4,183) | – | (92,232) |
| Net carrying amount | 413 | 207,344 | 63,780 | 113,735 | 98,401 | 483,673 |
| At 1 January 2022, net of accumulated depreciation | 413 | 207,344 | 63,780 | 113,735 | 98,401 | 483,673 |
| Additions | – | 2,705 | 18 | – | 192,493 | 195,216 |
| Disposals | (10) | – | – | – | – | (10) |
| Depreciation provided during the year | (146) | (28,885) | (7,928) | (5,614) | – | (42,573) |
| Transfer from CIP | – | 51,634 | 138 | – | (51,772) | – |
| At 31 December 2022, net of accumulated depreciation | 257 | 232,798 | 56,008 | 108,121 | 239,122 | 636,306 |
| At 31 December 2022: | | | | | | |
| Cost | 878 | 334,266 | 78,788 | 117,918 | 239,122 | 770,972 |
| Accumulated depreciation | (621) | (101,468) | (22,780) | (9,797) | – | (134,666) |
| Net carrying amount | 257 | 232,798 | 56,008 | 108,121 | 239,122 | 636,306 |

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Transportation equipment *RMB'000* | Furniture, fixtures and machinery *RMB'000* | Leasehold improvements *RMB'000* | Buildings *RMB'000* | Construction in progress ("CIP") *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **31 December 2021** | | | | | | |
| At 1 January 2021: | | | | | | |
| Cost | 1,165 | 149,283 | 34,949 | – | 310,721 | 496,118 |
| Accumulated depreciation | (567) | (49,469) | (7,674) | – | – | (57,710) |
| Net carrying amount | 598 | 99,814 | 27,275 | – | 310,721 | 438,408 |
| At 1 January 2021, net of accumulated depreciation | 598 | 99,814 | 27,275 | – | 310,721 | 438,408 |
| Additions | – | 4,746 | 446 | – | 108,036 | 113,228 |
| Disposals | (7) | (108) | – | – | – | (115) |
| Depreciation provided during the year | (178) | (23,200) | (7,178) | (4,183) | – | (34,739) |
| Transfer from CIP | – | 126,092 | 43,237 | 151,027 | (320,356) | – |
| Asset-related grants deduction | – | – | – | (33,109) | – | (33,109) |
| At 31 December 2021, net of accumulated depreciation | 413 | 207,344 | 63,780 | 113,735 | 98,401 | 483,673 |
| At 31 December 2021: | | | | | | |
| Cost | 1,027 | 279,927 | 78,632 | 117,918 | 98,401 | 575,905 |
| Accumulated depreciation | (614) | (72,583) | (14,852) | (4,183) | – | (92,232) |
| Net carrying amount | 413 | 207,344 | 63,780 | 113,735 | 98,401 | 483,673 |

## 16. LEASES

### The Group as a lessee

The Group has lease contracts for various items of leasehold land and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owner with lease periods of 50 years, and no ongoing payments will be made under the terms of the land lease. Leases of buildings generally have lease terms between 3 and 18 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### *(a) Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Leasehold land *RMB'000* | Buildings *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| As at 1 January 2021 | 36,631 | 37,578 | 74,209 |
| Lease modification | – | 12,303 | 12,303 |
| Depreciation charge | (771) | (8,367) | (9,138) |
| As at 31 December 2021 and 1 January 2022 | **35,860** | **41,514** | **77,374** |
| Additions | **–** | **488** | **488** |
| Lease modification | **–** | **49** | **49** |
| Depreciation charge | **(771)** | **(8,205)** | **(8,976)** |
| Termination of a lease contract | **–** | **(1,228)** | **(1,228)** |
| As at 31 December 2022 | **35,089** | **32,618** | **67,707** |

## 16. LEASES (continued)

### The Group as a lessee (continued)

#### *(b) Lease liabilities to third parties*

The carrying amount of lease liabilities to third parties and the movements during the year are as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Carrying amount at 1 January | **33,010** | 35,962 |
| New lease | **488** | – |
| Lease modification | **49** | – |
| Accretion of interest recognised during the year | **2,020** | 2,263 |
| Termination of a lease contract | **(1,468)** | – |
| Payments | **(1,750)** | (5,185) |
| Exchange loss/(gain) | **45** | (30) |
| Carrying amount at 31 December | **32,394** | 33,010 |
| Analysed into: | | |
| Current portion | **8,442** | 5,084 |
| Non-current portion | **23,952** | 27,926 |

The maturity analysis of lease liabilities to third parties is disclosed in note 36 to the financial statements.

## 16. LEASES (continued)

### The Group as a lessee (continued)

#### *(c) Lease liability to a related party*

The carrying amount of the lease liability to a related party and the movements during the year are as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Lease liability to Biomabs *(note)*: | | |
| Carrying amount at 1 January | **12,680** | 4,386 |
| Lease modification | **–** | 12,303 |
| Accretion of interest recognised during the year | **704** | 140 |
| Payments | **(4,149)** | (4,149) |
| Carrying amount at 31 December | **9,235** | 12,680 |
| Analysed into: | | |
| Current portion | **4,849** | 4,199 |
| Non-current portion | **4,386** | 8,481 |

*Note:* Biomabs is ultimately controlled by a close family member of the controlling shareholder.

The maturity analysis of the lease liability to a related party is disclosed in note 36 to the financial statements.

## 16. LEASES (continued)

### The Group as a lessee (continued)

*(d)* The amounts recognised in profit or loss in relation to leases are as follows:

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Interest on lease liabilities to third parties | 2,020 | 2,263 |
| Interest on lease liability to a related party | 704 | 140 |
| Depreciation for right-of-use assets | 8,976 | 9,138 |
| Expense relating to short-term leases | 376 | 305 |
| Total amount recognised in profit or loss | 12,076 | 11,846 |

*(e)* The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

## 17. OTHER NON-CURRENT ASSETS

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Prepayment for acquisition of property, plant and equipment *(note a)* | 6,576 | 78,853 |
| Deposit for construction of production facilities | 3,000 | 3,000 |
| VAT recoverable *(note b)* | 2,401 | 8,821 |
| | 11,977 | 90,674 |

*Notes:*

a. Prepayment for acquisition of property, plant and equipment is mainly related to the new production facilities on the parcel of industrial land of approximately 100,746 square metres in the Taizhou Hi-tech Zone.

b. VAT recoverable is presented in prepayments and other receivables and other non-current assets based on management's estimation of the amount of VAT recoverable to be utilised within one year.

