SINOMAB

SinoMab BioScience Limited
中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 3681

Annual Report 2022

Contents

Corporate Information

DIRECTORS

Executive Director

Dr. Shui On LEUNG
(Chairman and Chief Executive Officer)

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Ms. Wenyi LIU
Ms. Jie LIU
Mr. Lei SHI
Mr. Senlin LIU *(retired, effective from 13 June 2022)*

Independent Non-executive Directors

Mr. George William Hunter CAUTHERLEY
Mr. Ping Cho Terence HON
Dr. Chi Ming LEE
Mr. Dylan Carlo TINKER

AUDIT COMMITTEE

Mr. Ping Cho Terence HON *(Chairman)*
Mr. George William Hunter CAUTHERLEY
Dr. Chi Ming LEE
Mr. Dylan Carlo TINKER

REMUNERATION COMMITTEE

Dr. Chi Ming LEE *(Chairman)*
Mr. Ping Cho Terence HON
Dr. Shui On LEUNG

NOMINATION COMMITTEE

Dr. Shui On LEUNG *(Chairman)*
Mr. Ping Cho Terence HON
Mr. Dylan Carlo TINKER

COMPANY SECRETARY

Ms. Yuk Yin Ivy CHOW *(appointed on 20 March 2023 and effective from 31 March 2023)*
Ms. Sze Ting CHAN *(appointed on 17 November 2022, resigned on 20 March 2023 and effective from 31 March 2023)*
Ms. Pui Yin Peony WONG *(resigned on 17 November 2022)*

AUTHORISED REPRESENTATIVES

Dr. Shui On LEUNG
Mr. Jianping HUA

REGISTERED OFFICE

Units 303 and 305 to 307
No. 15 Science Park West Avenue
Hong Kong Science Park, Pak Shek Kok
New Territories
Hong Kong

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

LEGAL ADVISER

As to Hong Kong law
Paul Hastings

As to PRC law
Zhong Lun Law Firm

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

www.sinomab.com

STOCK CODE

3681

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial information and financial statements is set out below:

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Research and development costs	(47,283)	(214,342)	(103,402)	(199,113)	**(180,368)**
Loss before tax	(83,610)	(276,282)	(122,600)	(288,194)	**(284,158)**
Loss for the year	(83,610)	(276,282)	(122,600)	(288,194)	**(284,158)**
Loss attributable to owners of the parent	(83,610)	(276,282)	(122,600)	(288,194)	**(284,158)**
	RMB	*RMB*	*RMB*	*RMB*	***RMB***
Loss per share — Basic and diluted	(0.12)	(0.33)	(0.12)	(0.29)	**(0.29)**

	As at 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Non-current assets	38,549	69,123	195,169	445,970	**561,255**
Current assets	50,270	1,215,042	934,354	595,685	**447,093**
Non-current liabilities	32,994	45,574	83,708	263,065	**311,382**
Current liabilities	28,419	106,675	58,804	98,364	**187,391**
Total equity	27,406	1,131,916	987,011	680,226	**509,575**

Chairman's Statement

Dr. Shui On LEUNG

Chairman, Executive Director
and Chief Executive Officer

Dear valued Shareholders,

On behalf of the Board, I hereby present the annual report of the Company (together with its subsidiaries) for the year ended 31 December 2022. We would like to express our wholehearted gratitude towards your abiding trust and support which accompanied us through another year.

Business Overview

Despite the challenges we were still facing under the COVID-19 pandemic, we made significant progress across all aspects of our business in 2022, especially that we have achieved fruitful pharmaceutical R&D attainments. Our flagship product SM03 (Suciraslimab), a potential global first-in-target anti-CD22 monoclonal antibody for the treatment of rheumatoid arthritis ("**RA**"), is looking forward to the data readout of the final study results for both efficacy and safety, which is expected to be delivered in the second quarter of 2023. The extended timeframe from the original schedule is mainly due to the negative impact and uncertainties caused by COVID in the past years. We plan to file our Biologics Licence Application ("**BLA**") with the National Medical Products Administration of the People's Republic of China (the "**NMPA**") in the third quarter of 2023 at the earliest for subsequent commercialization of Suciraslimab, which will usually happen 10 to 12 months after the BLA submission. In the meantime, we are continuing to advance clinical studies of Suciraslimab in other immunological diseases, further expanding the potential therapeutic area of Suciraslimab to fulfill other unmet medical needs, including Alzheimer's disease and Sjogren's syndrome ("**SS**"). We are also honored to have our Phase II clinical study results on the evaluation of the efficacy and safety of Suciraslimab in moderate-to-severe active RA patients published in the *Journal of Immunology*, a reputable Journal on Immunology in the U.S., in June 2022.

The R&D of SN1011, our key product and third-generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor, has also achieved progress. Two Investigational New Drug ("**IND**") approvals, for the treatment of multiple sclerosis and neuromyelitis optical spectrum disorder, have been approved by the NMPA during the year. SN1011 currently has obtained four IND approvals from the NMPA for the treatment of SLE, pemphigus, multiple sclerosis ("**MS**") and neuromyelitis optica spectrum disorders ("**NMOSD**").

Another key product, SM17, a humanised anti-IL-17RB monoclonal antibody for injection, is a First-in-Class asthma therapeutic product. Its IND application was approved by the U.S. Food and Drug Administration ("**FDA**") in March 2022, and the first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical trial in the United States in June 2022. As at the end of the Reporting Period, 59 subjects have been enrolled and none of the subjects reported a serious adverse event. We also plan to carry out a bridging study in China and target to file an IND application for the treatment of asthma with the Center for Drug Evaluation ("**CDE**") of the NMPA by the first half of 2023.

We have two production bases for the subsequent commercialization for our pipeline product candidates. One is the China headquarters currently under development, located in Suzhou Dushu Lake High Education Town, with a total floor area of approximately 75,000 sq.m., which is being developed for large-scale commercial production capacity. The Suzhou production base will come into operation in phases, of which phase 1 development with a production capacity of 6,000 litres is expected to come into operation in early 2024. We also have a production base located at Haikou, Hainan with a production capacity of 1,200 litres. Upon completion of the Suzhou development, our total production capacity of our two production bases would be over 36,000 litres (up to one million treatment courses per year).

In addition to our efforts on our product development, we also further expanded our management team to nourish the Group's growth. Mr. Shanchun WANG, one of the key leaders in the biotech industry in China, was appointed as the President (China) of the Company in late 2022. Mr. Wang has more than 30 years rich experience and practical achievements in corporate strategic management, organizational management, innovation research and development and product commercialization. Mr. Wang is mainly responsible for overseeing and managing the Group's overall operation, as well as clinical development, in China. We believe that the rich experience of Mr. Wang will help expedite the Group's development from a global drug research and development enterprise to a biopharmaceutical company bearing commercialization capabilities and international perspective.

Outlook

Due to the easing of COVID-19 epidemic worldwide and the further loosened epidemic control measures in Mainland China, global business activities are expected to rebound. Thus we believe that our R&D and commercialization will progress smoothly. As we are planning to submit the Biologics Licence Application (BLA) to the NMPA for our flagship product Suciraslimab for the treatment of RA this year, we expect to approach another remarkable milestone in the Company's development, to officially enter the commercialization stage with Suciraslimab becoming our first marketed product. We will continue to expand our marketing team and improve our production facilities to well prepare for the coming commercialization. We have full confidence in Suciraslimab's prospects. With the expanding of potential indications of Suciraslimab, the smooth progress of the clinical trials of SN1011 and SM17, as well as other candidates, including SM06, moving into the clinical stage, we believe the competitiveness and potential of our candidate pipeline will be further strengthened.

As a biopharmaceutical company having grown up in the Hong Kong Science Park for 20 years, with a better post-pandemic international environment, favorable national policies, domestic and foreign geographical position and global market potential, as well as financial support from the government, we will adhere to the vision of independent innovation, advance the development of novel drugs and further expand the product pipeline, as well as strengthening our product R&D, production and commercialization capacities with the objective of growing into a global leader in novel treatments for immunological diseases.

The Company has always been committed to researching and developing monoclonal antibody drugs in the field of autoimmune diseases. With the original aspiration, we will remain dedicated to discovering and developing novel drugs, advancing innovative treatments for autoimmune diseases to fight for patients' well-being and create value for our Shareholders. Last but not least, on behalf of the Board and management of the Company, I hereby express the sincerest gratitude again to all Shareholders for the enduring support, to all employees for the unremitting effort and to everyone for the unselfish contribution during the pandemic and let us all step into a brand-new chapter of the Company together!

Chairman, Executive Director and Chief Executive Officer
Dr. Shui On LEUNG
20 March 2023

Haikou Production Base

Haikou Production Base, located in Haikou, Hainan Province. Our Haikou Production base consists of a total operational area of approximately 19,163 square meters with a production capacity of 1,200 litres which serves for our clinical and initial marketing needs.

Suzhou Production Base

Our Suzhou Campus consists of a manufacturing shop, a pilot plant, an R&D centre, a quality control facility, a clinical study centre and an administration building. Upon completion of the Suzhou campus, the production base would be over 36,000 litres.

Suzhou Campus, located in Suzhou Dushu Lake High Education Town*

Topping-out ceremony for our Suzhou Campus

* Artist impression

OVERVIEW

We are the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics, primarily monoclonal antibody ("**mAb**")-based biologics, for the treatment of immunological diseases. Headquartered in Hong Kong, we strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfil unmet medical needs through our Hong Kong-based innovative R&D, and PRC-based manufacturing capabilities. We have been dedicated to R&D since our inception, and have built a pipeline of mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases.

Our flagship product, SM03 (Suciraslimab), is a potential global first-in target anti-CD22 mAb for the treatment of rheumatoid arthritis ("**RA**") and other immunological diseases such as systemic lupus erythematosus ("**SLE**"), Sjogren's syndrome ("**SS**") as well as non-Hodgkin's lymphoma ("**NHL**"). The Phase III clinical trial in RA completed its enrollment of 530 patients on 31 December 2021, exceeding the original target of 510 patients. A Phase III extension study has been conducted and 79 patients have been enrolled as at 31 December 2022. The readout of the final study result for both efficacy and safety is expected in the second quarter of 2023. We plan to file our Biologics License Application ("**BLA**") with the National Medical Products Administration of the People's Republic of China ("**PRC**") (the "**NMPA**") in the third quarter of 2023 at the earliest for subsequent commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission.

Our key product, SN1011, is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor. SN1011 was designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve superior efficacy and good safety profile for the potentially long-term treatment of patients with chronic immunological disorders. SN1011 currently obtained four Investigational New Drug ("**IND**") approvals from the NMPA for the treatment of SLE, pemphigus, MS and neuromyelitis optica spectrum disorder ("**NMOSD**"). The indications of NMOSD and MS are strategically prioritised for development in our current clinical program for SN1011.

Another key product, SM17, is a first-in-class and first-in-target humanised anti-IL-17RB antibody. The IND application was submitted and accepted by the U.S. Food and Drug Administration ("**FDA**") in February 2022 and was subsequently approved by the FDA in March 2022. The first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical study in the U.S. in June 2022 and 59 subjects have been enrolled as at 31 December 2022. The FIH study, consisting of multiple cohorts of single ascending dose ("**SAD**") and multiple ascending dose ("**MAD**"), is expected to be completed by the second quarter of 2024 to the build-up basis for the follow-up of various proof-of-concept studies. The compound has the potential for treating asthma, atopic dermatitis ("**AD**"), idiopathic pulmonary fibrosis ("**IPF**") and other immunological disorders.

Our other drug candidate, SM06, is a second-generation humanised anti-CD22 antibody derived from Suciraslimab with similar mechanism of action. Our in-house *in-vitro* studies demonstrated SM06 to have potentially enhanced efficacy in enacting immunomodulatory effects. The compound is at IND enabling stage for U.S. submission, and currently in the process of optimisation for clinical studies.

Our vision is to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases.

BUSINESS REVIEW

The Group is principally engaged in research and development of pharmaceutical products.

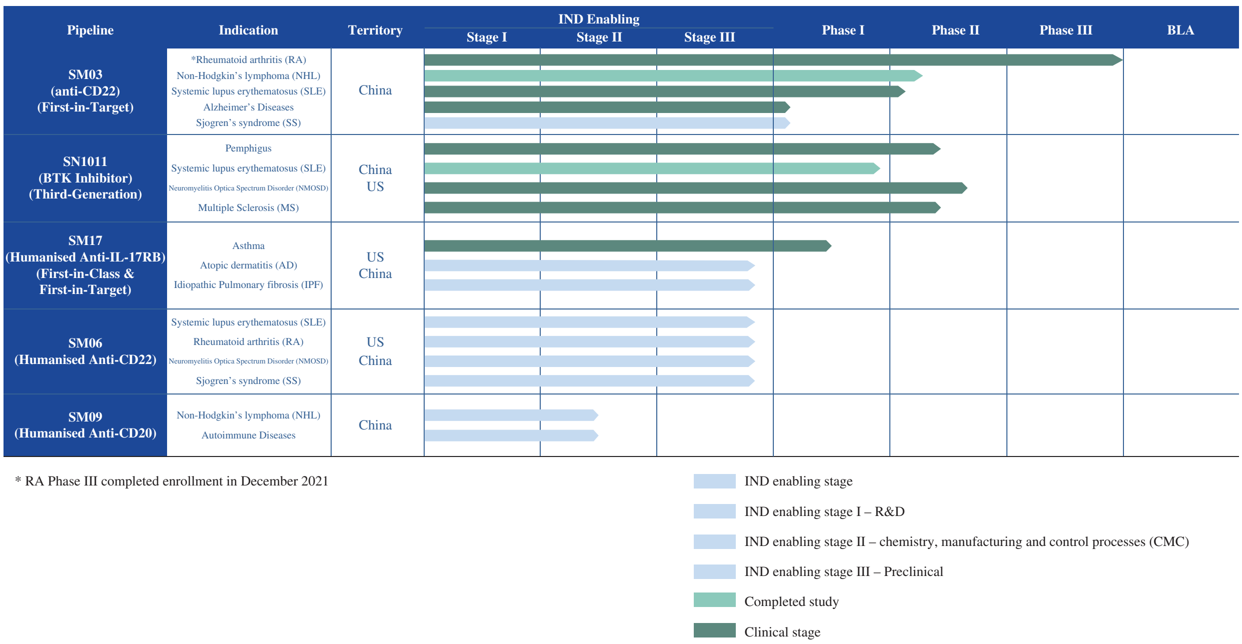
The operating performance and the progress of the Group's clinical projects during the year under review and future prospects are contained in the preceding Chairman's Statement and in this section.

The Group has no immediate plans for material investments or capital assets, other than as disclosed in the section headed "Business Overview" in the preceding Chairman's Statement and in this section.

A brief review on the business operation and clinical projects currently undertaken by the Group is set out below.

PROGRESS OF CLINICAL PROJECTS

Product pipeline



Flagship product

SM03 (Suciraslimab)

Our self-developed SM03 (Suciraslimab) is a potential first-in-target anti-CD22 mAb for the treatment of rheumatoid arthritis (RA) and other immunological diseases such as systemic lupus erythematosus (SLE), Sjogren's syndrome (SS) as well as non-Hodgkin's lymphoma (NHL). Suciraslimab adopts a novel mechanism of action, which differentiates itself from the current treatments available in the market. Suciraslimab for RA is currently in Phase III clinical trial in China, and we expect it to be our first commercially available drug candidate.

We plan to rapidly advance the development of Suciraslimab. On 31 December 2021, Suciraslimab (SM03) Phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the original target of 510 patients. A Phase III extension study has been conducted and 79 patients have been enrolled as at 31 December 2022. The Phase III clinical trial is a multi-center, randomised, double-blind, placebo-controlled, parallel group study to confirm the clinical efficacy and long-term safety in active RA patients receiving methotrexate (MTX). The efficacy and safety of Suciraslimab was previously evaluated in a Phase II clinical study in moderate-to-severe active RA patients. The study results were published in the *Journal of Immunology*, a reputable Journal on Immunology in the U.S., in June 2022. Study results showed that Suciraslimab at a dose of 600 mg with 4 and 6 infusions respectively, was both efficacious and well-tolerated throughout the 24 weeks of treatment when compared with the placebo group. Suciraslimab was effective in suppressing disease activity and alleviating symptoms of active, moderate-to-severe RA patients receiving stable doses of background MTX. The readout of the final study result for both efficacy and safety is expected in the second quarter of 2023. We plan to file our Biologics License Application ("**BLA**") with the National Medical Products Administration of the People's Republic of China ("**PRC**") (the "**NMPA**") in the third quarter of 2023 at the earliest for subsequent commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission. In addition to the RA program, we will advance Suciraslimab clinical development in other indications to broaden the therapeutic uses of Suciraslimab for addressing other unmet medical needs. Due to strategic prioritisation on specific therapeutic area other than RA, we expect to initiate proof-of-concept clinical studies for Alzheimer's disease and/or SS in China.

Key products

SN1011

SN1011 is a third generation, covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve, superior efficacy and good safety profile for the potentially long-term treatment of systemic lupus erythematosus (SLE), pemphigus, multiple sclerosis (MS), NMOSD and other rheumatology or neuro-immunological diseases. SN1011 differentiates from existing BTK inhibitors currently available in the market, such as Ibrutinib, in terms of mechanism of action, affinity, selectivity and safety.

The Phase I study (First-in-Human) in Australia was conducted in 2019 while Phase I study (First-in-Human) in China was conducted and completed in 2021. The study has demonstrated good safety and Pharmacokinetics ("**PK**") profile. SN1011 currently obtained four IND approvals from the NMPA for the treatment of SLE, pemphigus, MS and NMOSD. IND application of SN1011 for the treatment of SLE and pemphigus was approved by the NMPA on 27 August 2020 and 23 June 2021, respectively. During the Reporting Period, an IND for MS was submitted in January 2022, and was approved by the NMPA on 19 April 2022 while another IND for NMOSD was submitted in June 2022 and was approved by the NMPA on 22 August 2022. For the purpose of adjustment on clinical study strategy, the planned submission of IND application for the treatment of MS in the U.S. in the third quarter of 2022 and the follow-up global Phase II clinical trial in the fourth quarter of 2022 as well as the planned initiation of the Phase II clinical study for NMOSD in China, will be re-scheduled. Please also refer to the Company's announcements dated 14 November 2019, 29 January 2020, 29 June 2020, 1 September 2020, 15 January 2021, 24 June 2021, 23 July 2021, 7 February 2022, 20 April 2022, 9 June 2022 and 23 August 2022 for further information about the latest R&D progress of SN1011. The indications of NMOSD and MS are strategically prioritised for development in our current clinical program for SN1011.

SM17

SM17 is developed to treat asthma via blockage of IL-25 signalling via the IL-17RB receptor expressed on specific subgroup of lymphoid cells known as type II innate lymphoid (ILC-2) cell. The antibody is specific to IL-17RB, which is found to be significantly upregulated in biopsy tissues of asthmatic patients. When evaluated in a murine-based Ovalbumin (OVA)-induced Allergic Asthma Model, blockage of receptor signalling by the antibody enhanced protection against airways resistance, and significantly reduced cell infiltration into the lungs and serum levels of antigen specific immunoglobulin E (IgE). This potential first-in-class and first-in-target antibody was further humanised by the Group's international partner, LifeArc (a medical research charity based in the United Kingdom), using their proprietary humanisation technology. The antibody is also found to exhibit other therapeutic potential, including other T2 helper cell pathway involved allergic diseases, such as atopic dermatitis ("**AD**"), idiopathic pulmonary fibrosis ("**IPF**") and type II ulcerative colitis.

The IND application for asthma was submitted and accepted by the FDA in February 2022 and was subsequently approved by the FDA in March 2022. The first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical trial in the U.S. in June 2022. As at 31 December 2022, 59 subjects have been enrolled in the Phase I clinical study and none of the subjects reported a serious adverse event (SAE). The Phase I clinical study consisting of SAD (single ascending dose) and MAD (multiple ascending doses) cohorts to evaluate its safety, tolerability and PK in healthy subject is expected to be completed by the second quarter of 2024 to build-up the basis for the follow-up of various proof-of-concept studies. A bridging study is also planned to be carried in China and an IND application for the treatment of Asthma is targeted to be filed with the CDE of NMPA by the first half of 2023. The compound has the potential for treating asthma, AD, IPF and other immunological disorders. Please also refer to the Company's announcements dated 16 February 2022, 14 March 2022 and 15 June 2022 for further information about the latest R&D progress of SM17.

Other drug candidates

SM06

SM06 is a second-generation anti-CD22 antibody that is humanised using our proprietary framework-patching technology. SM06 is a humanised version of SM03 (Suciraslimab), SM06 works with a similar mechanism of action. Our in-house in-vitro studies demonstrated SM06 to have potentially enhanced efficacy in enacting immunomodulatory effects. It is found to be less immunogenic as the more "human-like" antibody has the potentially improved safety profiles. We believe that the lower immunogenicity of SM06 would be more suitable for treating chronic diseases requiring long-term administration, such as systemic lupus erythematosus (SLE), rheumatoid arthritis (RA) and other immunological diseases. We are currently in the process of optimising the chemistry, manufacturing and control processes (CMC) for SM06. Furthermore, we are collecting process and pre-clinical data for speedy filing of SM06 in the U.S. for global clinical studies. For the purpose of adjustment on clinical study strategy, the first IND application for SM06 which was originally expected to be submitted in the second quarter of 2023 will be re-scheduled.

SM09

SM09 is a framework-patched (humanised) anti-CD20 antibody that targets an epitope different from that of other market-approved anti-CD20 antibodies such as rituximab, obinutuzumab and ofatumumab for the treatment of NHL and other auto-immune diseases with significant unmet medical needs.

COLLABORATION

As reported before, a licence agreement was entered into in September 2021 between the Company, Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司), (now known as Evopoint Bioscience Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司), together with the Company as licensor,) and Everest Medicines II (HK) Limited, as licensee, to out-licence the right to develop and commercialise SN1011 globally for the treatment of renal diseases.

Pursuant to the Licence Agreement, the Company received an upfront payment of US$4 million in 2021, and is entitled to up to an aggregate of US$183 million in total development and sales milestones. The Company retains all other immunological rights for all indications (other than immunological related renal diseases) relating to SN1011 and will continue its research and development.

PRODUCTION

We have a production base in Haikou, Hainan. We are also constructing our second production base in Suzhou, Jiangsu.

Haikou Production Base

We carry out our manufacturing activities at our Haikou production base, where we manufacture our drug candidates for pre-clinical research, clinical trials and future large-scale commercial production. The Haikou production base occupies a total operational area of approximately 19,163 square metres with a production capacity of 1,200 litres, which is sufficient for clinical and initial marketing needs. The plant has an operational area consisting of a clean area for processing, a controlled-not-classified (CNC) area for supporting activities, utility rooms, quality control laboratories, warehouse and administrative offices and R&D laboratories for on-going and new product development projects.

Suzhou Production Base

As part of our commercialisation plan, we purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town, China in June 2020. The land is used for constructing the Group's PRC headquarters, an R&D centre as well as another production base, and the total floor area would be approximately 75,000 square metres. This new Suzhou campus consists of commercial manufacturing facilities, a pilot plant, an R&D centre, a quality control centre, a clinical study centre and an administration building. The new production base would be of commercial-scale manufacturing facilities and is currently under construction. The superstructure works have been completed in December 2021 and the infrastructure is expected to be available by 2023. The development of our Suzhou campus will be completed and come into operation in phases. Phase I development with a production capacity of 6,000 litres is expected to come into operation in early 2024. Together with our existing production capacity of 1,200 litres from Haikou production base, our manufacturing capacity would be up to two hundred thousand treatment courses per year. Upon completion of the development, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

* *for identification purpose only*

INTELLECTUAL PROPERTY

Core technology of main drugs (products)

For SM03 (Suciraslimab), the Group has two invention patents granted and registered in the PRC, of which one invention patent is also applicable to SM06, and four invention patents which are granted and registered in the United States, all of which are also applicable to SM06.

For SN1011, the Group has one invention patent granted and registered in the United States and one invention patent granted and registered in the Europe.

For SM09, the Group has two invention patents granted and registered in the PRC. The Group also holds three invention patents granted and registered in the United States for SM09.

During the Reporting Period, the Group had filed two invention patent applications for Suciraslimab in the United States, two Patent Cooperation Treaty ("**PCT**") patent applications and one invention patent application in the PRC. As at 31 December 2022, the Group had four pending patent applications in the United States, five pending patent applications in the PRC, and two pending patent applications in the Europe, and two PCT patent applications.

Well-known or famous trademarks

The Company conducts its business under the brand name of "SinoMab" ("**中國抗體**"). As at the end of the Reporting Period, the Company had various registered trademarks in Hong Kong and the PRC, with multiple trademark applications pending approval in the PRC.

Patents

Item	As at 31 December 2022	As at 31 December 2021
Number of invention patents owned by the Group*	**31**	27

* *including patent pending and granted patent*

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 282 employees in China, Hong Kong and the United States. For the year ended 31 December 2022, the Group incurred approximately RMB83.2 million employee costs (including directors' remuneration but excluding any contributions to pension scheme, director fees and share-based payment). Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the "Environmental, Social and Governance Report" in this annual report. The Company has also established its restricted share unit scheme, share award scheme and share option scheme, details of which are set out in the paragraph headed "SHARE INCENTIVES" under "Report of the Directors" in this annual report.

R&D PERSONNEL

Education level	Number at the end of the Reporting Period	Number at the beginning of the Reporting Period
PhD	**11**	8
Master	**40**	17
Undergraduate or below	**36**	13
Total number of R&D personnel	**87**	38

The above number of R&D personnel does not include our employees in manufacturing, quality assurance or quality control for the clinically related operation.

FUTURE AND PROSPECTS

We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfil unmet medical needs through our Hong Kong-based innovative R&D, and PRC-based manufacturing capabilities. Our vision is to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases.

Our portfolio of drug candidates encompasses the entire immunological field which, we believe, will enable us to provide comprehensive treatment options for field-wide indications to patients. We believe our dedication, experience and achievements in the field of immunology have expedited the process, and elevated the industry standard, for the discovery and development of novel therapeutics against a variety of immunological diseases. As a result, we have accumulated significant experience in the discovery of new treatment modalities for immunological diseases, which will allow us to better capture a substantial share of the immunological disease market. We believe that our strategic specialisation and dedicated focus on immunological diseases is an effective way to differentiate ourselves from our peers. By specialising in innovative treatments of immunological diseases, we seek to solidify our leading position in the field, thereby creating a higher barrier to entry for our peers to compete with us in the development of first-in-target or first-in-class drug candidates.

Further, our product pipeline is backed by our established full-spectrum platform integrating in-house capabilities across the industry chain, for instance, our strong and independent target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production up to the commercialisation stage, as well as all other processes in the discovery and development of our drug candidates. We believe that this full-fledged capability is matched by only a few biopharmaceutical companies in the Greater China region.

With a diverse and expanding product pipeline, we believe that we are well positioned to become an industry leader in the development of treatments for immunological diseases.

The Group will continue to focus on the advancement of our flagship product SM03 (Suciraslimab) towards commercialisation, further progress our existing product pipeline, discover and develop novel drugs for the treatment of immunological diseases by leveraging our R&D capabilities, expand our production scale to support our product commercialisation and strengthen our global presence through leveraging our position as a Hong Kong-based biopharmaceutical company.

The Company is committed to educating its current and potential investors in respect of the Company's products and pipeline development, for example, through non-deal roadshows.

Clinical development plan

We will continue to advance clinical trials for SM03 (Suciraslimab) for RA and other autoimmune diseases. As previously mentioned, we expect to file our Suciraslimab BLA for RA with the NMPA in 2023. In terms of the broader indication development, we will advance clinical trials for SS and other autoimmune diseases. We plan to initiate IND application and proof-of-concept Phase II clinical study for SS in China. We are also in the process of further broadening therapeutic area of Suciraslimab, seeking regulatory pathways to extrapolate the clinical indications of neuro-immunological diseases for Suciraslimab. We are in the process of planning for IND application and proof-of-concept study targeting Alzheimer's disease, based on the recent innovative R&D findings about potential treatment of Suciraslimab. The IND is expected to be submitted and approved in 2023.

As reported, based on SN1011 IND approval obtained from the NMPA for the treatment of SLE, pemphigus, MS and NMOSD, the Company currently strategically prioritises its clinical program for SN1011 for the indications of NMOSD and MS. For the purpose of adjustment on clinical study strategy, the planned submission of IND application for the treatment of MS in the U.S. in the third quarter of 2022 and the follow-up global Phase II clinical trial in the fourth quarter of 2022, as well as the planned initiation of Phase II clinical study for NMOSD in China, will be re-scheduled.

In respect of SM17, the Phase I first-in-human clinical trial was entered into in the U.S. in June 2022, and the earliest time for Phase I results will be in the second quarter of 2024. As at 31 December 2022, 59 subjects have been enrolled in the FIH clinical trial. Proof-of-concept studies will then be conducted to evaluate the primary efficacy of SM17 in asthma or other indications, if supported by good tolerability and safety results from Phase I, which is expected.

As for SM06, we will advance the first IND application process, aiming for a bio-better product development for known indications based on good therapeutic potential of Suciraslimab as well as further exploration into other immunological diseases with unmet medical needs worldwidely.

Pre-clinical R&D

We are in the process of building a pre-clinical R&D platform for studying pathogenesis of autoimmune diseases, as well as exploring and identifying solid treatment for them. Our internal R&D team is in the process of discovering novel mechanisms for treatment of multiple autoimmune diseases areas for rheumatology, neuro-immunology, respiratory and dermatology. Our R&D team possesses the capability of generating pre-clinical pharmacology internally and is developing in-depth collaboration with well-known clinical KOLs from our on-going clinical programs. By utilising established business and cooperation relationship with vendors/partners, the Company is in the process of generating and collecting the IND-enabling data package for our multiple products under pre-clinical development, such as SM06, and will thereafter conduct pre-clinical studies to test their efficacies, safety and PK/PD, and fulfil other regulatory requirements.

The Company continues to optimise production and pre-clinical research for SM09. The Company will engage NMPA and/or the FDA to initiate clinical trials upon completion of these pre-clinical researches.

Novel drug targets identification

The Company has been actively exploring novel targets identification. The Company has engaged D2M Biotherapeutics Limited ("**D2M**") for a long-term collaboration for the identification of novel drug targets, for which the Company is entitled to conduct subsequent researches, development and commercialisation with regards to qualified drug targets which are chosen by the Company from the original results of D2M's target identification works according to a prioritised target-selection mechanism.

Production

As previously reported, the Group purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town in China in June 2020. The land is used for constructing the Group's PRC headquarters, an R&D centre as well as another production base, and the total floor area would be of approximately 75,000 square metres. This new Suzhou campus consists of commercial manufacturing facilities, a pilot plant, an R&D centre, a quality control centre, a clinical study centre and an administration building. The superstructure works have been completed in December 2021 and the infrastructure is expected to be available by 2023. The development of the new Suzhou campus will be completed and come into operation in phases. Phase I development with a production capacity of 6,000 litres (up to two hundred thousand treatment courses per year) is expected to come into operation in early 2024. Upon completion of the new Suzhou campus, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

Commercialisation

Albeit uncertainties associated with COVID-19, we are continuing to build up our sales team. Our commercialisation team is expected to cover a majority of provinces and municipalities in China and to support the future commercialisation of our drug candidates. We are actively exploring and identifying opportunities for collaboration and/or partnership, including but not limited to licensing in or licensing out, to enhance our sales and business development capabilities.

MARKET OVERVIEW

In 2021, the total sales volume of the TOP100 drugs in Global Sales ("**TOP 100 Drugs**") was about US$452 billion, among which monoclonal antibody drugs accounted for 34% of sales revenue, approximately US$152.1 billion and accounted for 32% of the market share. In terms of indication, immunological diseases accounted for 18% of the TOP 100 Drugs sales revenue, approximately US$79.4 billion, and accounted for 17% of the market share. According to Frost & Sullivan, the global market for autoimmune disease drugs is expected to increase from US$120.5 billion in 2020 to US$163.8 billion in 2030, at a CAGR of 6.0%.

