SinoMab BioScience Limited
中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3681)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023; CHANGE IN USE OF PROCEEDS; PROPOSED AMENDMENT TO THE 2022 SHARE OPTION SCHEME; AND PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT

The board (the "**Board**") of directors (the "**Director(s)**") of SinoMab BioScience Limited (中國抗體製藥有限公司) (the "**Company**" together with its subsidiaries, the "**Group**") hereby announces the audited consolidated annual results of the Group for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures of the year ended 31 December 2022. The consolidated financial statements of the Group for the Reporting Period, including the accounting principles adopted by the Group, have been reviewed by the audit committee of the Company (the "**Audit Committee**") and audited by the Company's auditor. Unless otherwise specified, figures in this announcement are prepared under the Hong Kong Financial Reporting Standards ("**HKFRSs**").

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

BUSINESS HIGHLIGHTS

We are a biopharmaceutical company dedicated to the research and development, production and commercialisation of novel drug for the treatment of immunological diseases.

During the Reporting Period, we achieved significant progress with respect to the Group's clinical trial programs, pipeline development and preparation of commercialisation, including the following:

- Our flagship product SM03 (Suciraslimab), (First-in-Class *anti-CD22 monoclonal antibody*) — Primary endpoint was met in its Phase III clinical study for the treatment of rheumatoid arthritis ("**RA**") in China in April 2023. According to the assessment of the topline data, Suciraslimab was effective in suppressing disease activity and alleviating symptoms of moderate-to-severe active RA patients receiving methotrexate therapy. Biologics License Application ("**BLA**") for the treatment of RA was submitted to the National Medical Products Administration of the People's Republic of China ("**PRC**") (the "**NMPA**") in August 2023 for subsequent approval for the commercialisation of Suciraslimab. Clinical sites inspection and Good Manufacturing Practice ("**GMP**") inspection for BLA were completed in January 2024.

- Our key product SM17, (*Humanised monoclonal antibody targeting the receptor for IL-25*) — In the U.S., Phase I clinical study was completed in 2023 with the Last Subject Last Visit (LSLV) completed in September 2023, clinical report was obtained in the first quarter of 2024, data from which demonstrated an overall favourable safety and tolerability for SM17. In China, two Investigational New Drug ("**IND**") submissions for the treatment of asthma and atopic dermatitis ("**AD**") were approved by the NMPA on 11 August 2023 and 8 September 2023, respectively. The first cohort of healthy subjects had been successfully dosed in a Phase I clinical trial in China in November 2023.

  A HKD6.5 million subsidy was granted to the Company from the Hong Kong Science and Technology Parks Corporation in December 2023 for the clinical trial of SM17 for AD.

- Another key product SN1011, (*BTK Inhibitor*) — SN1011 has currently obtained four IND approvals from the NMPA for the treatment of systemic lupus erythematosus ("**SLE**"), pemphigus, multiple sclerosis ("**MS**") and neuromyelitis optica spectrum disorder ("**NMOSD**").

- The Company entered into fifteen subscription agreements on 14 December 2023 with fifteen subscribers for the issuance of an aggregate of 56,834,719 new ordinary shares at HKD1.29 per share, completion of the subscriptions took place in January 2024, raised net proceeds of approximately of HKD73.2 million.

FINANCIAL HIGHLIGHTS

- Loss for the year decreased by RMB41.1 million from RMB284.2 million for the year ended 31 December 2022 to RMB243.1 million for the year ended 31 December 2023, which was mainly attributable to the decrease in costs of research and development ("**R&D**") of approximately RMB45.0 million mainly due to the completion of Phase III clinical study of SM03.

- As at 31 December 2023, cash and cash equivalents and pledged and restricted deposits totalled RMB233.1 million, compared to RMB345.7 million as at 31 December 2022.

- The completion of SM03 phase III clinical trials and various cost saving actions were taken in 2023, leading to the net cash flows used in operating activities for the Reporting Period decreased from RMB300.5 million as for 2022, to RMB133.8 million as for 2023.

- Net cash flows used in investing activities for the Reporting Period was approximately RMB96.9 million, which was mainly the capital expenditures for our commercial production base in Suzhou to enhance the Group's production capacity. Such expenditure was mainly covered by bank borrowings, which led to the net cash flows from financing activities for the Reporting Period amounting to approximately RMB82.3 million.

- The completion of the fifteen subscription agreements in January 2024, raised net proceeds of approximately of HKD73.2 million.

- The Board does not recommend payment of a final dividend for the Reporting Period.

BUSINESS OVERVIEW

With the impact of COVID-19 receding and the borders reopening, the restarted cooperation between Mainland China and the Hong Kong Special Administrative Region ("**Hong Kong**") was even closer. The life sciences and healthcare sector, especially for novel drug corporations, saw growth opportunities in 2023 as the macro-economy gradually rebound to the pre-pandemic level along with the recent introduction of policies favourable to the innovative drug development.

In 2023, we met our performance expectations across all our businesses, and especially we made significant breakthroughs in pharmaceutical R&D. Our flagship product SM03 (Suciraslimab), a global first-in-class anti-CD22 monoclonal antibody for the treatment of RA, is progressing at full speed towards its commercialisation. During the year, clinical sites inspection and GMP inspection were carried out at the Haikou production base, which are the necessary inspection procedures for BLA required by the NMPA, and both were completed in January 2024. In the meantime, we are continuing to advance clinical studies of Suciraslimab in other immunological diseases, aiming to expand the potential therapeutic area of Suciraslimab, including Alzheimer's disease and Sjogren's syndrome ("**SS**"), to fulfill unmet medical needs and thus further promote the potential for subsequent commercialisation of the products.

Our key product, SM17, is a novel, First-in-Class ("**FIC**"), humanised, IgG4-κ monoclonal antibody targeting the receptor of interleukin 25 (IL-25). It is also a global FIC monoclonal antibody for the receptor targets of IL-25 with the potential for treating AD, asthma, idiopathic pulmonary fibrosis ("**IPF**") and other immunological disorders. Among which, the potential and research plan of SM17 for the treatment of AD was highly recognised, and was being granted a HK$6.5 million subsidy from the Hong Kong Science and Technology Parks Corporation in December 2023. The subsidy will be fully utilised for the clinical trial of SM17 for AD.

In addition, we have achieved breakthroughs in the R&D activities of SM17 at home and abroad. All patients for the Phase I clinical study currently being conducted in the U.S. were enrolled in September 2023, and the last subject last visit was completed. In China, two additional IND applications (asthma and AD) were filed with the Centre for Drug Evaluation ("**CDE**") of the NMPA in May and June 2023 and were approved in August and September of the same year, respectively. In November 2023, the first healthy subject of the first batch was successfully dosed in a Phase I clinical trial in China. The enrollment of healthy subjects is expected to be completed in the first quarter of 2024, and the Phase Ib study for AD patients is scheduled to follow shortly after that.