## 18. INVENTORIES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Raw materials and consumables | 75,353 | 49,157 |
| Finished Goods | 15,948 | – |
| Work in progress | 9,496 | 4,054 |
| | 100,797 | 53,211 |

## 19. TRADE RECEIVABLES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Trade receivables | 9,650 | 793 |
| Impairment | (118) | – |
| | 9,532 | 793 |

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## 19. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Within 3 months | 8,357 | 793 |
| 4 to 6 months | 1,166 | – |
| 7 to 9 months | 9 | – |
| | 9,532 | 793 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| At beginning of year | – | – |
| Impairment losses | 118 | – |
| At end of year | 118 | – |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## 19. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2022**

| | With 3 months | 4 to 6 months | 7 to 9 months | 10 to 12 months | Over 12 months | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.42% | 3.80% | 10.00% | 33.33% | 100.00% | |
| Gross carrying amount *(RMB'000)* | 8,392 | 1,212 | 10 | – | 36 | 9,650 |
| Expected credit losses *(RMB'000)* | 35 | 46 | 1 | – | 36 | 118 |

## 20. PREPAYMENTS AND OTHER RECEIVABLES

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Other receivables | 1,484 | 2,435 |
| Prepayments for research and development services | 7,651 | 13,112 |
| Other deposits and prepayments | 3,418 | 4,261 |
| VAT recoverable *(note)* | 29,180 | 39,038 |
| | 41,733 | 58,846 |

*Note:* VAT recoverable is presented in prepayments and other receivables and other non-current assets based on management's estimation of the amount of VAT recoverable to be utilised within one year.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

## 21. CONTRACT COSTS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cost to fulfil contracts in relation to contract development and manufacturing agreement | – | 9,164 |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Financial products | 15,044 | – |

The above financial products represented short-term investments issued by banks with no predetermined or guaranteed return which are not principal protected investments. The financial products are with expected rates of return (not guaranteed), depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. The expected return rates ranged from 1.69% to 1.86% per annum.

## 23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

### Pledged bank deposits

There were no current pledged bank deposits at 31 December 2022 (2021: RMB34,748,000). The current pledged bank deposits at 31 December 2021 were pledged to a bank as collateral for the issue of euro ("**EUR**") letter of credit by the bank in connection with the purchase of property, plant and equipment by the Group, which were interest-bearing at a fixed rate of 0.01% per annum.

### Cash and bank balances

Cash and bank balances comprise cash at banks and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 23. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES (continued)

### Cash and bank balances (continued)

Cash and bank balances and pledged bank deposits that are denominated in currencies as set out below:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| RMB | **12,221** | 41,699 |
| Hong Kong dollar ("**HK$**") | **3,587** | 39,035 |
| US dollar ("**US$**") | **17,751** | 35,561 |
| Singapore dollar ("**SG$**") | **9** | 9 |
| | **33,568** | 116,304 |

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 24. TRADE AND OTHER PAYABLES

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Trade payables | **16,586** | 12,860 |
| Accrued expenses for research and development services | **39,877** | 41,643 |
| Other payables for purchases of property, plant and equipment | **51,244** | 53,433 |
| Salary and bonus payables | **14,856** | 16,256 |
| Other taxes payable | **935** | 1,203 |
| Accrued listing expenses and issue costs | **11,037** | 10,103 |
| Other payables | **13,793** | 4,329 |
| | **148,328** | 139,827 |

## 24. TRADE AND OTHER PAYABLES (continued)

Payment terms with suppliers are mainly on credit with 60 days from the time when the goods and/or services are received/rendered from the suppliers. The ageing analysis of the trade payables presented based on the receipt of goods/services by the Group at the end of the reporting period is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Within 60 days | 9,794 | 11,315 |
| Over 60 days but within 1 year | 6,792 | 1,545 |
| | 16,586 | 12,860 |

Trade and other payables are unsecured, non-interest-bearing and repayable on demand.

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | Amount RMB'000 | Effective interest rate (%) | Maturity | Amount RMB'000 |
| Non-current: | | | | | | |
| Other loans | | | | | | |
| – unsecured | 6.0% | 2024 | 55,019 | – | – | – |
| Bank loans | One-year loan prime rate ("LPR") +50 bps | | | | | |
| – secured *(note)* | | 2024 | 29,689 | – | – | – |
| | | | 84,708 | | | – |

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Analysed into: | | |
| Bank loans and other loans repayable: | | |
| In the second year | **84,708** | – |
| | **84,708** | – |

*Note:* At 31 December 2022, the 100,746-square-meter land in Taizhou Hi-tech Zone with a carrying amount of approximately RMB35,089,000 and the 50,835-square-meter building with a carrying amount of approximately RMB108,121,000 were pledged to secure the bank borrowings of the Group.

## 26. CONTRACT LIABILITIES

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Amounts received in advance for contract development and manufacturing agreement | **5,378** | 21,430 |
| Amounts received in advance for exclusive right for the commercialisation of CMAB008 overseas | **18,868** | 16,510 |
| Amounts received in advance for exclusive right for the commercialisation of CMAB008 in Mainland China | **107,311** | – |
| Amounts received in advance for the sale of products | **23** | 10 |
| | **131,580** | 37,950 |
| Analysed into: | | |
| Current portion | **19,552** | 21,440 |
| Non-current portion | **112,028** | 16,510 |

## 27. DEFERRED INCOME

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Income-related government grants | 7,455 | 16,490 |
| Asset-related government grants | 10,000 | 10,000 |
| | 17,455 | 26,490 |
| Analysed into: | | |
| Current portion | 7,050 | 16,490 |
| Non-current portion | 10,405 | 10,000 |

Movements of income-related government grants:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| At 1 January | 16,490 | 14,665 |
| Government grants received | 17,885 | 14,689 |
| Credited to profit or loss *(note 6)* | (26,920) | (12,864) |
| At 31 December | 7,455 | 16,490 |

Movements of asset-related government grants:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| At 1 January | 10,000 | 43,109 |
| Deduction from the calculation of the carrying amount of the assets | – | (33,109) |
| At 31 December | 10,000 | 10,000 |

## 27. DEFERRED INCOME (continued)

During the year ended 31 December 2022, the Group received government grants of RMB17,885,000 (2021: RMB14,689,000) to compensate for the expense of Group's research projects. The grants related to income were recognised in profit or loss upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance. The grants related to assets were deducted from the calculation of the carrying amount of the assets upon the compliance of the Group with the conditions attached to the grants and the government acknowledged acceptance and were recognised in profit or loss in the form of reduced depreciation charges over the remaining lives of the depreciable assets.