The overall scale of existing patients with autoimmune diseases in China is huge. According to "*Rheumatoid Arthritis in China: A National Report of 2020*" issued by the National Clinical Research Center for Dermatologic and Immunologic Diseases in October 2021, there are about 5 million RA patients in China. With the continuous improvement of the diagnosis and treatment rate of autoimmune diseases in China and the continuous progress of related medical technologies, the market size of RA in China is expected to expand rapidly. According to Frost & Sullivan, the RA therapeutics market in the PRC is expected to reach RMB28 billion by 2023 and RMB83.3 billion by 2030. We have been focusing on the R&D of monoclonal antibody drugs in the field of autoimmune diseases for more than 20 years, our existing product pipeline covers all indications in the field of autoimmune diseases. We are one of a few biopharmaceutical companies in China with full-fledged capability that integrates all-industry functionalities, including R&D, production and commercialisation. Once Suciraslimab can be successfully commercialised, leveraging on the first-mover advantage in the first-in-target and first-in-class of Suciraslimab and its competitive advantage in its relatively improved safety profile over existing and potential market competitors, precisely formulating R&D and sales strategies, and focusing on the target group, we believe that we can create certain values for this significant market, and thus the successful launch of Suciraslimab will be an important milestone in the development of the Group.

COVID-19

During the Reporting Period, the pandemic affected one clinical trial in the PRC since a number of out-patient clinics had been closed temporarily, patients or subjects have generally avoided visiting hospitals and certain hospitals had put on hold the enrollment of patients or subjects for clinical trials. During the Reporting Period, the pandemic had also affected logistic and related preparations for global clinical studies, due to the strict boarder control and travel limitations during the pandemic. Save as disclosed, as at the date of this annual report, all other operations for the Company have been conducted as normal so far. Given the relaxation on the pandemic policy worldwide, we expect the affected clinical trial development will resume to normal.

STRATEGIC IN-HOUSE PLATFORMS FOR ESTABLISHING STRONG PIPELINE

We are armed with several innovative technological and therapeutic platforms, allowing us to come up with novel antibody candidates that are specific for novel targets, achieving therapeutic effects via novel mechanisms of actions:

Antibody Humanisation Platform

Most antibodies are produced in a murine background, and antibody humanisation (a genetic engineering approach) is needed to convert the murine sequence into human sequence without affecting the affinity and specificity of the original antibody (parent antibody). We employ a novel approach known as "Framework-patching" to introduce "human-ness" in a functional perspective (functional humanisation). Our SM06 and SM09 antibodies were humanised using this novel technology unique to the Company.

B-cell Therapeutic Platform

The Company was established with an initial focus on developing therapeutics that target B cells. As more and more data was accumulated and the functions of these B cell antigens/targets and the roles of B cells played in the immune system were better understood, their potentials for treating autoimmune diseases had become prominent — forming our bases for "B cell therapy approach". There are possibilities of use in combination of our different products developed on our B cell therapeutic platform in the future. These antigens and targets include:

a. CD22 — our SM03 and SM06, anti-CD22 antibody, were developed under our B-cell therapeutic platform.

b. CD20 — our SM09, a framework-patched version of a novel anti-CD20 antibody, was developed under our B-cell therapeutic platform.

c. BTK — our SN1011, a third generation covalent reversible BTK inhibitor, was developed to maximise the therapeutic benefits of B cell therapy.

Alarmins-pathway Therapeutic Platform

The immune system is an interplay between different cell lineages and factors; but the majority of which include B cell, T cell and cytokines. Albeit our good coverage on B cell specific targets, there are other areas we need to fill in order to address other immune related ailments. While most cytokines are well studied, and products against which approved, there emerges a new class of factors known as alarmins that are upstream of the immune pathway. These alarmins play crucial roles in autoimmune diseases involving the respiratory tract and dermatological tissues such as asthma, AD, IPF, etc.

IL-25 is one of the three alarmins that targets a particular receptor called IL-17RB. Our SM17 is a humanised, IgG4-k monoclonal antibody targeting IL-17RB, developed under our alarmins-pathway therapeutic platform.

Selective-T Cell Therapeutic Platform

Our pipeline covers B cell and Alarmins/cytokines, and there exists a major missing piece in the immunotherapy portfolio — T cells. The T-cell associated receptor is not well researched in the biopharma area as its function is promiscuous. We have developed a platform to isolate antibodies that have selective binding to the receptor, resulting in the identification of a battery of antibodies with differentiated functionality covering a wide range of immunological diseases.

Neurological Disease Platform

In 2019, there was a paper published in the journal Nature that demonstrated that anti-CD22 antibody would have therapeutic effects on degenerative neurological disease in a murine model. We researched the possibility of using SM03 for treating Alzheimer's disease and found that CD22 is significantly expressed in microglia and other neurological cells.

The discovery that anti-CD22 antibody can induce the internalisation of Aβ protein has led to the development of bispecific antibodies that target anti-inflammatory cell surface antigens and Aβ protein for treating Alzheimer's and other neurological diseases. Product candidates are descendants of the SM03/SM06 lineage.

FINANCIAL REVIEW

Other income and gains, net

Our other income and gains consist primarily of bank interest income, changes in fair value on a financial asset at fair value through profit or loss, government grants and foreign exchange gain. Total other income and gains were approximately RMB55.1 million for the Reporting Period, representing an increase of approximately RMB26.3 million from the year ended 31 December 2021, mainly due to (i) a gain on partial disposal of investment in D2M and fair value remeasurement of existing equity interest in the investee of approximately RMB39.8 million; (ii) an increase in government grants of approximately RMB3.3 million; offset by (iii) a decrease in foreign exchange gain, net of approximately RMB9.9 million and (iv) a decrease in bank interest income of approximately RMB7.1 million.

R&D costs

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Laboratory consumable and experiment costs	**99,003**	151,707
Employment costs	**59,269**	35,427
Milestone payments of co-developed products	**4,422**	–
Others	**17,674**	11,979
	180,368	199,113

Our R&D costs mainly include laboratory consumables, experiment costs, employment costs of R&D employees, co-development fee, depreciation of right-of-use assets relating to leases of research facilities and depreciation of research and testing equipment.

For the years ended 31 December 2022 and 2021, we incurred R&D costs of approximately RMB180.4 million and RMB199.1 million, respectively. The decrease in our costs of business development in R&D during the Reporting Period was mainly attributable to (i) a decrease in laboratory consumable and experiment cost of approximately RMB52.7 million due to completion of patients enrollment for Suciraslimab phase III clinical trial for RA as of 31 December 2021 and completion of Phase I study (First-in-Human) for SN1011 in Australia and China in July 2021; offset by (ii) an increase in employment costs of R&D employees of approximately RMB23.9 million; (iii) an increase of approximately RMB4.4 million in milestone payment following the IND application approval for SM17 by the FDA to enable the Company to initiate the FIH clinical trial in the U.S.; and (iv) an increase of approximately RMB4.3 million in depreciation and amortisation charges in relation to R&D activities.

Administrative expenses

Our administrative expenses primarily consist of employee costs of administrative personnel, depreciation of right-of-use assets relating to leases of office space, depreciation and amortisation, rental and property management fees, consulting and auditing fees, legal and other professional advisory service fees, office expenses, transportation costs and others.

For the years ended 31 December 2022 and 2021, our total administrative expenses were approximately RMB82.6 million and RMB133.4 million, respectively. The decrease was mainly due to (i) a decrease in non-cash share-based payments of approximately RMB59.3 million including the Company's restricted share units scheme (the "**RSU Scheme**"), share award scheme and share option scheme; and offset by (ii) an increase in depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets of approximately RMB2.8 million in the Reporting Period.

Other expenses, net

For the year ended 31 December 2022, there was foreign exchange loss, net, of approximately RMB61.9 million (2021: foreign exchange gain, net RMB9.9 million). During the Reporting Period, most of the Company's cash and cash equivalents were denominated in RMB. The majority of the exchange loss, which was caused by the difference of the functional currency of Hong Kong headquarters in HKD and the presentation currency of the Group in RMB, did not represent the Company's actual loss.

Liquidity and capital resources

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

As at 31 December 2022, cash and cash equivalents totalled RMB345.7 million, as compared to RMB563.0 million as at 31 December 2021. The net decrease of approximately RMB217.3 million was mainly due to (i) net proceeds from issue of shares of approximately RMB46.1 million; (ii) proceeds from partial disposal of investment in D2M of approximately RMB33.4 million; (iii) the net increase in the bank borrowing of approximately RMB66.8 million; (iv) the net effect of foreign exchange rate change of approximately RMB59.5 million mainly due to weakening of RMB against HKD and USD; (v) offset by spending on the capital expenditures of approximately RMB112.7 million, mainly for our commercial production base in Suzhou; and (vi) the net cash used in operating activities, of approximately RMB300.5 million in the Reporting Period.

The following table sets forth a condensed summary of the Group's consolidated statement of cash flows for the years ended indicated and analysis of balances of cash and cash equivalents for the years ended indicated:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Net cash flows used in operating activities	**(300,538)**	(147,063)
Net cash flows used in investing activities	**(81,358)**	(137,702)
Net cash flows from financing activities	**102,285**	57,515
Net decrease in cash and cash equivalents	**(279,611)**	(227,250)
Cash and cash equivalents at the beginning of the year	**562,983**	810,370
Effect of foreign exchange rate changes, net	**59,515**	(20,137)
Cash and cash equivalents at the end of the year	**342,887**	562,983
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated statement of financial position	**345,712**	562,983
Bank balances restricted for special purpose	**(2,825)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**342,887**	562,983

As at 31 December 2022, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Bank borrowings and gearing ratio

As at 31 December 2022, the Group's outstanding borrowings of RMB268.8 million (31 December 2021: RMB198.8 million) were denominated in RMB and carried at a fixed interest rate of 3.30% per annum and variable rates of interest ranging from the People's Bank of China RMB Loan Prime Rate minus 0.30% per annum to the People's Bank of China RMB Loan Prime Rate plus 0.25% per annum.

The Group monitored capital using gearing ratio. Gearing ratio is calculated using interest-bearing bank borrowing less cash and cash equivalents divided by total equity and multiplied by 100%. During the Reporting Period, the Group always maintained a net cash position.

Details of the maturity profile of the borrowings of the Group as at 31 December 2022 are set out in note 24 to the consolidated financial statements.

LOSS PER SHARE

The basic and diluted loss per share are RMB0.29 for the year ended 31 December 2022 (2021: RMB0.29). Details of the calculations of basic and diluted loss per share are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2022 are set out in note 24 to the consolidated financial statements.

PLEDGE OF ASSETS

As at 31 December 2022, land use right of net carrying amount of approximately RMB15.0 million was pledged to secure the bank loan borrowed by the Group (2021: RMB15.5 million).

CAPITAL COMMITMENTS

Particulars of capital commitments of the Group as at 31 December 2022 are set out in note 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no contingent liability (2021: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

Disposal of 16,339,869 Series Pre-A1 Preferred shares in D2M

As reported in the 2021 Annual Report, the Company and D2M Biotherapeutics Limited ("**D2M**") entered into a research, development and commercialisation agreement in respect of a long-term collaboration for the identification of novel drug targets. The Company also entered into a shares purchase agreement and a shareholders' agreement with D2M, among others, pursuant to which Ingenious Sino Limited ("**Ingenious Sino**"), a wholly-owned subsidiary of the Company, purchased from D2M 27,780,000 series pre-A1 preferred shares, representing 38.17% equity interest in D2M as at the immediate post-closing share percentage in D2M, at an aggregate purchase price of US$5,000,000. Subsequent to the acquisition in 2020, D2M issued 22,220,000 series pre-A2 preferred shares to another investor and diluted the Group's equity interest in D2M to 29.24% from 38.17%.

On 7 December 2022, Ingenious Sino, as seller, entered into a share transfer agreement with an independent third party of the Company to sell 16,339,869 Series Pre-A1 preferred shares in D2M at an aggregate consideration of US$5,000,000 ("**Disposal of Shares**"). Details of the Disposal of Shares are set out in note 16 to the consolidated financial statements.

Save as disclosed, during the Reporting Period, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

SIGNIFICANT INVESTMENT HELD AND DISPOSED

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2022.

CHANGE IN USE OF PROCEEDS

As reported in the announcement dated 20 March 2023, the Board resolved to change the use of the unutilised net proceeds from subscriptions of shares and the use of unutilised net proceeds from listing. The change in use of proceeds was made to facilitate efficient allocation of financial resources and strengthen the future development of the Group. Further details are disclosed under paragraph "(a) Subscriptions of new shares under general mandate" to the section headed "EQUITY-LINKED AGREEMENTS" and the section headed "USE OF PROCEEDS FROM LISTING" respectively, both in the Report of the Directors to this Annual Report.

MATERIAL EVENT

Subscriptions of new shares under General Mandate

On 16 November 2022, the Company completed an issue of 28,680,000 new ordinary shares at a subscription price of HK$1.78 per share to two subscribers and raised net proceeds of approximately HK$50,890,400. Details of subscriptions are set out under paragraph headed "EQUITY-LINKED AGREEMENTS" to the section "Report of the Director" to this annual report.

BOARD OF DIRECTORS

Executive Director

Shui On LEUNG 梁瑞安, 63

Chairman of the Board, Chief Executive Officer, Member of Remuneration Committee and Chairman of Nomination Committee

Appointed to the Board: 27 April 2001
Joined the Group: April 2001

Dr. Leung was appointed as a Director and the chairman of our Board in April 2001 and subsequently appointed as our chief executive officer in January 2003 and subsequently designated as an executive Director in June 2019. He is primarily responsible for formulating overall strategic directions, overseeing scientific and clinical R&D activities and managing overall operations of our Group.

Dr. Leung has over 30 years of experience in the field of molecular immunology and therapeutic monoclonal antibodies. Dr. Leung has been a member of the first session of Biotech Advisory Panel of the Stock Exchange since April 2018. He is also a director of the Hong Kong Genome Institute. Dr. Leung currently also serves as an adjunct professor of the Army Medical University (中國人民解放軍陸軍軍醫大學, formerly known as the Third Military Medical University (中國人民解放軍第三軍醫大學)) and China and the Air Force Medical University (中國人民解放軍空軍軍醫大學), formerly known as the Fourth Military Medical University (中國人民解放軍第四軍醫大學). He has also been an adjunct professor of The Hong Kong University of Science and Technology since September 2018. From 2011 to 2014, Dr. Leung was an adjunct professor of Fudan University, China (復旦大學). Prior to joining our Company, Dr. Leung served as the managing director of The Hong Kong Institute of Biotechnology Limited, which is currently a biotechnology R&D arm of The Chinese University of Hong Kong, from September 2000 to August 2003. Dr. Leung was an adjunct professor of The Chinese University of Hong Kong from February 2001 to January 2004. From May 1991 to in or around August 2000, he held several positions in Immunomedics, Inc. ("**Immunomedics**"), a U.S. leading antibody-drug conjugate company, including an associate director of the molecular biology department and an executive director of the biology research department. During his term with Immunomedics, Dr. Leung was awarded grants by the U.S. Department of Health and Human Services multiple times for his research programs, including "Engineering a Unique Conjugation Site on AB Light Chain" and "A Humanised Antibody for Breast Cancer Treatment". In October 1996, Dr. Leung was appointed as an adjunct assistant member of the Centre for Molecular Medicine & Immunology at Garden State Cancer Centre. Dr. Leung was also engaged in postdoctoral research at Yale University, U.S.A. from July 1990 to June 1992.

Dr. Leung obtained his bachelor's and master's degrees in biochemistry from The Chinese University of Hong Kong in December 1984 and October 1986, respectively. He earned his Ph.D. in molecular biology from the University of Oxford in Oxford, England in May 1989.

Dr. Leung is a director of certain subsidiaries of the Company. He is also a substantial shareholder (within the meaning of the SFO) of the Company.

Non-executive Directors

Haigang CHEN 陳海剛, 40

Appointed to the Board: 31 August 2017
Joined the Group: August 2017

Dr. Chen was appointed as a Director in August 2017 and subsequently designated as a non-executive Director in June 2019. Dr. Chen is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Dr. Chen has over 10 years of investment experience in the pharmaceutical industry. He has served as an investment director of Shanghai Yueyi Investment Centre (Limited Partnership) (上海月溢投資中心(有限合夥)), the co-general partner of Xingze Xinghe, one of our Pre-IPO Investors and our Shareholders, since September 2016. Prior to that, Dr. Chen served as an analyst at Beijing Shennong Investment Management Co., Ltd.* (北京神農投資管理股份有限公司) from December 2015 to August 2016. In September 2013, Dr. Chen started working at China International Capital Corporation Limited (中國國際金融股份有限公司), shares of which are listed on the Stock Exchange (stock code: 3908), and was holding the position of vice president of its research department when he left such employment in December 2015. From April 2011 to August 2013, Dr. Chen served as a senior manager at CITIC Securities Company Limited (中信証券股份有限公司), shares of which are listed on the Stock Exchange (stock code: 6030). From May 2010 to April 2011, Dr. Chen served as an analyst at Guizhou Huachuang Securities Broker Co., Ltd.* (華創證券有限責任公司).

Dr. Chen earned his Medical Doctor degree in clinical medicine from Peking Union Medical College (北京協和醫學院) in July 2009. He obtained the securities qualification certificate issued by the Securities Association of China in June 2015.

Dr. Chen is also a director of a subsidiary of the Company.

Xun DONG 董汛, 48

Appointed to the Board: 23 December 2019
Joined the Group: December 2019

Mr. Dong was appointed as a non-executive Director on 23 December 2019.

Mr. Dong has over 20 years of experience in the pharmaceutical industry. Between 1996 and 2004, Mr. Dong worked for Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司) ("**Baiyao Group**"). The shares of Baiyao Group are listed on the Shenzhen Stock Exchange (stock code: 000538), and it is one of the ten Key Large Enterprises in Yunnan Province (雲南省十戶重點大型企業), one of Top 100 Enterprises in Yunnan Province (雲南省百強企業) and one of the first national innovative enterprises. Baiyao Group operates through four segments, namely pharmaceuticals, health products, Chinese medicine resources and pharmaceutical logistics, and is principally engaged in chemical raw material, chemico-pharmaceutical preparations, proprietary Chinese medicines, Chinese medicinal material and biologic products. During the said employment, he rose through the ranks and held the position of assistant department manager before his departure from Baiyao Group to further his education. He re-joined Baiyao Group in 2006 as a vice president of sales of the native medicine division, and has held various positions since then. Mr. Dong currently serves as a director of Yunnan institute of materia medica (formerly known as Yunnan institute of medicine) and a general manager of Institute for Strategic Development of Baiyao Group.

Wenyi LIU 劉文溢, 36

Appointed to the Board: 31 August 2017
Joined the Group: August 2017

Ms. Liu was appointed as a Director in August 2017 and subsequently designated as a non-executive Director in June 2019. Ms. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on her work experience, professional background and expertise.

Ms. Liu has years of experience in investment and operational management in the pharmaceutical industry. She has served as a general manager at Apricot Capital (上海杏澤投資管理有限公司), the co-general partner of Xingze Xinghe and the sole general partner of Xingze Xingzhan, each being our Pre-IPO Investor and our Shareholder, since October 2015. Prior to that, Ms. Liu worked as Deputy General Manager at Jumeirah Himalayas Hotel Shanghai* (上海證大喜瑪拉雅有限公司卓美亞喜瑪拉雅酒店) from September 2013 to December 2015. From March 2011 to September 2013, she served as Equity Analyst at Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司).

Ms. Liu received her bachelor's degree in economics from the University of Southampton in Southampton, England in June 2009 and master's degree in economics from the University of Warwick in Coventry, England in November 2010. Ms. Liu is currently pursuing her Ph.D in healthcare management in a cohort-based program in collaboration between Johns Hopkins Bloomberg School of Public Health and the Institute for Hospital Management of Tsinghua University, China (清華大學). Ms. Liu obtained the securities qualification certificate issued by the Securities Association of China in November 2011.

Ms. Liu is the spouse of Mr. Jing QIANG, a substantial shareholder of the Company. Ms. Liu is also a director of a subsidiary of the Company and a substantial shareholder (within the meaning of the SFO) of the Company.

Jie LIU 劉潔, 45

Appointed to the Board: 14 December 2021
Joined the Group: December 2021

Ms. Liu was appointed as a non-executive Director on 14 December 2021. Ms. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on her work experience, professional background and expertise.

Ms. Liu is currently a deputy general manager and the chief research and development engineer of Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) ("**Hainan Haiyao**"). Hainan Haiyao is a substantial shareholder of the Company and its shares are listed on the Shenzhen Stock Exchange (Stock Code: 00566). From July 2005 to September 2018, she served as a staff, a deputy director of chemistry department, the director of chemistry department and the director of antibiotic department of Hainan Institute For Drug Control (海南省藥品檢驗所). Ms. Liu obtained a master's and a doctorate degree in pharmaceutical analysis from China Pharmaceutical University.

Lei SHI 石磊, 37

Appointed to the Board: 17 December 2021
Joined the Group: December 2021

Mr. Shi was appointed as a non-executive Director on 17 December 2021. Mr. Shi is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Mr. Shi is currently a deputy general manager and secretary of the board of directors of Hainan Haiyao. Hainan Haiyao is a substantial shareholder of the Company and its shares are listed on the Shenzhen Stock Exchange (Stock Code: 00566). From July 2013 to May 2015, Mr. Shi served as an intellectual property specialist and a senior manager of intellectual property research center of China Institute of Marine Technology & Economy of China State Shipbuilding Corporation (中國船舶工業綜合技術經濟研究院). From May 2015 to July 2019, he served as a senior legal manager of the policy and regulation department of China State Shipbuilding Corporation (中國船舶工業集團有限公司). From July 2019 to September 2021, Mr. Shi served as a vice director and the director of legal affairs department of Xinxing Jihua Pharmaceutical Holdings Co., Ltd. (新興際華醫藥控股有限公司). Mr. Shi obtained a master's degree in civil and commercial law from Beijing University of Chemical Technology in 2013.

Independent Non-executive Directors

George William Hunter CAUTHERLEY, 80

Member of Audit Committee (appointed on 23 March 2020 and effective from 1 April 2020)

Appointed to the Board: 23 December 2019
Joined the Group: December 2019

Mr. Cautherley was appointed as an independent non-executive Director on 23 December 2019.

Mr. Cautherley has over 55 years of experience of distributing a wide range of medical products and pharmaceuticals in Hong Kong, China and South East Asian countries and for the past 40 years through companies of which he has been CEO and substantive shareholder. For almost 20 years, his principal business groups have also been involved in manufacturing medical devices and pharmaceuticals in China. In addition to his core business interests, Mr. Cautherley has been an investor in a number of biotechnology start-up/early stage enterprises in Europe and Hong Kong and has served on the boards of several of these companies.

Mr. Cautherley was awarded an Honorary Doctorate of Business Administration by Edinburgh Napier University, United Kingdom and the holder of the award of Office of the British Empire conferred by Queens Elizabeth II of the United Kingdom.

Chi Ming LEE 李志明, 69

Member of Audit Committee and Chairman of Remuneration Committee

Appointed to the Board: 15 June 2021
Joined the Group: June 2021

Dr. Lee was appointed as an independent non-executive Director with effect from 15 June 2021. Dr. Lee is primarily responsible for supervising and providing independent judgment to our Board and ensuring a high standard of overall governance.

Dr. Lee has over 30 years of experience in academic and biopharmaceutical arena. Dr. Lee served as a director of the Office of Research and Knowledge Transfer Services at The Chinese University of Hong Kong from 2016 to 2020. Before the latest appointment mentioned above, Dr. Lee had held senior positions in various multinational pharmaceutical and biotechnology companies and academic institute between 1992 to 2013. His longest employment was with AstraZeneca with positions of an executive director of Translational Science in the areas of CNS and Pain Innovative Medicines in Sweden from 2011 to 2013, an executive director between 2007 to 2011 and a director from 2004 to 2007 of Translational Science in the areas of CNS and Pain Control Research Area in the USA, and the global product director in CNS therapy area from 2002 to 2004 in Sweden. Prior with AstraZeneca, Dr. Lee had worked at Bayer Corporation between 1993 and 1998 and served as an associate director of the Institute for Dementia Research. From 1992 to 1993, Dr. Lee served as a senior group leader of Exploratory Neurodegeneration at Abbott Laboratories. Dr. Lee also served as a senior lecturer at the Department of Biochemistry, Faculty of Medicine of The Chinese University of Hong Kong from 1982 to 1992. Dr. Lee has extensive experience in working at the interface of R&D, developing global drug discovery strategy, forming collaborative joint ventures, evaluating licensing opportunities and facilitating strategic alignment of the tasks and goals of the discovery and development functions.

Dr. Lee has been actively engaged in promoting scientific activities. He was an active member of the FNIH Biomarker Consortium Neuroscience Steering Committee, the European Innovative Medicine Initiative (IMI) on NEWMEDS and the Institute of Medicine (IOM) Neuroforum, which focus on biomarkers and translational R&D for CNS diseases.

Dr. Lee received his Ph.D. from Cambridge University and did his post-doctoral training at John Hopkins University.

Ping Cho Terence HON 韓炳祖, 63

Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Appointed to the Board: 18 October 2019
(effective from 31 October 2019)
Joined the Group: October 2019

Mr. Hon was appointed as an independent non-executive Director with effect from 31 October 2019. Mr. Hon is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Hon has over 35 years of experience in accounting, treasury and financial management. Mr. Hon has served as an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (stock code: 520), 361 Degrees International Limited (stock code: 1361), and Daphne International Holdings Limited (stock code: 210), all of which are companies listed on the Stock Exchange. Mr. Hon was also an independent non-executive director of Jimu Group Limited (stock code:8187), a company listed on the Growth Enterprise Market of the Stock Exchange from December 2017 to May 2021. He was previously the chief financial officer and company secretary of DTXS Silk Road Investment Holdings Company Limited (stock code: 620), a company listed on the Stock Exchange, from June 2016 (as chief financial officer) and November 2016 (as company secretary) until September 2018. Prior to that, Mr. Hon worked at a number of companies, including at Auto Italia Holdings Limited (stock code: 720) as chief financial officer and company secretary between December 2013 and April 2016, China Dongxiang (Group) Co., Ltd. (stock code: 3818) as chief financial officer between December 2010 and October 2012, Ka Wah Construction Materials (Hong Kong) Limited as chief financial officer between September 2008 and December 2010, TOM Group Limited (stock code: 2383) between June 2001 and February 2008 with his last position as the group finance director, and Ng Fung Hong Limited as a company secretary of the group between 1996 and 2001. Before moving to the commercial sector, Mr. Hon worked in an international accounting firm.

Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He obtained a master's degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2004.

Dylan Carlo TINKER, 54

Member of Audit Committee and Member of Nomination Committee

Appointed to the Board: 18 October 2019
(effective from 31 October 2019)
Joined the Group: October 2019

Mr. Tinker was appointed as an independent non-executive Director with effect from 31 October 2019. Mr. Tinker is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Tinker has over 25 years of experience in investment banking and capital raising transactions in the field of telecommunications, media and technology in Asia and has held senior positions in equity research, corporate finance and fund management. Mr. Tinker is currently the chief executive officer of AsiaTech Capital Advisors Pte Ltd in Singapore. Previously, Mr. Tinker served as a managing director in Technology Banking and the head of telecommunications, media and technology, at Avista Advisory Partners Pte Ltd in Singapore from 2017 to 2018. From 2012 to 2015, Mr. Tinker served as a Portfolio Manager at OCP Asia Capital in Singapore. Between 2000 and 2005, Mr. Tinker served as the Head of Asian Telecom equity research at UBS Investment Bank in Hong Kong. From 1993 to 1999, Mr. Tinker served as the Head of Asian Telecom equity research at Jardine Fleming (currently known as JP Morgan).

Mr. Tinker obtained a B.A. from American University, School of International Service in 1991, with a joint degree in Economics and International Relations. Mr. Tinker attended graduate school at the Paul H. Nitze School of Advanced International Studies of Johns Hopkins University in Washington, D.C., the United States from 1991 to 1993.

SENIOR MANAGEMENT

Shanchun WANG 王善春, 55

Mr. Wang joined our Company in the fourth quarter of 2022 as the President (China) and is mainly responsible for overseeing and managing the Group's overall operation, as well as clinical development, in China. He also acts as the legal representative of MediNexus Pharma (Suzhou) Limited and MediNexus Pharma (Beijng) Limited (杏聯藥業(北京)有限公司), and a director and legal representative of MediNexus Pharma (Shanghai) Limited (杏聯藥業(上海)有限公司), all are subsidiaries of the Company.

Mr. Wang has over 32 years extensive experience in the pharmaceutical industry. Prior to joining our Group, Mr. Wang served as the executive director of Sino Biopharmaceutical Limited (shares of which are listed on the Stock Exchange of Hong Kong Limited (stock code: 1177), and the president of Chia Tai-Tianqiang Pharmaceutical Holdings Co. Ltd. ("CT Tianqing", a principal subsidiary of Sino Biopharmaceutical Limited).

During Mr. Wang's tenure in CT Tianqing, he took up positions of deputy chief engineer, chief engineer, vice president, executive vice president and president. He has rich experience and practical achievements in corporate strategic management, organizational management, innovation research and development and product commercialization. Mr. Wang has been given various awards such as National Model Worker, Technology Advanced Worker of Jiangsu Province, Model Labour of Jiangsu Province, Shanghai Technology Advancement First Honour, Outstanding Entrepreneur of Jiangsu Province, Young and Middle-aged Expert with Outstanding Contribution of Jiangsu Province, Jiangsu Advanced Individual with Outstanding Contribution in Manufacture, and National Distinguished Leader in Pharmaceutical Quality Management, granted with the special allowances by the State Council, and elected as a representative of the 13th People's Congress of Jiangsu Province.

Mr. Wang graduated from Nanjing University of Chemistry in 1990 and studied pharmaceutical engineering at Tianjin University from 1999 to 2022 and obtained a Master Degree.

Jianping HUA 華劍平, 41
Mr. Hua has served as the chief financial officer of our Company since January 2019 and is primarily responsible for overall financial operations, financing and investment activities of our Group.

Mr. Hua has more than 18 years of experience in financial and investment matters. Prior to joining our Group, Mr. Hua served as a vice chief financial officer, member of the executive board of the president, vice president of medical technology management committee and deputy general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司, Shanghai Stock Exchange: 600196 and Stock Exchange: 2196) from February 2011 to January 2019. He also served as an executive director from March 2018 to January 2019, and as the chief financial officer from February 2014 to January 2019, of Sisram Medical Ltd (Stock Exchange: 1696). From August 2005 to February 2011, Mr. Hua served as a manager in the assurance department at PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. (普華永道中天會計師事務所有限公司). Mr. Hua obtained his bachelor's degree in English from Shanghai University, China (上海大學) in July 2005.

Lixin ZHANG Auberson 張麗馨, 59
Dr. Zhang Auberson joined our Company in August 2021 as the Chief Medical Officer and is leading the Clinical Development to be responsible for global Clinical Development strategy, regulatory affairs, study design and execution.

Dr. Zhang Auberson has over 20 years of experience in Clinical Development in biomedical industry and had served in senior positions in various multinational pharmaceutical companies. Prior to joining our Group, Dr. Zhang Auberson was the Global Medical Director at UCB S.A. and served as the clinical lead for α-SYN antibody program in Parkinson's disease. Before that, she worked at Novartis Pharma AG from 2006 to 2019, and led numbers of global clinical programs in Neurology as a Global medical director and senior director. Her last position held was Global Program Clinical Head in Neurodegeneration.

Dr. Zhang Auberson is a board-certified neurologist. She received her M.D. from Hebei Medical University in 1984 and earned her D. Phil in Anatomy & Neurobiology from the University of Kentucky in 2004. She also obtained the European Center of Pharmaceutical Medicine Certificate from the University of Basel in 2013.

Other senior management team

Our senior management also include Dr. Shui On LEUNG, see "Board of Directors" above for biographical details of Dr. Shui On LEUNG.

MANAGEMENT

Ming Hon YAU 游明翰, 44
Dr. Yau joined our Company in January 2012 as a research project manager (R&D), subsequently as an associate director (R&D) from January 2015 to March 2019 and a managing director (downstream process) from April 2019 to September 2020, and has served as a senior director (production) of our Company since October 2020. Dr. Yau is primarily responsible for supervising downstream purification process development, overseeing manufacturing operations of antibody products, establishing associated GMP system, and supervising operation compliance and planning of Suzhou production base.

Dr. Yau has over 16 years of experience in the fields of research, development and manufacturing of biological products. From July 2011 to December 2011, he served as an assistant manager of Nano and Advanced Materials Institute Limited (納米及先進材料研發院有限公司). From February 2008 to June 2011, Dr. Yau worked as an R&D assistant manager and subsequently as a manufacturing project manager at New A Innovation Limited (新意康生物科技有限公司), a company in Hong Kong focusing on life science and animal health, responsible for overseeing all upstream process development, establishing pilot production sites in different locations in China, establishing and operating a GMP-compliance manufacturing facility at New Zealand and technology transfer. From April 2006 to April 2008, Dr. Yau served as a full-time postdoctoral fellow in the Li Ka Shing Faculty of Medicine of the University of Hong Kong, focusing on monoclonal antibody production and immunoassay development to provide tools for the early diagnosis of diabetes and cardiovascular diseases.

Dr. Yau received his bachelor's degree, master's degree and Ph.D. in biochemistry from The Chinese University of Hong Kong in December 2000, December 2002 and December 2005, respectively.

Kwan Yin SIU 蕭君言, 44

Dr. Siu joined our Company in November 2011 as a research scientist, subsequently as a principal senior scientist (bioprocess) from January 2015 to March 2019, an associate director (manufacturing/upstream processing group) from April 2019 to December 2021, and has served as a director (process development) of our Company since January 2022. Dr. Siu is primarily responsible for supervising cell line bioprocess, analytical method development and supporting CMC dossier preparation.

Dr. Siu has over 13 years of experience in the area of R&D of cell culture and related process. Prior to joining our Group, Dr. Siu served as a stem cell scientist at Asia Pacific Stem Cell Science Limited, a cord blood storage services company in Hong Kong, from June 2009 to September 2011, responsible for stem cell research. From January 2009 to May 2009, Dr. Siu served as an assistant engineer at Sundart (M&E) Limited.

Dr. Siu received his bachelor's degree in science, master's degree and Ph.D. in molecular genetics from the University of Hong Kong in November 2001, December 2004 and November 2008, respectively.

Ka Wa Benny CHEUNG 張嘉華, 43

Dr. Cheung joined our Company in January 2010 as a research scientist, subsequently as a principal senior scientist from January 2015 to December 2021, and has served as a director (quality control) of our Company since January 2022. Dr. Cheung is primarily responsible for managing Quality Control Department in different sites, providing support for drug application dossier preparation and analytical method development.

Dr. Cheung has over 15 years of experience in the area of R&D of drugs. Prior to joining our Group, Dr. Cheung served as a technical officer and subsequently as a senior technical officer at the Department of Paediatrics and Adolescent Medicine at the University of Hong Kong from September 2007 to January 2010, respectively, in charge of overseeing R&D projects.

Dr. Cheung obtained his bachelor's degree in biochemistry, master's degree in immunology and Ph.D. in immunology from the University of Hong Kong in November 2001, December 2004 and November 2008, respectively.

COMPANY SECRETARY

Sze Ting CHAN 陳詩婷

Ms. Chan was appointed as our company secretary on 17 November 2022 and resigned on 20 March 2023 with effect from 31 March 2023.

Ms. Chan is an associate director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 16 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom.

Ms. Chan holds a bachelor of arts from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

Yuk Yin Ivy CHOW 周玉燕

Ms. Chow was appointed as our company secretary on 20 March 2023 with effect from 31 March 2023. Ms. Chow is a corporate services director - tax services of PwC Corporate Services Limited. Ms. Chow is a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and an ordinary member of the Hong Kong Securities and Investment Institute.

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential to providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles and code provisions of the CG Code throughout the Reporting Period as the basis of the Company's corporate governance practices. The Board regularly reviews the Company's corporate governance practices and relevant policies to comply with the prevailing standards and requirements of good corporate governance. To comply with the increasingly stringent regulatory requirements, revision of the existing practices and policies, and introduction of appropriate new measures will be implemented as and when required. The Board has amended the Terms of Reference of the Remuneration Committee on 20 March 2023 to comply with the code provision E.1.2(i) in the CG Code.

During the year ended 31 December 2022, the Company has complied with all applicable code provisions as set out in the CG Code, except for code provision C.2.1 as explained below.

CORPORATE STRATEGY AND CULTURE

We promote the corporate culture of ELITES and continually reinforce our culture to align our purpose, values and strategy.

Excellence	We encourage our staff to excel themselves.
Learning	We believe "Innovation knows no boundary". We encourage our staff to keep abreast of professional knowledge and latest information/technology to align with our innovative thinking.
Innovation	We focus on R&D of first-in-target and first-in-class antibody for innovative treatment.
Talent	We treasure our staff and provide attractive remuneration packages and establish share incentives to attract and retain talents.
Efficiency	We drive to create an efficient working environment; we welcome open communication in workplace for effective collaboration.
Synergy	We understand the importance of synergy to attain and realize organizational goals and vision. To create synergy, we encourage high quality collaboration and co-ordination between diverse organizational elements in all areas, for example, between different team members and departments in their experience, strength and perspective.

With our ELITES culture and business strategy of the Company, we are able to continuously generate and preserve our value. Under the leadership of our management team, consisting of members with rich experience in scientific research and business management, we have established a business model that integrates elements from the entire industry chain encompassing R&D, clinical trials and production. Pursuant to this business model, we leverage our proven ability in novel drug discovery, clinical development and in-house manufacturing capabilities to enable multiple clinical trails and subsequent commercialisation. During the year ended 31 December 2022, our drug candidates had progressed steadily and we are moving forward to realize the commercialisation of our flagship product and be able to sustainably deliver our purpose in becoming a global leader in the innovation of therapeutics for immunological and other debilitating diseases and to preserve our value in benefiting the world and become a highly respected company. Details of our latest development and business operation are discussed under Management Discussion and Analysis section in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

The Company has also adopted the Model Code as its written guidelines (the "**Employees Written Guidelines**") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board conducts regular evaluation in a form of board evaluation questionnaire on its performance and to ensure independent views and input are available to the Board. The Board has reviewed the implementation and effectiveness of such mechanism during the Reporting Period.

Board Composition

The Board currently comprises ten Directors, consisting of one executive Director, five non-executive Directors and four independent non-executive Directors.

During the year ended 31 December 2022 and up to the date of this report, the composition of the Board comprises the following Directors:

Executive Director

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Ms. Wenyi LIU
Ms. Jie LIU
Mr. Lei SHI
Mr. Senlin LIU *(retired, effective from 13 June 2022)*

Independent Non-executive Directors

Mr. George William Hunter CAUTHERLEY
Mr. Ping Cho Terence HON
Dr. Chi Ming LEE
Mr. Dylan Carlo TINKER

During the year ended 31 December 2022, Mr. Senlin LIU, for the purpose of devoting more time to his personal business engagement, retired from office by rotation and did not offer himself for re-election at the 2022 annual general meeting.

The biographical information of the Directors is set out in the section headed "Directors and Management" on pages 23 to 29 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Dr. Shui On LEUNG is currently both the Chairman and Chief Executive Officer of the Company.

The Board believes that Dr. Leung is the Director best suited, among all Directors, to identify strategic opportunities and focus in view of his extensive understanding of the Company's business as a founder and the chief executive officer. The Board further believes that the combined role of chairman and chief executive officer will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions to be made by the Board require approval by at least a majority of the Directors; (ii) Dr. Leung and other Directors are aware of and have undertaken to fulfill their fiduciary duties as Directors, which require, amongst other things, that they act for the benefit and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is protected by the operations of the Board, which consists of an executive Director (Dr. Leung), five non-executive Directors and four independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategies and other key business, financial, and operational policies of the Company are made collectively after thorough discussions at both the Board and senior management levels. Therefore, the Board considers that it is in the best interests of the Group for Dr. Leung to take up both roles for business development and effective management, and the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances.

Independent Non-executive Directors

During the year ended 31 December 2022, 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 written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years and subject to re-appointment, retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. The executive Director has entered into a service contract with the Company for an initial term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but greater than one-third, shall retire from office by rotation. Every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years. The Articles also provide that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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 circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and officers arising out of corporate activities. The insurance coverage has been reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall 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.

Every newly appointed Director will receive a formal and comprehensive induction on the first occasion of his/her appointment 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.

During the year ended 31 December 2022, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and continuing obligations of listed issuer under the Listing Rules. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The records of the continuous professional development that have been received by the Directors for the year ended 31 December 2022 are summarised as follows:

Directors	**Type of Training** *(Note 1)*
Executive Director	
Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*	✓
Non-executive Directors	
Dr. Haigang CHEN	✓
Mr. Xun DONG	✓
Ms. Wenyi LIU	✓
Ms. Jie LIU	✓
Mr. Lei SHI	✓
Mr. Senlin LIU *(Note 2)*	✓
Independent Non-executive Directors	
Mr. George William Hunter CAUTHERLEY	✓
Mr. Ping Cho Terence HON	✓
Dr. Chi Ming LEE	✓
Mr. Dylan Carlo TINKER	✓

Notes:

1. During the year ended 31 December 2022, all Directors received training and training materials, including from the Company's external legal adviser, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

2. Retired on 13 June 2022

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2022, the Board conducted regular meetings and scheduled to meet at least four times at approximately quarterly intervals in accordance with the CG Code. Apart from regular Board meetings, the Chairman also held meeting annually with the independent non-executive Directors without the presence of other Directors.

The attendance records of the Directors at the Board meetings and the general meetings held during the year ended 31 December 2022 are as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Director		
Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*	7/7	2/2
Non-executive Directors		
Dr. Haigang CHEN	7/7	2/2
Mr. Xun DONG	6/7	2/2
Mr. Senlin LIU *(Note 1)*	1/1	1/1
Ms. Wenyi LIU	6/7	2/2
Ms. Jie LIU	7/7	2/2
Mr. Lei SHI	7/7	2/2
Independent Non-executive Directors		
Mr. George William Hunter CAUTHERLEY	7/7	2/2
Dr. Chi Ming LEE	7/7	2/2
Mr. Ping Cho Terence HON	7/7	2/2
Mr. Dylan Carlo TINKER	7/7	1/2

Note:

1. Retired on 13 June 2022

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and 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, Remuneration Committee and Nomination Committee are available on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee was established in 2019. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The Audit Committee currently comprises the following members:

Independent Non-executive Directors:

Mr. Ping Cho Terence HON *(Chairman of the Committee)*
Mr. George William Hunter CAUTHERLEY *(Member)*
Dr. Chi Ming LEE *(Member)*
Mr. Dylan Carlo TINKER *(Member)*

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 auditor, 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.

A summary of work performed by the Audit Committee during the year ended 31 December 2022 is set out as follows:

(i) reviewing the accounting principles and policies adopted by the Group;

(ii) reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2021 and the interim results of the Group for the six months ended 30 June 2022;

(iii) reviewing any significant findings by the independent auditor during the financial audit and other audit issues;

(iv) recommending the Board on the re-appointment of external auditor at the 2022 annual general meeting; and

(v) monitoring and reviewing the effectiveness of the risk management and internal control systems including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

During the year ended 31 December 2022, two Audit Committee meetings were held, of which both of them were attended by the Company's external auditor regarding the review of the Company's financial report and accounts. The attendance records of the members of the Audit Committee during the year ended 31 December 2022 are as follows:

Name of members of the Audit Committee	Attendance
Mr. Ping Cho Terence HON *(Chairman of the Committee)*	2/2
Mr. George William Hunter CAUTHERLEY	2/2
Dr. Chi Ming LEE	2/2
Mr. Dylan Carlo TINKER	2/2

Remuneration Committee

The Remuneration Committee was established in 2019. The terms of reference of the Remuneration Committee were amended on 20 March 2023 to comply with the code provision E.1.2(i) in the CG Code, and are of no less exacting terms than those set out in the CG Code.

The Remuneration Committee currently comprises the following members:

Executive Director:

Dr. Shui On LEUNG *(Member)*

Independent Non-executive Directors:

Dr. Chi Ming LEE *(Chairman of the Committee)*
Mr. Ping Cho Terence HON *(Member)*

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages and the terms of service contracts of individual Directors and senior management, the remuneration policy and structure 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/her associates will participate in deciding his/her own remuneration. The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the Board's corporate goals and objectives, and the performance of the Group as well as remuneration benchmarks from comparable companies and prevailing market conditions.

A summary of work performed by the Remuneration Committee during the year ended 31 December 2022 is set out as follows:

(i) reviewing the Company's policy and structure for the remuneration of all Directors and senior management;

(ii) assessing the performance of the executive Director and the senior management;

(iii) reviewing the remuneration packages of the individual Directors and the senior management and make recommendation to the Board of their remuneration;

(iv) reviewing and making recommendation to the Board on the remuneration package for a newly appointed senior management candidate;

(v) reviewing and making recommendations on the grant of share options to senior management pursuant to the 2022 Share Option Scheme.

The Remuneration Committee was of the view that the grant of share options forms part of the management agreement between the Company and the grantees for the purpose of attracting and retaining the grantees, as such no performance target was stipulated and that the grant for such purpose aligned with the purpose of the 2022 Share Option Scheme. The Remuneration Committee was also of the view that clawback mechanism is not necessary as the scheme rules of the 2022 Share Option Scheme already provided for the lapse and cancellation of options in different scenarios and provided enough protection to the Company's interests; and

(vi) reviewing and making recommendations on the grant of share awards to senior management pursuant to the Share Award Scheme. The Remuneration Committee took into account the performance of the grantee and was of the view that the grant of share awards was to incentivize the grantee contribution to the Group.

Details of the remuneration of the senior management by band are set out in notes 9 and 10 to the consolidated financial statements.

During the year ended 31 December 2022, two Remuneration Committee meetings were held. The attendance records of the members of the Remuneration Committee during the year ended 31 December 2022 are as follows:

Name of members of the Remuneration Committee	Attendance
Dr. Chi Ming LEE *(Chairman of the Committee)*	2/2
Mr. Ping Cho Terence HON	2/2
Dr. Shui On LEUNG	2/2

Nomination Committee

The Nomination Committee was established in 2019.

The Nomination Committee currently comprises the following members:

Executive Director:

Dr. Shui On LEUNG *(Chairman of the Committee)*

Independent Non-executive Directors:

Mr. Ping Cho Terence HON *(Member)*
Mr. Dylan Carlo TINKER *(Member)*

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 assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would review the structure, size, composition and diversity (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) of the Board. The Nomination Committee would also consider candidates on merit and against the objective criteria that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the procedure and criteria for the nomination of Directors, as appropriate, to ensure its effectiveness.

A summary of work performed by the Nomination Committee during the year ended 31 December 2022 is set out as follow:

(i) reviewing the size and composition of the Board;

(ii) making recommendations to the Board on the re-appointment of Directors and succession planning for Directors;

(iii) assessing the independence of the independent non-executive Directors; and

(iv) reviewing and making recommendation to the Board on the appointment of a senior management candidate.

During the year ended 31 December 2022, one Nomination Committee meeting was held. The attendance records of the members of the Nomination Committee during the year ended 31 December 2022 are as follows:

Name of members of the Nomination Committee	Attendance
Dr. Shui On LEUNG *(Chairman of the Committee)*	1/1
Mr. Ping Cho Terence HON	1/1
Mr. Dylan Carlo TINKER	1/1

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

Pursuant to the Board Diversity Policy, the Nomination Committee reports annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board has set measurable objectives to implement the Board Diversity Policy and reviews such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board has reviewed the implementation and effectiveness of the Board Diversity Policy during the Reporting Period. The Nomination Committee will periodically review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

The Board has achieved gender diversity as the current female representation at Board level is 20%.

Diversity at workforce levels (including our senior management) is disclosed in our Environmental, Social and Governance Report.

Corporate Governance Functions

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

During the year ended 31 December 2022, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems 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 Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Such risks include material risks relating to ESG.

The Company has adopted and implemented comprehensive risk management and internal control policies in various aspects to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The Audit Committee reviews the risk management and internal control system twice a year and assists the Board at least annually, in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up, mitigated and rectified by the Company and reported to the Board.

During the year ended 31 December 2022, the Company has engaged an independent consultant ("**Independent Consultant**") to carry out the analysis and independent review of the adequacy and effectiveness of the risk management and internal control systems of the Company and its subsidiaries. The review included making enquiries with appropriate management and key process owners and performing walkthrough tests to identify the major risks and significant deficiencies, and making recommendation for improving and strengthening the internal control system to the Audit Committee for approval. The management then conducts follow-up review at least in a quarterly basis on the effectiveness of any adopted measures for improving and strengthening the internal control system, and report back to the Audit Committee.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Risk Management

- The Audit Committee will (i) oversee and manage the overall risks associated with our business operations, including reviewing and approving our risk management policy to ensure that it is consistent with our business strategies; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations 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 policies within the Company and the Group.

- Mr. Hua, the Chief Financial Officer of the Company, 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 feedback; (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 in the Company; and (viii) reporting to the Audit Committee on our material risks.

- The Company has adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure.

- The relevant departments in the Company, including the finance department, the legal department, and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management in our Company and set a common level of transparency and risk management performance, the relevant departments will gather information about the risks relating to their operation or function and conduct risk assessments.

It is believed that the Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management.

Internal Control

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system. During the year 2022, our engaged Independent Consultant performed certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control during the period from 1 January 2022 to 31 December 2022 of our Company and our major operating subsidiaries in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. In the year under review, no material issues on the Group's internal control system have been identified in the reviewed areas and reported to the Audit Committee. The Independent Consultant also performed follow-up review on the remedial actions undertaken by the management of the Group on the deficiencies identified during the course of the Internal Control Review conducted in 2022.

During the year ended 31 December 2022, the Company has regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures the Company has implemented or planned to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety. For more information, see "— Intellectual Property Protection" and "— Health and Safety" to the ESG Report. 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.

- Our Directors (who are responsible for monitoring the corporate governance of the Company) with assistance from our legal advisors, periodically review our compliance status with all relevant laws and regulations.

- Our Audit Committee (i) makes recommendations to our Directors on the appointment and removal of external auditor; and (ii) reviews the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of our Group.

- We have arranged anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

- We plan to provide our directors, senior management and relevant employees with continuing training programs and updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

- We intend to maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities after we obtain marketing approvals for our drug candidates. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry-sponsored scientific and educational activities.

The Board conducts a review of its risk management and internal control systems annually and, supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational, ESG and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries in a timely manner in accordance with applicable laws and regulations. Senior executive managements are delegated with responsibilities to control and monitor the proper procedures for disclosing the inside information. Directors and employees are restricted from dealing in the Company's securities when they are in possession of unpublished inside information. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

The Company has established policies embedding the code of conducts for effective whistleblowing and anti-corruption systems. Under the policies, employees and stakeholders can report any serious concerns about suspected fraud, corruption, malpractice, misconduct or irregularity of the Group by email at whistleblower@sinomab.com. The aforesaid email can only be accessed by Senior Manager — Internal Audit Department or any person as designated by the Audit Committee.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

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.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 109 to 112.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	**Fees paid and payable** *RMB'000*
Audit service	
Annual audit services	2,000
Non-audit service	–
Total	**2,000**

COMPANY SECRETARY

During the Reporting Period, Ms. Pui Yin Peony WONG of Tricor Services Limited resigned as the Company's company secretary with effect from 17 November 2022. Following the resignation of Ms. Wong, Ms. Sze Ting CHAN was appointed as the company secretary of the Company with effect from 17 November 2022 and Ms. Chan resigned as the Company's company secretary on 20 March 2023 and effective from 31 March 2023.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Jianping HUA, the Chief Financial Officer, has been designated as the primary contact person at the Company which would work and communicate with the Company's company secretary on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2022, each of Ms. Wong and Ms. Chan has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

On 20 March 2023, the Board announced that Ms. Yuk Yin Ivy CHOW was appointed as the Company's company secretary to replace Ms. Chan with effect from 31 March 2023. Ms. Chow is a corporate services director - tax services of PwC Corporate Services Limited.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

General meetings may be convened by the Directors on requisition of Shareholder(s) of the Company representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings or by such Shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Articles, for convening a general meeting.

Putting Forward Proposals at Annual General Meetings and General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Pursuant to Section 580 of the Companies Ordinance, shareholders can request the Company to circulate to shareholders entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting, if such shareholders represent at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a relevant right to vote.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Articles, for circulation of statement for general meeting and resolution for annual general meeting.

The Company has arranged sufficient procedures to address questions from Shareholders in the general meetings.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Units 303 and 305-307, No. 15 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 3426 9433
Email:	message@sinomab.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, being the current registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR 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, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended 31 December 2022, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. Shareholders can communicate with the Company via sending their enquiries to the Company's share registrar in relation to their shareholdings and attending the Company's shareholders' meetings. The Company also communicates with Shareholders via corporate communications, including but not limited to directors' report and annual accounts together with a copy of the auditor's report, interim report, notice of meeting, circular and proxy form. To solicit and understand views of Shareholders, the Company also provides "Send a message" function on its website and publishes press release. The full text of the Shareholders' communication policy is available on the website of the Company. The policy is regularly reviewed to ensure its effectiveness. The Board has reviewed the implementation of the policy during the Reporting Period. Considering that different channels have been implemented by the Company to communicate with its Shareholders, the Board confirmed the effectiveness of the policy during the Reporting Period.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the factors including but not limited to the operations, earnings, cash requirements and availability, capital expenditure, future development requirements, business conditions and strategies, interests of Shareholders, and any restrictions on payment of dividends, the Board may propose and/or declare dividends during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

1 ABOUT THE REPORT

1.1 Report Description

This report aims to objectively disclose the 2022 environmental, social and governance ("**ESG**") performance of SinoMab BioScience Limited. ("**SinoMab**" or "**the Group**" or "**the Company**" or "**We**"). This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* ("**the Guide**") contained in Appendix 27 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. For detailed information on the Company's governance, it is recommended to read this report in conjunction with the "Corporate Governance Report" section in the Company's 2022 Annual Report to have a more comprehensive view of the Company's management performance.

In preparing this report, we meet the four reporting principles stipulated in the Guide — "materiality", "quantitative", "consistency" and "balance".

Materiality: This report follows the Guide to carry out materiality assessment work. Our working procedures include: (i) identifying relevant ESG issues, (ii) assessing the materiality of the issues, and (iii) reviewing and confirming the assessment process and results by the Board. We report ESG matters based on the materiality assessment results. For details on materiality assessment work, please refer to the subsection "Materiality Analysis" below.

Quantitative: This report follows the Guide and refers to applicable quantitative standards and conventions, and adopts quantitative methods to measure and disclose applicable key performance indicators. The measurement standards, methods, assumptions and/or calculation tools of the key performance indicators in this report, as well as the sources of the conversion factors used have been explained in the corresponding places (if applicable), and the relevant environmental objectives are disclosed in the subsection "Green Operation".

Consistency: The preparation method of Environmental, Social and Governance Report during the reporting period is consistent with that of previous years, and any changes that may affect meaningful comparison with previous reports have been explained in the corresponding positions.

Balance: This report objectively discloses positive and negative information to ensure that the content presents an unbiased view of the Group's ESG performance during the reporting period.

1.2 Scope of Report

Unless otherwise stated, the scope of this report covers the ESG performance of SinoMab's main operating regions in the People's Republic of China and the Hong Kong Special Administrative Region for the period 1 January 2022 to 31 December 2022 ("**the reporting period**"). The Key Performance Index ("**KPIs**") disclosed in this report focus on Hainan and Suzhou bases of the Group[1].

1.3 Source of Information And Reliability Guarantee

The source of information and cases within this report was mainly derived from SinoMab's statistical reports, relevant documents and internal communication documents. SinoMab undertakes no false records or misleading statements in this report, and takes responsibility for the authenticity, accuracy and completeness of the information in this report.

1 The environmental KPIs for the previous reporting period included the offices in Hong Kong, Shanghai and Shenzhen. The Group considers that the environmental performance of the offices in Hong Kong, Shanghai and Shenzhen is not significant compared to the bases in Hainan and Suzhou, and has therefore excluded them from the scope of this report. Their exclusion may result in some changes in the KPIs compared to the KPIs disclosed in the ESG report of previous reporting periods.

1.4 Access and Respond to the Report

This report is published in both traditional Chinese and English. If there is any discrepancy between the texts, the English version shall prevail for all purposes. The electronic version of this report is available on the website of the HKEx at www.hkexnews.hk and the official website of SinoMab at www.sinomab.com. If there are any comments or suggestions on the ESG management of the Company, please contact us via email message@sinomab.com. We look forward to your valuable opinions.

2 BOARD STATEMENT

The Board is ultimately responsible for the environmental, social and governance work of the Company and to set clear duties and management responsibilities for ESG matters. The Board is responsible for overseeing and managing the implementation of ESG-related matters of the Company. All ESG functional departments are responsible for implementing the ESG work and reporting to the Board.

The Board of Directors has participated in assessing, prioritising and managing ESG matters including risks and materiality to the Group's business. For details on risk management and materiality assessment, please refer to the Corporate Governance Report in the Group's 2022 Annual Report and the following sections captioned "Materiality Analysis" below. The key ESG risks have been incorporated into the Company's comprehensive risk management system. The Board has reviewed these key risks was aware of the measures taken and made recommendations.

During the reporting period, the Board of Directors established environmental objectives related to business operations, reviewed and discussed the establishment and progress of these objectives.

This report also discloses the above ESG-related issues in detail, which has been reviewed and approved by the Board on 20 March 2023.

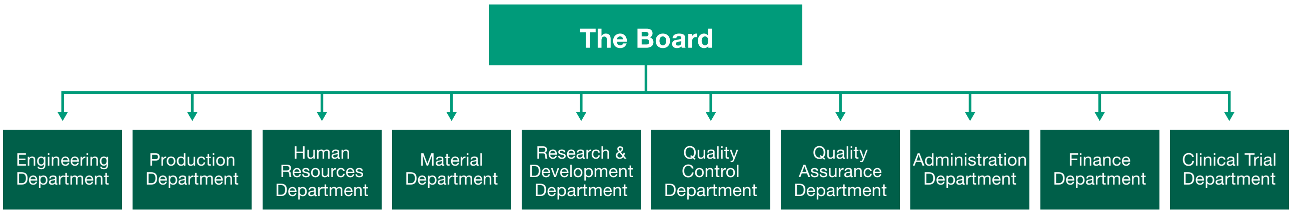
3 ESG MANAGEMENT SYSTEM

3.1 ESG Concept

The vision of SinoMab is to become a global leader in the innovation of therapeutics for immunological diseases. We strive to become a leading global biopharmaceutical company to develop novel drugs to fulfill unmet medical needs. As an industry pioneer in the Greater China Region, we actively practice the concept of ESG. We dedicate to R&D and quality assurance. Meanwhile, we attach great importance to environment protection and the employee's legitimate rights protection, expect to develop together with employees and partners. Looking forward, based on the current portfolio of drugs and R&D capabilities, the Company will accelerate the R&D and marketing of drugs, enhance globalised cooperation and technological innovation, further integrate the concept of sustainable development with the Company's operations and continue to improve the ESG management ability. We are dedicated to evolving into an importance force in the global healthcare industry to pursue patients' well-being while advancing together with scientists, governments, regulatory authorities, shareholders, investors and society.

3.2 ESG Governance Structure

Based on our current organisational structure, we have established an ESG governance structure led by the Board and joined by multiple functional departments for better implementation of the Company's development philosophy and ESG work.



The Board: As the highest decision-making body for ESG governance, the Board is responsible for overseeing the Company's overall ESG strategy, annual ESG goals and performance, reviewing and managing ESG risks and the materiality assessment results so as to ensuring that the Company has appropriate and effective ESG risk management and internal control systems in place. The Board also reviews, discusses and approves the contents and quality disclosed under the ESG report to ensure the accuracy of the disclosure information.

ESG functional department: To assist the Board in supervising ESG-related issues, the primary responsibility is to formulate departmental ESG objectives and work plans according to the ESG management policy and strategy, implement key tasks based on them, and promptly monitor the achievement of the objectives. Functional departments should report regularly to the Board on the development of ESG work in their own departments and submit annual ESG information and disclosure materials for the review and discussion of ESG-related issues and to assist the Board in fulfilling their supervisory responsibilities.

3.3 Stakeholder Engagement

The Company attaches great importance to the communication and feedback from stakeholders. During the reporting period, we continued to identify and active response to ESG issues of concern to stakeholders, including the government and regulatory agencies, shareholders and other investors, employees, customers and patients, suppliers, industry, environment, media and non-governmental organisations ("**NGOs**"), communities, etc.

Main stakeholders	Main expectations & requirement	Major communication channels	Key ESG concerns
Government and regulatory agencies	• Abide by national policies and laws and regulations • Pay taxes in full and on time • Safe manufacturing	• News disclosure	• Employment • Health & Safety • Labor Standards • Product responsibility • Anti-Corruption
Shareholders and investors	• Compliance operation • Raising company value • Information transparency and efficient communication	• Shareholder's meetings • Annual report • Regular announcements • Official website	• Use of resources • Supply chain management • Product responsibility • Anti-Corruption

Main stakeholders	Main expectations & requirement	Major communication channels	Key ESG concerns
Employees	• Protection of interests • Occupational Health • Salary and benefits • Career development	• Communication meeting • Face to face communication • Company Newsletter and Intranet • Staff mailbox • Training and Workshop • Employment activity	• Use of resources • Employment • Health & Safety • Development & training • Labor standards • Supply chain management • Product responsibility • Anti-Corruption
Customers and patients	• Quality Products and Services • Health & Safety • Integrity management • Customer Information and Privacy Protection	• Information disclosure • Customer Service Center and Hotline • Customer opinion survey • Customer communication meeting	• Product responsibility
Partnerships	• Integrity management • Fair competition • Perform according to law • Mutual benefits	• Business communication • Exchange seminar	• Supply chain management • Product responsibility • Anti-corruption
Suppliers	• Fair competition • Business Ethics and Reputation	• Supplier evaluation • Phone • Email • Field visits and meetings • Supplier Management Meetings and Events	• Supply chain management • Product responsibility • Anti-corruption
Industry	• Industry standard formulation	• Participate in industry forums	• Product responsibility • Anti-Corruption

Main stakeholders	Main expectations & requirement	Major communication channels	Key ESG concerns
Environment	• Discharge limits • Energy conservation • Ecology protection	• Communicate with local environmental authorities • Report submission	• Emissions • Use of resources • Environment and Natural Resources • Climate change
Communities	• Promotion of Community Development • Participation of public welfare • Transparent information disclosure	• Charity • Social media • Company website • Company Announcement • Media interview	• Emissions • Environment and Natural Resources • Climate change • Healthy and Safety • Anti-corruption • Community investment

3.4 Materiality Analysis

We use the following process to identify ESG issues that are important to the Company's sustainability and stakeholders.

1 Identification of potential important issues

We identify potentially important topics with reference to the following information:

- Environmental, Social and Governance Report Guide
- Industry ESG Key Issues

2 Stakeholder communication and analysis of key issues

- We conducted the materiality analysis through the aforementioned communication channels with key stakeholders to understand their views on relevant ESG issues
- We also took into account the results of our peer group materiality assessment and external expert opinion

3 Confirmation of important topics

- Based on the results of stakeholder analysis, the Company's key ESG issues were identified and used to inform the preparation of this report and the direction of the Company's next steps

During the reporting period, our materiality issue assessment result is as follows:

Material Topics	
Environmental	• Environmental Compliance
Employment and Labor Practices	• Human Capital Development
Operating Practices	• Intellectual Property Protection • Research and Development • Supply Chain Management • Anti-Corruption • Product Safety & Quality • Access to Health Care • Human Rights & Community Relations

4 RESPONSIBLE OPERATION

Under the policy of "integrity, innovation, pragmatism, efficiency, and collaboration", the Company carries out responsible operations by ensuring compliance with relevant laws and regulations, assuring product quality, focusing on R&D, and promoting the joint development of the industry.