In 2023, with the more mature commercial production and the continuously expanding sales and marketing team, our commercialisation and execution capability have been strengthened and improved, our R&D direction has become more clearer on the market-oriented path.

We have production bases in Haikou and Suzhou in the PRC for the subsequent commercialisation for our pipeline product candidates. The Haikou production base is our main production base currently in operation, and since its completion of the development, it has supported a number of product R&D activities, and continues to promote the clinical and marketing activities of various products. The Suzhou production site is also being steadily developed for subsequent research and commercial production.

In addition to our efforts in product development, we also focus on corporate governance effectiveness and corporate values to support the Group's long-term development. At the end of 2023, we were awarded "The Best Small and Medium Sized Company" at the "8th Zhitong Caijing Listed Companies Awards", which recognised our growth potential in the capital market. We believe that by adherence to independent innovation, deep engagement in treatments for immunological diseases, and active promotion of commercialisation, we will create greater value for the Group and our shareholders.

OUTLOOK

Looking ahead to 2024, we are optimistic about the biotechnology market during the year, despite the risk of a slowdown in the global economy, as the impact of the epidemic subsides and Hong Kong, where we are headquartered, is committed to building into a hub for health and medical innovation by strongly supporting the development of the pharmaceutical industry as outlined in the 2023 Policy Address. We will continue to maintain our position in the market, capitalise on our research strengths and development potential, and actively explore potential business collaboration opportunities to further expand our business territory.

Furthermore, with the successful submission of BLA of Suciraslimab, a global flagship product for the treatment of RA, we are full of confidence about the prospects of Suciraslimab and looking forward to the commercial profitability of Suciraslimab upon approval of marketing, thereby leading the Company to steadily embark on its revenue phase and gradually establishing the "self-sustaining" model that is necessary for the future development of the Company to achieve the ultimate goal of maximizing the value for investors.

MANAGEMENT DISCUSSION AND ANALYSIS

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 sections headed "Business Overview" and "Outlook" above as well as in this sub-section.

The Group has no immediate plan for material investments or capital assets, other than as disclosed in the above section headed "Business Overview" and this sub-section.

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

Overview

We are the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics, primarily First-in-Class ("**FIC**") 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 global first-in-class (FIC) anti-CD22 mAb for the treatment of RA and other immunological and neuro-immunological diseases such as SLE, SS, mild cognitive impairment ("**MCI**"), Alzheimer's disease, as well as non-Hodgkin's lymphoma ("**NHL**"). As announced by the Company on 26 April 2023, Suciraslimab met its primary endpoint in a Phase III clinical study for the treatment of RA in China. Our BLA was also filed with the NMPA in August 2023 for subsequent approval for commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission. Clinical sites inspection and GMP inspection at our Haikou production base, the two necessary procedures required as part of the BLA approval process, were completed in January 2024.

Our key product, SM17, is a global First-in-Class (FIC), humanised monoclonal antibody targeting the receptor for IL-25. R&D developments of SM17 were carried out in both the U.S. and China. In U.S., an IND application for asthma was submitted in February 2022 and was subsequently approved by the U.S. Food and Drug Administration ("**FDA (USA)**") 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. The FIH study, consisting of multiple cohorts of single ascending dose ("**SAD**") and multiple ascending dose ("**MAD**"), was completed in 2023 with the Last Subject Last Visit (LSLV) completed in September 2023. The total number of subjects enrolled in this FIH study is 77. Clinical report was obtained in the first quarter of 2024, data from which demonstrated an overall favourable safety and tolerability for SM17. In China, during the Reporting Period, an IND application for asthma was submitted in May 2023, and was approved by the NMPA on 11 August 2023, while another IND application for AD was submitted in June 2023 and was approved by the NMPA on 8 September 2023. The first cohort of healthy subjects had been successfully dosed in a Phase I clinical trial in China on 25 November 2023, and is progressing according to the planned schedule. The compound has the potential for treating asthma, AD, IPF and other immunological disorder.

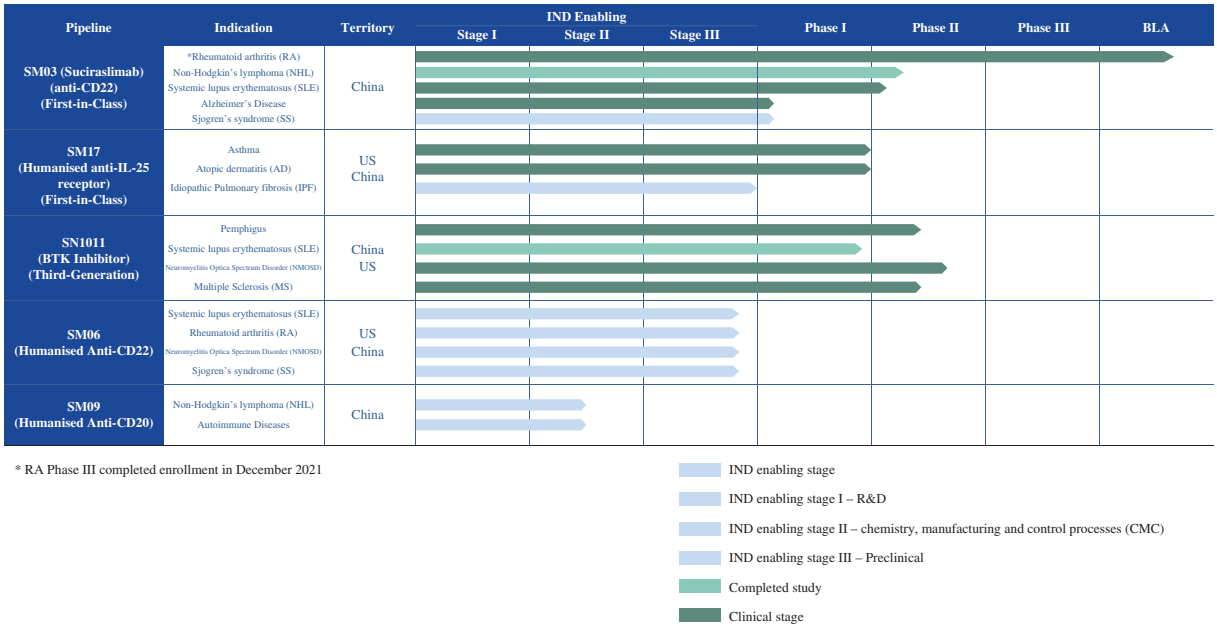
Another key product, SN1011, is a third generation covalent reversible BTK inhibitor. SN1011 was designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve superior efficacy and good safety profile for the potentially long-term treatment of patients with chronic immunological disorders. SN1011 has currently obtained four IND approvals from the NMPA, for the treatment of SLE, pemphigus, MS and NMOSD.

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, 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.

Progress of clinical projects

Product pipeline



* RA Phase III completed enrollment in December 2021

Flagship product

SM03 (Suciraslimab)

Our self-developed SM03 (Suciraslimab) is a first-in-class anti-CD22 mAb for the treatment of rheumatoid arthritis (RA), other immunological and neuro-immunological diseases such as systemic lupus erythematosus (SLE), Sjogren's syndrome (SS), mild cognitive impairment (MCI), Alzheimer's disease 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.

On 26 April 2023, the Company announced that SM03 met its primary endpoint in a Phase III clinical study for the treatment of RA in China. The Phase III clinical study is a randomised, multi-centre, double-blind, placebo-controlled study to confirm the clinical efficacy and safety in patients with moderate-to-severe active RA who had an inadequate response to methotrexate (MTX). According to the assessment of the topline data, SM03 (Suciraslimab) was effective in suppressing disease activity and alleviating symptoms of active RA patients receiving methotrexate therapy. SM03 Phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the original target of 510 patients, on 31 December 2021. A Phase III extension study has been conducted, as of 31 December 2023, there were 79 patients in the extension study. The extension study allows the Company to have a prolonged observation on both efficacy and safety profile of Suciraslimab. As at the date of this announcement, clinical data collected for the extension study demonstrates the continued efficacy of Suciraslimab.

Our BLA was filed with the NMPA in August 2023 for subsequent approval for commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission. Clinical sites inspection and GMP inspection which are the necessary inspection procedures for BLA required by the NMPA were completed in January 2024. We expect Suciraslimab to be our first commercially available drug candidate.

In addition to the RA program, we have been advancing Suciraslimab clinical development in other indications to broaden the therapeutic uses of Suciraslimab for addressing other unmet medical needs. On 14 November 2023, an additional IND application for the treatment of Mild Cognitive Impairment (MCI) or Mild Dementia due to Alzheimer's Disease was filed with and accepted by the Center for Drug Evaluation of the NMPA. Due to strategic allocation of resources, the Company will focus on the commercialisation of SM03 for the treatment of RA, advancement in SM03 for other indications, including SLE, MCI and Alzheimer's Disease, will be considered after the successful launch of SM03 commercialisation.

Key Products

SM17

SM17 is a novel, first-in-class (FIC), humanized, IgG4-κ monoclonal antibody which is capable of modulating Type II allergic reaction by targeting the receptor of a critical "alarmin" molecule interleukin 25 (IL-25). SM17 could suppress Th2 immune responses by binding to IL-25 receptor (also known as IL-17RB) on Type 2 Innate Lymphoid cells (ILC2s), and Type 2 helper T (Th2) cells, blocking a cascade of responses induced by IL-25, and suppressing the release of the downstream Th2 cytokines such as IL-4, IL-5 and IL-13. IL-25 is classified as "alarmin" which is overexpressed in biopsy tissues of patients with asthma, atopic dermatitis (AD) and idiopathic pulmonary fibrosis (IPF). In-vitro studies clearly demonstrated that SM17 could suppress IL-25 induced type 2 immunity and the underlying mechanism supports its potential benefits in treating allergic and autoimmune diseases, such as AD, asthma and IPF.

When evaluated in two murine asthma models induced by ovalbumin or house dust mite, blockage of IL-25 signaling pathway by SM17 offered protection against airways resistance and type 2 immune response in the lung. SM17 also significantly reduced immune cell infiltration into the lung and serum levels of IgE. In another 1-Fluoro-2, 4-dinitrobenzene (DNFB) driven murine atopic dermatitis model, SM17 administration could attenuate epidermal thickening and improve skin condition by suppressing Th2 immune responses and immune cell infiltration into the skin layers. We expect that targeting upstream mediators of the Th2 inflammatory cascade, such as the receptor for IL-25, will have a broader effect on reducing airway as well as skin inflammation.

An IND application for asthma was submitted in February 2022 and approved by the FDA (USA) 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. The Phase I clinical study consisting of SAD and MAD cohorts to evaluate its safety, tolerability and pharmacokinetics ("**PK**") in healthy subjects was completed in 2023 with the Last Subject Last Visit (LSLV) completed in September 2023. The total number of healthy subjects enrolled in this FIH study is 77. Clinical report was obtained in the first quarter of 2024, data from which demonstrated an overall favourable safety and tolerability for SM17.

During the Reporting Period, an IND application for asthma was submitted in May 2023, and was approved by the NMPA on 11 August 2023, while another IND application for AD was submitted in June 2023 and was approved by the NMPA on 8 September 2023. The first cohort of healthy subjects had been successfully dosed in a Phase I clinical trial in China on 25 November 2023, and 24 subjects have been enrolled in the Phase I clinical study in China as of 31 December 2023. Recruitment of healthy subjects is expected to be completed by the first quarter of 2024 and a Phase Ib study with AD patients is expected to be initiated soon thereafter.

The compound has the potential for treating AD, asthma, IPF and other immunological disorders.

Please also refer to the Company's announcements dated 16 February 2022, 14 March 2022, 15 June 2022, 22 May 2023, 12 June 2023, 14 August 2023, 11 September 2023 and 27 November 2023 for further information about the latest R&D progress of SM17.

SN1011

SN1011 is a third generation, covalent reversible 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), neuromyelitis optica spectrum disorder (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 a good safety and PK profile. SN1011 has currently obtained four IND approvals from the NMPA for the treatment of SLE, pemphigus, MS and NMOSD on 27 August 2020, 23 June 2021, 19 April 2022 and 22 August 2022, respectively. 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.

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.

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 non-Hodgkin's lymphoma (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 Biosciences 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 carried 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. GMP inspection at our Haikou production base (a necessary requirement for BLA approval) was completed in January 2024.

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. Completion inspection is expected to be approved in 2024 for the grant of Real Estate Ownership Certificate.

Intellectual property

Core technology of main drugs (products)

For SM03 (Suciraslimab), the Group has three 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 and one invention patent granted and vested in Australia.

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 one invention patent application for each of SM18 and SM32 in the United States, two Patent Cooperation Treaty ("**PCT**") applications for SM17 and one PCT application for SM03 and SM06. In addition, one invention patent was granted and registered in the PRC during the Reporting Period. As at 31 December 2023, the Group had four pending patent applications in the United States, four pending patent applications in the PRC, two pending patent applications in Europe, and five 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 2023**	As at 31 December 2022
Number of invention patents owned by the Group*	**35**	31

* *including patent pending and granted patent.*

R&D personnel

Education level	**Number at the end of the Reporting Period**	**Number at the beginning of the Reporting Period**
PhD	**7**	11
Master	**27**	40
Undergraduate or below	**25**	36
Total number of R&D personnel	**59**	87

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 are effective ways 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-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.

In 2023, with the more mature commercial production and the continuously expanding sales and marketing team, our commercialisation and execution capability have been strengthened and improved, our R&D direction has become more clearer on the market-oriented path.

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 have submitted our BLA for Suciraslimab for the treatment of RA to the NMPA in August 2023. In terms of the broader indication development, an IND application for the treatment of Mild Cognitive Impairment (MCI) or Mild Dementia due to Alzheimer's Disease was filed with and accepted by the NMPA in November 2023. Due to strategic allocation of resources, the Company will focus on the commercialisation of SM03 for the treatment of RA. Advancement in SM03 for other indications, including SLE, MCI and Alzheimer's Disease, will be considered after the successful launch of SM03 commercialisation. We are also in the process of further broadening therapeutic area of Suciraslimab and seeking regulatory pathways to extrapolate the clinical indications of neuro-immunological diseases for Suciraslimab. The initiation of IND application and proof-of-concept Phase II clinical study for SS in China is also in our plan.

In respect of SM17, the Phase I first-in-human clinical trial was entered into in the U.S. in June 2022 and was completed in 2023. The Last Subject Last Visit (LSLV) was completed in September 2023 and the total number of subjects enrolled in the FIH clinical trial is 77. Clinical report was obtained in the first quarter of 2024. Two additional IND submissions, for the treatment of asthma and atopic dermatitis (AD) were filed with the NMPA in the first half of 2023 and were subsequently approved by the NMPA on 11 August 2023 and 8 September 2023 respectively. The first cohort of healthy subjects has been successfully dosed in a Phase I clinical trial in China on 25 November 2023. The Phase I trial aims to establish safety, pharmacokinetics (PK), and immunogenicity profile of SM17 in the Chinese population, as well as to test the preliminary safety, efficacy and pharmacodynamic characteristics of SM17 in AD patients. As of 31 December 2023, 24 subjects have been enrolled in the clinical trial in China. Recruitment of healthy subjects is expected to be completed by the first quarter of 2024 and a Phase Ib study with AD patients is expected to be initiated soon thereafter. We are also planning for the submission of IND application in both the U.S. and China for the treatment of IPF with SM17.

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 relationships 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/pharmacodynamics, 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.

Apart from the above mentioned SM06 and SM09, our potential drug candidates under pre-clinical stage also include SM18, SM32 and SM20/SM22.

Novel drug targets identification

The Company has been actively exploring novel targets identification and has developed a strong team of R&D talents with a mix of resources that instill an innovative culture at all levels. Led by the Chief Executive Officer of the Company, who also undertakes the function of the Chief Scientific Officer, the research team has established five strategic in-house platforms, namely, the "B-cell Therapeutic Platform", "Alarmins-pathway Therapeutic Platform", "Selective-T Cell Therapeutic Platform" and "Neurological Disease Platform" and "Antibody Framework-Patching Humanisation Platform" that allow the Company to continuously identify novel drug targets and develop new antibody candidates, broadening and enriching our product pipelines for other autoimmune diseases with unmet medical needs. SM18, SM32 and SM20/SM22 are all candidates derived from the above platforms.

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. Completion inspection is expected to be approved in 2024 for the grant of Real Estate Ownership Certificate.

Commercialisation

We are continuing to build up our sales and marketing team. As at the end of the Reporting Period, we have initially established a marketing team of 6 persons, and plan to continue to expand the sales and marketing 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

Rheumatoid Arthritis (RA)

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 compound annual growth rate (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 and 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-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.

Atopic Dermatitis (AD)

As a long-standing chronic disease, new cases of AD are growing rapidly in China with broad market potential. Patients with AD have an increasing all-cause mortality rate and disease-specific mortality rate in the following diseases, which include infections, respiratory diseases, gastrointestinal diseases, and oncologic diseases. Current approved therapies for AD, including biologics, can significantly improve eczema area and severity index and patient's quality of life. However, there is still an unmet medical need for patients showing irresponsiveness to those approved therapies. According to Frost & Sullivan, there were approximately 65.7 million AD patients in China in 2019 and is expected to grow to 81.7 million in 2030, with 30% of them being moderate-to-severe patients. The AD medicine market in China was valued at US$600 million in 2019, and is expected to reach US$1.5 billion in 2024, further increasing to US$4.3 billion in 2030. We believe the mechanism of action of SM17 by targeting upstream of the Th2 inflammatory cytokine pathway, such as IL-25 receptor, will have broad effects on skin inflammation, implicating a great potential for SM17 to be a differentiating, safer and more effective product for the treatment of AD.

Asthma

The number of asthma patients worldwide is increasing year by year, and a large patient base is in urgent need of effective therapeutic drugs to alleviate unmet medical needs. According to the Frost & Sullivan Report, the number of asthma patients worldwide is expected to increase to approximately 860 million in 2030, of which the number of asthma patients in China will increase to 78.1 million which is higher than the global growth rate. Severe, uncontrolled asthma patients are at risk of recurrent asthma exacerbations and hospotalizations, and uncontrolled severe asthma is associated with increased mortality/morbidity, diminished quality of life and increased health expenditures. Current approved therapies for severe asthma, including biologics, can reduce asthma exacerbations to a certain extent. However, there is still an unmet medical need for additional effective therapies, particularly for patients who do not respond to current treatments. We believe the mechanism of action of SM17 by targeting upstream of the Th2 inflammatory cytokine pathway, such as IL-25 receptor, will have broad effects on airway inflammation, which is expected to provide a new therapeutic channel with efficacy and safety for asthma diseases and bring relief and treatment to asthma patients.

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:

B-cell Therapeutic Platform

The Company was established with an initial focus on developing therapeutics that target B cells. As more and more data 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 (Suciraslimab) 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 in order to address other immune related ailments. While most cytokines are well studied, and products against which have been 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-κ monoclonal antibody targeting IL-25, 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 (Suciraslimab) for treating MCI and 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 disease and other neurological diseases. Product candidates are descendants of the SM03 (Suciraslimab)/SM06 lineage.

Antibody Framework-Patching 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.

RISK FACTORS

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.

FINANCIAL REVIEW

Other income and gains

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 and government grants. Total other income and gains were approximately RMB10.7 million for the Reporting Period, representing a decrease of approximately RMB44.4 million from the year ended 31 December 2022, mainly due to 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 for the year ended 31 December 2022.

R&D costs

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Laboratory consumable and experiment costs	**75,505**	99,003
Employment costs	**41,016**	59,269
Milestone payments of co-developed products	**–**	4,422
Others	**18,888**	17,674
	135,409	180,368

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 2023 and 2022, we incurred R&D costs of approximately RMB135.4 million and RMB180.4 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 RMB23.5 million mainly due to completion of Phase III clinical trial for the treatment of active RA in China as of 31 December 2022; and (ii) a decrease in employment costs of R&D employees of approximately RMB18.3 million mainly due to simplification of our clinical team for better efficiency.

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 2023 and 2022, our total administrative expenses were approximately RMB97.6 million and RMB82.6 million, respectively. The increase was mainly due to an increase in non-cash share-based payments of approximately RMB15.2 million including the Company's share award scheme and share option scheme.

Other expenses

For the year ended 31 December 2023, there was foreign exchange loss, net, of approximately RMB12.8 million (2022: foreign exchange loss, net RMB61.9 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 2023, cash and cash equivalents totalled RMB203.7 million, as compared to RMB345.7 million as at 31 December 2022. The net decrease of approximately RMB142.0 million was mainly due to (i) the net increase in the bank borrowings of approximately RMB100.9 million; offset by (ii) spending on capital expenditures of approximately RMB103.9 million; and (iii) the net cash used in operating activities of approximately RMB133.8 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 2023	31 December 2022
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(133,847)**	(300,538)
Net cash flows used in investing activities	**(96,921)**	(81,358)
Net cash flows from financing activities	**82,267**	102,285
Net decrease in cash and cash equivalents	**(148,501)**	(279,611)
Cash and cash equivalents at the beginning of year	**342,887**	562,983
Effect of foreign exchange rate changes, net	**9,278**	59,515
Cash and cash equivalents at the end of year	**203,664**	342,887
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated statement of financial position	**203,664**	345,712
Bank balances restricted for special purpose	**–**	(2,825)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**203,664**	342,887

As at 31 December 2023, 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 2023, the Group's outstanding borrowings of RMB391.4 million (31 December 2022: RMB268.8 million) were denominated in RMB. The effective interest rates of the bank borrowings as at 31 December 2023 range from 3.30% to 4.05% (31 December 2022: 3.30% to 4.70%) per annum.

As at 31 December 2023, the amount of unutilised banking facilities of the Group is approximately RMB497.9 million.

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%. As at 31 December 2023, the gearing ratio was 63.5%. During the year ended 31 December 2022, the Group maintained a net cash position.

Pledge of assets

As at 31 December 2023, land use right and construction in progress of net carrying amount of approximately RMB323.6 million were pledged to secure the bank loan borrowed by the Group (2022: RMB15.0 million).

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 2023.

Material event — Subscriptions of new shares under general mandate

2023 Share Subscriptions

On 14 December 2023, the Company entered into fifteen subscription agreements with fifteen subscribers for the issuance of an aggregate of 56,834,719 new ordinary shares at a subscription price of HK$1.29 per share (the "**2023 Subscriptions**"). The completion of the 2023 Subscriptions took place after the Reporting Period in January 2024, and raised net proceeds of approximately HK$73,181,794, representing a net subscription price of approximately HK$1.29 per subscription share. The Company completed an issue of 48,322,093 new ordinary shares for thirteen subscription agreements and 8,512,626 new ordinary shares for two subscription agreements on 12 January 2024 and 31 January 2024, respectively. Details of the planned applications of the net proceeds from the 2023 Subscriptions were disclosed in the Company's announcement dated 14 December 2023.

For details of the 2023 Subscriptions, please refer to the announcements of the Company dated 14 December 2023, 12 January 2024 and 31 January 2024.

Saved as disclosed in this section headed "Material event — Subscriptions of new shares under general mandate" in this announcement, the Company has not conducted any equity fund raising activities during the Reporting Period.

Use of proceeds from global offering

On 12 November 2019, the Company's 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 2023, the unutilised balance of Net Proceeds was approximately HK$151.9 million. In respect of the use of proceeds in the Company's prospectus dated 31 October 2019 (the "**Prospectus**") and subsequent change in use of proceeds as disclosed in the announcements dated 22 July 2020, 14 August 2020, 21 March 2022 and 20 March 2023, 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 Company decides to reallocate HK$10.0 million from "*For the purchase of land from Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base*" under "For the construction of Suzhou production base" 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 works are near completion and the completion inspection is expected to be approved in 2024 for the grant of Real Estate Ownership Certificate.

Considering the rapid expansion of our Group, the Board also considered that it would be appropriate to reallocate HK$10.0 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 2023 (HK$ million)	Unutilised net proceeds as at 31 December 2023 (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	250.9	250.9	232.2	18.7	By the end of 2024
To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline	299.4	299.4	293.0	6.4	By the end of 2024
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	52.4	–	N/A
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	99.9	99.9	92.0	7.9	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	50.7	35.1	By the end of 2024
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	59.7	14.1	45.6	By the end of 2024

Use of proceeds	Planned applications (Note 1) (HK$ million)	Revised allocation (HK$ million)	Actual utilisation up to 31 December 2023 (HK$ million)	Unutilised net proceeds as at 31 December 2023 (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	87.6	87.6	87.6	–	N/A
For the construction of an upstream production facility and downstream purification facility	28.2	28.2	8.5	19.7	By the end of 2024
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	107.9	104.5	3.4	By the end of 2024
For our working capital, expanding internal capabilities and other general corporate purposes	152.2	162.2	147.1	15.1	N/A
Collaboration with D2M Group	38.8	38.8	38.8	–	N/A
Total	1,272.8	1,272.8	1,120.9	151.9	

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.

Use of proceeds from new share subscriptions under general mandate

2022 Share Subscriptions

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 and raised net proceeds of approximately HK$50,890,400 (the "**2022 Subscriptions**").

References are made to the Company's announcements dated 7 November 2022 and 20 March 2023.

Details of the planned applications of the net proceeds from the 2022 Subscriptions were disclosed in the Company's announcement dated 7 November 2022 and subsequently revised and disclosed in the Company's announcement dated 20 March 2023. The following table sets out the planned applications of the net proceeds and the actual usage up to 31 December 2023.

Intended use of the proceeds	Planned application *(HK$ million)*	Details of usage	Actual utilisation up to 31 December 2023 *(HK$ million)*	Unutilised net proceeds as at 31 December 2023 *(HK$ million)*	Expected timeline for full utilisation of the unutilised net proceeds
(i) For the R&D and commercialisation of our drug candidate	39.6	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.	31.9	7.7	By the end of 2024
(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	0.2	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.	0.2	–	N/A
	4.0	To fund the expansion of R&D team.	–	4.0	By the end of 2024
	2.0	To build the Company's commercialisation team, develop its proprietary technology and enhance the Company's full-spectrum platform.	–	2.0	By the end of 2024
(iii) For general working capital purpose	5.1	For the general working capital of the Group, including but not limited to staff employment cost and rental and property management fees.	4.5	0.6	By the end of 2024
Total	50.9		36.6	14.3	

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.

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules 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 2023.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2023 and 2022 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for both years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 to the Registrar of Companies in due course.

- The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement under the paragraph "Material event — Subscriptions of new shares under general mandate" in relation to the completion of the 2023 Share Subscriptions in January 2024, there are no other significant events that affected the Group after the Reporting Period and up to the date of this announcement.

CORPORATE GOVERNANCE

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 as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules throughout the Reporting Period.

The Board is of the view that throughout the Reporting Period, the Company has complied with all code provisions as set out in the CG Code, save for the deviation as disclosed in this announcement.

Pursuant to code provision C.2.1 in the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Dr. Shui On LEUNG ("**Dr. Leung**") is currently both the chairman and the chief executive officer of the Company. The Board believes that Dr. Leung, being the founder and the chief executive officer of the Company, has extensive understanding of the Company's business. The joining of Mr. Shanchun WANG as the executive Director and President (China) of the Company who is responsible for overseeing and managing the Group's overall operation, including production and commercialisation, as well as clinical development, in China, has also greatly supported Dr. Leung in his focus on research & development, business development and strategic opportunity exploration and identification for the Group, and thus Dr. Leung is the Director best suited, among all Directors, to act as 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 fulfil 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 two executive Directors (Dr. Leung and Mr. Shanchun WANG who was appointed as an executive Director in February 2024), 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.

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(c)(i) and E.1.2(i) in the principles and code provisions as set out CG Code.

AUDIT COMMITTEE

The Audit Committee comprises 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.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statements of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023 prepared in accordance with HKFRSs. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 14 June 2024. The notice of the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomab.com) and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the Reporting Period.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 8 June 2024 to Friday, 14 June 2024, both days inclusive, during which no transfer of shares will be registered, in order to determine the holders of the shares of the Company who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of the shares 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 at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 7 June 2024 (Hong Kong time, being the last share registration date).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
REVENUE	*3*	**1,365**	–
Cost of sales		**(943)**	–
Gross profit		**422**	–
Other income and gains	*3*	**10,746**	55,117
Research and development costs		**(135,409)**	(180,368)
Administrative expenses		**(97,615)**	(82,591)
Other expenses	*4*	**(14,671)**	(65,958)
Finance costs		**(6,584)**	(4,962)
Share of loss of an associate		**–**	(5,396)
LOSS BEFORE TAX		**(243,111)**	(284,158)
Income tax expense	*5*	**–**	–
LOSS FOR THE YEAR		**(243,111)**	(284,158)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*6*	**(0.24)**	(0.29)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(243,111)**	(284,158)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation to the presentation currency	**9,961**	62,387
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(233,150)**	(221,771)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**463,914**	391,973
Right-of-use assets		**72,860**	93,844
Intangible assets		**1,844**	2,595
Deposits		**1,100**	2,005
Other non-current assets	*8*	**37,885**	70,838
Total non-current assets		**577,603**	561,255
CURRENT ASSETS			
Prepayments, deposits and other receivables		**6,087**	58,431
Financial asset at fair value through profit or loss	*9*	**30,993**	30,476
Pledged and restricted deposits		**29,439**	–
Cash and cash equivalents		**203,664**	345,712
		270,183	434,619
Non-current asset held for sale	*10*	**–**	12,474
Total current assets		**270,183**	447,093
CURRENT LIABILITIES			
Other payables and accruals	*11*	**101,395**	141,590
Lease liabilities		**4,663**	15,380
Interest-bearing bank borrowings	*12*	**66,588**	30,421
Total current liabilities		**172,646**	187,391
NET CURRENT ASSETS		**97,537**	259,702
TOTAL ASSETS LESS CURRENT LIABILITIES		**675,140**	820,957
NON-CURRENT LIABILITIES			
Lease liabilities		**54,750**	73,024
Interest-bearing bank borrowings	*12*	**324,807**	238,358
Total non-current liabilities		**379,557**	311,382
Net assets		**295,583**	509,575
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1,725,211**	1,725,211
Reserves		**(1,429,628)**	(1,215,636)
Total equity		**295,583**	509,575

NOTES

1. GENERAL

The Company was established in Hong Kong on 27 April 2001 with limited liability. On 12 November 2019, the shares were listed on the Main Board of the Stock Exchange. The registered address 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. The principal activities of the Group are mainly research and development of pharmaceutical products.

The 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 where otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The above amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*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*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments") [1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments") [1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 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

The directors of the Company anticipate that application of the revised HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contract with a customer	**1,365**	–

Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Type of goods		
Sales of capsules	**1,365**	–
Geographical market		
Chinese Mainland	**1,365**	–
Timing of revenue recognition		
Goods transferred at a point in time	**1,365**	–

Notes:

(i) On 19 December 2022, the Company entered into a capsule sales agreement with Everest Medicines II (HK) Limited ("**Everest**") to sell the capsule which is the Bruton's tyrosine kinase ("**BTK**") inhibitor. In February 2023, the Company supplied capsules and recognised the corresponding revenue and costs.

(ii) The performance obligation is satisfied upon delivery of the capsule products.

An analysis of other income and gains is as follows:

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**6,176**	9,582
Government grants	**3,027**	4,032
Rental income	**662**	1,057
Fair value gain on financial instruments at fair value through profit or loss	**111**	566
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
Others	**770**	112
Total other income and gains	**10,746**	55,117

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

4. OTHER EXPENSES

	2023	2022
	RMB'000	*RMB'000*
Foreign exchange loss, net	**12,814**	61,894
Loss on lease termination	**1,028**	–
Fair value loss on financial liabilities at fair value through profit or loss	**625**	903
Impairment of non-current assets held for sale	**–**	1,475
Loss on disposal of items of property, plant and equipment	**–**	1,442
Others	**204**	244
Total other expenses	**14,671**	65,958

5. INCOME TAX

No Hong Kong profit tax has been made as the Company did not generate any assessable profit during the year (2022: Nil).

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

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

6. 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 RMB243,111,000 (2022: RMB284,158,000), and the weighted average number of ordinary shares of 1,018,115,585 (2022: 991,956,078) 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 the basic loss per share amount presented for the year ended 31 December 2023 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 (2022: no potentially dilutive ordinary shares in issue).

The calculations of basic and diluted loss per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**243,111**	284,158

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**1,018,115,585**	991,956,078

There were 15,955,500 shares held under Share Award Scheme as of 31 December 2023 (2022: 16,955,500).

7. DIVIDEND

No dividend was paid or declared by the Company during the years ended 31 December 2023 and 2022.

8. OTHER NON-CURRENT ASSETS

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.

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Unlisted equity investment, at fair value	**30,993**	30,476

The above unlisted equity investment 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.

10. NON-CURRENT ASSET HELD FOR SALE

	2023	2022
	RMB'000	*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 was 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 for the year ended 31 December 2022.

In August 2023, the disposal of the land use right was completed at the price of RMB12,480,000.

11. OTHER PAYABLES AND ACCRUALS

	Note	2023 RMB'000	2022 RMB'000
Costs of construction and purchase of equipment payables		**56,093**	94,014
Other payables and accrued expenses	*(i)*	**29,034**	35,920
Deposits received for subscriptions of new shares		**10,038**	–
Payroll payable		**5,436**	10,787
Deferred income		**300**	300
Taxes other than corporate income tax		**494**	569
Total		**101,395**	141,590

Note:

(i) Other payables and accrued expenses are non-interest bearing and repayable on demand, or within one year.

12. INTEREST-BEARING BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Non-current		
Unsecured bank borrowings	**152,464**	117,434
Secured bank borrowing	**172,343**	120,924
Total – non-current	**324,807**	238,358
Current		
Unsecured bank borrowings	**34,723**	30,265
Secured bank borrowings	**31,865**	156
Total – current	**66,588**	30,421
Total	**391,395**	268,779
Bank borrowings repayable analysed into:		
Within one year	**66,588**	30,421
In the second year	**47,600**	40,000
In the third to fifth years, inclusive	**277,207**	198,358
Total	**391,395**	268,779

Notes:

(a) The Group's overdraft facilities amounting to RMB907,555,000 (2022: RMB750,000,000), of which RMB409,657,000 (2022: RMB278,358,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank borrowings are secured by:

(i) mortgages over the Group's land use right and construction in progress, which had a net carrying value at the end of the reporting period of approximately RMB323,619,000 (2022: RMB14,957,000); and

(ii) The pledge of certain of the Group's deposits amounting to RMB5,000,000 (2022: Nil).

(c) All borrowings are denominated in RMB.

(d) The effective interest rates of the bank borrowings as at 31 December 2023 range from 3.30% to 4.05% (31 December 2022: 3.30% to 4.70%) per annum.

13. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
1,034,920,400 (2022: 1,034,920,400) ordinary shares	**1,725,211**	1,725,211

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 2022	1,006,240,400	1,679,126
New shares issued	28,680,000	46,085
At 31 December 2022, 1 January 2023 and 31 December 2023	1,034,920,400	1,725,211

PUBLICATION OF AUDITED CONSOLIDATED ANNUAL RESULTS AND 2023 ANNUAL REPORT ON WEBSITES OF STOCK EXCHANGE AND COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomab.com). The 2023 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and/or published on the respective websites of the Stock Exchange and the Company in due course.

PROPOSED AMENDMENT TO THE 2022 SHARE OPTION SCHEME

The Board proposes to amend the 2022 Share Option Scheme. The Company adopted the 2022 Share Option Scheme on 26 October 2022 (the "**Adoption Date**") by the shareholders of the Company (the "**Shareholders**") to provide participants with the opportunity to acquire proprietary interests in the Company, to provide the 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. The 2022 Share Option Scheme shall remain in force for a period of ten (10) years commencing from the Adoption Date. Apart from the 2022 Share Option Scheme and the 2021 Share Award Scheme which was adopted by the Company on 4 February 2021 (as amended from time to time), the Company has no other share scheme currently in force. It is expected that the 2022 Share Option Scheme will link the value of the Company with the interests of the participants enabling the participants and the Company to develop together and promote the Company's corporate culture.

Pursuant to the 2022 Share Option Scheme, the maximum number of shares of the Company ("**Shares**") in respect of which options may be granted under the 2022 Share Option Scheme and any other share scheme(s) of the Company shall not exceed 5% of the total number of issued Shares as of the Adoption Date (i.e. a total of 50,312,020 Shares) ("**Scheme Mandate Limit**"), and the maximum number of shares in respect of which options may be granted under the 2022 Share Option Scheme and any other share schemes of the Company to the service providers (as defined under the existing scheme rule of the 2022 Share Option Scheme) ("**Service Providers**") shall not exceed 1% (within the Scheme Mandate Limit) of the total number of issued shares as of the Adoption Date ("**Service Provider Sublimit**").

In order to give the Company flexibility to grant share options to the participants under the 2022 Share Option Scheme as incentives and rewards for their contribution to the Group, the Board proposed to amend the 2022 Share Option Scheme so as to increase the existing Scheme Mandate Limit and the Service Provider Sublimit at the AGM (the "**Proposed Amendment**"). Subject to (i) the approval of the Shareholders at the AGM and (ii) the Stock Exchange granting the listing of, and permission to deal in, such number of Shares, representing 10% of the issued Shares as at the date of the AGM, which may fall to be allotted and issued pursuant to the exercise of the share options of the 2022 Share Option Scheme ("**Share Options**") that may be granted under the

Scheme Mandate Limit so amended and refreshed, (A) the existing Scheme Mandate Limit will be increased so that the total number of Shares which may be issued upon exercise of all options to be granted under the 2022 Share Option Scheme and any other share scheme(s) of the Company shall not in aggregate exceed 10% of the Shares in issue at the date of approval of the Proposed Amendment; (B) the existing Service Provider Sublimit will be increased so that the total number of Shares which may be issued upon exercise of all options to be granted under the 2022 Share Option Scheme and other share schemes of the Company to Service Providers shall not exceed 1% of the total number of Shares in issue on the AGM date.

The Board considers it to be a suitable time to increase the Scheme Mandate Limit and the Service Provider Sublimit as (i) the Company expects the increased need for the grant of Share Options to be in line with the business development of the Group, especially in the stage of approaching and in the early stage of commercialisation of the first commercialised product of the Group, SM03 (Suciraslimab). As disclosed in the announcement of the Company dated 26 April 2023, SM03 (Suciraslimab) met its primary endpoint in a phase III clinical study for the treatment of rheumatoid arthritis (RA) in the PRC. The interim results announcement for the six months ended 30 June 2023 dated 21 August 2023 of the Company also reported that the Company has submitted its Biologics License Application (BLA) for SM03 (Suciraslimab) for the treatment of RA with the National Medical Products Administration of the PRC in August 2023 for subsequent commercialisation which will usually happen 10 to 12 months after the BLA submission; (ii) the Board considers that granting of Share Options to participants would be a more appropriate means to attract and retain talents instead of cash reward and other settlement as the grant of Share Options (A) will not induce cash flow constraints given the loss-making financial performance of the Group; (B) enables the Group to maintain its liquid capital to carry on its current business and sufficient buffer cash for future or sudden use; and (C) could be more cost effective for the Group; and (iii) the grant of Share Options is in the best interests of the Company and the shareholders as a whole because the Board is of the view that cash remuneration to participants may not be fruitful since the remuneration incurred will affect the cash flow for daily operation use, and therefore, the Company is intended to grant Share Options to participants as remuneration for their services rendered to the Group. As such, the Company shall grant Share Options as and when the Board considers appropriate to incentivise the participants.

The Board considers that the Proposed Amendment is in the interests of the Company and the Shareholders as it provides more flexibility for the Company to provide incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

The Proposed Amendment is conditional upon:

(i) the passing of an ordinary resolution by the Shareholders to approve the Proposed Amendment at the AGM;

(ii) the Stock Exchange granting the listing of, and permission to deal in, such number of Shares, representing 10% of the issued Shares as of the date of the AGM which may fall to be allotted and issued pursuant to the exercise of the Share Options that may be granted under the scheme mandate limit so amended and refreshed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares that may fall to be issued pursuant to the exercise of any options that may be granted under the amended and refreshed Scheme Mandate Limit.

Pursuant to Note (1) of Rule 17.03(18) of the Listing Rules, any alterations to the terms and conditions of the 2022 Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of participants must be approved by the Shareholders. As the Proposed Amendment to the 2022 Share Option Scheme is considered to be material in nature, the Proposed Amendment will be subject to approval by the Shareholders at the AGM. Accordingly, a circular containing, among other things, details of the Proposed Amendment, together with a notice convening the AGM will be despatched to the shareholders of the Company in due course. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, no shareholder is required to abstain from voting on the resolution to be proposed at the AGM to approve the Proposed Amendment.

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT

During the term of the 2022 Share Option Scheme up to the date of this announcement, a total of 49,878,400 Share Options have been granted on 3 November 2022, 6 November 2023 and 16 November 2023. As at the date of this announcement, no Share Option has been exercised and 49,778,400 Share Options were outstanding under the 2022 Share Option Scheme. 100,000 Share Option were lapsed and no Share Option was cancelled under the 2022 Share Option Scheme. The Company does not intend to grant any Share Options under the 2022 Share Option Scheme or other share scheme of the Company after the date of this announcement and up to the date of the AGM.

The Board considers that the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is in the interests of the Company and the Shareholders as a whole as it provides more flexibility for the Company to motivate the participants for their future contributions to the Group and/or to reward them for their past contributions, and to maintain on-going relationships with them.

As at the date of this announcement, there are 1,091,755,119 Shares in issue. Subject to the approval of the Shareholders at the AGM, and assuming that no Shares are issued or repurchased by the Company after the date of this announcement up to the date of the AGM, if the 2022 Share Option Scheme is refreshed and amended in accordance with the resolutions as set out in the notice of AGM which will be contained in the circular to be despatched and/or published in due course, (1) the maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2022 Share Option Scheme and other share option schemes of the Company will be 109,175,511 Shares, being 10% of the Shares in issue as at the date of the AGM; and (2) the maximum number of Shares which may be issued in respect of all Share Options to be granted to Service Providers within the amended and refreshed Scheme Mandate Limit will be 10,917,551 Shares, being 1% of the Shares in issue as at the date of the AGM.

The refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is conditional upon:

(i) the passing of an ordinary resolution by the Shareholders to approve the Proposed Amendment at the AGM;

(ii) the passing of an ordinary resolution by the Independent Shareholders (as defined hereinafter) to approve the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the AGM; and

(iii) the Stock Exchange granting the listing of, and permission to deal in, such number of Shares, representing 10% of the issued Shares as at the date of the AGM, which may fall to be allotted and issued pursuant to the exercise of the Share Options that may be granted under the Scheme Mandate Limit so amended and refreshed.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of the Share Options that may be granted under the amended and refreshed Scheme Mandate Limit.

Listing Rules Implications

Pursuant to Rule 17.03C(1)(b) of the Listing Rules, any refreshment of the existing Scheme Mandate Limit and Service Provider Limit within any three-year period from the date of adoption of the scheme is subject to the independent shareholders' approval by way of an ordinary resolution at the AGM, at which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the proposed refreshment of Scheme Mandate Limit and the Service Provider Sublimit (the "**Independent Shareholders**").

As at the date of this announcement, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Dr. Shui On LEUNG, Mr. Shanchun WANG and Dr. Wenyi LIU, being the executive Directors and non-executive Director respectively with interests in the Shares, together with their associates are required to abstain from voting in favour of the resolution to approve the proposed refreshment of Scheme Mandate Limit and the Service Provider Sublimit.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed and as at the date of this announcement, no Shareholder is required to abstain from voting on the proposed resolution on the proposed refreshment of Scheme Mandate Limit and the Service Provider Sublimit at the AGM.

Pursuant to Rule 17.03C(2) of the Listing Rules, the total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the scheme mandate as "refreshed" must not exceed 10% of the relevant class of shares in issue as at the date of approval of the refreshed scheme mandate.

Pursuant to Rule 17.03C(1)(b)(ii) of the Listing Rules, the Company shall also establish an independent board committee and appoint an independent financial adviser to advise the Shareholders. An independent board committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. An independent financial adviser, Nuada Limited, has been appointed by the Company to advise the independent board committee and the Independent Shareholders on the above issue. The text of the letter from the independent board committee and the text of the letter from the independent financial adviser containing its advice will be set out in the circular of the Company to be despatched and/or published in due course.

The Directors (excluding the independent non-executive Directors) consider that the terms of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

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

Hong Kong, 25 March 2024

As at the date of this announcement, the executive Directors are Dr. Shui On LEUNG and Mr. Shanchun WANG, the non-executive Directors are Dr. Haigang CHEN, Mr. Xun DONG, Dr. Wenyi LIU, Dr. Jianmin ZHANG and Mr. Lei SHI and the independent non-executive Directors are Mr. George William Hunter CAUTHERLEY, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER.