Shandong Boan Biotechnology Co., Ltd.
山东博安生物技术股份有限公司

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

(Stock Code: 6955)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

1. Revenue

During the Reporting Period, the Group has built a dedicated commercialization team by use of proactive marketing strategy and efficient executive capability in sales, through which the Group rapidly established a foothold in the domestic market laying a solid foundation for the subsequent transformation of the Company. With the commercialization of two products, the Group witnessed a significant increase in revenue during the Reporting Period.

For the year ended 31 December 2023, the Group's revenue amounted to approximately RMB618.1 million, as compared to RMB516.0 million for the year ended 31 December 2022, representing an increase of approximately RMB102.1 million, or 19.8%. The increase was mainly attributable to the growth of sales of Boyounuo® (BA1101) and Boyoubei® (BA6101) in China.

2. Cost of Sales

Cost of sales of the Group primarily represents materials and consumables, labour costs associated with production, utilities and maintenance fee as well as depreciation and amortisation expenses of production equipment, facilities and intangible assets.

Our cost of sales increased from RMB161.7 million for the year ended 31 December 2022 to approximately RMB209.2 million for the year ended 31 December 2023, which accounted for approximately 33.9% of our total revenue for the same year (2022: 31.3%).

3. Gross Profit

For the year ended 31 December 2023, the Group recorded a gross profit of approximately RMB408.9 million, representing an increase of approximately RMB54.7 million, or 15.4%, as compared with that for the year ended 31 December 2022.

4. Selling and Distribution Expenses

For the year ended 31 December 2023, the Group's selling and distribution expenses amounted to RMB256.5 million, as compared to RMB214.1 million for the year ended 31 December 2022, representing an increase of RMB42.4 million, or 19.8%. The increase in selling expenses was in line with the revenue growth during the same period.

5. Research and Development Expenses

The following table sets forth a breakdown of the Group's research and development ("**R&D**") expenses for the years indicated:

	2023	2022
	RMB'000	*RMB'000*
R&D service fees	**96,675**	176,079
Raw materials and consumables expenses	**33,388**	100,377
Staff costs and share-based payments	**67,867**	73,558
Depreciation and amortisation expenses	**17,776**	23,958
Others	**14,976**	26,366
	230,682	400,338

For the year ended 31 December 2023, the Group's recognised R&D expenses were approximately RMB230.7 million, representing a decrease of approximately RMB169.6 million as compared to the year ended 31 December 2022. The decreased R&D expenses was mainly due to the increase in R&D investment capitalised into deferred development costs as four of the Group's R&D projects had progressed to phase 3 clinical trial in 2023.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shandong Boan Biotechnology Co., Ltd. (the "**Company**" or "**Boan Biotech**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**us**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
REVENUE	*5*	**618,129**	515,960
Cost of sales		**(209,161)**	(161,730)
Gross profit		**408,968**	354,230
Other income and gains	*5*	**27,654**	24,348
Research and development costs		**(230,682)**	(400,338)
Administrative expenses		**(51,687)**	(82,334)
Selling and distribution expenses		**(256,533)**	(214,086)
Other expenses		**(3,010)**	(162)
Finance costs	*7*	**(14,087)**	(13,407)
LOSS BEFORE TAX	*6*	**(119,377)**	(331,749)
Income tax expense	*8*	**–**	–
LOSS FOR THE YEAR		**(119,377)**	(331,749)
Attributable to:			
Owners of the parent		**(119,377)**	(331,749)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**228**	1,703
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**228**	1,703
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(119,149)**	(330,046)
Attributable to:			
Owners of the parent		**(119,149)**	(330,046)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	*10*	**(0.23)**	(0.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**615,417**	572,092
Advance payments for property, plant and equipment and intangible assets		**32,765**	41,685
Right-of-use assets		**11,693**	10,602
Intangible assets		**950,504**	731,505
Total non-current assets		**1,610,379**	1,355,884
CURRENT ASSETS			
Inventories		**165,291**	143,634
Trade and notes receivables	*11*	**276,195**	212,124
Prepayments, other receivables and other assets		**57,381**	50,259
Pledged deposits		**12,290**	207,160
Cash and cash equivalents		**201,850**	233,498
Total current assets		**713,007**	846,675
CURRENT LIABILITIES			
Lease liabilities		**3,567**	8,384
Trade and notes payables	*12*	**217,572**	160,203
Other payables and accruals		**239,464**	204,427
Interest-bearing bank and other borrowings		**167,839**	83,339
Due to related parties	*14(c)*	**24,907**	15,318
Total current liabilities		**653,349**	471,671
NET CURRENT ASSETS		**59,658**	375,004
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,670,037**	1,730,888

	Note	**2023** ***RMB'000***	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**6,175**	–
Interest-bearing bank and other borrowings		**228,324**	210,000
Government grants		**3,000**	–
Other non-current liabilities		**112,670**	102,511
Total non-current liabilities		**350,169**	312,511
Net assets		**1,319,868**	1,418,377
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**509,278**	509,278
Reserves		**810,590**	909,099
Total equity		**1,319,868**	1,418,377

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**" or "**China**"). The registered office of the Company is located at No. 39 Keji Avenue, High-Tech Industrial Development Zone, Yantai, Shandong Province, China.

During the Reporting Period, the Company and its subsidiaries were principally engaged in the development, manufacture and commercialisation of high quality biologics in China and worldwide.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for notes receivable. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 25 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

All external revenue of the Group during the year was attributable to customers in Chinese Mainland.

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**1,602,155**	1,354,914
Other countries	**8,224**	970
Total non-current assets	**1,610,379**	1,355,884

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**188,433**	191,396
Customer B	**146,397**	N/A*
Customer C	**73,993**	59,005
Customer D	**N/A***	66,730

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**618,129**	515,960

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Type of goods		
Sale of products	**615,272**	515,960
Provision of research and development services	**2,857**	–
Total	**618,129**	515,960
Timing of revenue recognition		
Goods transferred at a point in time	**615,272**	515,960
Services transferred over time	**2,857**	–
Total	**618,129**	515,960

Geographical markets

All of the Group's revenue was generated from customers located in Chinese Mainland during the year.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**6,081**	1,290
Provision of research and development services	**943**	–
Total	**7,024**	1,290

(b) Performance obligations

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

Sale of products

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month to three months.

Provision of research and development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Government grants*	**25,768**	16,301
Bank interest income	**1,159**	5,568
Foreign exchange gain, net	**–**	2,381
Others	**727**	98
Total other income and gains	**27,654**	24,348

* The government grants mainly represent subsidies received from local government authorities to support the Group's research and development activities and operation. During the year ended 31 December 2023, government grants amounting to RMB200,000 (2022: RMB5,800,000) were released from deferred government grants.

6. LOSS BEFORE TAX

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

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Cost of inventories sold		**195,723**	159,891
Cost of services provided		**428**	–
Depreciation of property, plant and equipment		**51,454**	47,910
Depreciation of right-of-use assets		**5,861**	7,389
Amortisation of intangible assets*		**25,451**	17,536
Research and development costs		**230,682**	400,338
Lease payments not included in the measurement of lease liabilities		**4,128**	4,491
Auditor's remuneration		**2,736**	2,217
Listing expenses		**–**	43,138
Write-down of inventories to net realisable value**		**13,010**	1,839
Foreign exchange differences, net		**3,006**	(2,381)
Loss on disposal of items of property, plant and equipment		**–**	16
Government grants	*5*	**(25,768)**	(16,301)
(Reversal of impairment)/impairment of trade receivables, net	*11*	**(26)**	26
Bank interest income	*5*	**(1,159)**	(5,568)
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration):			
Wages and salaries		**92,274**	90,435
Pension scheme contributions***		**21,076**	18,595
Staff welfare expenses		**5,939**	4,509
Share-based payment expense		**9,617**	8,610
Total		**128,906**	122,149

* The amortisation of technology know-how and software is included in "Research and development costs" in the consolidated statement of profit or loss and other comprehensive income. The amortisation of deferred development costs is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**12,276**	12,079
Interest on lease liabilities	**361**	416
Interest on discounted notes receivable	**1,450**	912
Total	**14,087**	13,407

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiary of the Group as determined in accordance with the PRC Corporate Income Tax Law. During the year, the Company was accredited as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% in 2023 (2022: 15%).

Pursuant to the relevant tax laws of Singapore, the subsidiary which operates in Singapore was subject to corporate income tax at the rate of 17% (2022: 17%) on the taxable income.

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2022: 21%) on the taxable income arising in the USA.

A reconciliation of the tax expense applicable to loss before tax using the statutory tax rate of the jurisdiction in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(119,377)**	(331,749)
Tax charged at the statutory tax rate of 25%	**(29,844)**	(82,937)
Effect of different tax rates enacted by local authorities	**780**	124
Effect of preferential income tax rate enacted by local authority	**8,284**	29,661
Additional deductible allowance for research and development costs	**(30,538)**	(58,005)
Expenses not deductible for tax	**251**	27
Deemed income subject to tax	**–**	1,132
Deductible temporary difference and tax losses not recognised	**51,067**	109,998
Tax charge at the Group's effective tax rate	**–**	–

9. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31 December 2023 (2022: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 509,278,094 (2022: 498,612,595) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

11. TRADE AND NOTES RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**213,199**	162,623
Notes receivable	**62,996**	49,527
	276,195	212,150
Impairment	**–**	(26)
Net carrying amount	**276,195**	212,124

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to three months, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from a related party of RMB554,000 (2022: RMB661,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2023, notes receivable of RMB62,996,000 (2022: RMB49,527,000) whose fair values approximated to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**206,276**	161,868
3 to 6 months	**5,730**	709
6 to 12 months	**1,193**	–
1 to 2 years	**–**	20
Total	**213,199**	162,597

12. TRADE AND NOTES PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**185,691**	153,043
Notes payable	**31,881**	7,160
Total	**217,572**	160,203

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**120,678**	108,565
3 to 6 months	**30,234**	32,827
6 to 12 months	**27,828**	9,482
1 to 2 years	**4,999**	1,462
Over 2 years	**1,952**	707
Total	**185,691**	153,043

Trade payables are non-interest-bearing and are normally settled on 90-day terms. The maturity of notes payable is within six months.

At 31 December 2023, notes payable were secured by certain of the deposits amounting to approximately RMB12,290,000 (2022: RMB7,160,000).

13. SHARE CAPITAL

Shares

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
509,278,094 (2022: 509,278,094) ordinary shares	**509,278**	509,278

A summary of movements in the Company's share capital is as follows:

	Number of shares	**Share capital** *RMB'000*
At 1 January 2022	498,583,294	498,583
Initial public offering	10,694,800	10,695
At 31 December 2022, 1 January 2023 and 31 December 2023	509,278,094	509,278

14. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	**Relationship with the Company**
Shandong Luye Pharmaceutical Co., Ltd. ("**Shandong Luye**")	The immediate holding company
Mr. Liu Dian Bo	Director of Shandong Luye
Yantai Luye Pharmaceutical Holdings Co., Ltd. ("**Yantai Luye**")	Shareholder of Shandong Luye
Luye Pharma Hong Kong Limited ("**Luye Hong Kong**")	Shareholder of Yantai Luye
Nanjing Luye Pharmaceutical Co., Ltd. ("**Nanjing Luye**")	Controlled by Shandong Luye
Yantai Luye Drugs Trading Co., Ltd. ("**Luye Trading**")	Controlled by Shandong Luye
Nanjing Junshi Management Consulting Co., Ltd. ("**Nanjing Junshi**")	Controlled by Shandong Luye
Shandong International Biotechnology Development Co., Ltd. ("**Biotech Park Development**")	Controlled by Mr. Liu Dian Bo
Luye Investment Group Co., Ltd. ("**LIG**")	Controlled by Mr. Liu Dian Bo
Geneleap Biotech LLC ("**GeneLeap Biotech**")	Controlled by Mr. Liu Dian Bo
GeneLeap Biotechnology LLC ("**GeneLeap Biotechnology**")	Controlled by Mr. Liu Dian Bo
Yantai Yunyue Winery Management Co., Ltd. ("**Yunyue Winery**")	Controlled by Mr. Liu Dian Bo
Yantai Cellzone Medical Diagnostics Center Co., Ltd. ("**Yantai Cellzone**")	Controlled by Mr. Liu Dian Bo

(a) The Group had the following transactions with related parties during the year:

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Sales of goods to:			
Luye Trading	*(i)*	**1,607**	840
Lease and property management services from:			
Shandong Luye	*(ii)*	**413**	393
Biotech Park Development	*(ii)*	**494**	494
Nanjing Luye	*(ii)*	**256**	–
Luye Trading	*(ii)*	**23**	–
Testing services from:			
Shandong Luye	*(ii)*	**30**	70
Research and development services from:			
Yantai Cellzone	*(ii)*	**–**	2,328
EHS management services from:			
Shandong Luye	*(ii)*	**854**	1,173
Operation services from:			
Nanjing Luye	*(ii)*	**1,218**	1,122
Accommodation services from:			
Yunyue Winery	*(ii)*	**74**	107
Purchase of welfare goods from:			
LIG	*(ii)*	**–**	196
Advances from:			
Luye Hong Kong	*(ii)*	**1,374**	–
Payments on behalf by:			
Shandong Luye	*(iii)*	**18,422**	17,933
Biotech Park Development	*(iii)*	**2,080**	1,991
GeneLeap Biotech	*(iii)*	**–**	111
GeneLeap Biotechnology	*(iii)*	**2,368**	–
Yantai Luye	*(iii)*	**132**	180
Repayments to:			
Shandong Luye	*(iii)*	**14,863**	11,523
Biotech Park Development	*(iii)*	**1,512**	1,012
GeneLeap Biotech	*(iii)*	**–**	104
GeneLeap Biotechnology	*(iii)*	**2,347**	–
Yantai Luye	*(iii)*	**294**	–

Notes:

(i) The transaction price was determined on normal commercial terms, negotiated on arm's length basis, and on similar basis as the Group conducted businesses with major customers.

(ii) The transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.

(iii) The payments on behalf and advances were unsecured, interest-free and repayable on demand.

(b) Other transactions with related parties:

As at 31 December 2023, Shandong Luye, the Company's immediate holding company, and Yantai Luye, shareholder of Shandong Luye, have guaranteed the Group's bank loans amounting to RMB210,273,000 (2022: Nil).

As at 31 December 2023, Shandong Luye, the Company's immediate holding company, has guaranteed the Group's other borrowings amounting to RMB100,000,000 (2022: Nil).

(c) Outstanding balances with related parties:

	2023	2022
	RMB'000	*RMB'000*
Trade receivables:		
Luye Trading	**554**	661
Due to related parties:		
Shandong Luye*	**17,499**	11,507
Biotech Park Development**	**2,031**	1,334
Nanjing Luye	**1,237**	1,122
GeneLeap Biotechnology**	**21**	–
Yantai Luye**	**38**	191
Yantai Cellzone	**1,164**	1,164
Luye Hong Kong**	**1,374**	–
Nanjing Junshi	**1,532**	–
Yunyue Winery	**11**	–
Total	**24,907**	15,318
Lease liabilities:		
Shandong Luye	**–**	2,448
Biotech Park Development	**1,190**	5,197
Nanjing Luye	**739**	739
GeneLeap Biotechnology	**7,813**	–
Total	**9,742**	8,384

* At 31 December 2023, a balance of RMB1,647,000 was trade in nature (2022: RMB1,020,000), and a balance of RMB15,852,000 was non-trade in nature (2022: RMB10,487,000).

** The balances were non-trade in nature.

Other outstanding balances with related parties were all trade in nature.

The balances with related parties except for lease liabilities are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**10,469**	10,327
Performance related bonuses	**3,767**	3,500
Pension scheme contributions	**870**	685
Share-based payment expense	**15,294**	13,692
Total compensation paid to key management personnel	**30,400**	28,204

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Boan Biotech is a fully-integrated biopharmaceutical company that specializes in developing, manufacturing, and commercializing biologics, with a focus on oncology, autoimmune diseases, ophthalmology, and metabolic diseases. Our drug discovery activities revolve around multiple platforms, including: Human Antibody Transgenic Mouse and Phage Display Technology Platform, Bispecific T-cell Engager Technology Platform, Antibody Drug Conjugate ("**ADC**") Technology Platform and Cell Therapy Platform.

We operate across the entire value chain of the industry covering antibody discovery, cell line development, upstream and downstream process development, analytical and bio-analytical method development, technology transfer, non-clinical research, clinical research, regulatory affairs and registration, and commercial production. In the cell therapy field, we focus on a new generation of enhanced and regulated CAR-T technology, developing safer, more effective, and affordable treatments for patients.

Our portfolio includes two commercial products, and our pipeline includes multiple novel biologics as drug candidates protected for their international intellectual property rights and a number of biosimilar candidates. In addition to the PRC, we are also developing biopharmaceutical products in the overseas markets, including the United States ("**U.S.**"), the European Union ("**EU**") and Japan. Boasting a strong and differentiated portfolio as well as exceptional commercial capabilities across the value chain, we are well positioned to achieve long-term and sustainable growth going forward.

2023 Review: Memorable year with significant achievements

With the achievement of a series of major milestones, 2023 was a memorable year for us. We have made significant achievements in all aspects of pipeline development, sales and marketing, manufacturing, and business collaboration.

As of the date of this announcement, two of our products (Boyounuo® (BA1101) and Boyoubei® (BA6101)) have been successfully marketed in Chinese Mainland (excluding Hong Kong, Macau and Taiwan regions of the People's Republic of China). During the Reporting Period, we recorded an increase in revenue of 19.8% to RMB618.1 million as compared to that of 2022, which demonstrated our continued capability to bring our biologics portfolio to market and maintain market share. In December 2023, Boyounuo® has been included in the latest China's National Reimbursement Drug List ("**NRDL**") for its all 5 indications. As of the date of this announcement, Boyounuo® has been sold to 1,688 medical institutions and channels including 322 hospitals. In January 2023, Boyoubei® obtained the code of NRDL. As of the date of this announcement, Boyoubei® has been sold to 642 hospitals and over 820 pharmacies. In addition, we have granted CP Pharmaceutical Qingdao Co., Ltd. ("**CP Qingdao**") the exclusive right to commercialize Boyoubei® in Chinese Mainland. A number of post-marketing clinical observational studies have been carried out on these two products. We believe that with the coverage of medical insurance, the accumulation of more clinical data, the coverage of wider markets, and various external collaborations with experienced partners, our business will continue to grow steadily.

From the beginning of 2023 to the date of this announcement, two product candidates entered the biologics license application ("**BLA**") stage in different market. The BLA of BA1102 was accepted by the Centre for Drug Evaluation ("**CDE**") of the National Medical Products Administration ("**NMPA**") in China in March 2023. The BLA of Boyuno® (name of Boyounuo® in Brazil) was accepted by Brazil's Agência Nacional de Vigilância Sanitária ("**ANVISA**") in April 2023. Four product candidates of us have remarkable progress in phase 3 clinical trials. BA9101 completed patient enrollment of its phase 3 clinical trial in China in March 2023. First patient in phase 3 clinical trial of BA1104 in China enrolled in October 2023. The international multi-center phase 3 clinical study for our Denosumab Injection (BA6101 and BA1102) initiated in Europe, the U.S., and Japan completed patient enrollment in January 2024. BA5101 completed its phase 3 clinical trial in China in March 2024. In addition, we also have one pipeline product (BA2101) entered into phase 2 clinical trial and four pipeline products (BA1105, BA1301, BA1202 and BA1106) progressing well in their phase 1 clinical trials. Two (BA1105 and BA1301) of them have also been granted Orphan Drug Designations ("**ODD**") by the U.S. Food and Drug Administration ("**FDA**") for pancreatic cancer and gastric cancer, including cancer of gastroesophageal junction.

We continued to consolidate our R&D capabilities and industry influence. As of 31 December, 2023, our R&D team had 303 experienced employees covering biopharmaceutical discovery research, biotechnology research, biopharmaceutical analysis research, biological activity research, non-clinical research, pilot process research, clinical research, regulatory affairs, project management and intellectual property and other R&D functions. From the beginning of 2023 to the date of this announcement, we had been granted ten new patents worldwide and we also published four international new research papers. As of the date of this announcement, we have been granted 35 patents and have 45 pending patent applications worldwide, and we have published 15 international research papers.

We have sufficient production capacity to meet the current commercial needs of our products. As of the date of this announcement, we have commercial production capacity of 9,000L and pilot production capacity of 700L. We also have multiple production lines under construction: 4*500L and 1*2,000L capacity for pilot production and two production lines with 3*2,000L capacity for commercial production. We have received GMP certification from ANVISA for our biological product, Boyuno®, covering the drug substance and the drug product in January 2024. ANVISA, a member of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S), conducted a comprehensive five-day GMP inspection with two Brazilian inspectors and an observer from the NMPA. The inspection covered various aspects, including production workshops, quality systems, QC laboratories, utilities, and training systems, with no observations from ANVISA. The ANVISA GMP certification represents a pivotal step for the subsequent marketing authorization approval of Boyuno and establishes a robust foundation for the global commercialization of our future biologics. In addition, we have built an electronic data environment from production, document management, training, warehousing and other aspects, promote the integration of production data, flexible manufacturing, and intelligent management, improve production efficiency and production operation flexibility, optimize production costs, and ensure drug quality and patient safety. We have been granted the "Leading Award for Digital and Intelligent Transformation and Intelligent Production of Pharmaceutical Enterprises" in the Pharma Digital Intelligence Summit (PHDI) 2023.

We are actively exploring external business development and licensing-out. In January 2024, we entered into an agreement with Joincare Pharmaceutical Group Industry Co., Ltd. ("**Joincare**"), in relation to the exclusive licensing and commercialization of BA2101 in the treatment of asthma, chronic obstructive pulmonary disease ("**COPD**") and other respiratory system diseases in Chinese Mainland. We also entered into an agreement with the Zencore Biologics Co., Ltd. ("**Zencore Biologics**"), authorizing Zencore Biologics to use our self-developed stable cell line development platform, BA-HIEXcell® for the development of antibodies and therapeutic proteins in Chinese Mainland. In addition, we have discussed with a number of companies the out-licensing of our overseas business and have signed market cooperation agreements with partners in a number of emerging market countries.

On 13 March 2023, we were included both in the list of stocks under Shanghai – Hong Kong Stock Connect and Shenzhen – Hong Kong Stock Connect. On 12 April 2023, the "B" Marker has ceased to be affixed to the Company's English and Chinese stock short name at The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") indicating that we have qualified for higher standards for market capitalization/revenue under the Listing Rules.

The Company has also won a number of national or municipal honorary awards or accreditation, including the recognition as "National High-tech Enterprise" by the Chinese Ministry of Science and Technology. In addition, we have been awarded the "2023 Yantai Green Factory" certification.

Apart from the abovementioned achievements, we also believe the following strengths and progress have contributed towards our success and differentiated us from other biopharmaceutical companies.

Risk-balanced product pipeline

We, through years of efforts and dedication, have incubated a robust and risk-balanced portfolio, which brings us clear short-term commercial visibility and allows us to pursue long-term sustainable growth. Specifically, our portfolio, including two commercialized products, six investigational antibodies, and four biosimilar candidates, as of the date of this announcement, focuses on popular key therapeutic areas including oncology, metabolism, autoimmunity, and ophthalmology, which entail significant unmet needs and potential in China and overseas markets.

The following table summarizes our Commercialized Products and drug candidate pipeline under development in China and worldwide across various therapeutic areas as of the date of this announcement:

	Therapeutic area	Product (reference drug)	Target	Indication	Commercial rights	Clinical trial region	Pre-clinical	IND	Phase 1	Phase 2	Phase 3	BLA filed	Launched
Innovative Antibody Portfolio	Oncology	BA1105	Claudin 18.2 (ADCC)	Advanced gastric cancer, metastatic pancreatic cancer, and adenocarcinoma of the esophagogastric junction	Global	China							
		BA1301	Claudin 18.2 ADC	Gastric cancer, pancreatic cancer, and esophageal cancer	Global	China							
		BA1202	CEA/CD3 (2:1)	CRC, pancreatic duct adenocarcinoma, etc.	Global	China							
		BA1106	CD25	Solid tumor	Global	China							
		BA1302	CD228 ADC	CRC, breast cancer, NSCLC, pancreatic cancer, etc.	Global	China							
	Autoimmune	BA2101	IL4R (Long-Acting)	Atopic dermatitis, asthma, sinusitis, pruritus, urticaria, COPD etc.	Global	China							*Mainland Rights for Respiratory Disease Indications of BA2101 given to Joincare*
Biosimilar Portfolio	Oncology	Boyounuo® (BA1101, an Avastin® biosimilar)	VEGF	mCRC, advanced metastatic or recurrent NSCLC, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer, and cervical cancer	Global	China							
						Brazil							
		Boluojia® (BA1102, Xgeva® biosimilar)	RANKL	Bone metastases from solid tumors, and GCTB	Global	China							
						Overseas							
		BA1104 (Opdivo® biosimilar)	PD-1	Melanoma, NSCLC, malignant pleural mesothelioma, RCC, cHL, SCCHN, urothelial carcinoma, colorectal cancer, HCC, esophageal cancer, gastric cancer, gastroesophageal junction cancer, and esophageal adenocarcinoma	Global	China							
						Overseas							
	Metabolism	Boyoubei® (BA6101, Prolia® biosimilar)	RANKL	Osteoporosis	Global	China							*Promotion Rights given to CP Qingdao*
						Overseas							
		BA5101 (Trulicity® biosimilar)	GLP-1	Type 2 diabetes	Global	China							*Upcoming BLA submission*
						Overseas							
	Ophthalmology	BA9101 (Eylea® biosimilar)	VEGF	wAMD, RVO, DME, and DR	Global	China							*Promotion Rights given to OcuMension*
						Overseas							

Commercialized products

Boyounuo® (bevacizumab injection): *an anti-VEGF humanized monoclonal antibody injection and a biosimilar to Avastin® independently developed by us.*

It has been approved for marketing by the NMPA in China in April 2021. As of the date of this announcement, Boyounuo® has been approved for 5 indications (mCRC, advanced metastatic or recurrent non-small cell lung cancer, recurrent glioblastoma, epithelial ovarian, fallopian tube or primary peritoneal cancer and cervical cancer).

- In April 2023, Brazil's ANVISA accepted our BLA for Boyuno®. In January 2024, we received GMP certification from the Brazilian ANVISA for Boyuno®, covering the drug substance and the drug product. This progress accelerates the commercial launch of this product overseas and we believe that there would be broad market prospects for Boyuno® in Brazil based on the country's huge patient base and the drug's high clinical value.

- In December 2023, Boyounuo® has been included in the latest NRDL for its all 5 indications.

Boyoubei® (BA6101, denosumab injection): *a human immunoglobulin G2 monoclonal antibody of the RANK ligand and the first biosimilar to Prolia® independently developed by us.*

It has been approved for marketing by the NMPA in China for the treatment of postmenopausal women with osteoporosis at high risk for fracture in November 2022.

- In January 2023, Boyoubei® obtained the code of NRDL and the reimbursement could lay the foundation for rapid commercialization of Boyoubei®. In addition, we granted CP Qingdao the exclusive right to commercialize Boyoubei® in Chinese Mainland.

- In December 2023, Boyoubei® has been included in the latest NRDL.

- In May 2023, the first patient in ("**FPI**") of an international multi-center phase 3 clinical study in Europe, the U.S., and Japan for our Denosumab Injection (BA6101 and BA1102) was enrolled.

- In January 2024, we completed the enrollment of all subjects for this international clinical study. According to the Guidelines by the FDA, the European Medicines Agency ("**EMA**") and the Japanese Pharmaceuticals and Medical Devices Agency ("**PMDA**") and based on our discussions with the FDA, EMA and PMDA, after completion of the Phase 3 clinical study, we can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia® and Xgeva® in the United States, Europe, and Japan, respectively.

Products to be commercialized in the near future

BA1102 (denosumab injection): *a fully human IgG2 anti-RANKL monoclonal antibody and a biosimilar to Xgeva® independently developed by us.*

BA1102 is a biosimilar of Xgeva®. Its active ingredient is denosumab, a fully human IgG2 anti-RANKL monoclonal antibody. Denosumab binds to RANKL and it inhibits the activation of OPG/RANKL/RANK signaling pathways, and thus inhibits tumor growth and reduces bone destruction.

*BA1102 is indicated for the treatment of patients with bone metastases from solid tumors and patients with multiple myeloma. It will delay or reduce the risk of skeletal-related events (e.g. pathologic fractures, spinal cord compression, bone radiotherapy or bone surgery). The drug is also indicated for the treatment of adults and skeletally mature adolescents (defined as having at least one mature long bone and with body weight of 45 kg or above) with giant cell tumor of bone ("**GCTB**") that is unresectable or where surgical resection is likely to result in severe morbidity.*

- In March 2023, the BLA of BA1102 was accepted by CDE in China.

- In May 2023, the FPI of an international multi-center phase 3 clinical study in Europe, the U.S., and Japan for our Denosumab Injection (BA6101 and BA1102) was enrolled.

- In January 2024, we completed the enrollment of subjects for this international clinical study. According to the Guidelines by the FDA, EMA and PMDA and based on our discussions with the FDA, EMA and PMDA, after completion of the Phase 3 clinical study, we can submit BLAs for BA6101 and BA1102 for all the approved indications as Prolia® and Xgeva® in the United States, Europe, and Japan, respectively.

BA5101 (dulaglutide injection): *a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist and a biosimilar to Trulicity® independently developed by us.*

Dulaglutide is a long-acting glucagon-like peptide-1 (GLP-1) receptor agonist to be taken once a week. Compared with other glucose-reducing drugs, Dulaglutide can improve the functioning of pancreatic islet beta cells, stably and effectively reduce blood glucose and HbA1c levels. Due to its unique mechanism of action, Dulaglutide can improve multiple risk factors for cardiovascular diseases simultaneously such as weight gain, hyperlipidemia/ blood lipids and long-term cardiovascular disease risks, and is not prone to causing lower rate of hypoglycemia. It can also protect the kidney. Moreover, several clinical studies have shown that taking Dulaglutide once a week can also encourage consumption regularity among patients as a result of such convenience of use. BA5101 is indicated for glycemic control in adults with type 2 diabetes.

- In May 2023, BA5101 completed the patient enrollment for its phase 3 clinical trial (a comparative study of efficacy, safety and immunogenicity) in China. In March 2024, we completed this phase 3 clinical trial and is planning to submit a BLA for this drug in China. BA5101 is the first dulaglutide biosimilar in the world to have completed phase 3 clinical trial as far as we are aware, and leads in development progress.

BA9101 (aflibercept intravitreous injection): *a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection and a biosimilar to Eylea®.*

*Aflibercept is a homodimeric fusion protein consisting of portions of human vascular endothelial growth factor receptor ("**VEGFR**") extracellular domains (VEGFR 1 Ig2 and VEGFR 2 Ig3) fused to the Fc portion of human IgG1. Aflibercept acts as a soluble decoy receptor that binds VEGF-A, VEGF-B and PlGF, and thereby can inhibit the binding and activation of VEGF and PlGF. It can therefore be used as the treatment for pathological neovascular ophthalmopathy of retina and choroid. EYLEA® was approved by the FDA in 2011 and it is currently approved for the treatment of Neovascular (Wet) Age-Related Macular Degeneration ("**wAMD**"), Macular Edema Following Retinal Vein Occlusion (RVO), Diabetic Macular Edema ("**DME**"), Diabetic Retinopathy (DR) and Retinopathy of Prematurity (ROP) worldwide. Aflibercept was approved in 2018 in China for the treatment of wAMD and DME.*

- In March 2023, BA9101 completed the patient enrollment for its phase 3 clinical trial in China. Pursuant to a collaboration and exclusive promotion agreement entered in October 2020, we jointly developed BA9101 with Ocumension Therapeutics (Stock code: 1477) in the phase 3 clinical trial of BA9101. We have granted Ocumension Therapeutics an exclusive right to promote and commercialize BA9101 in Chinese Mainland. We believe that Ocumension Therapeutics, as a well-known ophthalmology company with a professional team, will accelerate the clinical trials and commercialization of BA9101 to meet the urgent clinical needs of Chinese patients and strengthen our position in the field of biological products.

BA1104 (nivolumab injection): *a monoclonal antibody that can enhance the immune response of T cells against tumors by preventing the programmed cell death 1 (PD-1) receptor from binding to its ligands PD-L1 and PD-L2. It is a biosimilar to Opdivo® independently developed by us.*

Being a broad-spectrum anticancer medication, Nivolumab has been approved for multiple indications both in China and abroad. These include its use as a neoadjuvant, an adjuvant, or a first-line or later-line therapy for advanced cancers. It can be used as a standalone treatment, in combination with chemotherapy, or alongside with novel immune checkpoint inhibitors. Nivolumab has become a product of basic therapy for a variety of solid tumors.

- In October 2023, the first patient in the phase 3 clinical trial of our Nivolumab Injection ("**BA1104**") in China was enrolled.

Other pipeline products

BA2101: *a long-acting human monoclonal antibody of the IgG4 subtype that targets interleukin-4 receptor subunit α (IL-4Rα) independently developed by us.*

The investigational drug can inhibit IL-4 and IL-13 signaling simultaneously, regulate the Th2 inflammatory pathway, and reduce eosinophils and circulating IgE levels. It is intended to be used for treating allergic diseases caused by Th2 inflammation. We have obtained regulatory approval to conduct clinical trials of BA2101 for indications including atopic dermatitis, asthma, COPD, chronic rhinosinusitis with nasal polyps, prurigo nodularis, and chronic spontaneous urticaria (CSU). Compared to drugs with the same target which usually require dosing every two weeks, BA2101 can remain active for a longer period of time. Preclinical studies show that BA2101 has a longer half-life in cynomolgus monkeys than a marketed product with the same target, a feature that is expected to enable dosing once every four weeks in humans. Results of the completed phase 1 clinical trial show that BA2101 has a longer half-life and lower clearance rate than the marketed product. The Company has initiated a phase 2 clinical trial for the Product.

- We have completed the phase 1 clinical trial of BA2101 in 2023 and initiated a phase 2 clinical trial of BA2101 in January 2024.

- In January 2024, we have entered into a partnership with Joincare Pharmaceutical Group Industry Co., Ltd. ("**Joincare**") in relation to our BA2101. In this partnership, Joincare is granted the exclusive right to develop and commercialize BA2101 in Chinese Mainland for treating respiratory diseases such as asthma and chronic obstructive pulmonary disease ("**COPD**"). The partner, Joincare, is a leading Chinese company in the therapeutic area of respiratory diseases. It boasts a wide range of respiratory products and has a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, we will leverage our respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD.

BA1202: *a novel bi-specific antibody (bispecific antibody) drug that targets CEA/CD3 independently developed by us.*

*BA1202 is a CEA/CD3 bispecific antibody that binds to both CD3 on T cells and CEA on tumor cells, enabling the linking of T cells with tumor cells to facilitate tumor killing. CD3 bispecific antibodies are an important direction for the development of innovative cancer immunotherapies. They function by recruiting CD3+ T cells to target tumors. As a bispecific T-cell engager (BiTE), they can bind to both CD3 antigens on the T cell surface and tumor-associated antigens. This enables them to bring T cells to tumor cells and stimulate the release of granzymes and perforin from T cells, which in turn leads to the killing of tumor cells. In addition, CD3 bispecific antibodies can enhance the sensitivity of immunotherapy as they can help turn cold tumors into hot ones by increasing immune cells infiltration into tumor tissues. This characteristic indicates their potential for use in combination with immune checkpoint inhibitors such as PD-L1 antibodies for enhanced efficacy. CEACAM5 ("**CEA**") is widely expressed on the cell surface of many epithelial tumors, such as colorectal cancer, NSCLC, pancreatic cancer, and gastric cancer, but is expressed less in normal tissues, making it a potential target for tumor-targeted therapy.*

*BA1202 adopts a new butterfly-shaped antibody structure, with one end binding bivalently with high affinity to CEA on tumor cells, and the other end binding monovalently with relatively low affinity to CD3 on T cells, while retaining the Fc region. Such design enables it to reduce the risk of cytokine release syndrome ("**CRS**") while retaining good efficacy through activating endogenous T cells to eliminate CEA-positive tumor cells.*

- In May 2023, BA1202 received the IND approval in China. In August 2023, BA1202 was administered to the first subject in a phase 1 clinical trial.

***BA1106:** a non-IL-2 blocking anti-CD25 antibody independently developed by us.*

BA1106 is the first investigational anti-CD25 antibody to start clinical trials in China for treating solid tumors. Anti-CD25 antibodies are broad-spectrum immuno-oncology drugs with the potential to treat multiple cancers where CD25 is highly expressed, including cervical cancer, renal cancer, ovarian cancer, melanoma, pancreatic cancers, hepatocellular carcinoma, gastric cancer, and breast cancer. BA1106 therefore has great potential for treating those cancers. However, developing anti-CD25 antibodies faces two major challenges: first, the function of Fc as a mediator is limited, and as a result, they only work in early-stage tumor models but not in late-stage tumor models; second, the IL-2 signaling pathway is blocked, leading to poor antitumor outcomes. BA1106 is a drug candidate that can successfully overcome these two challenges.

The main mechanism of action of BA1106 is to deplete Treg cells in the tumor microenvironment through the ADCC and increase the number of effector T cells. Preclinical studies have shown that BA1106 demonstrated a good therapeutic effect on both early-stage and late-stage tumor models, and it has a synergy when used in combination with an anti – PD-1 antibody. Moreover, BA1106 does not block the IL-2 signaling pathway, and depletes Treg cells moderately and specifically, with the potential for monotherapy and combination therapy. The results of the study on BA1106 have been published in Scientific Reports, a journal of Nature.

- In February 2023, BA1106 was administered on the first patient in a phase 1 clinical trial in China.

***BA1301:** an ADC candidate that targets Claudin 18.2 independently developed by us.*

BA1301 for injection is our first novel ADC candidate that targets Claudin 18.2. It employs a site-specific conjugation technology to connect the cytotoxic payload with a monoclonal antibody that targets Claudin 18.2. This enables the cytotoxic payload to be directed to the tumor site through the targeting characteristics of the antibody. Such design reduces the toxic side effects of the cytotoxic payload, thus improving the therapeutic window, while retaining its tumor-killing effect.

- In January 2023, BA1301 received the IND approval in China. It was administered on the first patient in a phase 1 clinical trial in China in June.

- In December 2023, BA1301 was granted the ODD by the FDA for the treatment of pancreatic cancer. In January 2024, BA1301 was additionally granted the ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction.

BA1105: *a recombinant anti-Claudin 18.2 fully human IgG 1 monoclonal antibody independently developed by us.*

*Claudin 18.2 protein is a transmembrane protein involved in the regulation of tight junctions between cells, and can be consistently, stably, and highly expressed in gastrointestinal tumors. BA1105 is a recombinant anti-Claudin 18.2 fully human IgG1 monoclonal antibody, which enhances tumor-killing efficacy by enhancing antibody-dependent cellular cytotoxicity ("**ADCC**") effect. BA1105 introduces amino acid mutations in the Fc region to enhance the ADCC effect.*

- In December 2023, BA1105 was granted the ODD by the FDA for the treatment of pancreatic cancer. In January 2024, BA1105 was additionally granted the ODD by the FDA for the treatment of gastric cancer, including cancer of gastroesophageal junction.

BA1302: *a novel CD228-directed ADC independently developed by us.*

First found in melanoma, CD228 is a GPI anchored glycoprotein that plays a role in tumor cell proliferation and migration. It is highly expressed in a variety of solid tumors such as melanoma, mesothelioma, colon cancer, breast cancer, and pancreatic cancer, and has low expression in normal tissues. Therefore, CD228 has high specificity in terms of expressing in tumors. It has higher binding specificity, and binds with the membrane form of CD228 only, not with sMFI2, which is its soluble form. The chemical part of BA1302 is BNLD11, a linker-payload screened by the company stable both in vitro and in vivo.

The preclinical study shows that BA1302 exhibits a good antitumor effect in various tumor models such as lung cancer, gastric cancer, and melanoma. It demonstrates good safety and tolerance in the toxicological pretests on cynomolgus monkeys with the Maximum Tolerated Dose (MTD) being over 10mg/kg. This indicates strong therapeutic potential for the drug if used in clinical settings. BA1302 is in the preclinical study phase, and is expected to be the first-in-class product in China. No other ADC candidates with the same target have been reported for clinical trials in China.

- In May 2023, we presented the results of our research on BA1302 as a poster at the 19th Essential Protein Engineering & Cell Therapy Summit, known as PEGS Boston Summit 2023 or in short PEGS Boston 2023.

Strong R&D capabilities

We have a fully-fledged proprietary R&D technology platform focusing on antibody discovery and drug development. We have R&D teams and facilities located in Yantai and Nanjing in China and Boston in the U.S., with rich experience and strong track records in drug discovery and development. In terms of technology, we boast proprietary Human Antibody Transgenic Mouse and Phage Display Technology Platform, Bispecific T-cell Engager Technology Platform, ADC Technology Platform, and Cell Therapy Technology Platform which we believe these will provide us with great technological support.

We take pride in our strong chemistry, manufacturing and controls ("**CMC**") capability which is the backbone of the quality and cost efficiency that we have maintained throughout the process of our drug development and commercial production, especially in cell line development, upstream and downstream process development, analytical and bio-analytical method development as well as technology transfer. Our CMC function establishes practical qualitative and quantitative standards for us to maintain product quality and effectively progresses drug discovery to actual manufacturing.

Our strong CMC capability accumulated through the years of effort has shortened drug development time and enabled speed to market. We believe such capability is a formidable barrier to competitors and has paved the way for our first-mover advantage.

Our high caliber R&D team has outstanding execution capability in drug development with a proven track record. As of 31 December 2023, our R&D team consisted of 303 experienced employees covering biopharmaceutical discovery research, biotechnology research, biopharmaceutical analysis research, biological activity research, non-clinical research, pilot process research, clinical research, regulatory affairs, project management and intellectual property and other R&D functions, most of whom had R&D and clinical experience of more than seven years.

As a biopharmaceutical company, we are keenly aware of the importance of establishing and protecting our intellectual property rights. We have filed a number of patent applications for our drug candidates in various jurisdictions, and expect to rely on a combination of patents, trademarks, trade secrets and other intellectual property rights, as well as employee and third-party confidentiality agreements, for safeguarding our intellectual properties. As of the date of this announcement, we have been granted 35 patents and have 45 pending patent applications worldwide.

Underpinned by our strong R&D capability, we have published 15 research papers in world-renowned academic journals including Cell Discovery of Nature, Antibody Therapeutics, and Cancer Communications, introducing our research breakthroughs on some of our drug candidates.

Strong manufacturing capability with high quality and cost efficiency

We have a sizable pilot and commercial production site located in Yantai, China. We employ a robust quality management system for the Yantai Site that meets various quality standards such as good manufacturing practice set by the relevant regulatory authorities of China and the EU QP. We have passed a number of audits in China and the EU QP. Our Yantai Site, having a total gross floor area of approximately 84,474 sq.m., houses a number of production lines with a total capacity of 700L for pilot production and 9,000L for commercial production, as well as two formulation filling lines for both pilot and commercial production as of the date of this announcement. Our manufacturing system including production, quality, engineering and etc. managed by a strong and integrated team, which as of 31 December 2023 had a total of 432 employees.

Apart from production capacity, our proprietary manufacturing capability, such as perfusion culture and fed-batch culture, provides flexibility and improves the throughput and production efficiency. Our Yantai Site is also highly versatile, adaptable to manufacturing drugs targeting different antibodies, and is capable of producing various formulations. To further improve production cost efficiency, we utilize digital management in our production. In September 2023, we have been awarded the "Leading Award for Digital and Intelligent Transformation and Intelligent Production of Pharmaceutical Enterprises" in the Pharma Digital Intelligence Summit (PHDI) 2023.

While improving production efficiency and scale, we are also practicing the concept of green and sustainable development. By formulating a sound environmental management system, we improve resource utilization, promote energy conservation and emission reduction, accelerate the application of artificial intelligence, promote digital transformation, and promote the high-quality development of enterprises. In April 2023, we have been awarded the "2023 Yantai Green Factory" certification.

Well-established commercialization capability

We have successfully expanded our commercial portfolio into two products (Boyounuo® and Boyoubei®) spanning over multiple therapeutic areas.

During the Reporting Period, we have increased product revenue by 19.8% to RMB618.1 million, compared to RMB516.0 million in the previous year, mainly driven by the continued solid growth of our first marketed product Boyounuo® (bevacizumab injection) coupled with the commercialization of Boyoubei® (denosumab injection).

Leveraging our well-established and demonstrated commercialization capability backed by marketing strategies implemented by our dedicated sales and marketing team, we believe that we are well positioned to achieve speed to market and rapid ramp-up of product sales. Internally, we have a dedicated in-house sales and marketing team with extensive industry experience, and they develop and implement marketing and sales initiatives and plans for our product and drug candidates in their scheduled rollouts. Externally, we collaborate with various resourceful business partners which lay the foundation for our strong commercialization capability. As of 31 December 2023, we engaged 70 third party promoters providing us with promotional services. Our collaboration with experienced third-party promoters effectively publicizes and maximize market potential of our products.

We had an extensive distribution network of more than 200 distributors as of 31 December 2023, penetrating selected regions and reaching more than 2,700 target hospitals and institutions in China.

In January 2023, we have granted the CP Qingdao the exclusive right to commercialize Boyoubei® in Chinese Mainland. CP Qingdao has been focusing on osteoporosis therapeutic field for many years with multiple products. Their core product in this field has a leading position in the market of Chinese Mainland. Boyoubei® may form a competitive product portfolio with their current products in this field to achieve greater synergies. We believe that we can leverage on CP Qingdao's professional marketing and sales team and extensive distribution network in this field to accelerate the commercialization of Boyoubei® to meet the urgent clinical needs of Chinese patients.

Extensive collaboration with various resourceful business partners

We have explored a number of cooperations with well-known domestic and foreign companies in various fields as of the date of this announcement.

For our launched products, we have granted CP Qingdao the exclusive right to commercialize Boyoubei® in Chinese Mainland as discussed above.

For our drug candidates under development, we have entered into an agreement with OcuMension regarding the product development cooperation, and promotion and commercialization of BA9101 in China. OcuMension is a well-known ophthalmology pharmaceutical company with a professional team. This cooperation will accelerate the clinical trials and commercialization of BA9101 to meet the urgent clinical needs of Chinese patients. In March 2023, BA9101 completed the patient enrollment for its phase 3 clinical trial in China.

In addition, we have granted Joincare the exclusive right to the development, registration, manufacturing, and commercialization of BA2101 for the treatment of asthma, chronic obstructive pulmonary disease and other respiratory system diseases in Chinese Mainland. Joincare is a leading Chinese company in the therapeutic area of respiratory diseases. It boasts a wide range of respiratory products and has a dedicated marketing team covering the whole country, making it a top player in the field. Through this partnership, we and Joincare will leverage our respective strengths in R&D and commercialization to accelerate the clinical development of BA2101 for indications such as asthma and COPD. We will also use our strong clinical capabilities to accelerate the development of additional indications, so that patients can benefit from BA2101 as soon as possible.

For technology platform, we have signed a strategic cooperation agreement with GenScript Biotech Corporation ("**GenScript**") regarding the development and production of GenCircle™ dsDNA, a novel small circular double-stranded DNA vector without antibiotic resistant marker that is a critical raw material in the field of gene and cell therapy. We will purchase GenCircle™ dsDNA at a scientific research level of GMP from GenScript to further enhance the R&D efficiency of independently developed cell drug preparation platforms "STEALTH CAR-T™" and "ReceptorTAC™", and accelerate the development process of non-viral vector cell therapy products, thus setting out for the field of cell therapy from a high starting point.

We have also entered into an agreement with the Zencore Biologics Co., Ltd. ("**Zencore Biologics**"), authorizing Zencore Biologics to use our self-developed stable cell line development platform, BA-HIEXcell® for the development of antibodies and therapeutic proteins in Chinese Mainland. BA-HIEXcell® is a cutting-edge platform in the industry in terms of both the efficiency and the expression levels in cell line development.

2024 Outlook

On 30 December 2022, we were listed on the Main Board of the Stock Exchange. As our first year in the capital market, 2023 was a harvest year with revenue growth of commercialized products and a transformative year to speed up our pipeline progress in innovative antibodies. Looking ahead to 2024, we expect Boluojia (BA1102, denosumab injection for the treatment of oncology indications) to be approved by NMPA in China. In addition, we have the plan to submit BLAs for dulaglutide injection (BA5101) and aflibercept intravitreous injection (BA9101) in China within this year. The overseas clinical trials and registration of denosumab injection (BA6101 and BA1102) as well as dulaglutide injection (BA5101) will continue to advance, and we will strive to bring these three products to the global market as soon as possible. The six innovative pipelines will also produce important phased data results in their phase 1 or phase 2 clinical trials and their related results will be presented in international research journals or academic conferences. With such a wealth of R&D progress, we hope that there will be more opportunities for global cooperation in relation to our pipeline products in 2024 as well.

Finally, our vision is to become a leading biopharmaceutical company. In order to achieve our vision and goals, we will continue to implement the following strategies.

Further strengthen our marketing capability and accelerate the commercialization of our drug candidates by leveraging our experience in commercializing Boyounuo® and Boluojia® to be commercialized

We plan to continue to strengthen our commercialization capability, which is critical to our future success and profitability. Particularly, we plan to enhance the market share of Boyounuo® by expanding our sales and marketing team and strengthening our distribution channels to cover more target hospitals. Our distributors and promoters support us in the sales and marketing of our products. Therefore, we plan to broaden our nationwide sales and distribution network through collaboration with sizable distributors having comprehensive distribution channels so as to reach more target hospitals with potential strong demand of our products. We also plan to continue to expand our experienced and professional sales and marketing team in China, which mainly focuses on market access, medical affairs, and any other promotional initiatives in the therapeutic areas of oncology, metabolism, autoimmunity and ophthalmology. To promote our products nationwide, we intend to selectively enter into promotion agreements with reputable pharmaceutical companies and continue to collaborate with leading key opinion leaders in market education and product promotion. For hospital coverage, we endeavour to enhance the penetration rate of hospitals in China with tailored strategies for our specific products.

Establishing our marketing network and expanding our overseas footprint is instrumental to our vision of becoming a leading global biopharmaceutical company. We plan to expand our presence into international markets through a number of ways in selected markets or regions including accelerating clinical trial plans, identifying and working with suitable distributors and collaborating with international reputable industry players on business development.

Accelerate products portfolio towards commercialization in selected overseas markets

We plan to continue to accelerate clinical trials of drug candidates and regulatory approval towards commercialization. Specifically, in order to launch potential first-to-market biosimilar drugs with leading market share, we will continue to strengthen our competitive edge on biosimilar drug development to enhance commercialization visibility. In the next three years, we expect that 4 of our product candidates (BA1102, BA5101, BA9101 and BA1104) will have the potential to be launched in the China market and 3 of our product candidates (Boyounuo®, BA6101 and BA1102) will have the potential to be launched in the overseas market.

We will also implement our first-to-market clinical development strategy, especially for our innovative antibody drug candidates focusing on oncology with unmet medical needs, to accelerate the clinical trial and regulatory approval.

To strengthen our innovative antibody drug pipeline and accelerate clinical development, with our excellent drug development skills, we seek to maintain a risk-balanced portfolio with a strategic combination of mature targets and new targets, aiming to become first-in-class drugs.

Enrich our innovative antibody portfolio to maximize our long-term commercial potential

Leveraging on our strong R&D capability and proprietary technology platforms, we plan to continue to develop innovative antibody drug candidates with strategically selected antibody targets and huge market potential. For example, we will continue to optimize our proprietary technology platforms in supporting the development of our innovative antibody drug pipeline and advance clinical studies for new programs. We will also selectively pursue strategic collaborations with respect to product license-in to enrich our portfolio and support our long-term sustainable growth. In particular, we will prioritize license-in of products and product candidates focusing on oncology, with innovative targets or targets developed through advanced technology platforms so as to enrich our portfolio and strengthen R&D competitiveness. We plan to enhance our R&D resources by hiring talent with extensive international drug discovery and development experience, and also by improving our R&D facilities and infrastructure.

Continue to expand in-house manufacturing capability

To support the growing sales of Boyounuo®, Boyoubei® and other upcoming product launches as anticipated, we plan to increase our investment in manufacturing equipment to expand manufacturing capacity, including two production lines each with three 2,000L single-use bioreactors for commercial production. This is to fulfill the anticipated large demand for commercialized products. We will seek to develop and optimize in-house process technologies, strengthen the digitalization of production, upgrade our production facilities, enhance production know-how, as well as introduce a new technology platform, with a view to maintaining high-cost efficiency and production quality. We also plan to expand our in-house manufacturing and quality control team by attracting and retaining experienced talent who has in-depth know-how. We will continue to improve our production processes and optimize our production technology to reduce production costs.

Explore collaboration with reputable partners from China and overseas to expand market presence

Our integrated biopharmaceutical platform is built upon our in-house capabilities throughout the entire biologics value chain which enables us to expand our market presence. We will maximize the value of our platform by exploring collaboration with reputable partners from China and overseas in a number of ways. For example, we plan to selectively enter into strategic cooperation, including license-out or co-development with partners, so as to facilitate the clinical development and commercialization of our early-stage drug candidates. We may cooperate with business partners, including promoters and distributors, to broaden our geographical coverage hence commercializing our late-stage drug candidates including BA1102, BA6101 and BA5101. We may also explore co-development opportunities with leading global pharmaceutical companies and academic institutions to enhance our technology platforms. We will selectively collaborate with strategic partners with the aim to commercialize our drug candidates outside of China hence maximizing their market potential.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's dedicated commercialization team made use of proactive marketing strategies and efficient executive and sales capabilities, through which the Group continued to establish its foothold in the domestic market thereby laying a solid foundation for the subsequent transformation of the Company. With the commercialization of two products, the Group witnessed a significant increase in revenue during the Reporting Period.

For the year ended 31 December 2023, the Group's revenue amounted to approximately RMB618.1 million, as compared to RMB516.0 million for the year ended 31 December 2022, representing an increase of approximately RMB102.1 million, or 19.8%. The increase was mainly attributable to the sustained growth of sales of Boyounuo® (BA1101) in China.

Cost of Sales

Cost of sales of the Group primarily represents materials and consumables, labour costs associated with production, utilities and maintenance fee as well as depreciation and amortisation expenses of production equipment, facilities and intangible assets.

Our cost of sales increased from RMB161.7 million for the year ended 31 December 2022 to approximately RMB209.2 million for the year ended 31 December 2023, which accounted for approximately 33.9% of our total revenue for the same year (2022: 31.3%).

Gross Profit

For the year ended 31 December 2023, the Group recorded a gross profit of approximately RMB408.9 million, representing an increase of approximately RMB54.7 million, or 15.4%, as compared with that for the year ended 31 December 2022.

Other Income and Gains

Other income and gains consist of government grants, bank interest income and others. Government grants mainly represent subsidies received from local government authorities to support the Group's research and development activities and operation.

During the Reporting Period, the Group recognised other income and gains of approximately RMB27.7 million (2022: RMB24.3 million).

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Government grants	**25,768**	16,301
Bank interest income	**1,159**	5,568
Foreign exchange gain, net	**–**	2,381
Others	**727**	98
Total other income and gains	**27,654**	24,348

Administrative Expenses

Our administrative expenses decreased significantly from RMB82.3 million for the year ended 31 December 2022 to RMB51.7 million for the year ended 31 December 2023. Such decrease was because a significant portion of the administrative expenses for the year ended 31 December 2022 was contributed by the listing expenses of RMB43.1 million incurred for the Global Offering.

Selling and Distribution Expenses

For the year ended 31 December 2023, the Group's selling and distribution expenses amounted to RMB256.5 million, as compared to RMB214.1 million for the year ended 31 December 2022, representing an increase of RMB42.4 million, or 19.8%. The increase in selling expenses during the year ended 31 December 2023 was in line with the revenue growth during the same period.

Research and Development Expenses

The following table sets forth a breakdown of the Group's R&D expenses for the years indicated:

	2023	2022
	RMB'000	*RMB'000*
R&D service fees	**96,675**	176,079
Raw materials and consumables expenses	**33,388**	100,377
Staff costs and share-based payments	**67,867**	73,558
Depreciation and amortisation expenses	**17,776**	23,958
Others	**14,976**	26,366
	230,682	400,338

For the year ended 31 December 2023, the Group's recognised R&D expenses were approximately RMB230.7 million, representing a decrease of approximately RMB169.6 million as compared to the year ended 31 December 2022. The decreased R&D expenses was mainly due to the increase in R&D investment capitalised into deferred development costs as four of the Group's R&D projects had progressed to phase 3 clinical trial in 2023.

Finance Costs

For the year ended 31 December 2023, the Group's finance costs amounted to RMB14.1 million, as compared to RMB13.4 million for the year ended 31 December 2022, representing an increase of approximately RMB0.7 million, or 5.2%. The increase was mainly due to the increase in interest expenses incurred on discounted notes receivable for the year ended 31 December 2023.

Income Tax Expense

As we were loss-making for the years ended 31 December 2022 and 2023, we did not incur income tax expenses.

Loss for the Year

As a result of the above, our loss for the year amounted to RMB119.4 million for the year ended 31 December 2023, as compared to RMB331.7 million for the year ended 31 December 2022.

Liquidity, Financial and Capital Resources

The Group's primary sources of liquidity consist of cash and cash equivalents, which the Group has historically generated through the sales of products and the proceeds from the Listing. The Company expects that the Group's cash needs in the near future will primarily relate to progressing the development of its drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding its drug candidate portfolio. In 2023, we actively explored financing channel and managed to maintain our cash position for the Group's sustainable development.

As of 31 December 2023, we had cash and cash equivalents of RMB201.9 million, representing a decrease of 13.5% compared to RMB233.5 million as at 31 December 2022. As at 31 December 2023, the Group had net current assets of approximately RMB59.7 million, as compared to approximately RMB375.0 million as at 31 December 2022. The current ratio of the Group decreased slightly to approximately 1.09 as at 31 December 2023 from approximately 1.80 as at 31 December 2022. The decrease in net current assets was mainly attributable to increased short-term bank loans and higher other payables and accruals under the Group's current liabilities.

As at 31 December 2023, the Group had an aggregate interest-bearing bank and other borrowings of approximately RMB396.2 million, representing an increase of RMB102.9 million as compared to approximately RMB293.3 million as at 31 December 2022. The increase was mainly attributable to an interest-bearing borrowing resulting from a finance lease agreement in 2023, as further disclosed by the Company in its announcement dated 22 December 2023. The balances of the bank loans to the Group as at 31 December 2022 and 2023 were mainly due to a RMB250.0 million loan facility granted to the Group in 2021 (the "**Loan**"), which shall be used to settle the Group's shareholder loans in relation to machinery and equipment under installation for new production lines of the Group. The Loan is due in 2026 and bears a floating interest rate to be updated per annum (being the latest five-year loan prime rate plus 5 basis points). The other portion of the Group's current interest-bearing bank loans as at 31 December 2023 was attributable to the discounted notes receivable of RMB23.8 million because the Group discounted certain notes receivable to the bank prior to the notes' maturity date with effective interest rates within a range between 1.14% to 2.20% to fund its daily operations.

Amongst the loans and borrowings, approximately RMB167.8 million are repayable within one year, and approximately RMB228.4 million are repayable after one year. As at 31 December 2023, the Group's borrowings were primarily denominated in RMB, and the cash and cash equivalents were primarily denominated in RMB and U.S. dollars.

Gearing Ratio

As at 31 December 2023, the gearing ratio of the Group, which is calculated by dividing total borrowings by total equity, increased to 30.0% from 20.7% as at 31 December 2022. The increase was primarily due to an increase in the Group's short-term bank and other borrowings during the Reporting Period.

Capital Commitments

The Group has leased certain offices, equipment and buildings under operating lease arrangements ranging from one to five years in duration. The Group had capital commitments for the acquisition of property, plant and equipment with amounts of RMB225.0 million as of 31 December 2023 (2022: RMB236.4 million). They are primarily related to expenditures expected to be incurred for the purchase of machinery and renovation of our existing laboratories and buildings.

Capital Expenditure

The Group's capital expenditure during the Reporting Period represented purchases of property, plant and equipment to enhance its research and development capabilities and expand its business operation. For the year ended 31 December 2023, the Group's additions to property, plant and equipment were RMB104.3 million (2022: RMB121.8 million).

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2023.

Charges on Group Assets

As at 31 December 2023, certain of the Group's property, plant and equipment, and right-of-use assets with an aggregate amount of RMB270.3 million were pledged to secure its bank and other borrowings.

Foreign Exchange and Exchange Rate Risk

The Group primarily operates in the PRC and is exposed to foreign currency risk arising from fluctuations in exchange rate between RMB and other currencies in which the Group conducts its business. The Group is subject to foreign currency risk attributable to the bank balances that are denominated in currencies other than RMB. The Group seeks to limit the exposure to foreign currency risk by minimising its net foreign currency position. The Group did not enter into any hedging transactions in respect of foreign currency risk as at 31 December 2023. The Directors expect that the fluctuation of the RMB exchange rate will not have a material adverse effect on the operation of the Group.

Share-based Payment

In December 2020, the Board passed a resolution to grant equity interests of the Company to the eligible employees (including Directors) in order to provide incentives and rewards to participants for the business development of the Group. Subsequently, three limited partnerships were established as employee incentive platforms in the PRC.

The Group recognised a share-based payment expense of RMB20.6 million during the Reporting Period (2022: RMB18.5 million).

Hedging Activities

As at 31 December 2023, the Group did not use any financial instruments for hedging purposes and did not enter into any hedging transactions in respect of foreign currency risk or interest rate risk.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2023. The Group does not have plans for material investments or capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

After 31 December 2023 and up to the date of this announcement, to the best of the Directors' knowledge, there was no event occurred that had affected the Group significantly.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of the PRC, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing shareholders.

DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 December 2023 (2022: Nil).

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

As at 31 December 2023 and up to the date of this announcement, the Company had complied with all the applicable code provisions set out in the CG Code in force, except for the following deviation:

Code provision C.2.1 of the CG Code

The roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Under the current organisation structure of the Company, Ms. Jiang Hua is the Chairlady of the Board and the Chief Executive Officer. With extensive experience in the pharmaceutical industry, the Board considers that Ms. Jiang Hua should continue to assume the roles of chairman and chief executive officer during the year ended 31 December 2023 as this arrangement will improve the efficiency of our decision-making and execution process given her knowledge of the Group's affairs. The Company has put in place an appropriate check-and-balance mechanism through the Board and its independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix C3 to the Listing Rules. Specific enquiry has been made of all the Directors and supervisors of the Company and all the Directors and supervisors of the Company have confirmed that they have complied with the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period.

AUDIT COMMITTEE

The audit committee has reviewed together with the Board the accounting principles and policies adopted by the Group, the audited annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2023. The audit committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2023 and submitted them to the Board for approval.

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

In accordance with the requirements under the Listing Rules applicable to the Reporting Period, the 2023 annual report containing all the information about the Company set out in this announcement including the financial results for the year ended 31 December 2023 will be posted on the Company's website (www.boan-bio.com) and the website of the Stock Exchange (www.hkexnews.hk) in due course.

By order of the Board
Shandong Boan Biotechnology Co., Ltd.
Jiang Hua
Chairlady, Chief Executive Officer and Executive Director

Yantai, The People's Republic of China, 25 March 2024

As at the date of this announcement, the executive directors of the Company are Ms. Jiang Hua and Dr. Dou Changlin; the non-executive directors of the Company are Mr. Liu Yuanchong and Ms. Li Li; and the independent non-executive directors of the Company are Mr. Shi Luwen, Mr. Dai Jixiong and Dr. Yu Jialin.