4.1 Product Responsibility

In line with our vision to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases, we have been dedicated to R&D since its inception. We have continuously expanded a pipeline of complementary mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases. The Company now comprises a full-spectrum platform that consists of target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production. The Company provides comprehensive and effective assurance for the quality and safety of products through the implementation of a management system and enforcement throughout the life cycle.

SM03, our flagship product, is the global first innovative "Recombinant Human anti-CD22 mAb" for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases. SM03 for RA has been recognised as one of the significant special projects of Significant New Drugs Development of the Twelfth Five-Year Plan and Thirteenth Five-Year Plan; the enrolment in the Phase III clinical trial was completed in November 2021.

4.1.1 Product Quality Assurance

With the goal of "continuously providing innovative biopharmaceuticals with excellent quality and global trust", the Company is committed to exercising high-standard quality control. We strictly abide by the laws and regulations such as the *Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》) and *Good Manufacturing Practice for Pharmaceutical Products* (《藥品生產品質管制規範》, "**GMP**"). We focus on the trend of changes in relevant international standards and respond timely. We have formulated a series of quality standards, operating procedures and production management procedures regarding the international standards and carry out drug production and quality management accordingly.

The Company has established and continuously improved its quality management system and conducts comprehensive risk assessment and tests its reasonability in accordance with the standards and procedures under the quality management system. We have built a professional quality control team led by the Chief Executive Officer ("**CEO**") of the Company:

- CEO is responsible for overall product quality and ensures that the Company achieves the quality goals and produces drugs in compliance with GMP requirements.

- The qualified person and the quality management leader are responsible for establishing and operating the quality management system to ensure the safety and effectiveness of our products.

- The Quality Assurance Department ("**QA**"), the Quality Control Department ("**QC**") and the Verification Department headed by the quality management leader. QA is primarily responsible for establishing and improving the quality assurance system, conducting self-inspection against GMP to ensure that the quality management is carried out effectively. QC includes establishing the quality control system, formulating relevant policies and standards on quality management, and conducting quality inspection, verification and analysis of raw materials, auxiliary materials, packaging materials, intermediate products, bulks, semi-final products and final products. The Validation Department is mainly responsible for formulating validation strategies, developing main plans for validation, tracking and monitoring implementation to ensure that facilities, equipment, and processes are validated.

Full cycle quality control

The Company implements full-cycle quality control from product development, material selection, production to clinical trials (as currently the product has not yet been commercialised, the product cycle has not yet covered product listing and delisting):

- **Product Quality Control in R&D**

  For products in the research and development stage, whether they are self-developed or introduced from third parties, the Company will conduct comprehensive and professional testing on the safety and effectiveness and continuously improve the quality of products based on the testing results and related procedures.

- **Quality Control in the Selection and Collection Stage**

  Our Purchasing Department, Production Department as well as Quality Management Departments jointly conduct supplier development and assessments. Last year, we have reorganised the material management hierarchy and further optimised the material management system. At the same time, we updated our supplier management system and improved the review content of our annual material management. We implemented a strict control process for production materials, and established corresponding management and operational procedures for each node in the process. We implemented a "three-tier check" on the quality of raw materials, including warehousing check, issue check and workshop handover check, and enforce the Four-Eye principle in the review of high-risk materials.

- **Quality Control for Production**

  The Company attaches great importance to quality control in the production process, inviting external experts to guide the optimisation of the Company's quality system, revising and perfecting quality management system documents relating to manufacturing technique, technical operations, batch records, such as *Correction and Prevention Management Regulations* (《糾正與預防措施管理規程》), *Deviation Management Regulations* (《偏差處理管理規程》), *Change Control Management Regulations* (《變更控制管理規程》). Last year, we upgraded the production process procedures for upstream products, further refining the manufacturing technique and standardising the production process to make product quality more stable.

  — **Quality review and analysis:** We conduct a review and analysis of the previous year's quality operation at the beginning of each year, based on the summary and statistical analysis of the inspection data generated from raw and auxiliary materials, intermediate products, raw liquids and finished products in the previous year, and evaluate from the product technology, product quality and other levels. In the case of Out of specification ("**OOS**"), we strictly conduct a comprehensive investigation into the five dimensions of human, machine, material, law and environment, and implement corresponding corrective and preventive actions.

  — **Laboratory optimisation**: During the reporting period, we invited a professional team to design the new laboratory according to GMP, starting from all aspects of Design Confirmation, Installation Confirmation, Function Confirmation and Performance Confirmation to improve the laboratory testing environment and optimise the deployment of laboratory functions in order to further meet GMP requirements for laboratory quality management.

- **Quality Control for Final Products**

  We have formulated quality control procedures for products that will proceed to commercialisation. The final product will be tested by QC according to relevant specifications and verification and will be comprehensively reviewed by QA before being reviewed and released by the qualified person before releasing. We introduced a fully automated product packaging line to reduce the risk of human error and ensure the quality of finished products.

  The Company identifies, evaluates and disposes of non-conforming products in accordance with *Non-conforming Product Management Regulations* (《不合格品管理規程》). Quality problems will be reported truthfully and handled following the Company's Regulations.

- **Drug Quality Control in Clinical Trial Phase**

  We exercise strict control over the quality and safety of medicines in clinical trial activities. During the reporting period, we continued to follow the relevant guidelines such as *Good Clinical Practice* (《藥物臨床試驗質量管理規範》, "**GCP**") and the requirements of the International Council for the Harmonisation of Medicines for Human Use ("**ICH**") and updated *Clinical Trials Medicines Quality Assurance Regulations* (《臨床試驗用藥質量保證協議》) to provide detailed regulations on the storage and transportation of trial drugs, the use of medicines in clinical trials and the disposal of expired medicines. The main areas include:

  — **Drug storage**: We strictly monitor the storage conditions of test drugs in the warehouse, set up dedicated drug storage and transfer facilities for clinical trial centers and implement 24-hour electronic temperature monitoring. If the storage environment fails to meet relevant requirements, we will take proper actions in strict accordance with corresponding regulations.

  — **Drug transportation**: We select a service provider with cold chain transportation of drug qualification and enter into a quality assurance agreement. When receiving the medicine, we confirm that the packaging is complete and undamaged, and check proof materials that demonstrate storage conditions for the medicine have been met during transportation. If the packaging is damaged or the medicine is over-temperature, we will store the medicine separately and conduct evaluation in a timely manner to see whether the delivered medicine meets the relevant standards. During the reporting period, same as previous year, the COVID-19 testing program was in place for cold chain transportation to ensure the safety of the cold chain transportation process.

  — **Clinical trials**: The Company selects clinical trial hospitals and researchers with relevant qualifications and a good reputation as partners. We sign the *Agreement of Quality Assurance for Clinical Trial Drug* (《臨床試驗用藥品質保證協議》) with the sponsor of the clinical trial. We review inspection reports for each batch of clinical trial drugs, archive the release reports for inspection, and review the drug management policies of the clinical trial institutions frequently to ensure the quality and safety of the clinical trial drug. In order to cope with the impact of the COVID-19 epidemic on clinical trials, the Company formulated the *Emergency Plan for Clinical Research Response to COVID-19* (《臨床研究應對新冠肺炎應急預案》) to protect the orderly clinical trials and drug safety.

— **Disposal of expired drugs**: The Company has established a complete drug tracking system to strictly review the validity period of drugs. For drugs that are about to expire, relevant test personnel will be promptly notified, and the corresponding batches of drugs will be frozen in our drug distribution system. For expired drugs, we require staff to fill out a recall form and implement recall procedures. We entrust a third party with relevant qualifications to count and destroy expired drugs and acquire related destruction reports after the destruction is completed.

— **Monthly coordination meeting**: Our Clinical Department conducts monthly coordination meetings together with the Production Department, Quality Control Department, and Material Department to coordinate quality control issues encountered during production, supply, storage, and transportation of clinical drugs, and summarise the causes of problems for improvements in a timely manner.

- **Pharmacovigilance System**

During the reporting period, the Company continues to implement the pharmacovigilance system. We have set up a pharmacovigilance post in accordance with the requirements of GMP and regulations such as *Code of Practice for the Quality Management of Pharmacovigilance* (《藥物警戒質量管理規範》) and *Management Measures for the Reporting and Monitoring of Adverse Drug Reactions* (《藥品不良反應報告和監測管理辦法》), with dedicated personnel responsible for pharmacovigilance and other related work of post-marketing products. In addition, with reference to the requirements of regulations, the Company formulated five management documents, such as Adverse Drug Reaction Reporting and *Monitoring Management Regulations* (《藥品不良反應報告和監測管理規程》) and *Drug Safety Issues Management Regulations* (《藥品安全問題處理管理規程》), as well as ten standard operating procedures, such as *Post-marketing Adverse Drug Reaction Reports Standard Operating Regulations* (《上市後個例藥品不良反應報告處理標準操作規程》) and *Preparation and Submission of Periodic Safety Update Reports Standard Operating Regulations* (《藥品定期安全性更新報告撰寫及遞交標準操作規程》), to comprehensively strengthen pharmacovigilance management. According to the requirements of laws and regulations, the Company has formulated 5 management documents including *Adverse Drug Reaction Reporting and Monitoring Management Regulations* (《藥品不良反應報告和監測管理規程》), *Drug Safety Problem Handling Management Regulations* (《藥品安全問題處理管理規程》), and 10 operational documents including *Standard Operating Procedures for Handling Individual Cases of Adverse Drug Reaction Reports after Listing* (《上市後個例藥品不良反應報告處理標準操作規程》), *Submission of Periodic Safety Update Report Standard Operating Regulations* (《藥品定期安全性更新報告撰寫及遞交標準操作規程》), to comprehensively strengthen pharmacovigilance management.

- **Quality Awareness Raising**

  The Company is committed to promoting risk awareness and quality awareness among all employees. Under the leadership of the Quality Assurance Department, quality-related training has been incorporated into the training matrix, with well-developed quality generalist, quality professional and quality hands-on courses. At the same time, we also invite external experts to conduct special training. These training activities enhance employees' understanding of drug-related laws and regulations, quality control standards and pharmacovigilance understandings and help improve their professionalism and analysis capabilities. Meanwhile, we carry out GMP self-inspection no less than once a year and on-site inspections to strengthen quality supervision and ensure continuous improvement of quality management.

- **Complaint and Recall Procedure**

  We have not yet commercialised our products since the end of the reporting period. However, we attach great importance to establishing product complaint and recall systems. We have identified the requirements of the relevant laws and regulations such as the *Law of the People's Republic of China on Protecting Consumers' Rights and Interests* (《中華人民共和國消費者權益保護法》), *the Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》) and established a product complaint response process and recall procedures in accordance with relevant regulations including *the Administrative Measures for Drug Recalls* (《藥品召回管理辦法》) and GMP. The Quality Assurance Department is responsible for drug recall. Once a potential safety hazard is identified through evaluation, we will implement the drug recall process to control and proactively withdraw marketed drugs with quality problems or potential safety risks, and conduct investigations and evaluations of withdrawn drugs in order to protect consumer rights. According to the management requirements for user complaints in Chapter 10 Section 9 of GMP, we have established a user complaint management system and formed *User Complaint Management Policy* (《用戶投訴管理制度》), which clearly stipulates the pathway, processing process and time limit for product complaints and feedback on opinions, forming a complete workflow to ensure compliance with GMP and to safeguard patients' medication safety and legitimate interests as far as possible.

  During the reporting period, we did not receive any customer complaint or initiate any product recall.

4.1.2 Privacy Protection

The Company attaches great importance to protecting the private information of customers and subjects in clinical trials. We strictly abide by the GCP, establish ad continuously improve corresponding management systems, and have a designated team responsible for managing customers' privacy information and clinical trial subject.

We have conducted a series of measures to protect the medical data and other information of clinical trial subjects.

Audit clinical related activities

We independently or entrust a third-party agency to conduct audits on the following clinical trial-related activities:

- Checking the compliance of signing Informed Consent Form;
- Clinical trial document protection related to privacy of subjects;
- Collection and preservation of biological samples.

Ensuring job approval

We submit applications to the Human Genetic Resources Administration of China of the Ministry of Science and Technology for the following:

- Subject biological sample collection
- Conduct index analysis and trial plan

We conduct relevant research after review and approval.

Collection of non-sensitive data

In order to prevent the leakage of subjects' private information, we only collect and archive necessary data for subject management.

Sign confidentiality agreement

We sign confidentiality agreements with all employees, suppliers and partners, requiring them to perform their confidentiality obligations.

Set information permissions

We set up an information access authority system to ensure that only qualified employees can obtain core data according to regulations. We also implement the following data leakage prevention measures:

- Prohibiting the use of private mailboxes;
- Setting remote server lock functions;
- Setting non-disclosure period clauses.

Partner control

Our clinical research was reviewed by the Medical Ethics Committee. We require partners to conduct clinical trials in strict accordance with GCP, closely monitor and manage the clinical trial process.

During the reporting period, we did not experience any significant information leakage, theft or loss of customers and subject information.

4.1.3 Intellectual Property Protection

The protection of our drug candidates and their methods of use form important parts of our strategy to develop and commercialise novel medicines. We recognise the importance of intellectual property rights (IPRs) to our success and are committed to IPR development and protection. We strictly abide by China's intellectual property related laws and regulations such as the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) and *Trade Marks Ordinance* (《商標條例》), *Patents Ordinance* (《專利條例》) in Hong Kong. We carry out intellectual property protection actively and fully respect the intellectual property of others.

We proactively identify the critical risk points for IPRs management and manage IPRs against the identified risks. In our day-to-day operations, we use a combination of patents, trademarks, trade secret protection and employee and third-party confidentiality agreements to protect intellectual property. Currently, we have obtained IPRs for our proprietary technologies, both within and outside of China, and seek additional patent protection where appropriate to safeguard our future innovation efforts. We have also engaged professional third-party organisations to register domestic and international trademarks to reduce the risk of trademark infringement.

Meanwhile, we respect other parties' IPRs. For example, for employees who used to work for other biotechnology or pharmaceutical companies, we reach into agreements on proprietary rights, nondisclosure and non-competition in connection with their previous employment. Whether it is a self-developed product or an imported project, the Company will conduct a comprehensive background investigation. If there is a situation that may cause intellectual property disputes, we will re-evaluate the product development plan and prospects to ensure that the IPRs of other parties are not infringed. The Company complies with the paid purchase for clinical trial-related technical scales and standards involving intellectual property rights, such as the European League for Rheumatology DAS-EULAR, EQ-5D.

As of the end of 2022, we had been granted 18 invention patents worldwide and 4 pending patent applications in the United States.

4.1.4 Advertising and Publicity Management

During the reporting period, we had not yet commercialised our products, so we did not advertise our products to the public. However, we have identified the relevant requirements on drug advertisements in the *Administrative Measures for the Classification of Prescription Drugs and Over-the-Counter Drugs (Trial)* (《處方藥與非處方藥分類管理辦法(試行)》) and the *Measures for the Examination of Pharmaceutical Advertisements* (《藥品廣告審查辦法》) to avoid potential false promotion and misleading advertising or product descriptions, laying a solid foundation for product commercialisation in the future.

4.2 Anti-Corruption

The Company strives to create a clean and honest working environment and advocate an integrity corporate culture.

We strictly abide by *Prevention of Bribery Ordinance of the Hong Kong Legislation* (香港特別行政區《防止賄賂條例》), *the Company Law of the People's Republic of China* (《中華人民共和國公司法》), *the Anti-Money Laundering Law of The People's Republic of China* (《中華人民共和國反洗錢法》), and other applicable laws and regulations. We adhere to a zero-tolerance attitude towards any form of illegal business practices, such as offering or receiving bribes, money laundering and fraud. During the reporting period, the Company conducts anti-corruption training to directors and employees. Through on-site and video conference, a total of two lectures on "Anti-fraud Management System" focusing on the code of business conduct, bribery, gifts and entertainment are carried out, aiming to strength all employee integrity awareness.

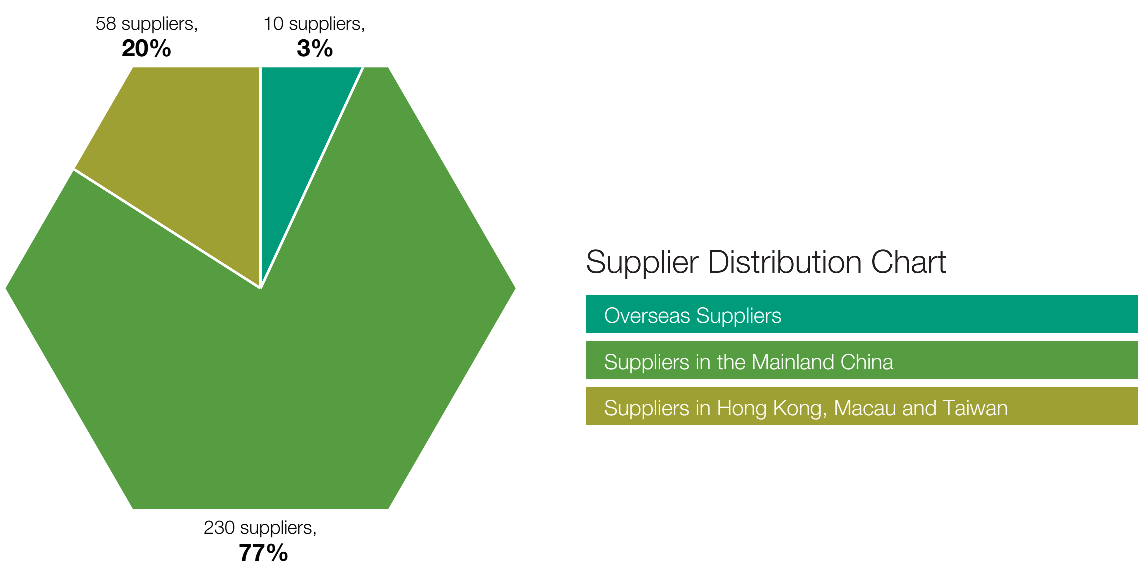
We have established policies such as *Anti-fraud Management Policy* (《反舞弊管理制度》), *Code of Ethics for Directors and Senior Management Staff* (《董事及高級管理人員道德守則》), *Code of Ethics for Employees* (《員工道德守則》), *Regulations on Avoiding Conflicts of Interest and Preventing Bribery* (《避免利益衝突和防止受賄管理規定》). We require employees to sign the *Anti-fraud Management Policy* (《反舞弊管理制度》) statement and prohibit employees from engaging in any illegal or unethical business behavior and seeking benefits from it, as well as requires immediately reporting if any conflict of interest is involved. At the same time, we established an anti-fraud management policy for suppliers and implemented strict management and audit procedures to prevent corruption during the procurement process and ensure transparency.

We have set up an online email reporting channel for employees and stakeholders to report actual or suspected corruption, fraud and other violations of professional ethics. In the event of a violation, the violator will receive disciplinary measures such as dismissal or judicial investigation by regulatory agencies. The Company attaches importance to protecting the privacy and safety of whistleblowers in the investigation and will deal seriously with cases of infringement of whistleblower privacy or retaliation against whistleblowers.

During the reporting period, we did not have any reported major corruption, fraud or money laundering cases.

4.3 Supply Chain Management

SinoMab is committed to working closely with suppliers in the field of sustainable development to jointly improve the industry's sustainable development performance. During the reporting period, our major suppliers included equipment suppliers, raw material suppliers and service providers. We require suppliers to abide by the laws and regulations of the places where they operate and establish relevant management policies and management procedures. Following the principle of Fairness, Justice and Openness, we continuously improve the supplier management system, jointly managed by the Procurement Department and other relevant departments. At the same time, we actively focus on suppliers' environmental and social risk management. We gradually deepen ESG risk management of suppliers while establishing long-term and stable cooperative relations with suppliers.



4.3.1 Procurement and Supplier Entry

The Company has established a unified procurement system. We have formulated the *Procurement/Payment Management Regulations* (《採購/付款管理規定》), the *Equipment Management and Bidding Process* (《設備採購管理及招標流程》) and other policies to standardise the management of the procurement process. During the reporting period, we addressed the problems in management and classification of materials by formulating the management regulations (manufacturers, sellers), entrusted production, entrusted inspection, computerised system supplier, and the new secondary document *Supplier Audit Standard Operating Regulations* (《供應商審計標準操作規程》) for further improving the supplier management system.

1 Initial screening

We invite a number of potential candidates with relevant capabilities to participate in the bidding through multidimensional research at the supplier sourcing stage;

2 Supplier audit

We require potential suppliers to provide certificates such as business qualification, quality system certification, and quality accident management program certification. We take full consideration of the product quality, reputation, compliance in operation and ESG-related risks of suppliers, and select the optimal one. For procurements where there are less than three supplier candidates, detailed reasons shall be provided in the approval process and the formal record should be retained.

We are committed to promoting green procurement, including prioritise the products and services that have a lower impact on the environment, requiring suppliers to provide environmentally friendly products according to business needs, and purchasing environmentally friendly products such as ballpoint pens with refills, lead pens, and environmentally friendly paper. In addition, we give priority to local suppliers when the price is right, so as to reduce the carbon footprint of the transportation process.

4.3.2 Supplier Audit

We focus on the ESG risk management of our suppliers. We build a list of qualified suppliers, conducting on-site audits for main raw material suppliers to assess product quality as well as social and environmental management. We give priority to suppliers who have environmental or safety system certification, or have become members of the supply chain of internationally recognised organisation. In addition, the Quality Assurance Department fills in the *Supplier Quality Review Evaluation Form* (《供應商質量回顧評價表》) every year, and will not cooperate with suppliers with quality problems after evaluation. We also require contractors to strictly conduct environmental protection and safety work.

During the reporting period, the Company conducted an annual evaluation of its major suppliers and established a supplier management and audit plan for 2023. The Company will request the suppliers who can rectify the risks identified in the annual evaluation; for suppliers with significant risks or who fail to complete improvement measures, we will terminate cooperation with them.

4.3.3 Management of Clinical Trials

As many of our products are in or about to enter the clinical trial stage, we attach great importance to supplier management in clinical trial activities. When selecting service providers related to clinical trials and registration filings, we have established an internal management system and enforced the bidding procedures such as forming an internal expert panel, one or more rounds of supplier negotiations, scoring by the panel internally and forming a unanimous resolution. We choose third-party pharmaceutical R&D ("**CROs**") and clinical trial service providers with relevant qualifications, rich experience and a good reputation in the field of clinical research, as partners. We closely monitor and manage the performance of our partners, including but not limited to:

- Requiring suppliers to strictly abide by GCP and other related regulations and provide supporting documents for filing with the National Medical Products Administration before screening
- Requiring suppliers to carry out work in strict accordance with the requirements of the *Clinical Trial Program* (《臨床試驗方案》)
- Conducting audits
- Conducting timely and strict review on the work documents provided by suppliers

Suppliers in clinical trial activities must comply with the National Medical Products Administration guide and policies relating to clinical trials, as well as general industry practices. We also set relevant qualification and capability requirements for clinical trial hospitals, researchers and other clinical trial service providers to standardise their management.

5 GROWING TOGETHER

Employees are our most valuable asset. We strive to create a fair, safe and comfortable workplace, respect and protect the rights and interests of employees, and provide diverse growth opportunities and benefits to support our employees. We hope to grow with our employees together.

5.1 Employment

We strictly abide by the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》), *the Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), *Chapter 57 — Employment Ordinance of the Hong Kong Legislation* (《香港法例》第57章《僱傭條例》) as well as other applicable laws and industry regulations. We have formulated internal policies, such as *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》) and *Overtime Management Measures* (《加班管理辦法》). We regularly review and update our *Employee Handbook* (《員工手冊》) to further regulate and manage employee recruitment, employment, compensation, benefits, performance, working hours, development and promotion. We encourage diversity and inclusion, prohibit discrimination, child labor and forced labor.

5.1.1 Employment Practice

We have established *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》), and formulated recruitment plans based on the Company's strategic plan. We recruit talent through diverse methods such as online social recruitment, campus recruitment, job fairs, and internal employee reference. The identity of each onboarding employee is strictly verified to lower the risk of child labor. We have also established *Management Measures for Overtime Work* (《加班管理辦法》) to regulate the overtime working hours of employees. Before working overtime, employees must inform and seek approval from the department head or department manager to avoid overwork. Immediate corrective actions will be taken if violation occurs, including immediate suspension and thorough investigation of the incident. During reporting period, no child labor incident occurred.

We adhere to the principles of fairness and impartiality and prohibit any differential treatment on the basis of gender, race, religious belief, sexual orientation or cultural background, etc. We sign a legal employment contract with each employee and handle the dismissal or termination of employees in accordance with applicable laws and regulations. Relevant clauses are listed in the labor contract.

Table of Employment Key Performance Indicators

KPI B1.1 Total Employees by Gender, Employment Type, Age Group and Region		**Unit**	**2022**	2021
Total number of employees		People	279	303
By Gender	Male	People	127	141
	Female	People	152	162
By Employment Type	Full-time employees	People	278	303
	Part-time employees	People	1	0
By Age Group	Under 30 years old	People	107	99
	Between 30 and 50 years old (not inclusive)	People	160	195
	50 years old (inclusive) and above	People	12	9
By Region	Mainland China	People	236	268
	Hong Kong	People	42	35
	Others	People	1	0

KPI B1.2 Employee Turnover Rates by Gender, Age Group and Region		**Unit**	**2022**	2021
Total number of turnover employees		People	59	67
Turnover rate		%	20.27	18.11
By Gender	Male	%	20.15	20.79
	Female	%	20.38	15.63
By Age Group	Under 30 years old	%	28.16	23.26
	Between 30 and 50 years old (not inclusive)	%	15.21	14.85
	50 years old (inclusive) and above	%	28.57	25.00
By Region	Mainland China	%	19.05	17.28
	Hong Kong	%	28.57	23.91
	Others	%	0	N/A

5.1.2 Compensation and Benefits

The Company provides employees with competitive remuneration packages and attaches great importance to employee benefits. Our staff remuneration package generally includes remuneration, bonuses and allowances. Staff remuneration is tied to employees' performance to motivate our employees. We formulate a compensation plan, giving equity incentives to our core staff, recruiting and retaining the talent, and binding the employees together.

Employees can enjoy annual leave, paid sick leave and other legal holidays. We offer multiple benefits, including medical care, housing subsidies, transportation subsidies, communication subsidies, pensions, work injury insurance, accident insurance, traveling insurance and other additional benefits such as the year-end awards, holiday benefits, free annual medical examinations, free work meals, commuting shuttle, holiday gifts or gifts, etc.

To protect the health and safety of employees during COVID-19, the Company implemented flexible commuting by offering employees two available working hours.

5.1.3 Assessment and Promotion

We provide employees with dual development channels in management and professionalism for promotion. To encourage employees to improve their personal quality and professional abilities, we conduct a fair and comprehensive annual performance evaluation every year. During the reporting period, we continued to implement the *Employee Promotion Management System* (《員工晉升管理制度》) and *Performance Evaluation Management System* (《績效考核管理制度》) to help employees look back at their performance and understand their strengths and weaknesses. We revised the employee performance evaluation form to save filling time, quickly identify the employee performance and coordinate problems at work. There is also a public performance communication channel for employees better communicate with department supervisors so that they can understand the problems, find solutions and keep making progress.

5.1.4 Employee Activities

The Company attaches great importance to the work-life balance of employees and actively organises diverse employee activities, such as sports competitions, development activities, annual meetings, holiday dinners, staff trips, etc. We expect to promote employee communication and enhance team cohesion together with happiness sensed by employees through these activities.

During the reporting period, the Company held a friendly table tennis match in the Haikou office to enhance the teamwork and sense of belonging of employees, and to achieve a balance between work and entertainment, thereby maintaining better work motivation and mental health of employees.

5.1.5 Employee Communications

The Company pays attention to employees' feelings at the workplace. We establish an open and transparent communication mechanism and design various internal communication channels such as the social platform, mailboxes and communication meetings. We listen to our employees' opinions and advice carefully, encourage the rational expression of demands, and provide timely feedback on their opinions, suggestions, or demands.

5.2 Health & Safety

The Company strives to provide a healthy and safe work environment for employees. We strictly comply with *Law of the People's Republic of China on Safety in production* (《中華人民共和國安全生產法》), *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Regulations on Work-related Injury Insurance* (《工傷保險條例》) and other relevant laws and regulations. We keep following internal health and safety management policies and procedures such as *Production Safety Management Protocol* (《生產安全管理規程》), *Safety Incident Management Protocol* (《安全事故管理規程》), and *Hazardous Waste Management Protocol* (《危險廢物管理規程》). During the reporting period, there were no work-related injuries. There were no work-related deaths of our employees over the past three reporting periods (including the reporting period).

We established and improved the Company's Environment, Health and Safety ("**EHS**") management system, comprehensively identified and evaluated potential risk areas, risk factors and key risk positions, and adopted a variety of measures to reduce health and safety risks.

- We arranged EHS specialists to ensure that the Company's environmental protection, health and safety comply with relevant national policies and regulations. Our EHS specialists conduct standardised management of hazardous operations and special equipment, perform regular safety inspections, and also assist the person in charge of the Company in implementing the organisation, formulation, rehearsal and improvement of emergency response program.

- We established a safety training management system. New employees would receive the "three levels" of safety education. We would also conduct training sessions for related parties before entering the factories.

- In terms of laboratory safety, operations involving biohazards and chemical toxicity have to be processed in biosafety cabinets or chemical hoods following relevant instructions in our internal safety regulations.

- Special hazardous chemical substances will be transferred to qualified parties for processing.

- We encourage all employees to report the hidden safety hazards they have identified. Relevant departments will be appointed to carry out safety rectification measures should any problem be placed to ensure the health and safety of employees.

In order to improve employees' safety awareness and emergency response capabilities, we formulate plans for emergency drills and regularly organise relevant training courses, including fire-fighting training, workshop production safety training, laboratory safety training, equipment safety training, etc., to ensure employees' health and safety at work.

During the reporting period, we conducted fire safety training for all staff to help them become familiar with the use of fire hydrants, fire extinguishers and other fire equipment and escape routes. At the same time, we carried out fire drills to enhance our employees' awareness on the implementation of safety responsibilities and the promotion of safety working environment.

Since the outbreak of the Covid-19, we actively responded to government calls and requirements, rapidly organised management to discuss epidemic prevention and control strategies, and comprehensively deployed and implemented epidemic prevention and control measures to effectively protect employees' health and safety.

Under the regular epidemic, we remain highly vigilant. We insist on daily disinfection and cleaning the office and temperature measurement for each employee when entering and leaving the office. We also reduce gathering activities, on-site meetings and business trips to reduce the risk of infection. To ensure our employees 'safety and stable operation, we evaluate the operation situation every day and examine if our employees wear masks or adopt other protective measures.

5.3 Training and Development

We adhere to the Selection, Training, Promotion and Retention strategy and have established a three-level training system to provide comprehensive training sessions for employees. Based on job functions and responsibilities, we develop corresponding training matrix, set up pre-service training, regular training, continuous training and other types of training, and systematically follow up the progress and learning effect of staff training through examinations and hands-on inspection mode. Each year we draw up an annual training plan, covering all staff at different levels, from frontline production staff to managers. During the reporting period, we strengthened training related to product quality, led by Quality Assurance Department, a training management position was set to ensure the supervision of QA for training, improving the quality of training.

First Level

Company level training
Including relevant laws and regulations, internal management systems, safety knowledge, etc.

Second Level

Cross-departmental professional knowledge training

Third Level

Training within the department based on its own business needs

We actively enrich internal and external training lecturer resources and promote the building of our technical talent team. We developed *External Training Management System* (《外部培訓管理制度》) to standardise the management of external training, meet the needs of employee development, improve knowledge and skills, thus make the external training more scheduled, targeted and effective. We invited experts to conduct GMP management training on deviations, changes and risk identification and control. In addition, we continue to implement the *Technical Grade Evaluation Management Measures* (《技術等級評定管理辦法》) to clarify the professional competency requirements for technical staff and to motivate them to continuously learn and improve their skills.

Employee Training Performance Table

KPI B3.1 Percentage of Trained Employees by Gender and Employee Category		**Unit**	**2022**	2021
Percentage of trained employees by gender	Male	%	77.17	92.20
	Female	%	77.63	84.57
Percentage of trained employees by employee category	Management	%	73.53	84.21
	Other	%	77.96	89.02

KPI B3.2 Average training hours per Employee by Gender and Employee Category		**Unit**	**2022**	2021
The average training hours completed by gender	Male	Hours	34.94	54.37
	Female	Hours	37.26	73.30
The average training hours employees completed by employee category	Management	Hours	21.85	47.91
	Other	Hours	38.20	68.33

5.4 Contributing to Society

Being a responsible corporate citizen, we are committed to giving back to the community while making good products and solving life and health problems for patients. As the Company continues to grow and develop, we are increasingly determined to take responsibility for social welfare. We have established a communication mechanism with the communities where we operate. We have built long-term ties with them to better understand their needs and provide the timely and necessary support to contribute to harmonious community development.

Guided by the national strategies of "developing the country through science and education" and "strengthening the country through talents", we focus on investing in the education sector. Over the years, we have maintained close communication with neighboring schools and other institutions. We combined our business characteristics to assist universities in developing bioscience-related courses, assigning employees and inviting industry experts to share biological knowledge and industry experience with students to facilitate the development of education.

6 GREEN OPERATION

The Company adheres to an environmentally responsible attitude, commits to reducing its environmental impact, and actively responds to the global challenge of climate change risks.

We strictly abide by *the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), *Chapter 354 — Waste Disposal Ordinance of the Hong Kong Legislation* (《香港法例》第354章《廢物處置條例》) and other applicable laws and regulations, improve our EHS management system, ensure compliance of emissions, and adopt a number of energy-saving and emission-reduction measures. During the reporting period, we did not have any material violations of environmental laws and regulations.

We hire professionally qualified institutions to design environmental protection plans for proposed projects, carrying out environmental impact assessment work according to law, analysing possible environmental impacts of projects and plan counter measures. During the reporting period, we are awarded by *the 2022 Corporate Credit* (《2022年企業信用》) as "Environmentally Friendly Enterprise 「環保良好企業」", establishing a good example in environmental and social responsibility.

The Company's main resource consumption and emissions come from the production process, and the Company's production activities are currently concentrated in Haikou base. In order to further promote the strengthening of environmental management within the Company, we have set the following environmental targets in accordance with our current environmental situation:

Emissions: All laboratory bottle washing wastewater will be required to be neutralised in pH before discharge. At the same time, the Company's hazard waste will be disposed of 100% in compliance.

Green house gases: Minimise greenhouse gas emission

Energy consumption[2]: Minimise energy consumption

Water resource: Promote the use of sensor switches, circulating water in green irrigation and other measures.

For the impact of the Company's business activities on the environment and natural resources, as well as the steps to achieve environmental goals, please refer to the sections on resource conservation and compliant emissions in this ESG report.

6.1 Resource Conservation

Our main operating model concerns daily office work, laboratory operations, and small-scale drug production (used for pre-clinical research and clinical trials). The consumed resource consists mainly of electricity, steam, gasoline, tap water and paper. We have established the *Daily Management System for Energy Conservation and Emission Reduction* (《節能減排日常管理制度》), which provides a basis for systematic resource management in all operating processes. The Administration Department is responsible for promoting the effective implementation of management policies. During the reporting period, we continue to implement a series of measures to improve the efficiency of resource use.

In terms of electricity consumption, we use energy-saving or high-energy-efficiency lamps in all office areas, set up independent lighting switches, use daylight lighting as much as possible and frequently remind employees to turn off the lights in a timely fashion. Unused facilities and systems are shut down timely to reduce unnecessary energy loss. We regularly clean the filter, and put anti-ultraviolet heat insulation film on windows to reduce heat absorption, analyse suitable temperatures for different working areas, set the temperature of the air conditioners accordingly and encourage the use of the ventilation system for cooling to save electricity while ensuring a comfortable working environment. In the production workshop, we strengthened the indoor heat insulation effect and reduced the usage rate of air conditioners by installing color steel tile.

In order to improve the efficiency of water resource utilisation, we installed the sensor switches, irrigated green areas by using circulating water, regularly check water meter readings and whether there are hidden water leaks, and immediately repair the dripping faucet to reduce waste of water resources, and adopted other measures to reduce the waste of water resources.

In terms of the steam usage, the Engineering Department is responsible for the approval of steam use, through which the activation/deactivation should be approved before/after continuous production to reduce energy waste.

The Company's gasoline consumption mainly comes from the use of official vehicles. We strengthen the management of official vehicles, conduct regular maintenance for the official vehicles to maintain high efficiency, and implement the concept of green travel, and encourage employees to use public transportation as much as possible. At the same time, employees are encouraged to use teleconferences and the Internet for cross-regional communication, which reduces energy consumption caused by unnecessary traveling.

We actively promote green offices by encouraging employees to use electronic documents instead of paper documents as much as possible. When printing is needed, we use environmentally friendly paper and set double-sided printing as the default.

[2] The energy consumption target set for 2021 will not be met in during the reporting period due to the increase in laboratory office and warehouse area in Haikou Building No.6, as well as (i) the increase in the number of employees; (ii) the increase in demand for air conditioning; and (iii) the increase in demand for ventilation systems. The Company's energy consumption target for the reporting period has been changed from statistical to a directional target, with the aim of reducing electricity consumption in order to reduce environmental impact.

6.2 Compliant Emissions

Our emissions are mainly greenhouse gases, production waste gas, wastewater, non-hazardous waste and hazardous waste. We place paramount importance to ensure compliance of emissions and have formulated relevant policies including the *Laboratory Waste Management Protocol* (《實驗室廢棄物管理規程》), the *Hazardous Waste Management Protocol* (《危險廢物管理規程》), the *Three Waste (Waste Gas, Waste Water; Industrial Residue) Management Protocol* (《三廢管理規程》), the *Inactivation of Production Appliances and Wastes Operation Protocol* (《生產器具及廢料滅活操作規程》) and other policies to standardise the implementation of emission management works by specialists.

We have established emission management measures for greenhouse gases, waste gas, wastewater, non-hazardous waste and hazardous waste.

- **Greenhouse Gases Emission:** Greenhouse gases are mainly generated from the use of energy, such as electricity, steam and gasoline. We adopt a variety of measures to effectively reduce greenhouse gases emissions.

- **Waste Gas Emission:** The waste gas mainly comes from laboratory and production processes for clinical samples, and we process it through medium-efficiency and high-efficiency filter equipment to ensure legal compliance. For small amounts of uncaptured emissions, we discharge them to a sanitary containment area around the plant.

- **Wastewater Treatment:** The wastewater is mainly production and laboratory wastewater and domestic sewage. For solutions such as biologically active cell suspensions and cell culture media in production and laboratory wastewater, we use strong oxidants or inactivation tanks to inactivate them at high temperatures and then discharge them with other production and laboratory wastewater and domestic wastewater to the wastewater treatment ponds for unified pre-treatment and discharge them into the municipal network after meeting the discharge standards.

- **Non-hazardous Waste:** The non-hazardous waste is mainly daily office waste. We classify it according to recycling value. For non-hazardous waste with recycling value, we hand it over to waste recyclers to promote waste recycling. For other non-hazardous waste, we transfer them to designated garbage stations for disposal.

- **Hazardous Waste:** The hazardous waste generated in the course of the company's operation mainly includes hazardous waste generated in the production and experimental processes such as waste chemical reagents, empty glass reagent bottles and waste drugs left-over from clinical use, as well as hazardous waste generated in the daily office such as waste toner cartridges and waste fluorescent tubes. All hazardous wastes are entrusted to qualified third-party agencies or suppliers for compliant disposal.

Our facilities for the treatment of microbial waste are regularly inspected and calibrated, and the treatment is carried out in accordance with operating procedures in facilities that meet the corresponding safety level. At the same time, we have achieved good results of zero microbial contamination in production batches for the six consecutive year.

6.3 Response to Climate Change

The global impact of climate change is becoming more and more apparent. SinoMab continues to pay attention to the impact of climate change on the Company's operations. To effectively deal with climate change, we are working towards the following two directions:

Identify risks and opportunities and respond proactively

Reduce Greenhouse Gas Emissions
(Please refer to the Compliance Emissions section of this report)

Risk category	Areas affected	Potential risks	Adaptation policies
Physical risk	Acute risk: more severe extreme weather events (such as typhoon, heavy rain, etc.)	• Destroy office buildings, production workshops, laboratories, etc., increase operating costs such as maintenance and repair budgets, and cause property losses; • Interrupt production and affect production efficiency and stable operation.	• Formulate emergency response plans for environmental emergencies; • Install drain valves, sandbags, and strengthen the waterproof function of colored concrete tiles to prevent rainwater from infiltrating into the workshop in extreme weathers such as typhoons; • Install anti-typhoon windows and Regularly check the security of facilities and equipment; Increase investments, to provide comprehensive coverage for property and other assets that are vulnerable to damage from extreme weather damage or other physical impacts caused by climate change; • Allow employee to suspend work and stay in a safe place; • Conduct emergency drills on a regular basis.
	Chronic risks: rising sea levels, continuous high temperatures, etc.	• Purchase more refrigeration facilities due to rising temperatures, and increase operating costs.	• Increase the use of high-efficiency refrigeration equipment; • Continue to implement, review and improve the Group's climate change and energy policies.
Transition risk	Policy and Legal Risks	• National low-carbon related laws, policies and other compliance requirements have increased.	• Closely monitor changes in environmental laws, regulations and policies and respond in a timely manner.
	Market Risk	• Inability to effectively respond to changes in the Company's pharmaceutical market demand caused by climate change.	• Continue to track changes in pharmaceutical market demand and improve R&D and production capabilities.

	Opportunity	Adaption measures
Resource Efficiency	• use circular technology; • Reduce water and electricity usage.	• Actively explore new energy-saving technologies and recycling technologies to improve resource utilisation; • Improve R&D and production capacity, and actively explore the market.
Product and Market	• Market opportunity expands as climate change triggers new diseases or increases incidence of existing diseases.	

6.4 Key Environmental Performance Indicators

The key environmental performance indicators for SinoMab during the reporting period are listed below. Unless otherwise stated, the statistical scope of environmental data covers the Company's operation locations in the bases from Hainan and Suzhou. The environmental KPIs for the previous reporting period included the offices in Hong Kong, Shanghai and Shenzhen. The Group considers that the environmental performance of the offices in Hong Kong, Shanghai and Shenzhen is not significant compared to the bases in Hainan and Suzhou, and has therefore excluded them from the scope of this report. Their exclusion may result in some changes in the KPIs.

1. *Energy and Resource Consumption KPIs[1]*

Indicators	Units	2022
Total energy consumption[2]	kWh	9,349
Direct energy consumption, including:	kWh	95.06
Gasoline[3]	kWh	94.46
Diesel[4]	kWh	0.60
Indirect energy consumption, including:	kWh	9,254
Electricity	kWh	5,689
Steam[5]	kWh	3,565
Energy consumption per unit floor	kWh/m^2	0.11
Total water consumption[6]	tonnes	28,555
Water consumption per unit floor	$tonnes/m^2$	0.34

Notes:

(1) During the reporting period, we have not yet commercialised the product, and did not involve the use of product packaging and data disclosure.

(2) Comprehensive energy consumption is through direct and indirect energy consumption during the reporting period, our primary energy consumption is petrol, diesel, purchased electricity and steam.

(3) Gasoline consumption is calculated based on the national standard "Gasoline for Motor Vehicles" (GB17930-2016) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of China and the Standardisation Administration of China.

(4) Diesel consumption is calculated based on "Guidelines on Greenhouse Gas Emission Accounting and Reporting" provided by the National Development and Reform Commission ("**NDRC**") of the PRC.

(5) Steam consumption is calculated according to the "Greenhouse Gas Emission Accounting Method and Reporting Guidelines" provided by the National Development and Reform Commission.

(6) The water resources used by the company are sourced from municipal water supply, thus there was no problem in obtaining suitable water sources.

2. *Emissions KPIs*

Indicators	Units	2022
Total Greenhouse Gas Emissions[1] (Aspect 1, 2 and 3)	Tonnes CO_2 equivalent	4,618
Direct Greenhouse Gas Emissions (Aspect 1)[2], including:	Tonnes CO_2 equivalent	58
Gasoline	Tonnes CO_2 equivalent	24
Diesel	Tonnes CO_2 equivalent	0.16
Coolant	Tonnes CO_2 equivalent	34
Energy indirect greenhouse gas emissions (Aspect 2)[3], including:	Tonnes CO_2 equivalent	4,537
Electricity	Tonnes CO_2 equivalent	3,125
Steam	Tonnes CO_2 equivalent	1,412
Other indirect greenhouse gas emissions (Aspect 3)[4], including:	Tonnes CO_2 equivalent	23
Employee business travel	Tonnes CO_2 equivalent	21
Water treatment	Tonnes CO_2 equivalent	0
Waste paper disposal	Tonnes CO_2 equivalent	2
Greenhouse gas emissions per unit floor	Tonnes CO_2 equivalent/m^2	0.06
Total Nitrogen Oxide emissions	Tonnes	0.01
Total Hazardous Waste Discharge	Tonnes	4.18
Total non-hazardous waste discharge[5]	Tonnes	191.34
Total emission of hazardous waste per unit floor	Kilogram/m^2	0.05
Total emission of non-hazardous waste per unit floor	Kilogram/m^2	2.3

Notes:

(1) The Company's greenhouse gas accounting is presented in carbon dioxide equivalent. Greenhouse gases include carbon dioxide, methane and nitrous oxide, which are derived from purchased electricity, diesel, gasoline, refrigerants and steam. Aspect 1 Greenhouse gases: Covers GHG emissions directly from company operations, including fuel burning in stationary equipment, fuel burning in vehicles, and refrigerants in refrigeration and air-conditioning equipment: Aspect 2 GHG: covers indirect GHG emissions associated with the company's internal consumption (purchased or obtained) of electricity and steam; Aspect 3 GHG: covers other indirect GHG emissions of the company, including employee business travel, water treatment and waste Paper disposal.

(2) Carbon emissions from gasoline and diesel are based on the "IPCC 2006 National Greenhouse Gas Inventory Guidelines 2019 Revision" published by the Intergovernmental Panel on Climate Change ("**IPCC**"), the IPCC Sixth Assessment Report (SIXTH ASSESSMENT REPORT) and the National Development and Reform Commission Calculation of the "Greenhouse Gas Emission Accounting Method and Reporting Guidelines"; the carbon emissions of refrigerants are calculated according to the "IPCC 2006 National Greenhouse Gas List Guidelines 2019 Revision" and the IPCC Sixth Assessment Report (SIXTH ASSESSMENT REPORT) published by the IPCC.

(3) Carbon emissions from electricity are calculated based on electricity carbon dioxide emission factors in different regions. Greenhouse gas emissions from operating sites in mainland China are based on the "2011 and 2012 China Regional Power Grid Average Carbon Dioxide Emission Factors" published by the National Development and Reform Commission. The operating site in the Hong Kong Special Administrative Region is calculated according to the relevant emission factor coefficient provided by the company's power supplier CLP Group. The emission factor coefficient of CLP Group is 0.39 kg of carbon dioxide equivalent; and Reporting Guidelines (Trial)" calculation.

(4) Carbon emissions from employee business travel are calculated using the ICAO carbon calculator; Carbon emissions from water treatment are based on "Research on Energy Consumption of Urban Water Supply Systems in China" issued by Tsinghua University and "Statistical Analysis and Quantitative Identification of Energy Consumption Laws of Urban Sewage Treatment Plants in my country" issued by Tsinghua University and National Urban Water Supply and Sewerage Engineering Technology Research Center calculate; Carbon emissions from waste paper disposal are calculated in accordance with Appendix II "Guidelines for Reporting Environmental Key Performance Indicators" published by the Hong Kong Stock Exchange.

(5) The non-hazardous waste mainly comes from office waste and kitchen waste, and is handled uniformly by the sanitation department.

APPENDIX: "ENVIRONMENTAL, SOCIAL AND GOVERNANCE" INDEX

Topic	Topic description	Corresponding section
	Mandatory disclosure	
Governance structure A statement issued by the Board of Directors, which contained the following: (1) Disclosure of board oversight of ESG matters; (2) Environmental, Social and Governance Management Approach and Strategy of the Board, including processes for assessing, prioritising and managing material ESG-related issues, including risks to the issuer's business; and (3) How the Board reviews progress against ESG-related objectives and explains how they relate to the issuer's business.		2. Board statement 3. ESG management system
Reporting Principles Describe or explain how the following reporting principles are applied in preparing the ESG report: **Materiality:** Environmental, social and governance reports should disclose: (i) The process for identifying material ESG factors and the criteria for selecting them; (ii) If the issuer has engaged in stakeholder engagement, a description of the key stakeholders identified and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used to report emissions/energy consumption (if applicable), and the source of the conversion factors used should be disclosed. **Consistency:** Issuers should disclose changes in statistical methodologies or key performance indicators (if any) or any other relevant factors that affect meaningful comparisons in ESG reporting. **Balance:** Issuers should disclose positive and negative information to ensure that the content presents the ESG performance of the Group during reporting period in an unbiased manner.		1. About the report 1.1. Report Description
Scope of Report Explain the reporting scope of the ESG report and describe the process for selecting which entities or businesses to include in the ESG report. If there is a change in the reporting scope, the issuer should explain the difference and the reason for the change.		1. About the report 1.2. Scope of report

Topic	Topic description	Corresponding report scope
	Comply or explain	
A Environment		
Aspect A1: Emissions		
General disclosure	Regarding waste gas and greenhouse gas emissions, discharge to water and land, generation of hazardous and non-hazardous waste, etc.: (a) Policies: and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.	6. Green Operation 6.2. Compliant Emissions
KPI A1.1	Types of emissions and related emissions data.	6. Green Operations 6.4. Key Environmental Performance Indicators
KPI A1.2	Direct (Aspect 1) and indirect energy (Aspect 2) Greenhouse gas emission volume and density	6. Green Operations 6.4. Key Environmental Performance Indicators
KPI A1.3	The total amount and density of hazardous waste generated.	6. Green Operations 6.4. Key Environmental Performance Indicators
KPI A1.4	The total amount and density of non-hazardous waste generated.	6. Green Operations 6.4. Key Environmental Performance Indicators
KPI A1.5	Describe the emissions targets set and the steps taken to achieve them.	6. Green Operations 6.2. Compliant Emissions
KPI A1.6	Describe methods for handling hazardous and non-hazardous waste, and describe the waste reduction goals set and the steps taken to achieve these goals.	6. Green Operations 6.2. Compliant Emissions

Topic	Topic description	Corresponding report scope
Aspect A2: Resource use		
General disclosure	Policies for the efficient use of resources, including energy, water and other raw materials.	6. Green Operations 6.1. Resource Conservation
KPI A2.1	Total direct and/or indirect energy consumption (e.g. electricity, gas or oil) by type (in thousands of kWh) and intensity (e.g. per unit of production, per facility).	6. Green Operations 6.4. Key Environmental Performance Indicators
KPIA2.2	Total water consumption and density (e.g. calculated per production unit, per facility).	6. Green Operations 6.4. Key Environmental Performance Indicators
KPI A2.3	Describe the energy efficiency goals set and the steps taken to achieve them.	6. Green Operations 6.1. Resource Conservation
KPI A2.4	Describe any problems in obtaining suitable water sources, the water efficiency goals established and the steps taken to achieve these goals.	6. Green Operations 6.1. Resource Conservation 6.4. Key Environmental Performance Indicators
KPI A2.5	The total amount of packaging material used for the finished product (in tonnes) and (if applicable) the amount per unit produced.	Not applicable, explained
Aspect A3: Environment & natural resources		
General disclosure	Policies to minimise the issuer's significant impact on the environment and natural resources.	6. Green Operations
KPI A3.1	A description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage those impacts.	6. Green Operations 6.1. Resource Conservation 6.2. Compliant Emission
Aspect A4: Climate change		
General closure	Policies for identifying and addressing material climate-related issues that have and may have an impact on the issuer.	6. Green Operations 6.3. Response To Climate Change
KPI A4.1	Describe the major climate-related issues that have and may have an impact on the issuer, and the corresponding actions.	6. Green Operations 6.3. Response To Climate Change

Topic	Topic description	Corresponding report scope
B Social		
Employment & labor operations		
Aspect B1: Employment		
General disclosure	Regarding compensation and termination, recruitment and promotion, hours of work, vacation, equal opportunity, diversity, anti-discrimination, and other benefits: (a) Policies: and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.	5. Growing Together 5.1. Employment
KPI B1.1	Total number of employees by gender, type of employment (such as full-time or part-time), age group, and region.	5 Growing Together 5.1. Employment
KPI B1.2	Employee turnover rates by gender, age group and region.	5. Growing Together 5.1. Employment
Aspect B2: Health & Safety		
General disclosure	Regarding providing a safe working environment and protecting employees from occupational hazards: (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.	5. Growing Together 5.2. Health & Safety
KPI B2.1	The number and rate of work-related fatalities in each of the past three years (including the reporting year).	5. Growing Together 5.2. Health & Safety
KPI B2.2	Lost work days due to work-related injuries.	5. Growing Together 5.2. Health & Safety
KPI B2.3	Describe the occupational health and safety measures adopted, and how they are implemented and monitored.	5. Growing Together 5.2. Health & Safety

Topic	Topic description	Corresponding report scope
Aspect B3: Development & Training		
General disclosure	Policies on enhancing the knowledge and skills of employees to perform job duties. Describe training activities.	5. Growing Together 5.3. Training And Development
KPI B3.1	Percentage of trained employees by gender and employee category (e.g. senior management, middle management, etc.)	5. Growing Together 5.3. Training And Development
KPI B3.2	The average number of hours of training completed by each employee, by gender and employee category.	5. Growing Together 5.3. Training And Development
Aspect B4: Labor regulation		
General disclosure	Regarding the prevention of child labor or forced labor: (1) Policies; and (2) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.	5. Growing Together 5.1. Employment
KPI B4.1	Describe measures to review recruitment practices to avoid child and forced labor.	5. Growing Together 5.1. Employment
KPI B4.2	Describe the steps taken to eliminate the situation when a violation was discovered.	5. Growing Together 5.1. Employment

Topic	Topic description	Corresponding report scope
Operation practice		
Aspect B5: Supply chain management		
General disclosure	Environmental and social risk policies for managing supply chains.	4. Responsible Operation 4.3. Supply Chain Management
KPI B5.1	Number of suppliers by region.	4. Responsible Operation 4.3. Supply Chain Management
KPI B5.2	Describe the practices related to engaging suppliers, the number of suppliers to whom the practices are enforced, and how the practices are implemented and monitored.	4. Responsible Operation 4.3. Supply Chain Management
KPI B5.3	Describe the practice of identifying environmental and social risks in each link of the supply chain, and the related implementation and monitoring methods.	4. Responsible Operation 4.3. Supply Chain Management
KPI B5.4	Describe the practice of promoting the use of environmentally friendly products and services when selecting suppliers, and the related implementation and monitoring methods.	4. Responsible Operation 4.3. Supply Chain Management
Aspect B6: Product responsibility		
General disclosure	Health and safety, advertising, labeling and privacy matters and remedies for products and services offered: (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.	4. Responsible Operation 4.1. Product Responsibility
KPI B6.1	The percentage of product sold or shipped that is subject to recall for safety and health reasons.	4. Responsible Operation 4.1. Product Responsibility
KPI B6.2	The number of complaints received about products and services and how to deal with them.	4. Responsible Operation 4.1. Product Responsibility
KPI B6.3	Describe practices related to the maintenance and protection of intellectual property rights.	4. Responsible Operation 4.1. Product Responsibility
KPIB6.4	Describe the quality verification process and product recall procedures.	4. Responsible Operation 4.1. Product Responsibility
KPI B6.5	Describe consumer data protection and privacy policies, and how they are enforced and monitored.	4. Responsible Operation 4.1. Product Responsibility

Topic	Topic description	Corresponding report scope
Aspect B7: Anti-corruption		
General disclosure	Regarding the prevention of bribery, extortion, fraud and money laundering: (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer.	4. Responsible Operation 4.2. Anti-Corruption
KPI B7.1	The number and outcome of concluded corruption litigation cases brought against the issuer or its employees during the reporting period.	4. Responsible Operation 4.2. Anti-Corruption
KPI B7.2	Describe preventive measures and reporting procedures, as well as related implementation and monitoring methods.	4. Responsible Operation 4.2. Anti-Corruption
KPI B7.3	Describe the anti-corruption training provided to directors and employees.	4. Responsible Operation 4.2. Anti-Corruption
Community		
Aspect B8: Community investment		
General disclosure	A policy on community engagement to understand the needs of the communities in which it operates and to ensure that its business activities take into account the interests of the communities.	5. Growing Together 5.4. Contributing To Society
KPI B8.1	Focus on areas of contribution (e.g. education, environmental issues, labor needs, health, culture, sports).	5. Growing Together 5.4. Contributing To Society
KPI B8.2	Resources (such as money or time) expended in the area of focus.	5. Growing Together 5.4. Contributing To Society

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

We are the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody ("**mAb**")-based biologics.

We have been dedicated to R&D since our inception, and have built a pipeline of mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases. Under the leadership of our management team, consisting of members with rich experience in scientific research and business management, we have established a business model that integrates elements from the entire industry chain encompassing R&D, clinical trials and production.

Details of the principal activities of the Company's subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the "Financial Review" on pages 18 to 21 of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income on pages 113 to 114 of this annual report.

DIVIDEND

No interim dividend was paid to the Shareholders during the year.

The Directors have resolved not to recommend the payment of a final dividend to the Shareholders for the year ended 31 December 2022 (2021: Nil).

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting of the Company will be convened to be held on Monday, 12 June 2023. Relevant notice of the meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and buy back Shares (the "**Circular**") to be sent to the Shareholders, together with this Annual Report.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2023 Annual General Meeting, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Monday, 12 June 2023, both days inclusive, during which period no transfers of Shares will be registered. In order to be entitled to attend and vote at the 2023 Annual General Meeting, all transfers of Shares, duly accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 6 June 2023.

USE OF PROCEEDS FROM LISTING

On 12 November 2019, Shares were listed on the Stock Exchange (the "**Listing**") and the Company raised net proceeds of HK$1,272.8 million ("**Net Proceeds**").

As at 31 December 2022, the unutilised balance of Net Proceeds was approximately HK$254.9 million. In respect of the use of proceeds in the prospectus dated 31 October 2019 (the "**Prospectus**") and subsequent change in use of proceeds as disclosed in the announcements issued by the Company dated 22 July 2020, 14 August 2020 and 21 March 2022, the Board resolved to change the use of unutilised Net Proceeds.

Change in use of proceeds raised from the Listing

To better use the unutilised Net Proceeds, the Board resolved on 20 March 2023 to reallocate an aggregate of HK$80.0 million under "For the construction of Suzhou production base", among which HK$60.0 million from the use of proceeds from *"For the construction of an upstream production facility and downstream purification facility"* and HK$20.0 million from *"For the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of RA, SLE, NHL and other potential indications, R&D of SM03 at commercialisation to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline"* to (i) HK$30.0 million to *"For the R&D and commercialisation of our core product, SM03"*; (ii) HK$20.0 million to *"To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline"*; (iii) HK$15.0 million to *"For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio"* and (iv) HK$15.0 million to *"For our working capital, expanding internal capabilities and other general corporate purposes"*.

The actual cost of construction is less than the estimation of the construction project of our Suzhou production base since the land is purchased and the commencement of construction. The project has been in good progress. The construction project is near the completion stage and the infrastructure is expected to be available by 2023. In view of the plentiful planned resources to the Suzhou project, the Board considered that totalling HK$80.0 million out of the original planned applications in relation to the construction of Suzhou production base could be reallocated to other segments.

In considering the current balance of unutilised net proceeds for the R&D and commercialisation of our core product, SM03, the Board considered that it would be appropriate to relocate HK$30.0 million for SM03 for its BLA filing and preparation of commercialisation in 2023.

In considering the current balance of unutilised net proceeds for the funding to pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline, the Board considered that it would be appropriate to relocate HK$20.0 million in particular to support the Phase I clinical trial study for SM17.

The Board recognised the importance of expanding the pipeline and considered it would be appropriate to reallocate HK$15.0 million for the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio.

Considering the rapid expansion of our Group, the Board also considered that it would be appropriate to reallocate HK$15.0 million for the use of our working capital, expanding internal capabilities and other general corporate purposes.

The Board considered the impact of the proposed change in the use of the proceeds on the Group's business and believes that, in view of the Group's operation and business development, the reallocation of the unutilised Net Proceeds will facilitate efficient allocation of financial resources and strengthen the future development of the Group, and it is appropriate and in the interests of the Company and its Shareholders as a whole. Save for the above, there is no other change in the use of Net Proceeds.

Use of proceeds	**Planned applications** (Note 1) *(HK$ million)*	**Revised allocation** *(HK$ million)*	**Actual utilisation up to 31 December 2022** *(HK$ million)*	**Unutilised net proceeds as at 31 December 2022** *(HK$ million)*	**Expected timeline for full utilisation of the unutilised net proceeds** (Note 2)
For the R&D and commercialisation of our drug candidates					
For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States; and (iv) New Drug Application registration filings and the commercial launch of SM03	220.9	250.9	201.2	49.7	By the end of 2023
To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline	279.4	299.4	269.5	29.9	By the end of 2023
To further advance our R&D programmes, expand our R&D team, build our commercialisation team, develop our proprietary technology and enhance our full-spectrum platform	52.4	52.4	52.3	0.1	By the end of 2023
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	84.9	99.9	83.7	16.2	N/A (Note 3)
For the construction of our Suzhou production base primarily for the commercial-scale production of our core product SM03					
For the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline	85.8	85.8	48.4	37.4	By the end of 2023
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	59.7	9.9	49.8	By the end of 2023

Use of proceeds	Planned applications (Note 1) (HK$ million)	Revised allocation (HK$ million)	Actual utilisation up to 31 December 2022 (HK$ million)	Unutilised net proceeds as at 31 December 2022 (HK$ million)	Expected timeline for full utilisation of the unutilised net proceeds (Note 2)
For the construction of the Suzhou production base					
For the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and other potential indications, R&D of SM03 at commercialisation to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline	107.6	87.6	81.7	5.9	By the end of 2023
For the construction of an upstream production facility and downstream purification facility	88.2	28.2	6.2	22.0	By the end of 2023
For the purchase of land from the Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base	117.9	117.9	94.9	23.0	By the end of 2023
For our working capital, expanding internal capabilities and other general corporate purposes	137.2	152.2	131.3	20.9	N/A
Collaboration with D2M Group	38.8	38.8	38.8	–	N/A
Total	1,272.8	1,272.8	1,017.9	254.9	

Notes:

(1) Planned applications as revised and disclosed in the Company's announcements dated 22 July 2020, 14 August 2020, 21 March 2022 and 20 March 2023.

(2) The expected timeline for utilising the unutilised net proceeds is based on the best estimation made by the Group. It is subject to change based on the future development and events which may be outside of the Group's control.

(3) As the discovery and development of new drug candidates not currently in pipeline is a continuous and ongoing process, the Company is unable to set out a detailed timeline for the utilisation of such net proceeds.

Such utilisation of the net proceeds was in accordance with the planned applications as set out in the above. The unutilised portion of the net proceeds will be applied in a manner consistent with the above planned applications.

R&D ACTIVITIES OF FLAGSHIP PRODUCT

Our flagship product SM03 (Suciraslimab) is a potential first-in-target anti-CD22 mAb for the treatment of rheumatoid arthritis (RA) and other immunological diseases such as Sjogren's syndrome (SS), as well as indications in other therapeutic areas. Suciraslimab is expected to be our first commercially available drug candidate in RA. We hypothesised and demonstrated that Suciraslimab adopts a novel mechanism of action which differentiates itself from the current treatments available in the market. Our experimental evidence indicates that upon binding to CD22, Suciraslimab converts the configuration of CD22, changing it from a cis-binding configuration to a trans-binding configuration. Conversion of cis-binding CD22 to trans-binding CD22 allows the B cell to differentiate self from non-self and modulates B cells that trigger autoimmune attacks on autologous tissues, thereby alleviating symptoms in autoimmune diseases such as RA.

On 31 December 2021, SM03 (Suciraslimab) phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the target number. The expected time to file our BLA with the NMPA is in the third quarter of 2023 at the earliest, and subsequent commercialisation of Suciraslimab will usually happen 10 to 12 months after the BLA submission.

The expenditure on the R&D activities of Suciraslimab primarily consisted of:

- third party contracting costs incurred under agreements with consultants, contract research organisations and clinical trial sites that conduct R&D activities on the Group's behalf;
- costs associated with purchases of raw materials;
- employee salaries and related benefit costs; and
- expenses associated with inspection and maintenance of facilities, depreciation and amortisation, travel expenses, insurance, utilities and other supplies.

During the Reporting Period, the Group incurred approximately RMB104.8 million on the R&D activities of Suciraslimab.

For details of our flagship product SM03 (Suciraslimab), please refer to "Management Discussion and Analysis" of this annual report.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to ultimately develop and market Suciraslimab successfully.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

R&D risk of new drugs

Classified as technical innovations, the R&D of new drugs is characterised by long R&D cycles, significant investment, high risks and a low success rate. From laboratory research to obtaining approval, new drugs have to go through a lengthy process linked by complicated stages, including pre-clinical studies, clinical trials, registration and marketing of new drugs and after-sales supervision. Any of the above stages is subject to the risk of failure.

The Company will strengthen its forward-looking strategic research, and determine the direction of new drug R&D according to the needs of clinical drug use. The Company will also formulate reasonable new drug technology solutions, continuously increase the investment in R&D of new drugs, and uphold the principle of prudence in launching R&D projects for new drugs. In particular, the Company implements phase-based assessments on product candidates in the course of R&D. If it is found that the expected result cannot be achieved, the subsequent R&D of such product candidates will be terminated at once, so as to minimise the R&D risk of new drugs.

Market competition risk

The R&D and commercialisation of new drugs is highly competitive. The Company's recent drug candidates and any new drugs that may be sought for R&D and commercialisation in the future will face competition from pharmaceutical companies and biotechnology companies around the world. The Company's commercial opportunity could be reduced or eliminated if our competitors develop and commercialise drugs that are safer, are more effective or have fewer side effects than the drugs we have developed. The Company's competitors may also obtain approval from the NMPA or FDA sooner than the Company obtaining approval for its drugs, such that the competitors may establish a strong market position before the Company is able to enter the market. The Company will maintain its market competitiveness with its rapid advancement in R&D and clinical trials of drugs, corroborant efficacy and stable production process.

Quality control risk of drugs

The quality and safety of drugs not only concern the health of drug users but also arouse wide public concern. Due to various factors, drugs are subject to quality control risks in all stages, including R&D, manufacturing, distribution and use. Therefore, risk control runs through the entire process of drug development, manufacturing, distribution and use. The Company will secure necessary resources, strengthen training in risk management, and improve various rules and regulations, so as to ensure strict compliance with the GMP standards and control the quality risk of drugs.

Risk of not making profit in short run

One of the most prominent characteristics of the biopharmaceutical industry is a long profit cycle. Generally, a biopharmaceutical enterprise at the R&D stage takes a longer time to reach profitability. As an early-stage biopharmaceutical enterprise, the Company is under a period of making significant R&D investment. With the further supplement of product pipelines, as well as rapid advancement in domestic and international clinical trials for drug candidates, the Company will continue to make significant R&D investment. Our future profit will depend on the marketing progress of drug candidates and the sale of marketed drugs. In addition, significant R&D investment, business promotion costs and operation costs create more uncertainties over making profits. Therefore, the Company is subject to the risk of not making a profit in the short run.

Risk of industry regulations and policies

In view of the various reforms in the medical industry, encouragement of innovation and reduction in drug prices by pharmaceutical enterprises have become an inevitable trend. The Company will adapt to changes in external policies and strive to enhance R&D, in order to respond to challenges through innovation. The Company will also adhere to legal compliance by adapting its business activities to changes in regulatory policies, thereby preventing policy risks.

In the face of industry and policy risks, the Company will adapt to changes in external policies by continuous improvement in capabilities of innovation and sustainable development, increased R&D investment, accelerated clinical trials and launching of innovative drugs, in order to respond to challenges through innovation. On this basis, the Company will further expand its production capacity and reduce the unit cost of its products, so as to address the trend of price reduction of drugs.

Foreign exchange risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group’s financial condition and results of operations.

In response to the foreign exchange risk, the Company seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position to reduce the impact of the foreign exchange risk on the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has established a number of governance policies and embedded into our business processes. Those governance policies covers areas of internal control, corporate governance, code of conduct of Directors, Senior Management and Employees, environmental and social responsibilities, as well as stakeholder communication. Details of relevant policies are provided under the Corporate Governance Report and Environmental, Social and Governance Report of this report and/or on the website of the Company. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that may have a significant impact on the Group concerning employment, occupational health and safety or labour standards, product responsibility, anti-corruption and environmental responsibility.

RELATIONSHIP WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees.

The Group also understands the importance of maintaining a good relationship with various other stakeholders, including the Shareholders and the community. The Group actively listens to and responds to the demands of its stakeholders.

ENVIRONMENTAL POLICY

The Group deeply understands the importance of environmental protection and resource conservation. The Group advocates environmentally responsible values and behaviours and strives to implement an environmentally friendly operating model.

Our main operating model concerns daily office work, laboratory operations, and small-scale drug production (used for pre-clinical research and clinical trials). The resource consumption involved is mainly electricity, tap water, steam, and gasoline. We have established the Daily Management System for Energy Conservation and Emission Reduction (《節能減排日常管理制度》), which provides a systematic management basis for resource management in all operating links, and the Administration Department is responsible for promoting the effective implementation of the management system. At the same time, with the Human Resources Department as the main organisational department, we aim to strengthen energy-saving awareness among employees.

In addition, the Group places paramount importance on the compliance management of emissions, and have formulated Laboratory Waste Management Regulations (《實驗室廢棄物管理規程》), Hazardous Waste Management Regulations (《危險廢物管理規程》), and Three Waste (Waste Gas; Waste Water; Industrial Residue) Management Regulations (《三廢管理規程》) and other policies to standardise the implementation of emission regulations.

During the Reporting Period, the Group did not have any material violations of environmental laws and regulations of the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2022, the Company has not commercialised its products and there was no customer.

The Group's largest supplier accounted for 17.6% of its total purchases, and the five largest suppliers accounted for 46.8% of its total purchases.

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of Company's issued shares) had an interest in the five major suppliers or customers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2022 are set out in note 1 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

There was no distributable reserve as at 31 December 2022.

EQUITY-LINKED AGREEMENTS

(a) Subscriptions of new shares under general mandate

On 16 November 2022, the Company completed an issue of 28,680,000 new ordinary shares at a subscription price of HK$1.78 per share to two subscribers and raised net proceeds of approximately HK$50,890,400, representing a net subscription price of approximately HK$1.77 per subscription share (the "**Subscription**"). The subscription price of HK$1.78 per share represents (i) the closing price per Share of HK$1.78 as quoted on the Stock Exchange on 2 November 2022, being the date of the subscription agreements; and (ii) a discount of approximately 0.56% to the average closing price per Share of HK$1.79 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the subscription agreements. Each of the investors, namely Ms. Shun Kuen CHAN and Mr. Shanchun WANG subscribed 14,340,000 new ordinary shares.

The Subscription was conditional upon the approval of the listing of, and permission to deal in, all the new shares being granted by the Listing Committee of the Stock Exchange. Approval was given by the Stock Exchange in November 2022.

The Directors consider that the Subscriptions represent a good opportunity for the Company to raise capital to meet the Company's funding needs and strengthen the shareholding base of the Company.

The unutilised balance of the net proceeds as at 31 December 2022 was approximately HK$50,651,400. After careful consideration and detailed evaluation of the Group's operations and business strategy, the Board resolved to change the use of unutilised net proceeds on 20 March 2023.

Change in use of proceeds raised from the share subscriptions

As the result of adjustment on clinical study strategy for SN1011, the planned submission of IND application for the treatment of MS in the U.S. in the third quarter of 2022 and the follow-up global Phase II clinical trial in the fourth quarter of 2022, as well as the planned initiation of the Phase II clinical study for NMOSD in China, will be re-scheduled. The Company decided to reallocate HK$39,580,400 from the use of net proceeds raised from the share subscriptions from *"Further advance the Company's R&D programmes, expand its R&D team, build its commercialisation team, develop its proprietary technology and enhance its full-spectrum platform — for R&D programmes of SN1011 especially for the Phase II clinical study for neuromyelitis optica spectrum disorder (NMOSD) in China for the trial expense and related production cost"* to *"For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03"* for supporting the BLA filing with NMPA and preparation of commercialisation from the third quarter of 2023 at the earliest.

The Board considered that the above change in use of proceeds from the share subscription would allow the Group to deploy its financial resources more efficiency and therefore, is in the best interest of the Company and its Shareholders as a whole and it will not have any material adverse effect on the existing business and operation of the Group.

Intended use of the proceeds	Planned application *Approximate (HK$)*	Revised allocation *Approximate (HK$)*	Details of usage	Actual utilisation up to 31 December 2022 *Approximate (HK$)*	Unutilised net proceeds as at 31 December 2022 *Approximate (HK$)*	Expected timeline for full utilisation of the unutilised net proceeds
(i) For the R&D and commercialisation of our drug candidate	–	39,580,400	For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; and (ii) New Drug Application registration filings and the commercial launch of SM03.	–	39,580,400	By the end of 2023
(ii) Further advance the Company's R&D programmes, expand its R&D team, build its commercialisation team, develop its proprietary technology and enhance its full-spectrum platform	39,819,400	239,000	For R&D programmes of SN1011, especially for the Phase II clinical study for neuromyelitis optica spectrum disorder (NMOSD) in China, for the trial expense and related production cost.	239,000	–	By the end of 2023

Intended use of the proceeds	Planned application *Approximate (HK$)*	Revised allocation *Approximate (HK$)*	Details of usage	Actual utilisation up to 31 December 2022 *Approximate (HK$)*	Unutilised net proceeds as at 31 December 2022 *Approximate (HK$)*	Expected timeline for full utilisation of the unutilised net proceeds
	3,988,000	3,988,000	To fund the expansion of R&D team.	–	3,988,000	By the end of 2023
	1,994,000	1,994,000	To build the Company's commercialisation team, develop its proprietary technology and enhance the Company's full-spectrum platform.	–	1,994,000	By the end of 2023
(ii) For general working capital purpose	5,089,000	5,089,000	For the general working capital of the Group, including but not limited to staff employment cost and rental and property management fees.	–	5,089,000	By the end of 2023
Total	50,890,400	50,890,400		239,000	50,651,400	

Save as disclosed in this paragraph headed "Subscriptions of new shares under general mandate" to this annual report, the Company has not conducted any equity fund raising activities during the Reporting Period.

(b) Share Options

The Company operates a share option scheme adopted at the extraordinary general meeting of the Company held on 26 October 2022 ("**2022 Share Option Scheme**"). Details of movements in the Company's 2022 Share Option Scheme are disclosed under the sub-section headed "SHARE INCENTIVES" to this section and note 27 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

SHARE INCENTIVES

During the Reporting Period, the Company maintained three share incentive schemes, including Restricted Share Unit Scheme, Share Award Scheme and Share Option Scheme. The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue for the Reporting Period is 0.025.

Restricted Share Unit Scheme

On 14 December 2021, all restricted share units ("**RSUs**") under the restricted share unit scheme (the "**RSU Scheme**") had been granted and vested. As at the date of this report, the total number of Shares available for issue under the RSU Scheme is 0. At the beginning of the Reporting Period, there was no awards available for grant and no unvested RSUs under the RSU Scheme. The RSU Scheme was terminated by the Board with effect from 20 March 2023.

The RSU Scheme was conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019. The principle terms of the RSU Scheme are set out in the section headed "Statutory and General Information — E. Scheme" in Appendix IV of the Company's Prospectus dated 31 October 2019. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate shall be 36,174,400 Shares. On 5 March 2020, the Company appointed Computershare Hong Kong Investor Services Limited to manage the RSU Scheme. For the purpose of the operation of the RSU Scheme, on 25 March 2020, Skytech Technology Limited, a company wholly-owned by Dr. Shui On LEUNG, transferred 36,174,400 Shares to Computershare Hong Kong Nominees Limited which holds such Shares for the beneficiaries of the RSU Scheme.

The Company may grant RSUs to existing employees, Directors (whether executive or non- executive, but excluding independent non-executive Directors) or officers of the Group and any person(s) whether or not an employee or officer of the Group whom the Board considers to be able to enhance the operations or value of our Group. The Board may determine from time to time the maximum number of RSUs which may be provisionally awarded by the Board to any selected participant.

An award of RSUs gives a participant in the RSU Scheme a conditional right to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion.

The purpose of the RSU Scheme is to incentivise the Directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company. The Board will select participants to receive RSUs under the RSU Scheme at its discretion.

The Board may determine in its absolute discretion, any vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the grant letter.

The grant and vesting of any RSUs, which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.07 of the Listing Rules.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved and the vesting period, and comply with Chapter 14A of the Listing Rules.

On 5 June 2020, the Company granted 10,062,404 RSUs under the RSU Scheme in respect of 10,062,404 Shares to an employee of the Company and the said RSUs were vested on the same date. Please refer to the announcement of the Company dated 5 June 2020 for further information.

On 14 December 2021, the Company granted 26,111,996 RSUs under the RSU Scheme in respect of 26,111,996 Shares to Mr. Jing QIANG (the "**Grantee**") (the "**Grant**") and the said RSUs were vested on the same date.

There is no purchase price for above granted RSUs.

As at the date of the Grant, the Grantee was a Director and the Grant formed part of his remuneration under his service contract, and was fully exempt from the reporting, announcement and independent Shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules. Please refer to the announcement of the Company dated 23 December 2021 for further information.

After the Grant, all RSUs under the RSU Scheme have been granted and vested.

Share Award Scheme

A share award scheme as amended from time to time, (the "**Share Award Scheme**") was adopted by the Company on 4 February 2021 (the "**Adoption Date**"). The purposes of the Share Award Scheme are to incentivize our directors, senior management, employees and consultants for their contribution to our Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company and to promote the success of our Company's business.

Under the Share Award Scheme, the Board or an authorized person may select any eligible person and grant an award (the "**Award**") to the selected participants ("**Selected Participants**"). Any individual, being an employee or director of any member of the Group who the Board or an authorized person (as the case may be) considers, in its sole discretion, to have contributed or will contribute to the Group, are eligible person under the Share Award Scheme ("**Eligible Person**"). However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or an authorized person, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Share Award Scheme and such individual shall therefore be excluded from the term Eligible Person. Computershare Hong Kong Trustees Limited (the "**Trustee**") has been appointed by the Company as the trustee for the Share Award Scheme. To satisfy an Award, the Company shall transfer to the trust the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price or through manual trades.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date until 3 February 2031, unless otherwise terminated under the terms of the Share Award Scheme.

The maximum number of Award Shares throughout the duration of the Share Award Scheme is 50,312,020 Shares, being 5% of the issued Shares of the Company as at the Adoption Date. The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme is 20,124,808 Shares, being 2% of the issued Shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 4 February 2021. The vesting schedule will be set out in the grant letter for each grant.

During the Reporting Period, a total of 1,140,000 Awards were granted to the employees by the Company pursuant to the Share Award Scheme. There were 18,095,500 Awards at the beginning and 16,955,500 Awards held by the Trustee at the end of the Reporting Period available for grant under the Share Award Scheme. No Share was purchased by the Trustee from the market during the Reporting Period. As at the date of this report, there are 16,955,500 Awards under the Share Award Scheme, being 1.64% of the issued Shares of the Company, are available for grant.

Details of movement of Awards under the Share Award Scheme during the Reporting Period were as follows:

		Number of shares							
Date of Grant	Categories of Selected Participants	Fair value per share HK$ *(Note a)*	Weighted average closing price immediately before the Awards were vested	Unvested as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ Cancelled during the year	Unvested as at 31 December 2022	Vested Dates
26 September 2022	Employees *(Note b)*	1.84	1.80	–	500,000	500,000	–	–	26 September 2022
10 October 2022	Employees	1.82	1.82	–	640,000	640,000	–	–	10 October 2022

Note:

a. The fair value of the awarded shares was based on the closing price per share at the date of grant, details of basis for fair value measurement and information in relation to features of awards incorporated into the measurement are disclosed in note 27(b) to the consolidated financial statements.

b. The employee is one of the five highest paid individuals.

c. The Trustee transferred such Shares to the Selected Participants at no consideration upon the vesting date specified by the Board.

Share Option Scheme

A share option scheme was adopted by the Shareholders on 26 October 2022 (the "**Adoption Date**") ("**2022 Share Option Scheme**"). Pursuant to the 2022 Share Option Scheme, the Board may grant options to eligible participants to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein.

The purpose of the 2022 Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company, to provide incentives to the Participants, and to recognise their contributions made and to be made to the growth and development of the Group and for such other purposes as the Board may approve from time to time.

Any employee (whether full-time or part-time), director, service provider of any member of the Group, is participants ("**Participant**") under the 2022 Share Option Scheme, provided that the Board may have absolute discretion to determine whether or not one falls within this category. The maximum number of shares which may be issued upon exercise of all share options to be granted under this 2022 Share Option Scheme and any grants made under any other schemes of the Company shall not exceed 50,312,020, representing 5% of the total number of shares in issue on the Adoption Date (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to service providers shall not exceed 10,062,404 Shares, representing 1% of the total number of Shares in issue on the Adoption Date (the "**Service Provider Sublimit**"). The grantee shall pay HK$1.00 by way of consideration for the grant within the period stipulated in the offer letter. There were 50,312,020 share option (including 10,062,404 share option under Service Provider Sublimit) available for grant on the Adoption Date and 25,156,000 share options (including 10,062,404 share options under Service Provider Sublimit) available for grant at the end of the Reporting Period. The total number of shares available for issue under the 2022 Share Option Scheme is 25,156,020, representing 2.43% of the issued shares of the Company as at the date of this annual report. The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

The options may by exercised during such period determined by the Board and specified in the offer letter to the grantee, which may be varied by the Board in accordance with the terms of the 2022 Share Option Scheme, provided that it shall not under any circumstances exceed ten years from the date of grant of the relevant option. The vesting period of options granted under the 2022 Share Option Scheme shall be determined by the Board subject to a minimum period set out in the rules of the 2022 Share Option Scheme.

The Board may delegate all or part of the administration to the chief executive officer, a committee or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board.

The exercise price of the options shall not less than the highest of (i) the exercise price closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant. The 2022 Share Option Scheme remains in force until 25 October 2032 unless otherwise terminated under the terms of the 2022 Share Option Scheme.

Details of movement of Options under the 2022 Share Option Scheme during the Reporting Period were as follows:

		Number of shares									
Date of Grant	Categories of Selected Participants	Fair value per Share HK$ *(Note a)*	Closing price per Share immediately before the options of grant	Weighted average closing price immediately before the Options were exercised or vested	Outstanding as at 1 January 2022	Granted during the year	Vested during the year	Exercised/ Lapsed/ Cancelled during the year	Outstanding as at 31 December 2022	Exercise Price per Share (HK$)	Vesting Date	Exercise Period
3 November 2022	Employees	1.75	1.78	N/A	–	25,156,000	–	–	25,156,000	1.79	4 November 2023	4 November 2023 to 2 November 2032

Notes:

a. The fair value of the awarded shares was based on the closing price per share at the date of grant.

b. The fair value of the share options granted during the year was estimated as at the date of grant using a binomial model, details of significant assumptions and inputs used in that pricing model are disclosed in note 27(c) to the consolidated financial statements.

DIRECTORS

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

Executive Director

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Ms. Wenyi LIU
Ms. Jie LIU
Mr. Lei SHI
Mr. Senlin LIU *(retired, effective from 13 June 2022)*

Independent Non-executive Directors

Mr. George William Hunter CAUTHERLEY
Mr. Ping Cho Terence HON
Dr. Chi Ming LEE
Mr. Dylan Carlo TINKER

Details of the Directors' biographies are set out on pages 23 to 27 of this annual report.

During the year ended 31 December 2022, Mr. Senlin LIU, for the purpose of devoting more time to his personal business engagement, retired from office by rotation and did not offer himself for re-election at the 2022 annual general meeting.

In accordance with Article 111(a) of the Articles, the following Directors will retire from office by rotation at the 2023 Annual General Meeting:

(i) Mr. George William Hunter CAUTHERLEY;

(ii) Dr. Haigang CHEN;

(iii) Mr. Xun DONG; and

(iv) Mr. Dylan Carlo TINKER.

All of the above retiring Directors, being eligible for re-election at the 2023 Annual General Meeting, have offered themselves for re-election at the 2023 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Listing Rules, will be set out in the circular.

CHANGE IN INFORMATION OF DIRECTORS

There was no change in information of Directors, which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30 June 2022.

Service Agreement

Dr. Shui On LEUNG has entered into a service agreement with the Company on 18 October 2019 (i) for an initial fixed term of three years commencing from 12 November 2019 and (ii) subject to re-appointment and termination in accordance with the terms thereunder.

We have issued a letter of appointment to each of Ms. Wenyi LIU, Dr. Haigang CHEN and Mr. Senlin LIU on 18 October 2019 (i) for an initial fixed term of three years commencing from 12 November 2019 and (ii) subject to re-appointment and termination of their respective letter of appointment. We have also issued a letter of appointment to Mr. Xun DONG on 23 December 2019, Ms. Jie LIU on 14 December 2021 and Mr. Lei SHI on 17 December 2021 (i) for a term of three years with effect from the respective issue date, and (ii) subject to re-appointment and termination of their respective letter of appointment. The letter of appointment to Mr. Senlin LIU was terminated due to his retirement on 13 June 2022.

We have issued a letter of appointment to each of Mr. Ping Cho Terence HON and Mr. Dylan Carlo TINKER on 18 October 2019 (i) for an initial fixed term of three years commencing from 31 October 2019 and (ii) subject to re-appointment and termination of their respective letter of appointment. We have also issued a letter of appointment to each of Mr. George William Hunter CAUTHERLEY on 23 December 2019 and Dr. Chi Ming LEE on 15 June 2021, both are (i) for a term of three years commencing from the issue date and (ii) subject to re-appointment and termination of their respective letter of appointment.

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

Permitted Indemnity Provision

Pursuant to the Company's Articles, subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto. Subject to the applicable laws and the Company's Articles, the Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' Rights to Acquire Shares or Debentures

None of the Directors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiaries, or had exercised any such right during the Reporting Period.

Competing Interest and Other Interest

None of the Directors or any entity connected with them has any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Group's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at the end of the year or at any time during the Reporting Period.

None of the Directors and their respective associates had an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed herein, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the Reporting Period or at any time during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

Management Contracts

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

Remuneration Policy

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 9 and 10 to the consolidated financial statements.

DIRECTORS OF SUBSIDIARIES

A list of names of the directors who held office in the Company's subsidiaries during the Reporting Period and up to the date of this annual report is available on the Company's website (www.sinomab.com).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were entered in the register pursuant to section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ chief executive	Capacity/nature of interest(1)	Number of Shares	Approximate percentage of shareholding(2)
Ms. Wenyi LIU(3)	Interest in a controlled corporation and interest of spouse	285,703,036	27.61%
Dr. Shui On LEUNG(4)	Interest in a controlled corporation	129,729,200	12.54%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2022, the Company had 1,034,920,400 issued Shares.

(3) As at 31 December 2022, 212,879,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Liu. Ms. Liu is deemed to be interested in these Shares for the purposes of the SFO. The interest in the other 72,823,636 Shares were held by Mr. Jing QIANG, of which 46,711,640 Shares were held through Grogene Technology Limited (格擎生物科技有限公司) which is wholly owned by Mr. Jing QIANG. Ms. Liu is the spouse of Mr. Qiang who is deemed to have an interest in the 72,823,636 Shares for the purposes of the SFO.

(4) As at 31 December 2022, these Shares were held by Skytech Technology, which is wholly owned by Dr. Leung.

Save as disclosed above, as at 31 December 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, 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 recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, to the best knowledge of the Directors, the following persons/entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which had been disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Mr. Jing QIANG[4]	Beneficial interest, interest in a controlled corporation and interest of spouse	285,703,036	27.61%
Apricot Capital (上海杏澤投資管理有限公司)[5][6][7]	Interest in a controlled corporation	212,879,400	20.57%
Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥))[5][7]	Interest in a controlled corporation	212,879,400	20.57%
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)[8]	Beneficial interest	158,882,115	15.35%
Skytech Technology[3]	Beneficial interest	129,729,200	12.54%
Apricot Oversea Holdings Limited[5]	Beneficial interest	108,306,000	10.47%
Ms. Sijia XU[9]	Beneficial interest	89,802,105	8.68%
West Biolake Holdings Limited[6]	Beneficial interest	72,339,000	6.99%
China Citic Bank Co., Ltd., Haikou Branch[8]	Person having a security interest in Shares	158,882,115	15.35%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2022, the Company had 1,034,920,400 issued Shares.

(3) Skytech Technology is a company wholly owned by Dr. Shui On LEUNG.

(4) As at 31 December 2022, 72,823,636 Shares were held by Mr. Jing QIANG of which 46,711,640 Shares were held through his wholly owned company, Grogene Technology Limited (格擎生物科技有限公司). The interest in the other 212,879,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Wenyi LIU. Mr. Qiang is the spouse of Ms. Liu who is deemed to be interested in these Shares for the purposes of the SFO.

(5) Apricot Oversea Holdings Limited is the overseas holding platform of Xingze Xinghe and Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥)) ("**Jianyi Xinghe**"), holding as to approximately 9% and 1.47% of the issued Shares as at 31 December 2022, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) ("**Yueyi Investment**") are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea Holding Limited.

(6) West Biolake Holdings Limited is the overseas holding platform of Xingze Xingzhan. Apricot Capital is the general partner of Xingze Xingzhan. For the purpose of the SFO, Apricot Capital is deemed to have an interest in the Shares held by West Biolake Holdings Limited.

(7) Save as Apricot Capital's deemed interest in West Biolake Holdings Limited and Apricot Oversea Holdings Limited pursuant to the SFO, Apricot Capital is the general partner of Xingze Xingzhan. Apricot BioScience Holdings, L.P. held approximately 1.28% of the issued Shares as at 31 December 2022. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.06% and 0.78% of the issued Shares as at 31 December 2022, respectively. Apricot Capital was owned by Ms. Wenyi LIU, a non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* (上海佐禾投資管理有限公司) ("**Zuohe Investment**") as to 40% and 60%, respectively as at 31 December 2022. Zuohe Investment was owned by Ms. Liu and an independent third party as to 51% and 49% as at 31 December 2022, respectively. For the purpose of the SFO, Ms. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment.

(8) Pursuant to a share charge where Hainan Haiyao Co., Ltd. (海南海藥股份有限公司) ("**Hainan Haiyao**") charged 158,882,115 Shares to China Citic Bank Co., Ltd., Haikou Branch ("**China Citic Bank**"), China Citic Bank had a security interest in 158,882,115 Shares which were beneficially owned by Hainan Haiyao.

(9) Pursuant to a share charge where Ms. Sijia XU charged 51,000,000 Shares to Haikou City Rural Credit Cooperatives* (海口市農村信用合作聯社), Haikou City Rural Credit Cooperatives had a security interest in 51,000,000 Shares which were beneficially owned by Ms. Xu.

* *For identification purpose only*

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Connected Transaction under Supplemental Lease Agreement

On 1 December 2022, a supplemental lease agreement was entered into between SinoMab BioScience (Hainan) Limited* (海南賽樂敏生物科技有限公司) ("**Hainan SinoMab**"), a wholly owned subsidiary of the Company, as Lessee, and Haikou Pharmaceutical Factory Co., Ltd (海口市製藥廠有限公司) ("**Haikou Pharma**"), as Lessor, to increase the annual rent for the Property and Equipment (as hereinafter defined) from RMB4,959,305 to RMB9,400,000 for the term from 1 January 2022 to 31 December 2025 ("**Supplemental Lease Agreement**"). The property is located at Haiyao Industrial Park, 192 Nanhai Avenue, Xiuying District, Haikou, Hainan Province, the People's Republic of China with a total gross floor area of 4,526.4 square meters ("**Property**") and the equipment includes a pilot plant, quality control laboratories, research and development laboratories and equipment for production and testing ("**Equipment**").

The entering into of the Supplemental Lease Agreement was made in response to Hainan Pharma's written request to increase the annual rent to RMB9.4 million for the term from 1 January 2022 to 31 December 2025 for the reason that their operating and maintenance costs for the Property and Equipment were much higher than the annual rent paid by Hainan SinoMab. Hainan Pharmaceutical stated in the written request that it would terminate the lease agreement if Hainan SinoMab does not accept the rent increment request.

Considering (i) the Group has been operating in the Property with the Equipment since 2016 for production which serve for clinical and initial marketing needs; (ii) BLA application (Biologies Licence Application) and GMP (Good Manufacture Practice) on-site inspection of SM03, the flagship product and the expected first commercially available drug candidate of the Company, have been carrying out with the Property and Equipment; (iii) the increased annual rent of RMB9,400,000 is at a fair market value; (iv) as the expected timeline for commercialisation will be affected by re-location and looking for another suitable property and equipment; and (v) to maintain the stability of use of production center especially at the early stage of commercialisation of SM03, the Group accepted the request from Haikou Pharma to increase the annual rent for the Property and Equipment.

Haikou Pharma is a subsidiary of Hainan Haiyao which is, a substantial shareholder of the Company, and is therefore a connected person of the Company. As at the date of the Supplemental Lease Agreement, Hainan Haiyao held approximately 15.35% equity interests in the Company. Therefore, the transaction under the Lease Agreement constituted a one-off connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 1 December 2022 and the section "CONNECTED TRANSACTIONS — (2) Lease Agreement (in respect of the Rental)" in the Prospectus of the Company dated 31 October 2019 for more details.

Continuing Connected Transactions under License Agreement

As disclosed in the announcement of the Company dated 17 September 2021 and the circular of the Company dated 24 November 2021 (the "**Circular**"), a license agreement (the "**License Agreement**") was entered into on 16 September 2021 between the Company and Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司) now known as Evopoint Bioscience Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司) ("**Suzhou Sinovent**") (together with the Company, as the "**Licensor**") and Everest Medicines II (HK) Limited (as the licensee, "**Everest HK**"), pursuant to which the Licensor shall grant an exclusive, sublicensable, royalty-bearing license of all patents, know-how, trademarks and technology relating to SN1011, a BTK inhibitor, in the field of treatment of renal diseases to Everest HK in worldwide. The term of the License Agreement shall be from the first business day after all the conditions precedent of the License Agreement are satisfied or otherwise waived by Everest HK in writing to the last date of royalty term which shall be up to year 2042.

Under the License Agreement, the Licensor would receive US$12 million in upfront (US$4 million as to the Company and US$8 million as to Suzhou Sinovent according to the payment method under the License Agreement) and up to US$549 million in total development and sales milestones (up to US$183 million as to the Company and up to US$366 million as to Suzhou Sinovent according to the said payment method), and royalties. The Company has followed the pricing policy disclosed in the Circular. The Company, pursuant to the Licence Agreement, received US$4 million upfront payment in 2021.

Suzhou Sinovent is a close associate of Mr. Jing QIANG and Ms. Wenyi LIU, both were non-executive Directors as at the date of the License Agreement and are therefore, the Company's connected person. Accordingly, the transactions under the License Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules and were subject to the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Royalties under the License Agreement will constitute continuing connected transactions of the Company. Under Rule 14A.53 of the Listing Rules, a listed issuer is required to set a monetary annual cap for the continuing connected transactions. However, it is not practicable for the Company to estimate the maximum amount payable by Everest HK to the Licensor at time of the Circular or when it seeks independent Shareholders' approval at the extraordinary general meeting of the Company held on 14 December 2021 (the "**EGM**"). In addition, it would create undue uncertainty for Everest HK if the License Agreement and the transactions contemplated under it would be subject to further approval by the independent Shareholders of the Company after Everest HK have achieved net sales for a certain number of years. Therefore, as disclosed in the Circular, the Company applied to the Stock Exchange for, and the Stock Exchange granted the Company, a waiver under Rule 14A.53 of the Listing Rules from strict compliance with the monetary annual cap requirement. Since the License Agreement is longer than 3 years, the Company also appointed an independent financial adviser to explain why the License Agreement requires a period of longer than 3 years and to confirm that it is normal business practice for agreements of this type to be of such duration.

The entering into of the License Agreement was approved by the independent Shareholders of the Company at the EGM. The License Agreement became unconditional on 15 December 2021, being the first business day after all conditions precedent of the License Agreement have been satisfied.

Further details relating to the License Agreement were disclosed in the announcements of the Company dated 17 September 2021 and the Circular.

No continuing connected transactions has taken place during the Reporting Period.

POTENTIAL NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus and announcement of the Company dated 17 September 2021 and the circular of the Company dated 24 November 2021, as part of the arrangements under the BTK Transfer and Collaboration Agreement entered into between the Company and Suzhou Sinovent on 30 March 2019 (as supplemented by the supplemental agreement to the BTK Transfer and Collaboration Agreement dated 16 September 2021 ("**Supplemental Agreement**")), the Company and Suzhou Sinovent agreed the following revenue sharing arrangements:

Under the revenue sharing arrangement of the BTK Transfer and Collaboration Agreement, the Company agreed to pay Suzhou Sinovent the following fees which will be settled annually:

(i) In relation to any future sales of the product of the techniques and applications of BTK inhibitor (which was subsequently named SN1011) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it (the "Immunological Subject") in the PRC market

Payment to Suzhou Sinovent	=	5% x Proceeds (after relevant taxation) from any future sales of the product of the Immunological Subject in the PRC market

(ii) In relation to any future sales of the product of the Immunological Subject in the overseas market

Payment to Suzhou Sinovent	=	10% x Proceeds (after relevant taxation) from any future sales of the product of the Immunological Subject in the overseas market

Under the revenue sharing arrangement of the Supplemental Agreement which was approved on the extraordinary general meeting of the Company held on 14 December 2021 by its independent Shareholders, the Company and Suzhou Sinovent agreed to share the revenue as follow:

(iii) In the event the Company and Suzhou Sinovent together or separately license-out the BTK Rights (including any rights in respect the product of the Immunological Subject ("Immunological Rights") and the rights to all techniques and application of SN1011 in relation to other diseases ("Remaining IP Rights")):

Entitlement to Suzhou Sinovent	=	two-thirds (approximately 67%) of the proceeds arising from the license-out of the BTK Rights
Entitlement to the Company	=	one-third (approximately 33%) of the proceeds arising from the license-out of the BTK Rights

As at the date of this annual report, Ms. Wenyi LIU, our non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent. Suzhou Sinovent is a close associate of Ms. Liu and therefore, the Company's connected person. Specifically, as at the date of this annual report, Mr. Jing QIANG, a substantial shareholder and the spouse of Ms. Liu, directly held approximately 0.52% in Suzhou Sinovent. Mr. Qiang indirectly controlled in aggregate approximately 38.75% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan bonded port Youxiao Business Management Center, L.P.* (寧波梅山保稅港區猷霄企業管理中心(有限合夥)), Suzhou Youyao Business Management Center, L.P.* (蘇州佑曜企業管理中心(有限合夥)) and Ningbo Meishan bonded port Chenghuaiyangguan Business Management Center, L.P.* (寧波梅山保稅港區騁懷仰觀企業管理中心(有限合夥)) and Shanghai Xingwei Investment Partnership (Limited Partnership)* (上海杏微投資合夥企業(有限合夥)), each a limited partnership incorporated in the PRC and was ultimately controlled by Mr. Qiang as its general partner.

In addition, as at the date of this annual report, Suzhou Sinovent was held as to 4.70% by Shanghai Xinghe Medical Management Partnership (Limited Partnership)* (上海杏赫醫療管理合夥企業(有限合夥)), and as to 0.53% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)* (杭州杏澤興福投資管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Ms. Liu as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 55.50% as at the date of this annual report.

The revenue sharing arrangements under the BTK Transfer and Collaboration Agreement was determined after arm's length negotiations between the Company and Suzhou Sinovent, taking into account the fact that it is common practice to share future sales revenue and proceeds from transfer of a sub-licensing rights under comparable drug candidate transfer agreements, which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market.

As disclosed in the announcement of the Company dated 17 September 2021 and the circular of the Company dated 24 November 2021, the Supplemental Agreement amended, among others, the revenue sharing arrangements under the BTK Transfer and Collaboration Agreement. The purpose of entering into of the Supplemental Agreement was to increase potential licensing-out opportunities for Immunological Rights and to gain financial benefit from license-out together with Suzhou Sinovent for the BTK Rights. Under the Supplemental Agreement, the revenue sharing arrangement between the Company and Suzhou Sinovent is not limited to the licensing-out of the Company's Immunological Rights but allows the Company to benefit from the revenue generated from the Remaining IP Rights (including but not limited to, in terms of indications related to oncological diseases) owned by Suzhou Sinovent. This is expected to generate substantial income to the Company.

Under Rule 14A.53 of the Listing Rules, a listed issuer is required to set a monetary annual cap for the continuing connected transactions. It is impracticable and extremely difficult for the Company to set monetary annual caps for the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. Therefore, as disclosed in the Prospectus, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver under Rule 14A.53 of the Listing Rules from strict compliance with the momentary annual cap requirement.

* *For identification purpose only*

In addition, the duration of the BTK Transfer and Collaboration Agreement is of an indefinite term. Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for the Company to set a contractual term not exceeding three years in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. Therefore, as disclosed in the Prospectus, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the momentary annual cap requirement. For details of the basis for not setting annual caps for the revenue sharing arrangements and not setting a contractual term less than three years in respect of the revenue sharing arrangements under the BTK Transfer and Collaboration Agreement, please refer to the Prospectus.

The Company has also obtained a confirmation by way of a letter from the Stock Exchange that the Company's entering into the Supplemental Agreement will not affect the above mentioned waiver which were granted by the Stock Exchange to the Company, details as disclosed on pages 227 to 232 of the Prospectus (except for the waiver for the (3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement — (iii) In the event that we transfer any rights to sub-license in respect of the product of the Subject in the overseas market (other than the PRC market) as disclosed in the Prospectus).

As the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the announcement and/or independent Shareholders' approval requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the announcement and/or independent Shareholders' approval requirements for three years in respect of such potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement.

As the highest applicable percentage ratio in respect of each of the caps as the Company currently expects is, on an annual basis, more than 5%, apart from the requirements for three-year contractual term, setting annual cap, announcement and/or independent Shareholders' approval, of which waivers have been granted, the Company will comply with the other applicable provisions under Chapter 14A of the Listing Rules in respect of the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement (as supplemented by the Supplemental Agreement) as and when necessary.

Further details relating to the Supplemental Agreement were disclosed in the announcement of the Company dated 17 September 2021 and the circular of the Company dated 24 November 2021.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. Related party transactions are disclosed in note 31 to the consolidated financial statements.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) in respect of the above related party transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiries with each of the Directors, all the Directors confirmed that they had complied with such code of conduct throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises one executive Director, five non-executive Directors and four independent non-executive Directors. The Board has adopted the code provisions set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 30 to 46 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years (prepared in accordance with HKFRSs) are set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee consisted of four independent non-executive Directors, being Mr. Ping Cho Terence HON (Chairman), Mr. George William Hunter CAUTHERLEY, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control and systems of the Group and overseeing the audit process and the relationship between the Company and its auditor.

The Audit Committee has reviewed alongside the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Reporting Period.

AUDITOR

The financial statements for the year ended 31 December 2022 have been audited by Ernst & Young. Ernst & Young shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution to re-appoint Ernst & Young as auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

EVENTS AFTER REPORTING PERIOD

There are no significant events that affected the Group after the Reporting Period and up to the date of this report.

By order of the Board of
SinoMab BioScience Limited
Dr. Shui On LEUNG
Executive Director, Chairman and Chief Executive Officer

20 March 2023

EY 安永

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To the members of SinoMab BioScience Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SinoMab BioScience Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 113 to 181, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the 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.

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 MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development costs	
The Group incurred significant research and development ("**R&D**") costs of RMB180,368,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2022. Service fees paid to contract research organisations ("**CROs**"), clinical site management operators ("**SMOs**") (collectively referred as "**Outsourced Service Providers**"), and co-development fees paid to R&D collaboration partners are included in the Group's R&D costs. The R&D activities with these Outsourced Service Providers and R&D collaboration partners are documented in agreements and are typically performed over an extended period. These expenses are charged to the statement of profit or loss based on the progress of the R&D projects. We identified the measurement of R&D costs as a key audit matter due to its significant amount and the risk of not recording R&D costs in the appropriate reporting period. The accounting policy and the disclosure for significant accounting judgement related to R&D costs are included in note 2.4 and note 3 of the consolidated financial statements.	We obtained an understanding of management's controls in relation to the process of R&D costs, and we evaluated the design of the controls and tested their implementation effectiveness. We, on a sampling basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers and evaluated the completion status of R&D projects based on inquiry with project managers, inspection of supporting documents and by obtaining external confirmations from the Outsourced Service Providers. We evaluated the adequacy of the accrued R&D costs by comparing the subsequent milestone billings and payments with the accrued R&D costs to determine whether these costs were recorded in the appropriate reporting period.

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 HKFRSs issued by the HKICPA and 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, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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

- 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.

- 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 Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2023

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	–	25,913
Other income and gains, net	5	55,117	28,751
Research and development costs		(180,368)	(199,113)
Administrative expenses		(82,591)	(133,400)
Other expenses, net	6	(65,958)	(235)
Finance costs	8	(4,962)	(5,821)
Share of loss of an associate		(5,396)	(4,289)
LOSS BEFORE TAX	7	(284,158)	(288,194)
Income tax expense	11	–	–
LOSS FOR THE YEAR		(284,158)	(288,194)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	0.29	0.29

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
LOSS FOR THE YEAR	**(284,158)**	(288,194)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation to the presentation currency	**62,387**	(20,710)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(221,771)**	(308,904)

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**391,973**	253,285
Right-of-use assets	15(a)	**93,844**	102,922
Investment in an associate	16	**–**	26,933
Intangible assets	17	**2,595**	1,921
Deposits	19	**2,005**	2,444
Other non-current assets	18	**70,838**	58,465
Total non-current assets		**561,255**	445,970
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**58,431**	32,702
Financial asset at fair value through profit or loss	20	**30,476**	–
Cash and cash equivalents	22	**345,712**	562,983
		434,619	595,685
Non-current asset held for sale	21	**12,474**	–
Total current assets		**447,093**	595,685
CURRENT LIABILITIES			
Other payables and accruals	23	**141,590**	85,970
Lease liabilities	15(b)	**15,380**	7,394
Interest-bearing bank borrowings	24	**30,421**	5,000
Total current liabilities		**187,391**	98,364

	Notes	2022 *RMB'000*	2021 *RMB'000*
NET CURRENT ASSETS		**259,702**	497,321
TOTAL ASSETS LESS CURRENT LIABILITIES		**820,957**	943,291
NON-CURRENT LIABILITIES			
Lease liabilities	*15(b)*	**73,024**	69,288
Interest-bearing bank borrowings	*24*	**238,358**	193,777
Total non-current liabilities		**311,382**	263,065
Net assets		**509,575**	680,226
EQUITY			
Equity attributable to owners of the parent			
Share capital	*25*	**1,725,211**	1,679,126
Reserves	*26*	**(1,215,636)**	(998,900)
Total equity		**509,575**	680,226

Leung Shui On
Director

Hon Ping Cho Terence
Director

	Notes	Share capital RMB'000	Shares held under Share Award Scheme* RMB'000	Share-based payment reserve* RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1 January 2022		1,679,126	(59,673)	97,174	8,637	(82,077)	(962,961)	680,226
Loss for the year		–	–	–	–	–	(284,158)	(284,158)
Other comprehensive income for the year:								
Exchange differences on translation to the presentation currency		–	–	–	–	62,387	–	62,387
Total comprehensive loss for the year		–	–	–	–	62,387	(284,158)	(221,771)
Issue of shares	25	46,085	–	–	–	–	–	46,085
Equity-settled share-based payment expenses	27	–	3,759	1,276	–	–	–	5,035
At 31 December 2022		1,725,211	(55,914)	98,450	8,637	(19,690)	(1,247,119)	509,575

	Note	Share capital RMB'000	Shares held under Share Award Scheme RMB'000	Share-based payment reserve RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021		1,679,126	–	35,382	8,637	(61,367)	(674,767)	987,011
Loss for the year		–	–	–	–	–	(288,194)	(288,194)
Other comprehensive loss for the year:								
Exchange differences on translation to the presentation currency		–	–	–	–	(20,710)	–	(20,710)
Total comprehensive loss for the year		–	–	–	–	(20,710)	(288,194)	(308,904)
Purchase of shares under the share award scheme	27	–	(59,673)	–	–	–	–	(59,673)
Equity-settled share-based payment expense	27	–	–	61,792	–	–	–	61,792
At 31 December 2021		1,679,126	(59,673)	97,174	8,637	(82,077)	(962,961)	680,226

* These reserve accounts comprise the consolidated reserves of RMB1,215,636,000 (2021: RMB998,900,000) in the consolidated statement of financial position. Capital reserve represents the contribution of RMB8,637,146 by a non-controlling shareholder to the Company in 2018.

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		**(284,158)**	(288,194)
Adjustments for:			
Finance costs	8	**4,962**	5,821
Bank interest income	5	**(9,582)**	(16,731)
Loss on disposal of items of property, plant and equipment		**1,442**	–
Gain on disposal of investment in an associate and fair value remeasurement of existing equity in the investee	5	**(39,768)**	–
Impairment of non-current asset held for sale	21	**1,475**	–
Fair value losses/(gains) on financial instruments at fair value through profit or loss, net		**337**	(1,344)
Share of loss of an associate		**5,396**	4,289
Depreciation of property, plant and equipment	7	**14,634**	9,427
Depreciation of right-of-use assets	7	**12,397**	10,893
Amortisation of intangible assets	7	**1,002**	335
Equity-settled share-based payment expenses	27	**5,017**	62,897
Government grants related to assets		**–**	2,171
		(286,846)	(210,436)
(Increase)/decrease in prepayments, deposits and other receivables		**(12,436)**	12,644
(Decrease)/increase in other payables and accruals		**(10,838)**	33,998
Cash used in operations		**(310,120)**	(163,794)
Interest received	5	**9,582**	16,731
Net cash flows used in operating activities		**(300,538)**	(147,063)
CASH FLOWS FROM INVESTING ACTIVITIES			
Partial disposal of investment in an associate		**33,360**	–
Investment in an associate		**–**	(16,173)
Purchases of items of property, plant and equipment		**(97,135)**	(151,351)
Prepayments for purchases of property, plant and equipment		**(15,616)**	(46,881)
Purchase of land use right		**–**	(14,282)
Purchases of intangible assets		**(1,630)**	(2,405)
Purchases of financial assets at fair value through profit or loss		**(75,000)**	(85,000)
Redemption of financial assets at fair value through profit or loss		**75,566**	177,046
Settlement of financial liabilities at fair value through profit or loss		**(903)**	1,344
Net cash flows used in investing activities		**(81,358)**	(137,702)

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	25	**46,085**	–
New bank loans	28(b)	**71,756**	143,316
Repayment of bank loans	28(b)	**(5,000)**	(5,000)
Principal portion of lease payments	28(b)	**(5,565)**	(16,436)
Purchase of shares under the share award scheme	27(b)	**–**	(59,673)
Interest paid		**(4,991)**	(4,692)
Net cash flows from financing activities		**102,285**	57,515
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(279,611)**	(227,250)
Cash and cash equivalents at the beginning of the year		**562,983**	810,370
Effect of foreign exchange rate changes, net		**59,515**	(20,137)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**342,887**	562,983
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**141,174**	399,983
Non-pledged time deposits with original maturity of less than three months when acquired	22	**204,538**	163,000
Cash and cash equivalents as stated in the consolidated statement of financial position		**345,712**	562,983
Bank balances restricted for special purpose		**(2,825)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**342,887**	562,983

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Units 303 and 305 to 307, No.15 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the research and development of pharmaceutical products.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 November 2019.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SinoMab BioScience (Shenzhen) Limited (深圳賽樂敏生物科技有限公司) (note (a))	People's Republic of China/Mainland China	HKD 176,428,600	100%	–	Research and development of pharmaceutical products
SinoMab BioScience (Hainan) Limited* (海南賽樂敏生物科技有限公司) (note (b))	People's Republic of China/Mainland China	RMB 50,000,000	–	100%	Research and development of pharmaceutical products
MediNexus Pharma (Suzhou) Limited (杏聯藥業(蘇州)有限公司) (note (a))	People's Republic of China/Mainland China	RMB 300,000,000	100%	–	Research and development of pharmaceutical products
SINOMAB PTY LTD	Australia	AUD 100	100%	–	Research and development of pharmaceutical products
MediNexus Pharma (Shanghai) Limited* (興聯藥業(上海)有限公司) (note (a))	People's Republic of China/Mainland China	RMB 7,000,000	100%	–	Research and development of pharmaceutical products
Ingenious Sino Limited	British Virgin Islands	USD1	100%	–	Investment holding
GCT INC.	The United States of America	USD645,000	100%	–	Research and development of pharmaceutical products
MediNexus Pharma (Beijing) Limited* (杏聯藥業(北京)有限公司 (note (a))	People's Republic of China/Mainland China	USD5,000,000	100%	–	Research and development of pharmaceutical products

Notes:

(a) These subsidiaries are registered as wholly-foreign-owned enterprises under People's Republic of China ("**PRC**") law.

(b) The subsidiary is registered as a domestic enterprise under PRC law.

* *For identification purpose only*

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for financial asset at fair value through profit or loss which has 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group 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 is 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.

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 HKFRSs for the first time for the current year's financial statements.

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

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

(a) Amendments to HKFRS 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 June 2018 without significantly changing its requirements. The amendments also add to HKFRS 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 HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 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 HKAS 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 HKAS 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.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- HKFRS 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 HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS17 and HKFRS9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 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. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 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 HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its equity investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets classified as held for sale), 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 the statement of 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 the statement of 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.

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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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:

Production and R&D equipment	18% to 30%
Office equipment	9% to 20%
Motor vehicles	18% to 20%
Leasehold improvements	Over the shorter of the lease terms and 20%

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 the statement of 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 and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development costs

All research costs are charged to the statement of 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.

(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	30 to 50 years
Buildings	3 to 20 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(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.

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.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

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, 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 HKFRS 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, 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. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 the statement of 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 the statement of 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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 and contract assets 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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement of 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 the statement of 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 the statement of profit or loss.

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 the statement of 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.

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 the statement of 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, associates and joint ventures, 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, associates and joint ventures, 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.

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.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contract with customer

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 HKFRS 15.

Licence revenue

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

(i) 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;

(ii) the rights under the licence directly expose the customer to any positive or negative effects of the entity's activities identified in (i); and

(iii) 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 licence.

Other income

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.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Shares held under share award scheme

Own equity instruments which are reacquired and held by the Company or the Group are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Share-based payments

The Company operates a restricted share unit scheme, a share award scheme and 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 for grants under a share option scheme after 7 November 2002 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 model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions with employees for grants under a restricted share unit scheme and/or a share award scheme is measured by reference to the fair value at the date at which they are granted. The fair value is determined at the closing price of the shares at the grant date, less considerations received from the grantees (if any), further details of which are given in note 27 to the financial statements.

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 the statement of 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 earnings per share.

Other employee benefits

Pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF 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 are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Defined benefit plan (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.22% and 4.77% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB as the major operations of the Group are within the PRC. The functional currency of the Company is the HKD and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that 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 the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

The functional currencies of the Company, overseas subsidiaries and an associate are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of the Company, overseas subsidiaries and an associate are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC-established companies are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC-established companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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:

Research and development costs

All research costs are charged to the statement of 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the repair and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from an external customer

	2022 ***RMB'000***	2021 *RMB'000*
Hong Kong	**–**	25,913

The revenue information above is based on the location of the customer.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**552,362**	408,980
Hong Kong	**6,888**	10,057
Cayman Islands	**–**	26,933
	559,250	445,970

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue from contract with a customer	*(i)*	**–**	25,913

Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Type of goods or services		
Licence revenue	**–**	25,913
Geographical market		
Hong Kong	**–**	25,913
Timing of revenue recognition		
Licence revenue at a point in time	**–**	25,913

Note:

(i) On 16 September 2021, the Company entered into an exclusive licensing agreement with Everest Medicines II (HK) Limited ("**Everest**") to out-license the right to develop and commercialise Bruton's tyrosine kinase inhibitor ("**BTK**"), to Everest globally for the treatment of renal diseases relating to SN1011. On 21 December 2021, the Company received the non-refundable upfront payment according to the above agreement, and this upfront payment was recognised as revenue in the statement of profit or loss during the year ended 31 December 2021.

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Information about the Group's performance obligations is summarised below:

Licence revenue

The Group provides licence of its patented intellectual property ("**IP**") or commercialisation licence to customer and revenue is recognised when the customers obtain rights to access or use the underlying IP or licence. Licence revenue is recognised at a point of time upon the customer obtains control of IP.

The consideration for a licence comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones, sales milestones and royalties).

For licence that the Group provided for customers' right to access, upfront fee is recognised as revenue when customers have ability to use the underlying IP of the licence and variable consideration is recognised only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future.

An analysis of other income and gains, net is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Other income and gains, net		
Gain on partial disposal of investment in an associate	19,957	–
Gain on fair value remeasurement of existing equity interest in the investee	19,811	–
Bank interest income	9,582	16,731
Government grants	4,032	744
Rental income	1,057	–
Fair value gain on financial instruments at fair value through profit or loss	566	1,344
Foreign exchange gain, net	–	9,877
Others	112	55
	55,117	28,751

The government grants mainly represent grants received from the local governments for supporting for research activities, clinical trials and employment. There were no unfulfilled conditions or contingences relating to these grants received during the year.

6. OTHER EXPENSES, NET

	Note	2022 RMB'000	2021 RMB'000
Foreign exchange loss, net		**61,894**	–
Impairment of non-current asset held for sale	21	**1,475**	–
Loss on disposal of items of property, plant and equipment		**1,442**	–
Fair value loss on financial liabilities at fair value through profit or loss		**903**	–
Others		**244**	235
		65,958	235

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Laboratory consumable and experiment costs		**99,003**	151,707
Depreciation of property, plant and equipment	14	**14,634**	9,427
Depreciation of right-of-use assets	15(a)	**12,397**	10,893
Auditor's remuneration		**2,000**	2,109
Impairment of non-current asset held for sale	21	**1,475**	–
Loss on disposal of items of property, plant and equipment	6	**1,442**	–
Amortisation of intangible assets	17	**1,002**	335
Fair value loss/(gain) on financial liabilities at fair value through profit or loss		**903**	(720)
Lease payments not included in the measurement of lease liabilities	15(c)	**164**	1,465
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**77,983**	50,852
Pension scheme contributions (defined contribution scheme)*		**9,553**	7,806
Equity-settled share-based payment expense	27	**5,017**	–
Staff welfare expenses		**733**	1,684
		93,286	60,342
Foreign exchange loss/(gain), net		**61,894**	(9,877)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2022 RMB'000	2021 RMB'000
Interest on bank loans		**10,993**	6,108
Interest on lease liabilities	*15(b)*	**3,484**	3,113
		14,477	9,221
Less: Capitalised interest expense		**(9,515)**	(3,400)
		4,962	5,821

The weighted average capitalisation rate of interest expense was 4.52% during the year (2021: 4.89%).

9. 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:

	Note	2022 RMB'000	2021 RMB'000
Fees		**1,080**	2,658
Other emoluments:			
Salaries, allowances and benefits in kind		**5,183**	4,337
Pension scheme contributions		**15**	15
Equity-settled share-based payment expense	*(i)*	**–**	62,897
		5,198	67,249
		6,278	69,907

Note:

(i) During the year ended 31 December 2021, one director was granted restricted share units, in respect of his services rendered to the Group, under the restricted share unit scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements is included in the above directors' and chief executive's remuneration disclosures.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Dylan Carlo TINKER	270	249
Mr. Ping Cho Terence HON	270	249
Mr. George William Hunter CAUTHERLEY	270	249
Dr. Chi Ming LEE	270	136
Mr. Michael James Connolly HOGAN	–	114
	1,080	997

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

(b) Executive director and non-executive directors

Year ended 31 December 2022	Fees RMB'000	Equity-settled share-based payment expense RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director:					
Dr. Shui On LEUNG (i)	–	–	5,183	15	5,198
	–	–	5,183	15	5,198
Non-executive directors:					
Dr. Haigang CHEN	–	–	–	–	–
Ms. Wenyi LIU	–	–	–	–	–
Mr. Senlin LIU (ii)	–	–	–	–	–
Mr. Xun DONG	–	–	–	–	–
Ms. Jie LIU	–	–	–	–	–
Mr. Lei Shi	–	–	–	–	–
	–	–	–	–	–

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive director and non-executive directors (continued)

Year ended 31 December 2021	Fees *RMB'000*	Equity-settled share-based payment expense *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive director:					
Dr. Shui On LEUNG (i)	–	–	4,337	15	4,352
	–	–	4,337	15	4,352
Non-executive directors:					
Mr. Jing QIANG	1,661	62,897	–	–	64,558
Dr. Haigang CHEN	–	–	–	–	–
Ms. Wenyi LIU	–	–	–	–	–
Mr. Huiyuan MA	–	–	–	–	–
Mr. Senlin LIU (ii)	–	–	–	–	–
Mr. Xun DONG	–	–	–	–	–
Ms. Jie LIU	–	–	–	–	–
Mr. Lei Shi	–	–	–	–	–
	1,661	62,897	–	–	64,558

(i) Dr. Shui On LEUNG was appointed as an executive director of the Company with effect from 12 September 2011. Dr. Shui On LEUNG was also the chief executive of the Company during the year.

(ii) Mr. Senlin LIU was appointed as a non-executive director of the Company with effect from 15 February 2019 and retired on 13 June 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2021: two) director, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**9,494**	4,995
Equity-settled share-based payment expenses	**2,573**	–
Pension scheme contributions	**82**	101
	12,149	5,096

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HKD1,000,001 to HKD1,500,000	**–**	–
HKD1,500,001 to HKD3,000,000	**1**	3
HKD3,000,001 to HKD4,500,000	**2**	–
HKD4,500,001 to HKD6,000,000	**1**	–
	4	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

11. INCOME TAX

No Hong Kong profit tax has been made as the Company did not generate any assessable profit during the year (2021: Nil).

Under the Law of the PRC of Enterprise Income tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the estimated tax rate of the Group's PRC subsidiaries is 25% during the periods presented in the consolidated financial statements. No PRC Enterprise Income tax was provided for as there was no estimated assessable profit of the Group's PRC subsidiaries during the periods presented in the consolidated financial statements.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

2022

	Hong Kong	Mainland China	Australia	USA	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/Profit before tax	(129,221)	(187,273)	638	(2,665)	34,363	(284,158)
Tax at the statutory tax rates	(21,321)	(46,818)	191	(795)	–	(68,743)
Income not subject to tax	(1,679)	–	–	–	–	(1,679)
Expenses not deductible for tax	14,784	303	–	–	–	15,087
Temporary difference not recognised	141	(4,376)	–	–	–	(4,235)
Tax losses utilised from previous periods	–	–	(191)	–	–	(191)
Tax losses not recognised	8,075	50,891	–	795	–	59,761
Tax charge at the Group's effective rates	–	–	–	–	–	–

11. INCOME TAX (continued)

2021

	Hong Kong *RMB'000*	Mainland China *RMB'000*	Australia *RMB'000*	Others *RMB'000*	Total *RMB'000*
Loss before tax	(85,632)	(195,235)	(3,032)	(4,295)	(288,194)
Tax at the statutory tax rates	(14,129)	(48,809)	(910)	–	(63,848)
Income not subject to tax	(4,421)	–	–	–	(4,421)
Expenses not deductible for tax	15,927	318	–	–	16,245
Temporary difference not recognised	14	7,304	–	–	7,318
Tax losses not recognised	2,609	41,187	910	–	44,706
Tax charge at the Group's effective rates	–	–	–	–	–

The Group had accumulated tax losses arising in Hong Kong of HKD252,610,351 and HKD195,421,144 as at 31 December 2022 and 2021, respectively, subject to the agreement by Inland Revenue Department, that were available indefinitely to offset against future taxable profits arising in Hong Kong.

The Group had accumulated tax losses arising in Mainland China of RMB760,848,426 and RMB573,578,971 as at 31 December 2022 and 2021, respectively, subject to the agreement by relevant tax authorities, that will expire in one to five years for offsetting against future taxable profits arising in Mainland China.

The Group had accumulated tax losses arising in Australia of AUD3,913,952 and AUD4,051,052 as at 31 December 2022 and 2021, respectively, subject to the agreement by relevant tax authorities, that can be used to offset against future taxable profits arising in Australia.

The Group had accumulated tax loss arising in the United States of America of US$399,503 as at 31 December 2022 (2021: Nil), subject to the agreement by relevant tax authorities, that can be used to offset against future taxable profits arising in the United States of America.

Deferred taxation had not been recognised on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

12. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2022 and 2021.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of RMB284,158,000 (2021: RMB288,194,000), and the weighted average number of ordinary shares of 991,956,078 (2021: 994,887,733) in issue during the year, as adjusted to exclude the shares held under the share award scheme of the Company.

No adjustment has been made to basic loss per share amount presented for the year ended 31 December 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented (2021: no potentially dilutive ordinary shares in issue).

The calculations of basic and diluted loss per share are based on:

	2022	2021
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**284,158**	288,194

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**991,956,078**	994,887,333

14. PROPERTY, PLANT AND EQUIPMENT

	Production and R&D equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	39,181	7,029	810	29,810	197,465	274,295
Accumulated depreciation	(11,028)	(1,878)	(508)	(7,596)	–	(21,010)
Net carrying amount	28,153	5,151	302	22,214	197,465	253,285
At 1 January 2022, net of accumulated depreciation	28,153	5,151	302	22,214	197,465	253,285
Additions	5,737	256	–	277	151,555	157,825
Disposals	(4)	(2)	–	–	(4,789)	(4,795)
Depreciation provided during the year	(6,996)	(1,179)	(110)	(6,349)	–	(14,634)
Transfer from construction in progress	4,938	241	–	2,895	(8,074)	–
Exchange realignment	57	64	18	153	–	292
At 31 December 2022, net of accumulated depreciation	31,885	4,531	210	19,190	336,157	391,973
At 31 December 2022:						
Cost	50,133	7,621	853	33,421	336,157	428,185
Accumulated depreciation	(18,248)	(3,090)	(643)	(14,231)	–	(36,212)
Net carrying amount	31,885	4,531	210	19,190	336,157	391,973
31 December 2021						
At 1 January 2021:						
Cost	14,380	5,526	824	17,767	74,441	112,938
Accumulated depreciation	(7,659)	(828)	(406)	(2,952)	–	(11,845)
Net carrying amount	6,721	4,698	418	14,815	74,441	101,093
At 1 January 2021, net of accumulated depreciation	6,721	4,698	418	14,815	74,441	101,093
Additions	12,172	1,567	–	513	147,491	161,743
Depreciation provided during the year	(3,526)	(1,086)	(107)	(4,708)	–	(9,427)
Transfer from construction in progress	12,798	–	–	11,669	(24,467)	–
Exchange realignment	(12)	(28)	(9)	(75)	–	(124)
At 31 December 2021, net of accumulated depreciation	28,153	5,151	302	22,214	197,465	253,285
At 31 December 2021:						
Cost	39,181	7,029	810	29,810	197,465	274,295
Accumulated depreciation	(11,028)	(1,878)	(508)	(7,596)	–	(21,010)
Net carrying amount	28,153	5,151	302	22,214	197,465	253,285

15. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owner with lease period of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 3 and 20 years (2021: 2 and 20 years). Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(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:

	Land use rights	**Buildings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	16,048	28,782	44,830
Additions	14,282	49,552	63,834
Lease modification	–	5,152	5,152
Depreciation charge	(593)	(10,300)	(10,893)
Exchange realignment	–	(1)	(1)
As at 31 December 2021 and 1 January 2022	29,737	73,185	102,922
Lease modification	–	16,900	16,900
Depreciation charge	(831)	(11,566)	(12,397)
Exchange realignment	–	368	368
Transfer to non-current asset held for sale	(13,949)	–	(13,949)
As at 31 December 2022	14,957	78,887	93,844

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount at 1 January	**76,682**	37,377
New leases	**–**	49,552
Lease modification	**16,900**	5,152
Accretion of interest recognised during the year	**3,484**	3,113
Payments	**(9,049)**	(18,500)
Foreign exchange movement	**387**	(12)
Carrying amount at 31 December	**88,404**	76,682
Analysed into:		
Current portion	**15,380**	7,394
Non-current portion	**73,024**	69,288
	88,404	76,682

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

The effective interest rate of lease liabilities was ranging between 4.75% and 4.90% during the years ended 31 December 2021 and 2022.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Depreciation charge of right-of-use assets	**12,397**	10,893
Interest on lease liabilities	**3,484**	3,113
Expense relating to short-term leases (included in administrative expenses)	**47**	1,294
Expense relating to leases of low-value assets (included in administrative expenses)	**117**	171
Total amount recognised in profit or loss	**16,045**	15,471

15. LEASES (continued)

The Group as a lessee (continued)

(d) The total cash outflow for leases is disclosed in note 28(c) to the financial statements.

The Group as a lessor

The Group subleases part of its right-of-use asset in Suzhou to an independent third party under operating lease arrangements. The terms of the leases generally require the tenant to pay security deposits. Rental income recognised by the Group during the year was RMB1,057,000 (2021: Nil).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenant are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within one year	**192**	–

16. INVESTMENT IN AN ASSOCIATE

	2022 *RMB'000*	2021 *RMB'000*
Goodwill on acquisition	**–**	15,091
Share of net assets	**–**	11,842
	–	26,933

Particulars of the associate before disposal is as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activity
D2M Biotherapeutics Limited ("**D2M**")	Preferred shares	Cayman Islands	29.24	Research and development of pharmaceutical products

On 22 July 2020, the Company entered into a share purchase agreement and a shareholder's agreement with D2M, among other, pursuant to which Ingenious Sino Limited, a wholly-owned subsidiary of the Group, purchased from D2M 27,780,000 series pre-A1 preferred shares, representing a 38.17% equity interest in D2M, at an aggregate purchase price of USD5,000,000. Subsequent to the acquisition in 2020, D2M issued 22,220,000 series pre-A2 preferred shares to another investor, as such, the Group's equity interest in D2M diluted to 29.24% from 38.17%. As at 31 December 2021, the Group settled fully the purchase price of USD5,000,000 (RMB31,878,500).

16. INVESTMENT IN AN ASSOCIATE (continued)

The Group's investment in D2M was accounted for under the equity method of accounting since then because the Group had significant influence over D2M by way of representation on D2M's board of directors and participation in the policy-making process.

On 7 December 2022, the Group entered into a share transfer agreement with an independent third party and sold its equity interests of 16,339,869 series pre-A1 preferred shares of D2M for an aggregate consideration of USD5,000,000 (RMB33,360,000). On the same day, (i) D2M entered into an agreement of series A1 funding, and issued 31,372,549 series A1 preferred shares to other investors (all being independent third parties to the Group); (ii) The Group entered into an amended shareholders' agreement with D2M and other investors, pursuant to which the Group's representation resigned from D2M's board of directors. Immediately after the closing of series A1 funding of D2M, the Group's remaining equity interest in D2M was diluted to 7.68% comprising 11,440,131 series pre-A1 preferred shares. In the opinion of the directors, the Group is no longer able to exercise influence over D2M thereafter. Accordingly, the Group's investment in D2M was reclassified as a financial asset at fair value through profit or loss, as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The carrying amount of the financial asset at fair value through profit or loss is disclosed in note 20 to the financial statements.

17. INTANGIBLE ASSETS

	Office software	
	2022	2021
	RMB'000	*RMB'000*
Cost at 1 January, net of accumulated amortisation	**1,921**	–
Additions	**1,590**	2,273
Amortisation provided during the year	**(1,002)**	(335)
Exchange realignment	**86**	(17)
At 31 December	**2,595**	1,921
At 31 December:		
Cost	**3,959**	2,253
Accumulated amortisation	**(1,364)**	(332)
Net carrying amount	**2,595**	1,921

18. OTHER NON-CURRENT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments for purchases of property, plant and equipment	**70,838**	58,465

Other non-current assets represent prepayments for purchases of property, plant and equipment mainly in relation to the construction of Suzhou production base primarily for the commercial-scale production of the core product SM03.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Deposits and other receivables	**48,202**	28,991
Prepayments	**12,234**	6,155
	60,436	35,146
Portion classified as non-current:		
Deposits	**(2,005)**	(2,444)
Current portion	**58,431**	32,702

The financial assets included in the above balances relate to deposits and 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.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Unlisted equity investment, at fair value	**30,476**	–

The above unlisted equity investment represented the Group's investment in 7.68% pre-A1 preferred shares of D2M and was classified as a financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. Further details of which was set out in note 16 to the financial statements.

21. NON-CURRENT ASSET HELD FOR SALE

	2022 RMB'000	2021 RMB'000
Land use right	**12,474**	–

In December 2022, the board of directors of the Company resolved to dispose a parcel of leased land. The disposal of the land use right is expected to complete in 2023. Therefore, the land use right was reclassified as a non-current asset held for sale from right-of-use asset as of 31 December 2022.

In accordance with HKFRS 5, non-current asset held for sale with a carrying amount of RMB13,949,000 was written down to its fair value of RMB12,474,000, resulting in an impairment of RMB1,475,000, which was included in profit or loss for the year.

22. CASH AND CASH EQUIVALENTS

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**141,174**	399,983
Time deposits	**204,538**	163,000
	345,712	562,983
Denominated in:		
USD	**156,895**	248,953
RMB	**145,775**	285,724
HKD	**42,650**	27,923
EUR	**255**	248
AUD	**133**	131
GBP	**4**	4
Cash and cash equivalents	**345,712**	562,983

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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. As at 31 December 2022, bank balance restricted for special purpose included in the cash and cash equivalents was an aggregate amount of RMB2,824,500 which was designated for the use of a construction project by a subsidiary of the Group in accordance with the relevant facility agreements. The Group management monitors closely the use of the fund to meet its ongoing construction expenditure and for the stated purpose.

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. OTHER PAYABLES AND ACCRUALS

	Note	2022 RMB'000	2021 RMB'000
Costs of construction and purchase of equipment payables		**94,014**	27,266
Other payables and accrued expenses	(i)	**35,920**	48,580
Payroll payable		**10,787**	7,457
Deferred revenue		**300**	1,550
Taxes other than corporate income tax		**569**	397
Amount due to a director		**–**	720
		141,590	85,970

Note:

(i) Other payables and accrued expenses are non-interest-bearing and repayable on demand, or within 1 year.

24. INTEREST-BEARING BANK BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Non-current bank borrowings:			
Unsecured bank borrowing	(i)	**117,434**	126,210
Secured bank borrowing	(ii)	**120,924**	67,567
		238,358	193,777
Current bank borrowings:			
Unsecured bank borrowings	(i)	**30,265**	5,000
Secured bank borrowing	(ii)	**156**	–
		30,421	5,000
		268,779	198,777

24. INTEREST-BEARING BANK BORROWINGS (continued)

	2022 RMB'000	2021 RMB'000
Bank loans repayable analysed into:		
Within one year	**30,421**	5,000
In the second year	**40,000**	10,000
In the third to fifth years, inclusive	**198,358**	137,567
Beyond five years	**–**	46,210
	268,779	198,777

Notes:

(i) In July 2019, the Group entered into an unsecured loan agreement with a reputable banking institution, which agreed to provide a credit facility of RMB200,000,000 for a term of nine years at a variable rate of interest equal to the Loan Prime Rate (the "**LPR**") plus 0.25%, and the effective interest rate was 4.70% as of 31 December 2022 (2021: 4.90%). In February 2023, the Group entered into a supplementary agreement with the banking institution to lower the variable interest rate to the LPR minus 0.30% from the LPR plus 0.25%, and the effective interest rate was 4.0% on the effective date of supplementary agreement. As at 31 December 2022, the amount of utilised facilities was RMB137,433,545 (2021: RMB131,210,069).

In October 2021, the Group entered into an unsecured loan agreement with another reputable banking institution, which agreed to provide a credit facility of RMB50,000,000 for a term of three years. As at 31 December 2022, the amount of utilised facilities was RMB20,000,000 (2021: Nil) at a fixed interest rate of 3.30%.

(ii) In September 2021, the Group entered into a secured loan agreement with a reputable banking institution, which agreed to provide a credit facility of RMB500,000,000 for a term of ten years at a variable rate of interest equal to the LPR minus 0.30%, and the effective interest rate was 4.00% as of 31 December 2022 (2021: 4.35%). The bank loans borrowed by the Group are secured by the pledge of the Group's land use right, which had a net carrying value of approximately RMB14,957,000 at the end of the reporting period. As at 31 December 2022, the amount of utilised facilities was RMB120,924,355 (2021: RMB67,566,794).

25. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
1,034,920,400 (2021: 1,006,240,400) ordinary shares	**1,725,211**	1,679,126

25. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At 1 January 2021, 31 December 2021 and 1 January 2022	1,006,240,400	1,679,126
New shares issued	28,680,000	46,085
At 31 December 2022	1,034,920,400	1,725,211

On 2 November 2022, the Company entered into two subscription agreements with two subscribers respectively, under the general mandate granted to the directors at the annual general meeting, whereby the Company shall conditionally allot and issue and the subscribers shall conditionally subscribe for an aggregate of 28,680,000 new shares at the price of HK$1.78 per share.

As the condition precedent as set out in each of the subscription agreements was fulfilled, the completion of the share subscription took place on 16 November 2022 in accordance with the terms and conditions of each of the subscription agreements. An aggregate of 28,680,000 shares, representing (i) approximately 2.85% of the issued share capital of the Company immediately before the completion of the share subscription; and (ii) approximately 2.78% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares, have been allotted and issued to the subscribers at the subscription price of HK$1.78 per share. Each of the subscribers subscribed 14,340,000 shares, respectively. The net proceeds amounting to HK$50,890,400 (RMB46,085,000) were settled as of 31 December 2022.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 117 of the financial statements.

27. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE

(a) Restricted Share Unit Scheme

The Company operates a restricted share unit scheme (the "**RSU Scheme**") with effect from 12 November 2019. The purpose of the RSU Scheme is to incentivise the directors, senior management and employees for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, by providing them with the opportunity to own equity interests in the Company. Eligible persons of the RSU Scheme include existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Group and any person(s) whether or not an employee or officer of the Group whom the board of directors considers to be able to enhance the operations or value of the Group.

Unless otherwise cancelled or amended, the RSU Scheme shall be valid and effective for a period of ten years, commencing on the date of the first grant of the restricted share units (the "**RSUs**") (unless it is terminated earlier in accordance with its terms).

On 25 March 2020, Skytech Technology Limited (a limited company incorporated in the British Virgin Islands on 2 January 2001 and wholly-owned by Dr. Shui On LEUNG) transferred 36,174,400 shares to Computershare Hong Kong Nominees Limited which holds such shares for the beneficiaries of the RSU Scheme. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate shall be 36,174,400 shares, which represents approximately 3.60% of the shares in issue. Any grant of RSUs to any director, chief executive or substantial shareholder of the Company (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules) shall be subject to the requirements of the Listing Rules.

A grant shall be made by a letter and/or any such notice or document in such form as the board of directors may from time to time determine and such grant shall be subject to the terms as specified in the RSU Scheme. Such RSUs shall remain open for acceptance by the selected person to whom a grant is made for a period to be determined by the board of directors. To the extent that the RSUs are not accepted within the period determined by the board of directors, they will be deemed to have been irrevocably declined and shall immediately lapse.

The balance of RSUs under the RSU Scheme during the year ended 31 December 2021 was as follows:

	2021	
	Exercise price *HKD per unit*	Number of units *'000*
As at 1 January	–	26,112
Granted and exercised	–	(26,112)
As at 31 December	–	–

During the year ended 31 December 2022, no RSUs under the RSU Scheme were granted (2021: 26,111,996 units) as all RSUs under the RSU Scheme had been granted and exercised in prior years.

27. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(a) Restricted Share Unit Scheme (continued)

No RSUs were granted during the year ended 31 December 2022. The fair value of RSUs granted during the year ended 31 December 2021 was HK$75,724,788 (RMB62,897,009), HK$2.90 per unit and the Group recognised an equity-settled share-based payment expense of HK$75,724,788 during that year.

The board of directors used the closing price on the grant date to determine the fair value of the RSUs granted in prior year, as the RSUs were vested on the same date of grant.

(b) Share Award Scheme

A share award scheme as amended from time to time, (the "**Share Award Scheme**") was adopted by the Company on 4 February 2021 (the "**Adoption Date**"). The purposes of the Share Award Scheme are to incentivise directors, senior management, employees and consultants for their contribution to the Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company and to promote the success of the Company's business.

Under the Share Award Scheme, the board of directors or an authorised person may select any eligible person and grant an award (the "**Award**") to the selected participants ("**Selected Participants**"), and such award shall be subject to the terms as specified in the Share Award Scheme.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date until 3 February 2031, unless otherwise terminated under the terms of the Share Award Scheme.

The maximum number of award shares throughout the duration of the Share Award Scheme is 50,312,020 shares, being 5% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme is 20,124,808, being 2% of the issued shares of the Company as at the Adoption Date.

Computershare Hong Kong Trustees Limited (the "**Trustee**") has been appointed by the Company as the trustee for the Share Award Scheme. To satisfy an Award, the Company shall transfer to the trust the necessary funds and instruct the Trustee to acquire shares through on-market transactions at the prevailing market price or through manual trades. The number of shares purchased was 18,095,500. On 17 May 2021, the share purchase payment was completed, with a purchase consideration of RMB59,673,039.

During the Reporting Period, a total of 1,140,000 Awards (2021: Nil) were granted to the employees by the Company pursuant to the Share Award Scheme. There were 18,095,500 Awards at the beginning and 16,955,500 Awards held by the Trustee at the end of the reporting period available for grant under the Share Award Scheme. No shares were purchased by the Trustee from the market during the reporting period.

During the year, the Company recognised an equity-settled share-based payment expense of RMB1,783,963 (2021: Nil) in total under the Share Award Scheme, and reversed shares held under Share Award Scheme amounting to RMB3,759,347 (2021: Nil).

The board of directors have used the closing price on the grant date to determine the fair value of the award shares granted during the year, as the award shares were vested on the same date of grant. The difference between closing price on the grant date and the average purchase price of the award shares granted was charged to the capital reserve of the Company.

27. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(b) Share Award Scheme (continued)

The balances of shares held under Share Award Scheme during the years ended 31 December 2022 and 2021 are as follows:

	2022		2021	
	Number of units	Shares held under Share Award Scheme	Number of units	Shares held under Share Award Scheme
	'000	*RMB'000*	*'000*	*RMB'000*
As at 1 January	**18,096**	**59,673**	–	–
Purchased	**–**	**–**	18,096	59,673
Granted and vested	**(1,140)**	**(3,759)**	–	–
As at 31 December	**16,956**	**55,914**	18,096	59,673

(c) Share Option Scheme

A share option scheme was adopted by the shareholders of the Company on 26 October 2022 (the "**Adoption Date**") ("**2022 Share Option Scheme**"). Pursuant to the 2022 Share Option Scheme, the board of directors may grant options to eligible participants to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein.

The purpose of the 2022 Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company, to provide incentives to the participants, and to recognise their contributions made and to be made to the growth and development of the Group and for such other purposes as the board of directors may approve from time to time.

Any employees (whether full-time or part-time), directors, service providers of any member of the Group, are participants ("**Participants**") under the 2022 Share Option Scheme, provided that the board of directors may have absolute discretion to determine whether or not one falls within this category.

The 2022 Share Option Scheme remains in force until 25 October 2032 unless otherwise terminated under the terms of the 2022 Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all share options to be granted under this 2022 Share Option Scheme and any grants made under any other schemes of the Company shall not exceed 50,312,020, representing 5% of the total number of shares in issue on the Adoption Date (the "**Scheme Mandate Limit**").

Within the Scheme Mandate Limit, the total number of shares which may be issued upon exercise of all options to be granted to service providers shall not exceed 10,062,404 shares, representing 1% of the total number of shares in issue on the Adoption Date (the "**Service Provider Sublimit**").

27. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(c) Share Option Scheme (continued)

The Company may seek approval of the shareholders in general meeting for refreshing the 2022 Share Option Scheme Mandate Limit and the Service Provider Sublimit such that the total number of shares which may be issued upon exercise of all options to be granted under this 2022 Share Option Scheme and any grants made under any other schemes of the Company as "refreshed" shall not exceed up to 10% of the total number of shares in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit provided that options previously granted under this 2022 Share Option Scheme or any grants made under any other schemes will not be counted for the purpose of calculating the limit as "refreshed".

There were 50,312,020 share options (including 10,062,404 share options under Service Provider Sublimit) available for grant on the Adoption Date and 25,156,000 share options (including 10,062,404 share options under Service Provider Sublimit) available for grant at the end of the reporting period. The total number of shares available for issue under the 2022 Share Option Scheme is 25,156,020, representing 2.43% of the issued shares of the Company as at the date of this annual report. The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates under the 2022 Share Option Scheme, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options must be made on a trading day and shall remain open for acceptance by each eligible participant concerned for a period of not less than 10 business days from the date of the offer. An option shall be deemed to have been accepted by the grantee and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period stipulated above.

The exercise period of share options granted is determinable by the board of directors or CEO, or any other authorised person(s), commencing from the date of the offer and ending on a date which is not later than expiry date required in the offer letter of the share options or the expiry date of the 2022 Share Option Scheme, if earlier.

The exercise price of the options shall not less than the highest of (i) the exercise price closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant.

27. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(c) Share Option Scheme (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2022 Share Option Scheme during the years ended 31 December 2022 and 2021:

	2022		2021	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**–**	**–**	–	–
Granted during the year	**1.79**	**25,156**	–	–
At 31 December	**1.79**	**25,156**	–	–

No share options were vested, forfeited, exercised or expired during the years ended 31 December 2022 and 2021. 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	*HK$ per share*	
25,156	1.79	4 November 2023 to 2 November 2032

The fair value of the share options granted during the year was HK$22,671,090 (HK$0.90 each on average) (2021: Nil), of which the Group recognised share option expense of HK$3,778,515 (RMB3,233,275) (2021: Nil), during the year ended 31 December 2022.

27. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(c) Share Option Scheme (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

2022	Management	General staff
Dividend yield (%)	–	–
Expected volatility (%)	62.82	62.82
Historical volatility (%)	62.82	62.82
Risk-free interest rate (%)	3.93	3.93
Expected life of options (year)	10	10
Closing price of the shares on the grant date (HK$)	1.75	1.75
Post-vesting forfeiture rate (%)	–	18.23
Early exercise multiple	2.80	2.20

The expected life of the options is based on the rule of the 2022 Share Option Scheme and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 25,156,000 share options outstanding under the 2022 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 25,156,000 additional ordinary shares of the Company and additional share capital of HK$45,029,240 (before issue expenses).

At the date of approval of these financial statements, the Company had 25,156,000 share options outstanding under the 2022 Share Option Scheme, which represented approximately 2.43% of the Company's shares in issue as at that date.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB16,900,000 (2021: RMB54,704,000) and RMB16,900,000 (2021: RMB54,704,000), respectively, in respect of lease arrangements for office premises and manufacturing buildings.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	**198,777**	**76,682**
Changes from financing cash flows	**65,249**	**(9,049)**
Interest paid classified as investing cash flow	**(9,065)**	**–**
Lease modification	**–**	**16,900**
Foreign exchange movements	**–**	**387**
Interest expense	**1,478**	**3,484**
Capitalised interest expense	**9,515**	**–**
Bank balances restricted for special purpose	**2,825**	**–**
At 31 December 2022	**268,779**	**88,404**

	Bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2021	60,461	37,377
Changes from financing cash flows	138,316	(16,436)
Interest paid classified as financing cash flow	–	(2,064)
Lease modification	–	5,152
New leases	–	49,552
Foreign exchange movements	–	(12)
Interest expense	–	3,113
At 31 December 2021	198,777	76,682

(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	**164**	1,465
Within financing activities	**9,049**	18,500
	9,213	19,965

29. PLEDGE OF ASSET

Details of the Group's asset pledged for the Group's interest-bearing bank loan is included in note 24 to the financial statements.

30. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Buildings, plant and machinery	**162,013**	364,520

31. RELATED PARTY TRANSACTIONS

(a) The Group had the following transaction with the related party during the year:

	2022	2021
	RMB'000	*RMB'000*
Operating lease from a related party:		
Haikou Pharmaceutical Factory Co., Ltd.	**–**	1,230

The operating lease related to a short-term lease agreement with Haikou Pharmaceutical Factory Co., Ltd. ("**Haikou Pharmaceutical**"), a subsidiary of Hainan Haiyao Co., Ltd., which is a substantial shareholder of the Company. The short-term lease agreement mentioned above expired in 2021.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	Note	2022 RMB'000	2021 RMB'000
Other payables and accruals:			
Haikou Pharmaceutical Factory Co., Ltd.		**1,179**	451
Prepayments:			
Haikou Pharmaceutical Factory Co., Ltd.		**417**	417
Lease liabilities:			
Haikou Pharmaceutical Factory Co., Ltd.	*(i)*	**72,652**	58,082

Note:

(i) The Company entered into a lease agreement with Haikou Pharmaceutical to lease equipment and a manufacturing building for a term of 10 years commencing from 1 January 2016 to 31 December 2025, with annual rental of RMB4,959,305. On 1 December 2022, the Company entered into a supplemental lease agreement with Haikou Pharmaceutical, pursuant to which the annual rental of the equipment and a manufacturing building under the lease was increased from RMB4,959,305 to RMB9,400,000 with effect from 1 January 2022. Apart from annual rental, other terms under the supplemental lease agreement remain unchanged. As at 31 December 2022, the total lease liabilities payable to Haikou Pharmaceutical amounted to RMB31,388,000 (2021: RMB15,407,000). No lease payment was paid to Haikou Pharmaceutical under the lease during the year (2021: RMB8,992,000). The transaction under the supplemental lease agreement constituted a one-off connected transaction as defined under Chapter 14A of the Listing Rules to the Company and has complied relevant requirements under Chapter 14A, details of which are set out in the paragraph headed "Connected Transaction under Supplemental Agreement" under "Report of the Directors" in this annual report.

On 22 March 2021, the Company also entered into another lease agreement with Haikou Pharmaceutical to lease a property building for a term of 20 years commencing from 1 April 2021 to 31 March 2041. The total lease liabilities payable to Haikou Pharmaceutical were amounted to RMB41,264,000 (2021: RMB42,675,000) under the lease. The total lease payment paid to Haikou Pharmaceutical amounted to RMB3,393,000 (2021: RMB3,393,000) under the lease during the year. The transaction under the lease agreement constituted a one-off connected transaction as defined under Chapter 14A of the Listing Rules to the Company and has complied relevant requirements under Chapter 14A, details of which are set out in the paragraph headed "Connected Transaction under Lease Agreement" under "Report of the Directors" in the 2021 annual report.

(c) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**16,256**	11,117
Equity-settled share-based payment expenses	**2,573**	62,897
Pension scheme contributions	**160**	211
Total compensation paid to key management personnel	**18,989**	74,225

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

32. 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 asset at fair value through profit or loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Cash and cash equivalents	–	345,712	345,712
Financial asset at fair value through profit or loss	30,476	–	30,476
Financial assets included in prepayments, deposits and other receivables	–	6,381	6,381
	30,476	352,093	382,569

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Interest-bearing bank borrowings	268,779
Financial liabilities included in other payables and accruals	127,796
Lease liabilities	88,404
	484,979

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Cash and cash equivalents	562,983
Financial assets included in prepayments, deposits and other receivables	3,578
	566,561

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Interest-bearing bank borrowings	198,777
Lease liabilities	76,682
Financial liabilities included in other payables and accruals	76,566
	352,025

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

The Group's finance department headed by chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual 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 the non-current portion of financial assets included in prepayments, deposits and other receivables 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 Group invests in structured deposits, which represent a wealth management product issued by a bank in Mainland China. The Group has estimated the fair value of these structured deposits based on fair values provided by financial institutions.

The Group enters into foreign exchange contracts with a bank. The foreign exchange contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign exchange contracts are the same as their fair values.

As at 31 December 2022, the Group had an unlisted equity investment, which was reclassified as financial asset at fair value through profit or loss subsequent to the disposal of an equity interest in an associate and a loss of significant influence. The Group estimated the fair value of the unlisted investment based on recent transaction price of series A funding which incurred near to 31 December 2022. The carrying amount of the financial asset at fair value through profit or loss is the same as its fair value.

33 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	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*
Financial asset at fair value through profit or loss	–	30,476	–	30,476

The Group did not have any financial assets measured at fair value as at 31 December 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 financial assets (2021: Nil).

The movements in fair value measurement within Level 3 during the year are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Financial asset at fair value through profit or loss		
At 1 January	–	93,058
Purchase	–	–
Total gain recognised in the statement of profit or loss included in other income	–	–
Redemption	–	(92,046)
Exchange realignment	–	(1,012)
At 31 December	–	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents. 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 financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from foreign currency denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
31 December 2022			
If RMB weakens against USD	5	2,994	7,845
If RMB strengthens against USD	(5)	(2,994)	(7,845)
If RMB weakens against HKD	5	14	2,132
If RMB strengthens against HKD	(5)	(14)	(2,132)
31 December 2021			
If RMB weakens against USD	5	2,365	12,448
If RMB strengthens against USD	(5)	(2,365)	(12,448)
If RMB weakens against HKD	5	1,039	1,396
If RMB strengthens against HKD	(5)	(1,039)	(1,396)

Interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2022, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the loss before tax for the year ended 31 December 2022 would have been RMB87,000 (2021: RMB266,000) higher/lower, mainly as a result of higher/lower interest expense on borrowings.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents 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 each reporting period, based on the contractual undiscounted payments, is as follows:

	2022			
	On demand or within 1 year *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Lease liabilities	**18,925**	**48,358**	**44,103**	**111,386**
Interest-bearing bank borrowings	**30,943**	**270,482**	**–**	**301,425**
Financial liabilities included in other payables and accruals	**127,796**	**–**	**–**	**127,796**
	177,664	**318,840**	**44,103**	**540,607**

	2021			
	On demand or within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	9,902	44,954	47,495	102,351
Interest-bearing bank borrowings	5,163	172,169	59,002	236,334
Financial liabilities included in other payables and accruals	76,566	–	–	76,566
	91,631	217,123	106,497	415,251

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.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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.

35. EVENTS AFTER THE REPORTING PERIOD

The Group has no other significant events after the reporting period up to the approval date of these financial statements.

36. 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 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,037	3,562
Right-of-use assets	2,945	4,766
Investments in subsidiaries	530,325	410,718
Intangible assets	906	1,022
Deposits	772	707
Total non-current assets	537,985	420,775
CURRENT ASSETS		
Prepayments, deposits and other receivables	497,571	364,132
Cash and cash equivalents	148,773	380,071
Total current assets	646,344	744,203
CURRENT LIABILITIES		
Other payables and accruals	10,425	11,956
Lease liabilities	1,909	1,559
Total current liabilities	12,334	13,515
NET CURRENT ASSETS	634,010	730,688
TOTAL ASSETS LESS CURRENT LIABILITIES	1,171,995	1,151,463
NON-CURRENT LIABILITIES		
Lease liabilities	1,758	3,378
Total non-current liabilities	1,758	3,378
Net assets	1,170,237	1,148,085
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,725,211	1,679,126
Reserves (note)	(554,974)	(531,041)
Total equity	1,170,237	1,148,085

Leung Shui On
Director

Hon Ping Cho Terence
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Shares held under Share Award Scheme RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	–	35,382	(80,298)	(368,726)	(413,642)
Loss for the year	–	–	–	(85,632)	(85,632)
Exchange differences on translation to the presentation currency	–	–	(33,886)	–	(33,886)
Total comprehensive loss for the year	–	–	(33,886)	(85,632)	(119,518)
Purchase of shares under the share award scheme	(59,673)	–	–	–	(59,673)
Equity-settled share-based payment expense	–	61,792	–	–	61,792
At 31 December 2021 and 1 January 2022	(59,673)	97,174	(114,184)	(454,358)	(531,041)
Loss for the year	–	–	–	(129,221)	(129,221)
Exchange differences on translation to the presentation currency	–	–	100,253	–	100,253
Total comprehensive loss for the year	–	–	100,253	(129,221)	(28,968)
Equity-settled share-based payment expenses	3,759	1,276	–	–	5,035
At 31 December 2022	(55,914)	98,450	(13,931)	(583,579)	(554,974)

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2023.

Definitions

"AGM" or "2023 Annual General Meeting"	2023 annual general meeting of the Company to be held on Monday, 12 June 2023
"Articles"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors and for the purposes of the Scheme, "**Board**" means the board of Directors or a duly authorised committee of the Board
"BTK Transfer and Collaboration Agreement"	a technology transfer and collaboration agreement entered into between the Company and Suzhou Sinovent on 30 March 2019
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company" or "our Company"	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong on 27 April 2001 with limited liability
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"FDA"	the United States Food and Drug Administration
"GMP"	Good Manufacturing Practice
"Group" or "our Group"	the Company and its subsidiaries
"HKFRSs"	the Hong Kong Financial Reporting Standards
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration of the PRC
"Nomination Committee"	the nomination committee of the Company
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China
"Pre-IPO Investor(s)"	the investor(s) undertaking the pre-IPO investments in the Company
"Prospectus"	the prospectus of the Company dated 31 October 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 December 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Scheme"	the restricted share unit scheme of the Company conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Skytech Technology"	Skytech Technology Limited, a limited company incorporated in the British Virgin Islands on 2 January 2001 and wholly-owned by Dr. Shui On LEUNG

Definitions

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiaries"	the Company's subsidiaries and "subsidiaries" has the meaning ascribed to it under section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Suzhou Sinovent"	Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司) now known as Evopoint BioScience Co., Ltd* (蘇州信諾維醫藥科技股份有限公司), a connected person of the Company
"U.S." or "U.S.A." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"we", "our" or "us"	the Company or the Group as the context requires
"Xingze Xinghe"	Shanghai Xingze Xinghe Startup Investment Centre (Limited Partnership)* (上海杏澤興禾創業投資中心(有限合夥)), formerly known as Shanghai Xingze Xinghe Investment Management Centre (Limited Partnership)* (上海杏澤興禾投資管理中心(有限合夥)), a limited partnership established in the PRC on 8 January 2016
"Xingze Xingzhan"	Shanghai Xingze Xingzhan Enterprise Management Centre (Limited Partnership)* (上海杏澤興瞻企業管理中心(有限合夥)), a limited partnership established in the PRC on 16 October 2018
"%"	per cent

* *For identification purpose only*