## 28. SHARE CAPITAL

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Issued and fully paid: | | |
| 4,124,080,000 (2021: 4,124,080,000) ordinary shares | **2,804** | 2,804 |

## 29. SHARE-BASED PAYMENT TRANSACTIONS

### Equity-settled share option scheme of the Company

The Company's Pre-IPO Share Option Scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 10 August 2018 for the primary purpose of providing incentives to directors of the Company and eligible employees of the Group. Under the Scheme, 1,875,000 options were granted on 18 August 2018 to directors of the Company and eligible employees of the Group to subscribe for shares in the Company, which will expire on 17 August 2028.

The Scheme has a service condition that shall vest over an 8-year period, with 20%, 20%, 20%, 20% and 20% of the total number of the options granted to be vested on the fourth, fifth, sixth, seventh and eighth anniversaries of the listing date, respectively.

## 29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### Equity-settled share option scheme of the Company (continued)

The exercise price in relation to each option granted shall be the final offer price per share at which the shares are to be acquired by the investors pursuant to the Hong Kong Public Offering and the International Offering, which shall not be less than the par value of the shares, provided that the exercise price shall be adjusted in the event of any capitalisation issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company.

On 8 April 2019, a shareholders' resolution about the capitalisation issue was passed and after taking account of the capitalisation issue, the number of share options was increased to 83,512,500.

The following table discloses details of the movements of the outstanding options granted under the Scheme during the year ended 31 December 2022:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Weighted average exercise price HK$ per share | Number of options '000 | Weighted average exercise price HK$ per share | Number of options '000 |
| At 1 January | HK$1.5 | 78,376 | HK$1.5 | 80,047 |
| Forfeited during the year | | (1,907) | | (1,671) |
| At 31 December | HK$1.5 | 76,469 | HK$1.5 | 78,376 |

## 29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### Equity-settled share option scheme of the Company (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2022

| Number of options | Exercise price | Exercise period |
|---|---|---|
| *'000* | *per share* | |
| 76,469 | HK$1.5 | 31-5-2023 to 17-8-2028 |

2021

| Number of options | Exercise price | Exercise period |
|---|---|---|
| *'000* | *per share* | |
| 78,376 | HK$1.5 | 31-5-2023 to 17-8-2028 |

The Group recognised the total expense of RMB9,782,000 during the year ended 31 December 2022 (2021: RMB12,240,000) in relation to share options granted by the Company.

At the end of the reporting period, the Company had 76,469,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 76,469,000 additional ordinary shares of the Company and additional share capital of US$7,647 (equivalent to RMB53,528) and reserve of RMB102,411,000 (before issue expense).

## 30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 189 of the financial statements.

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB537,000 (2021: additions to right-of-use assets of RMB12,303,000) and RMB537,000 (2021: additions to lease liabilities of RMB12,303,000), respectively, in respect of lease arrangements for buildings.

### (b) Changes in liabilities arising from financing activities

| | Amounts due to a related party *RMB'000* | Accrued listing expenses and issue costs *RMB'000* | Amounts due from a related party *RMB'000* | Interest-bearing bank and other borrowings *RMB'000* | Lease liabilities to third parties and lease liability to a related party *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2022 | 739 | 10,103 | (603) | – | 45,690 | 55,929 |
| Changes from financing cash flows | 42,001 | – | – | 76,160 | (5,899) | 112,262 |
| Interest on a related party | 527 | – | – | – | – | 527 |
| Interest on bank and other borrowings | – | – | – | 3,937 | – | 3,937 |
| Interest on lease liabilities | – | – | – | – | 2,724 | 2,724 |
| Lease addition | – | – | – | – | 488 | 488 |
| Lease modification | – | – | – | – | 49 | 49 |
| Termination of a lease contract | – | – | – | – | (1,468) | (1,468) |
| Unrealised exchange losses | – | 934 | – | 4,611 | 45 | 5,590 |
| Expenses incurred in clinical business paid by a related party on behalf of the Group | 2,260 | – | 157 | – | – | 2,417 |
| **At 31 December 2022** | 45,527 | 11,037 | (446) | 84,708 | 41,629 | 182,455 |

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Changes in liabilities arising from financing activities (continued)

| | Amounts due to a related party *RMB'000* | Accrued listing expenses and issue costs *RMB'000* | Amounts due from a related party *RMB'000* | Lease liabilities to third parties and lease liability to a related party *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| At 1 January 2021 | 21 | 10,646 | – | 40,348 | 51,015 |
| Changes from financing cash flows | (7,844) | – | (603) | (9,334) | (17,781) |
| Interest on lease liabilities | – | – | – | 2,403 | 2,403 |
| Lease modification | – | – | – | 12,303 | 12,303 |
| Unrealised exchange gains | – | (543) | – | (30) | (573) |
| Expenses incurred in clinical business paid by a related party on behalf of the Group | 8,562 | – | – | – | 8,562 |
| At 31 December 2021 | 739 | 10,103 | (603) | 45,690 | 55,929 |

### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | **2022** ***RMB'000*** | 2021 *RMB'000* |
|---|---|---|
| Within operating activities | **376** | 305 |
| Within financing activities | **5,899** | 9,334 |
| | **6,275** | 9,639 |

## 32. CAPITAL COMMITMENTS

The Group had capital commitments for acquisitions of equipment and building construction under contracts as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Contracted but not provided *(note)* | **20,760** | 138,649 |

*Note:* The capital commitments are mainly related to the new production facilities on the parcel of industrial land of approximately 100,746 square metres in the Taizhou Hi-tech Zone.

## 33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed in note 16 to the financial statements, the Group had the following transactions with related parties during the year:

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Expenses incurred on contract development and manufacturing agreement: | | |
| Shanghai Biomabs Pharmaceuticals Co., Ltd. ("**Biomabs**") | 8,849 | – |
| Expenses incurred in clinical business and CMAB807 paid by a related party on behalf of the Group: | | |
| Biomabs | 2,417 | 8,562 |
| Repayments to a related party regarding the expenses incurred in clinical business and CMAB807 paid by a related party on behalf of the Group: | | |
| Biomabs | 2,999 | 7,844 |
| Expense incurred on intellectual property transfer agreement: | | |
| Biomabs *(note a)* | – | 66,038 |
| Prepayments to a related party regarding the contract development and manufacturing: | | |
| agreement *(note b)* | – | 8,849 |

## 33. RELATED PARTY TRANSACTIONS (continued)

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Prepayments to a related party regarding the purchase of raw materials paid by a related party on behalf of the Group: | | |
| Biomabs | – | 603 |
| Loans from a related party-unsecured: | | |
| Biomabs *(note c)* | 45,000 | – |
| Interest on loans from a related party: | | |
| Biomabs | 527 | – |

*Notes:*

a. In March 2021, the Group entered into an agreement with Biomabs in relation to the acquisition of the intellectual property in connection with CMAB807 from Biomabs at a consideration of RMB66,038,000 (excluding value added tax). Till 31 December 2022, the outstanding payable balance was accrued to RMB47,170,000. For further details regarding the acquisition of CMAB807, please refer to the announcement of the Company dated 1 March 2021, and the circular dated 13 April 2021 published on the websites of the Stock Exchange and the Company. On 30 December 2022, the Group entered into a supplemental agreement with Biomabs, pursuant to which, the maturity date of the outstanding payable balance of RMB47,170,000 was extended to 31 December 2024.

b. In March 2021, the Group entered into an agreement with Biomabs in relation to contract development and manufacturing in relation to CMAB807, at a consideration of RMB42,478,000 (excluding value added tax), while RMB8,849,000 (excluding value added tax) has been prepaid as at 31 December 2021. For further details regarding the contract development and manufacturing of CMAB807, please refer to the announcement of the Company dated 1 March 2021, and the circular dated 13 April 2021 published on the websites of the Stock Exchange and the Company.

c. In September 2022, the group borrowed unsecured loans from Biomabs amounting to RMB45,000,000 with an annual interest rate of 3.7%. The term of the loans is from the date on receiving the loan by the group to 31 December 2024.

## 33. RELATED PARTY TRANSACTIONS (continued)

**(b)** Outstanding balances with related parties:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Rental deposit to a related party: | | |
| Biomabs | 411 | 411 |
| Amounts due from a related party: | | |
| Prepayments – trade nature | | |
| Biomabs | – | 8,849 |
| Prepayments – non-trade nature | | |
| Biomabs | 446 | 603 |
| | 446 | 9,452 |
| Amounts due to a related party: | | |
| Trade payables | | |
| Biomabs *(note a)* | 47,350 | 47,225 |
| Non-trade payables | | |
| Biomabs | – | 739 |
| Interest payables | | |
| Biomabs | 527 | – |
| Loans payables | | |
| Biomabs | 45,000 | – |
| | 92,877 | 47,964 |
| Analysed into: | | |
| Current portion | 180 | 47,964 |
| Non-current portion | 92,697 | – |

## 33. RELATED PARTY TRANSACTIONS (continued)

**(b)** Outstanding balances with related parties: (continued)

Non-trade payables to Biomabs are unsecured, non-interest-bearing and repayable on demand.

Payment terms with suppliers are mainly on credit with 60 days from the time when the goods and/or services are received from the suppliers. The ageing analysis of the trade payables presented based on the receipt of goods/services by the Group at the end of the reporting period is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 60 days | **180** | 55 |
| Over 60 days but within 1 year | **–** | 47,170 |
| Over 1 year | **47,170** | – |
| | **47,350** | 47,225 |

**(c) Compensation of key management personnel of the Group**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, bonuses, allowances and benefits in kind | **4,311** | 4,208 |
| Pension scheme contributions | **247** | 283 |
| Directors' fee | **308** | 294 |
| Share-based compensation | **4,968** | 5,871 |
| Consultation fee | **533** | 534 |
| | **10,367** | 11,190 |

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**As at 31 December 2022**

### Financial assets

| | Financial assets at fair value through profit or loss | | |
|---|---|---|---|
| | Mandatorily designated as such *RMB'000* | Financial assets at amortised cost *RMB'000* | Total *RMB'000* |
| Financial assets included in prepayments and other receivables and other non-current assets | – | 4,484 | 4,484 |
| Rental deposit to a related party | – | 411 | 411 |
| Trade receivables | – | 9,532 | 9,532 |
| Financial assets at fair value through profit or loss | 15,044 | – | 15,044 |
| Cash and bank balances | – | 33,568 | 33,568 |
| | 15,044 | 47,995 | 63,039 |

### Financial liabilities

| | Financial liabilities at amortised cost *RMB'000* |
|---|---|
| Financial liabilities included in trade and other payables | 132,537 |
| Interest-bearing bank and other borrowings | 84,708 |
| Amounts due to a related party | 92,877 |
| | 310,122 |

## 34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2021

### Financial assets

| | Financial assets at amortised cost *RMB'000* |
|---|---|
| Financial assets included in prepayments and other receivables and other non-current assets | 5,435 |
| Rental deposit to a related party | 411 |
| Trade receivables | 793 |
| Pledged bank deposits | 34,748 |
| Cash and bank balances | 81,556 |
| | 122,943 |

### Financial liabilities

| | Financial liabilities at amortised cost *RMB'000* |
|---|---|
| Financial liabilities included in trade and other payables | 122,368 |
| Amounts due to a related party | 47,964 |
| | 170,332 |

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments and other receivables, financial liabilities included in trade and other payables, amounts due to a related party (in the current portion) and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of financial assets included in other non-current assets, interest-bearing bank and other borrowings and the non-current portion of amounts due to related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

The Group invests in unlisted investments, which represent financial products issued by the bank. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. Further details are set out in note 22 to the financial statements.

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) *RMB'000* | Significant observable inputs (Level 2) *RMB'000* | Significant unobservable inputs (Level 3) *RMB'000* | Total *RMB'000* |
| As at 31 December 2022 | | | | |
| Financial assets at FVTPL | – | 15,044 | – | 15,044 |

The Group did not have any financial assets measured at fair value as at 31 December 2021. The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at FVTPL, cash and bank balances, interest-bearing bank and other borrowings, pledged bank deposits and amounts due to a related party. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as a rental deposit to a related party, trade receivables, financial assets included in prepayments and other receivables and other non-current assets and financial liabilities included in trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax *RMB'000* | Increase/ (decrease) in equity *RMB'000* |
|---|---|---|---|
| **31 December 2022** | | | |
| RMB-denominated borrowings | **50** | **(148)** | **(148)** |
| RMB-denominated borrowings | **(50)** | **148** | **148** |
| 31 December 2021 | | | |
| RMB-denominated borrowings | 50 | – | – |
| RMB-denominated borrowings | (50) | – | – |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

Certain bank balances and cash and pledged bank deposits are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from US$ and HK$ denominated financial instruments) and the Group's equity. No sensitivity analysis has been disclosed for the SG$ denominated assets as the impact on profit or loss is insignificant.

| | Increase/ (decrease) in rate of foreign currency<br>% | Increase/ (decrease) in profit before tax<br>*RMB'000* | Increase/ (decrease) in equity<br>*RMB'000* |
|---|---|---|---|
| **31 December 2022** | | | |
| If RMB weakens against US$ | **5** | **(1,863)** | **(1,863)** |
| If RMB strengthens against US$ | **(5)** | **1,863** | **1,863** |
| If RMB weakens against HK$ | **5** | **179** | **179** |
| If RMB strengthens against HK$ | **(5)** | **(179)** | **(179)** |
| 31 December 2021 | | | |
| If RMB weakens against US$ | 5 | 1,778 | 1,778 |
| If RMB strengthens against US$ | (5) | (1,778) | (1,778) |
| If RMB weakens against HK$ | 5 | 1,952 | 1,952 |
| If RMB strengthens against HK$ | (5) | (1,952) | (1,952) |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise pledged bank deposits, cash and bank balances, trade receivables, a rental deposit to a related party, and financial assets included in prepayments and other receivables and other non-current assets with a maximum exposure equal to the carrying amount of these instruments.

#### *Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2022**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 *RMB'000* | Stage 2 *RMB'000* | Stage 3 *RMB'000* | Simplified approach *RMB'000* | Total *RMB'000* |
| Financial assets included in prepayments and other receivables and other non-current assets *(note a)* | 4,484 | – | – | – | 4,484 |
| Rental deposit to a related party | 411 | – | – | – | 411 |
| Trade receivables *(note b)* | – | – | – | 9,532 | 9,532 |
| Cash and bank balances – Not yet past due | 33,568 | – | – | – | 33,568 |
| | 38,463 | – | – | 9,532 | 47,995 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

#### *Maximum exposure and year-end staging (continued)*

As at 31 December 2021

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 *RMB'000* | Stage 3 *RMB'000* | Simplified approach *RMB'000* | Total *RMB'000* |
| Financial assets included in prepayments and other receivables and other non-current assets *(note a)* | 5,435 | – | – | – | 5,435 |
| Rental deposit to a related party | 411 | – | – | – | 411 |
| Trade receivables *(note b)* | – | – | – | 793 | 793 |
| Pledged bank deposits | 34,748 | – | – | – | 34,748 |
| Cash and bank balances – Not yet past due | 81,556 | – | – | – | 81,556 |
| | 122,150 | – | – | 793 | 122,943 |

*Notes:*

a. The credit quality of the financial assets included in prepayments and other receivables and other non-current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

b. For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables is disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

The Group monitors and maintains a level of cash and bank balances deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Less than 1 year or on demand *RMB'000* | 1 to 5 years *RMB'000* | Over 5 years *RMB'000* | Total *RMB'000* |
| Amounts due to a related party | 180 | 96,027 | – | 96,207 |
| Financial liabilities included in trade and other payables | 132,537 | – | – | 132,537 |
| Interest-bearing bank and other borrowings | 1,208 | 93,827 | – | 95,035 |
| Lease liabilities to third parties | 9,479 | 16,690 | 15,495 | 41,664 |
| Lease liability to a related party | 5,280 | 4,526 | – | 9,806 |
| | 148,684 | 211,070 | 15,495 | 375,249 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

| | 2021 | | | |
|---|---|---|---|---|
| | Less than 1 year or on demand *RMB'000* | 1 to 5 years *RMB'000* | Over 5 years *RMB'000* | Total *RMB'000* |
| Amounts due to a related party | 47,964 | – | – | 47,964 |
| Financial liabilities included in trade and other payables | 122,368 | – | – | 122,368 |
| Lease liabilities to third parties | 7,114 | 18,279 | 19,667 | 45,060 |
| Lease liability to a related party | 4,903 | 9,052 | – | 13,955 |
| | 182,349 | 27,331 | 19,667 | 229,347 |

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management (continued)

The Group regards equity attributable to owners of the Company as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets with reference to the gearing ratio. To maintain or adjust the capital structure, the Group may redeem existing shares, issue new shares or issue new debts. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Total liabilities | **516,577** | 297,921 |
| Total assets | **917,521** | 899,902 |
| Gearing ratio | **56.3%** | 33.1% |

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| **Non-current assets** | | |
| Plant and equipment | **29** | 40 |
| Right-of-use assets | **692** | 940 |
| Other non-current assets | **54** | 54 |
| Investments in subsidiaries | **1,388,728** | 1,378,946 |
| | **1,389,503** | 1,379,980 |
| **Current assets** | | |
| Prepayments and other receivables | **422** | 405 |
| Amounts due from a subsidiary | **10,951** | 6,541 |
| Cash and bank balances | **3,969** | 32,442 |
| | **15,342** | 39,388 |
| **Current liabilities** | | |
| Trade and other payables | **12,821** | 5,500 |
| Amounts due to subsidiaries | **–** | 30,322 |
| Lease liability to a third party | **726** | 273 |
| | **13,547** | 36,095 |
| **Net current assets** | **1,795** | 3,293 |
| **Total assets less current liabilities** | **1,391,298** | 1,383,273 |
| **Non-current liabilities** | | |
| Lease liability to a third party | **–** | 619 |
| **Net assets** | **1,391,298** | 1,382,654 |
| **Capital and reserves** | | |
| Share capital | **2,804** | 2,804 |
| Reserves *(note)* | **1,388,494** | 1,379,850 |
| **Total equity** | **1,391,298** | 1,382,654 |

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

*Note:*

A summary of the Company's reserves is as follows:

| | Share premium *RMB'000* | Share option reserve *RMB'000* | Accumulated losses *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Balance at 1 January 2021 | 1,400,504 | 31,695 | (54,849) | 1,377,350 |
| Loss and total comprehensive expense for the year | – | – | (9,740) | (9,740) |
| Recognition of equity-settled share-based compensation | – | 12,240 | – | 12,240 |
| At 31 December 2021 and 1 January 2022 | **1,400,504** | **43,935** | **(64,589)** | **1,379,850** |
| Loss and total comprehensive expense for the year | **-** | **-** | **(1,138)** | **(1,138)** |
| Recognition of equity-settled share-based compensation | **-** | **9,782** | **-** | **9,782** |
| **At 31 December 2022** | **1,400,504** | **53,717** | **(65,727)** | **1,388,494** |

## 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

# Five Year Financial Summary

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | **(audited)** | (audited) | (audited) | (audited) | |
| Revenue | **55,918** | 82,882 | – | – | – |
| Cost of sales | **(15,375)** | (16,777) | – | – | – |
| Gross profit | **40,543** | 66,105 | – | – | – |
| Other income | **27,302** | 14,818 | 32,237 | 17,999 | 24,059 |
| Other expenses | **–** | – | – | (4,127) | (12,507) |
| Other gains and losses | **(4,682)** | (6,637) | (26,714) | 15,962 | (2,427) |
| Selling and distribution expenses | **(28,213)** | (9,423) | – | – | – |
| Research and development expenses | **(147,906)** | (263,572) | (120,418) | (134,189) | (88,983) |
| Administrative expenses | **(90,557)** | (90,632) | (65,795) | (62,952) | (42,128) |
| Impairment losses on financial assets | **(118)** | – | – | – | – |
| Finance costs | **(7,188)** | (2,403) | (3,942) | (7,695) | (4,481) |
| Listing expenses | **–** | – | – | (27,527) | (26,126) |
| Loss before tax | **(210,819)** | (291,744) | (184,632) | (202,529) | (152,593) |
| Income tax credit | **–** | – | – | – | 2,834 |
| Loss and total comprehensive expense for the year | **(210,819)** | (291,744) | (184,632) | (202,529) | (149,759) |
| Total comprehensive expense attributable to: | | | | | |
| Owners of the Company | **(210,819)** | (291,744) | (184,632) | (202,529) | (124,883) |
| Non-controlling interests | **–** | – | – | – | (24,876) |
| | ***RMB*** | *RMB* | *RMB* | *RMB* | *RMB* |
| Loss per share | | | | | |
| – Basic | **(0.05)** | (0.07) | (0.04) | (0.05) | (0.06) |
| – Diluted | **(0.05)** | (0.07) | (0.04) | (0.05) | (0.06) |

| | **As at December 31, 2022** | As at December 31, 2021 | As at December 31, 2020 | As at December 31, 2019 | As at December 31, 2018 |
|---|---|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | **(audited)** | (audited) | (audited) | (audited) | |
| Non-current assets | **716,401** | 652,132 | 593,911 | 441,338 | 212,469 |
| Current assets | **201,120** | 247,770 | 569,126 | 955,139 | 260,753 |
| Current liabilities | **188,401** | 235,004 | 202,627 | 270,334 | 156,450 |
| Net current assets | **12,719** | 12,766 | 366,499 | 684,805 | 104,303 |
| Non-current liabilities | **328,176** | 62,917 | 78,925 | 72,432 | 67,200 |
| Net assets | **400,944** | 601,981 | 881,485 | 1,053,711 | 249,572 |

# Definitions

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

| | |
|---|---|
| "Articles of Association" | the amended and restated articles of association of the Company adopted on April 8, 2019 with effect from Listing, as amended on June 17, 2022 and from time to time |
| "Asia Mabtech" | Asia Mabtech Limited, a limited liability company incorporated in the BVI on November 23, 2017 and one of the Controlling Shareholders |
| "Asia Pacific Immunotech Venture" | Asia Pacific Immunotech Venture Limited, a limited liability company incorporated in the BVI on July 23, 2018 and one of the Controlling Shareholders |
| "Audit Committee" | the audit committee of the Board |
| "Biomabs" | Shanghai Biomabs Pharmaceuticals Co., Ltd. (上海百邁博製藥有限公司), a limited liability company incorporated in the PRC on October 16, 2009 and a direct wholly-owned subsidiary of Sinomab as of the date of this annual report |
| "Board" or "Board of Directors" | the board of Directors of the Company |
| "BVI" | the British Virgin Islands |
| "CDH" | CDH PE and CDH VC |
| "CDH PE" | CDH Mabtech Limited, a limited liability company incorporated in the Cayman Islands |
| "CDH VC" | Genemab Holding Limited, a limited liability company incorporated in the BVI |
| "CDMO" | Contract Development and Manufacturing Organization |
| "CG Code" | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |

| | |
|---|---|
| "Company" | Mabpharm Limited (邁博药业有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 1, 2018 and whose Shares are listed on the Stock Exchange on the Listing Date |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "Consolidated Financial Statements" | the audited consolidated financial statements of the Group |
| "Controlling Shareholders" | has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture, Asia Mabtech and United Circuit |
| "Core Product(s)" | has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Products include CMAB007, CMAB009 and CMAB008 |
| "Director(s)" | the director(s) of our Company |
| "FH Investment" | Fortune-Healthy Investment Limited, a limited liability company incorporated in the BVI |
| "Global Offering" | has the meaning ascribed to it under the Prospectus |
| "Group", "our Group", "the Group", "we", "us", or "our" | the Company and its subsidiaries from time to time |
| "Guo Family Trust" | Guo Family Trust, a trust created by Mr. Guo Jianjun on August 8, 2018 under the laws of BVI for the benefit of his family members, for which Guo Family Trustee serves as trustee |
| "Guo Family Trustee" | Guo Family (PTC) Limited, a limited liability company incorporated in the BVI on March 1, 2018 and the trustee of the Guo Family Trust |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HK dollar" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |

| | |
|---|---|
| "independent third party(ies)" | any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules |
| "IPO" | initial public offering |
| "Listing" | the listing of our Shares on the Main Board of the Stock Exchange on May 31, 2019 |
| "Listing Date" | May 31, 2019, being the date on which the Shares were listed on the Main Board of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Main Board" | the Main Board of the Stock Exchange |
| "Memorandum" | the memorandum of association of the Company, as amended, modified or otherwise supplemented from time to time |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| "MTJA" | Shanghai Sinomab Biotechnology Co., Ltd.* (上海邁泰君奧生物技術有限公司) (formerly known as Shanghai Bai'an Medical Star Investment Co., Ltd.* (上海百安醫星投資有限公司)), a limited liability company incorporated in the PRC on May 30, 2012, a former indirect wholly-owned subsidiary of Sinomab, and an independent third party since July 2019 |
| "NMPA" | National Medical Products Administration (國家藥品監督管理局) of China, formerly known as China's Food and Drug Administration ("**CFDA**") (國家食品藥品監督管理局) or China's Drug Administration ("**CDA**") (國家藥品監督管理局); references to NMPA include CFDA and CDA |
| "PRC" | the People's Republic of China, excluding, for the purposes of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan |
| "Prospectus" | the prospectus issued by the Company on May 20, 2019 in connection with the Hong Kong public offering of the Shares |
| "Reporting Period" | the year from January 1, 2022 to December 31, 2022 |

| | |
|---|---|
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shares" | ordinary share(s) in the capital of the Company with nominal value of US$0.0001 each |
| "Shareholder(s)" | holder(s) of Share(s) |
| "Shengheng Biotech" | Shanghai Shengheng Biotechnology Limited* (上海晟珩生物技術有限公司), a limited liability company incorporated in the PRC on August 28, 2018 and an indirect wholly-owned subsidiary of the Company |
| "Sinomab" | Sinomab Limited (formerly known as Mabtech Limited), a limited liability company incorporated in the Cayman Islands on September 4, 2014, and a company which an associate of the controlling shareholder of the Company indirectly controls 66.67% voting rights as of the date of this annual report |
| "Sinomab Group" | Sinomab and its subsidiaries |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Taizhou Biotech" | Taizhou Mabtech Biotechnology Limited* (泰州邁博太科生物技術有限公司), a limited liability company incorporated in the PRC on November 24, 2016, a former indirect wholly-owned subsidiary of the Company and was merged with Taizhou Pharmaceutical in July 2021 |
| "Taizhou Pharmaceutical" | Taizhou Mabtech Pharmaceutical Limited* (泰州邁博太科藥業有限公司), a limited liability company incorporated in the PRC on February 4, 2015 and an indirect wholly-owned subsidiary of the Company |
| "United Circuit" | United Circuit Limited (域聯有限公司), a limited liability company incorporated in the BVI on August 25, 2015 and one of the Controlling Shareholders |
| "Zhangjiang Biotech" | Shanghai Zhangjiang Biotechnology Co., Ltd.* (上海張江生物技術有限公司), a limited liability company incorporated in the PRC on December 7, 1998 and was an indirect wholly-owned subsidiary of Sinomab from February 2015 to July 2017, and an independent third party thereafter |

* *For Identification Only*

# Glossary of Technical Terms

| | |
|---|---|
| "allergic asthma" | a common long-term inflammatory disease of the airways of the lungs. It is characterized by variable and recurring symptoms, reversible airflow obstruction, and bronchospasm. Symptoms include episodes of wheezing, coughing, chest tightness, and shortness of breath. These episodes may occur a few times a day or a few times per week. Depending on the person, they may become worse at night or with exercise |
| "autoimmune disease" | diseases such as rheumatoid arthritis and lupus which arise from an abnormal immune response of the body against substances and tissues normally present in the body |
| "biosimilar" | also known as follow-on biologic or subsequent entry biologic. It is a biologic medical product that is almost an identical copy of an original product that is manufactured by a different company. Biosimilars are officially approved versions of original "innovator" products and can be manufactured when the original product's patent expires. A biosimilar product is similar in terms of quality, safety and efficacy to a reference medicinal product, which has been granted a marketing authorisation on the basis of a complete dossier in the community |
| "canakinumab" | a recombinant, fully human anti-IL-1$\beta$ monoclonal antibody that belongs to the IgG1$\kappa$ isotype subclass used for periodic fever syndrome and systemic juvenile idiopathic arthritis, which binds to human IL1$\beta$ and neutralizes its activity by blocking its interaction with the IL-1 receptors, but does not bind IL-1$\alpha$ or IL-1ra |
| "carcinoma" | a type of cancer that develops from epithelial cells. Specifically, a carcinoma is a cancer that begins in a tissue that lines the inner or outer surfaces of the body, and that arises from cells originating in the endodermal, mesodermal or ectodermal germ layer during embryogenesis |
| "cell culture" | the process by which cells are grown under controlled conditions, generally outside of their natural environment |
| "cell line" | a cell culture developed from a single cell and therefore consisting of cells with a uniform genetic makeup |

| | |
|---|---|
| "cetuximab" | an EGFR antagonist approved by the FDA for the treatment of KRAS wild-type, EGFR-expressing, metastatic colorectal cancer under certain conditions |
| "cGMP" | current Good Manufacturing Practice |
| "Chinese hamster ovary cell" or "CHO" | the ovary of the Chinese hamster, of which cell lines are derived from and often used in biological and medical research and commercial production of therapeutic proteins |
| "CDMO" | Contract Development and Manufacturing Organization |
| "CMAB007" | one of our Core Products, a recombinant humanized anti-IgE monoclonal antibody and our new drug candidate based on omalizumab |
| "CMAB008" | one of our Core Products, a recombinant anti-TNF-alpha chimeric monoclonal antibody and our new drug candidate based on infliximab |
| "CMAB009" | one of our Core Products, a recombinant anti-EGFR chimeric monoclonal antibody and our new drug candidate based on cetuximab |
| "CMAB018" | Mepolizumab biosimilar drug candidate in the preclinical stage, used to treat diseases such as asthma and eosinophilic granulomatous polyangitis |
| "CMAB807" | is a Denosumab, a human IgG2 monoclonal antibody with affinity and specificity for human RANKL (receptor activator of nuclear factor kappa-B ligand), which is a transmembrane or soluble protein essential for the formation, function, and survival of osteoclasts, the cells responsible for bone resorption |
| "CMAB810" | a pre-clinical stage biosimilar drug candidate based on Perjeta, a recombinant humanized monoclonal antibody for the treatment of breast cancer |

## Glossary of Technical Terms

| | |
|---|---|
| "CMAB816" | a pre-clinical stage biosimilar drug candidate based on Ilaris for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis |
| "CMAB819" | a phase I clinical trial new drug candidate based on nivolumab for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma |
| "CRO" | a contract research organization, which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis |
| "cytokine" | a broad and loose category of small proteins that are important in cell signaling. Their release has an effect on the behavior of target cells |
| "DNA" | deoxyribonucleic acid |
| "EGFR" | epidermal growth factor receptor Glossary of Technical Terms |
| "GMP" | good manufacturing practices |
| "HER2" | human epidermal growth factor receptor 2 |
| "IBD" | inflammatory bowel disease |
| "ICS" | inhaled corticosteroids |
| "ICS/LABA" | inhaled corticosteroid/long acting beta adrenoceptor agonists treatment |
| "IgE" | immunoglobulin E |

| | |
|---|---|
| "IgG1 $\kappa$ "or "IgG1 kappa" | immunoglobulin G (IgG), a type of antibody. Representing approximately 75% of serum antibodies in humans, IgG is the most common type of antibody found in blood circulation. IgG molecules are created and released by plasma B cells. Each IgG has two antigen binding sites. There are four IgG subclasses (IgG1, 2, 3, and 4) in humans, named in order of their abundance in serum (IgG1 being the most abundant). IgG antibodies are large molecules of about 150 kDa made of four peptide chains. It contains two identical classheavy chains of about 50 kDa and two identical light chains of about 25 kDa, thus a tetrameric quaternary structure. There are two types of light chain in humans kappa ($\kappa$) chain and lambda ($\lambda$) chain. Only one type of light chain is present in a typical antibody, thus the two light chains of an individual antibody are identical. IgG1 $\kappa$ is an antibody molecule which contains two $\gamma$ 1 heavy chains and two $\kappa$ light chains |
| "IL-1ra" | IL-1 receptor antagonist |
| "IL-1 $\beta$ " | interleukin-1 $\beta$ |
| "immunoglobulin" or "Ig" | an antibody (Ab), also known as an immunoglobulin (Ig). It is a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to neutralize pathogens such as pathogenic bacteria and viruses. The antibody recognizes a unique molecule of the pathogen, called an antigen, via the Fab's variable region |

## Glossary of Technical Terms

| | |
|---|---|
| "infliximab" | a chimeric IgG1$\kappa$ monoclonal antibody (composed of human constant and murine variable regions) specific for human tumor necrosis factor-alpha used for adult patients with moderately to severely active rheumatoid arthritis in combination with methotrexate |
| "in vitro" | Latin for "in glass", studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such a microorganisms, cells or biological molecules |
| "in vivo" | Latin for "within the living", studies in vivo are those in which the effects of various biological or chemical substances are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro |
| "LABA" | long-acting beta2-agonists |
| "mCRC" | metastatic colorectal cancer |
| "MIS-C" | multisystem inflammatory syndrome in children |
| "monoclonal antibody" or "mAb" | an antibody produced by a single clone of immune cells or cell line and consisting of identical antibody molecules |
| "nivolumab" | a human immunoglobulin G4 (IgG4) monoclonal antibody, which targets the negative immunoregulatory human cell surface receptor programmed death-1 (PD1, PCD1) with immune checkpoint inhibitory and antineoplastic activities |
| "omalizumab" | anti-IgE humanized IgG1$\kappa$ monoclonal antibody used to reduce sensitivity to allergens |
| "oncology" | a branch of medicine that deals with tumors, including study of their development, diagnosis, treatment and prevention |
| "pathogen" | infectious agent such as a bacterium, fungus, virus, or other micro-organism |
| "PD" | programmed death |

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| "pertuzumab" | a recombinant humanized monoclonal antibody, which targets the extracellular (domain II) of the human epidermal growth factor receptor 2 protein (HER2) and, thereby, blocks heterodimerization of HER2 with other HER family members, including HER1, HER3 and HER4 |
| "pharmacodynamics" | the study of how a drug affects an organism, which, together with pharmacokinetic, influences dosing, benefit, and adverse effects of the drug |
| "pharmacokinetic" | the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug |
| "phase I clinical trial(s)" | study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness |
| "phase II clinical trial(s)" | study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage |
| "phase III clinical trial(s)" | study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product |
| "pre-clinical stage" | testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials |
| "R&D" | research and development |
| "RA" or "rheumatoid arthritis" | a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints |

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| "recombinant" | the formation by the processes of crossing-over and independent assortment of new combination of genes in progeny that did not occur in the parents |
| "RSV" | respiratory syncytial virus |
| "TNF" | tumor necrosis factor |
| "TNF-$\alpha$" or "TNF-alpha" | tumor necrosis factor (TNF, tumor necrosis factor alpha, TNF$\alpha$, cachexin, or cachectin). It is a cell signaling protein (cytokine) involved in systemic inflammation and is one of the cytokines that make up the acute phase reaction. It is produced chiefly by activated macrophages, although it can be produced by many other cell types such as CD4+ lymphocytes, NK cells, neutrophils, mast cells, eosinophils, and neurons |
| "vector" | an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism |