SINOMAB

SinoMab BioScience Limited

中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 3681

ANNUAL REPORT 2023

Contents

Corporate Information

DIRECTORS

Executive Directors

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*
Mr. Shanchun WANG *(President (China))*
(appointed on 7 February 2024)

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Dr. Wenyi LIU
Mr. Lei SHI
Dr. Jianmin ZHANG *(appointed on 6 September 2023)*
Ms. Jie LIU *(resigned on 6 September 2023)*

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Yuk Yin Ivy CHOW *(appointed on 20 March 2023 and effective from 31 March 2023)*
Ms. Sze Ting CHAN *(resigned on 20 March 2023 and effective from 31 March 2023)*

AUTHORISED REPRESENTATIVES

Dr. Shui On LEUNG
Mr. Jianping HUA

REGISTERED OFFICE

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

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

LEGAL ADVISER

As to Hong Kong law
DeHeng Law Offices (Hong Kong) LLP

As to PRC law
Zhong Lun Law Firm

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

www.sinomab.com

STOCK CODE

3681

FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Research and development costs	(214,342)	(103,402)	(199,113)	(180,368)	**(135,409)**
Loss before tax	(276,282)	(122,600)	(288,194)	(284,158)	**(243,111)**
Loss for the year	(276,282)	(122,600)	(288,194)	(284,158)	**(243,111)**
Loss attributable to owners of the parent	(276,282)	(122,600)	(288,194)	(284,158)	**(243,111)**
	RMB	*RMB*	*RMB*	*RMB*	**RMB**
Loss per share — Basic and diluted	(0.33)	(0.12)	(0.29)	(0.29)	**(0.24)**

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Non-current assets	69,123	195,169	445,970	561,255	**577,603**
Current assets	1,215,042	934,354	595,685	447,093	**270,183**
Non-current liabilities	45,574	83,708	263,065	311,382	**379,557**
Current liabilities	106,675	58,804	98,364	187,391	**172,646**
Total equity	1,131,916	987,011	680,226	509,575	**295,583**

Chairman's Statement

Dr. Shui On LEUNG

Chairman, Executive Director
and Chief Executive Officer

Dear valued Shareholders,

On behalf of the Board, I hereby present the annual report of the Company (together with its subsidiaries) for the year ended 31 December 2023. We would like to express our wholehearted gratitude towards your abiding trust and support which accompanied us through another year.

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 research and development ("**R&D**"). Our flagship product SM03 (Suciraslimab), a global first-in-class anti-CD22 monoclonal antibody ("**mAb**") for the treatment of rheumatoid arthritis ("**RA**"), is progressing at full speed towards its commercialisation. During the year, clinical sites inspection and Good Manufacturing Practice (GMP) inspection were carried out at the Haikou production base, which are the necessary inspection procedures for Biologics Licence Application ("**BLA**") required by the National Medical Products Administration of the People's Republic of China ("**PRC**") (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 mAb for the receptor targets of IL-25 with the potential for treating atopic dermatitis ("**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 (LSLV) was completed. In China, two additional Investigational New Drug ("**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 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 maximising the value for investors.

Chairman's Statement

As a biopharmaceutical company having grown up in the Hong Kong Science Park for 20 years, the Group has always been committed to researching and developing mAb drugs in the field of autoimmune diseases. We will, by continuously adhering to our philosophy of independent innovation, keep conducting research on novel drugs and clinical research of their indications, with a view to further expand our product portfolio and scope of indications, while proactively promoting commercialisation. Leveraging our strengths in drug discovery, manufacturing and commercialisation, we aim to emerge as a global leader in innovative therapy for immunological diseases in the future.

Looking forward, following our original aspiration, we will stay dedicated to researching and developing novel drugs, and expanding the indication scope of products to fight against autoimmune diseases, so as to meet increasingly urgent medical needs, fight for patients' well-being and create value for our Shareholders. Last but not least, on behalf of the Board and management of the Company, I hereby express the sincerest gratitude again to all Shareholders for the enduring support and to all employees for the unremitting effort and let us all step into a brand-new chapter of the Company together!

Chairman, Executive Director and Chief Executive Officer
Dr. Shui On LEUNG
25 March 2024

Haikou Production Base

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

Suzhou Production Base

Our Suzhou Campus consists of a manufacturing shop, a pilot plant, an R&D centre, a quality control facility, a clinical study centre and an administration building. 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.

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

Topping-out ceremony for our Suzhou Campus

* Artist impression

OVERVIEW

We are the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics, primarily 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 rheumatoid arthritis ("**RA**") and 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**"). 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 Biologics Licence Application ("**BLA**") was also filed with the National Medical Products Administration of the People's Republic of China ("**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 Good Manufacturing Practice (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 Investigational New Drug ("**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 atopic dermatitis ("**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, idiopathic pulmonary fibrosis ("**IPF**") and other immunological disorder.

Another key product, SN1011, is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor. SN1011 was designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve superior efficacy and good safety profile for the potentially long-term treatment of patients with chronic immunological disorders. SN1011 has currently obtained four IND approvals from the NMPA for the treatment of SLE, pemphigus, Multiple sclerosis ("**MS**") and neuromyelitis optica spectrum disorder ("**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.

BUSINESS REVIEW

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

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

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

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

PROGRESS OF CLINICAL PROJECTS

Product pipeline

* RA Phase III completed enrollment in December 2021

Flagship product

SM03 (Suciraslimab)

Our self-developed SM03 (Suciraslimab) is a global 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 annual report, clinical data collected for the extension study demonstrates the continued efficacy of Suciraslimab.

Our BLA was filed with the National Medical Products Administration of the People's Republic of China ("**PRC**") (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), humanised, 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 R&D activities.

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.

* *for identification purpose only*

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*

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 215 employees in China and Hong Kong. For the year ended 31 December 2023, the Group incurred approximately RMB63.5 million employee costs (including directors' remuneration but excluding any contributions to pension scheme, director fees and share-based payment). Employees are important resources for the Group's sustainable operation and steady development. The Company has formulated policies related to employees' remuneration, rights and interests and conducted various staff training, details of which are further set out in the "Environmental, Social and Governance Report" in this annual report. The Company has also established its restricted share unit scheme, share award scheme and share option scheme, details of which are set out in the paragraph headed "SHARE INCENTIVES" under "Report of the Directors" in this annual report.

R&D PERSONNEL

Education level	Number at the end of the Reporting Period	Number at the beginning of the Reporting Period
PhD	**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 is an effective way to differentiate ourselves from our peers. By specialising in innovative treatments of immunological diseases, we seek to solidify our leading position in the field, thereby creating a higher barrier to entry for our peers to compete with us in the development of first-in-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 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 ("**PD**") 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/PD, and fulfil other regulatory requirements.

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

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 hospitalisations, 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 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.

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 RMB'000	31 December 2022 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.

Particulars of bank borrowings of the Group as at 31 December 2023, including details of the maturity profile of the borrowings are set out in note 23 to the consolidated financial statements.

LOSS PER SHARE

The basic and diluted loss per share are RMB0.24 for the year ended 31 December 2023 (2022: RMB0.29). Details of the calculations of basic and diluted loss per share are set out in note 13 to the consolidated financial statements.

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

Particulars of capital commitments of the Group as at 31 December 2023 are set out in note 29 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no contingent liability (2022: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

SIGNIFICANT INVESTMENT HELD AND DISPOSED

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 31 December 2023.

CHANGE IN USE OF PROCEEDS

As reported in the announcement dated 25 March 2024, the Board resolved to change the use of unutilised net proceeds from listing. The change in use of proceeds was made to facilitate efficient allocation of financial resources and strengthen the future development of the Group. Further details are disclosed under paragraph headed "USE OF PROCEEDS FROM GLOBAL OFFERING" in the Report of the Directors to this Annual Report.

MATERIAL EVENT

Subscriptions of new shares under General Mandate

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 in January 2024 and raised a net proceeds of approximately HK$73,181,794. Details of the 2023 Subscriptions are disclosed under the section headed "USE OF PROCEEDS FROM NEW SUBSCRIPTIONS" in the Report of the Directors to this Annual Report.

BOARD OF DIRECTORS

Executive Directors

Shui On LEUNG 梁瑞安, 64

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

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

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

Dr. Leung has over 30 years of experience in the field of molecular immunology and therapeutic monoclonal antibodies. Dr. Leung has been a member of the first session of Biotech Advisory Panel of the Stock Exchange since April 2018. He is also a director of the Hong Kong Genome Institute. Dr. Leung currently also serves as an adjunct professor of the Army Medical University (中國人民解放軍陸軍軍醫大學, formerly known as the Third Military Medical University (中國人民解放軍第三軍醫大學)) and China and the Air Force Medical University (中國人民解放軍空軍軍醫大學), formerly known as the Fourth Military Medical University (中國人民解放軍第四軍醫大學) in mainland China. He has also been an adjunct professor of The Hong Kong University of Science and Technology since September 2018. From 2011 to 2014, Dr. Leung was an adjunct professor of Fudan University, China (復旦大學). Prior to joining our Company, Dr. Leung served as the managing director of The Hong Kong Institute of Biotechnology Limited, which is currently a biotechnology R&D arm of The Chinese University of Hong Kong, from September 2000 to August 2003. Dr. Leung was an adjunct professor of The Chinese University of Hong Kong from February 2001 to January 2004. From May 1991 to in or around August 2000, he held several positions in Immunomedics, Inc. ("**Immunomedics**"), a leading U.S. antibody-drug conjugate company, including an associate director of the molecular biology department and an executive director of the biology research department. During his term with Immunomedics, Dr. Leung was awarded grants by the U.S. Department of Health and Human Services multiple times for his research programs, including "Engineering a Unique Conjugation Site on AB Light Chain" and "A Humanised Antibody for Breast Cancer Treatment". In October 1996, Dr. Leung was appointed as an adjunct assistant member of the Centre for Molecular Medicine & Immunology at Garden State Cancer Centre. Dr. Leung was also engaged in postdoctoral research at Yale University, U.S.A. from July 1989 to June 1991.

Dr. Leung obtained his bachelor's and master's degrees in biochemistry as well as EMBA from The Chinese University of Hong Kong in 1984, 1986 and 2006, respectively. He earned his Ph.D. in molecular biology from the University of Oxford in Oxford, England in May 1989.

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

Shanchun WANG 王善春, 56

President (China)

Appointed to the Board: 7 February 2024
Joined the Group: Fourth quarter of 2022

Mr. Wang was appointed as an executive Director in February 2024. Mr. Wang has been serving as the President (China) of the Company since the fourth quarter of 2022, and is mainly responsible for overseeing and managing the Group's overall operation, as well as clinical development, in China. He also acts as a director and the legal representative of each of MediNexus Pharma (Shanghai) Limited* (興聯藥業(上海)有限公司) and SinoMab Biopharmaceutical (Nanjing) Limited (中抗生物製藥(南京)有限公司), and the legal representative of MediNexus Pharma (Suzhou) Limited and MediNexus Pharma (Beijing) Limited* (杏聯藥業(北京)有限公司), all are subsidiaries of the Company.

Mr. Wang has over 33 years extensive experience in the pharmaceutical industry. Prior to joining our Group, Mr. Wang served as the executive director of Sino Biopharmaceutical Limited (shares of which are listed on the Stock Exchange of Hong Kong Limited (stock code: 1177) during April 2015 to November 2022, and the president of Chia Tai-Tianqiang Pharmaceutical Holdings Co. Ltd. ("CT Tianqing", a principal subsidiary of Sino Biopharmaceutical Limited) during January 2015 to January 2022.

During Mr. Wang's tenure in CT Tianqing from January 1997 to January 2022, he took up positions of deputy chief engineer, chief engineer, vice president, executive vice president and president. He has rich experience and practical achievements in corporate strategic management, organisational management, innovation research and development and product commercialisation. Mr. Wang has been given various awards such as National Model Worker, Technology Advanced Worker of Jiangsu Province, Model Labour of Jiangsu Province, Shanghai Technology Advancement First Honour, Outstanding Entrepreneur of Jiangsu Province, Young and Middle-aged Expert with Outstanding Contribution of Jiangsu Province, Jiangsu Advanced Individual with Outstanding Contribution in Manufacture, and National Distinguished Leader in Pharmaceutical Quality Management, granted with the special allowances by the State Council, and elected as a representative of the 13th People's Congress of Jiangsu Province.

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

Non-executive Directors

Haigang CHEN 陳海剛, 41

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

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

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

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

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

Xun DONG 董汛, 49

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

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

Mr. Dong has over 20 years of experience in the pharmaceutical industry. Between 1996 and 2004, Mr. Dong worked for Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司) ("**Baiyao Group**"). The shares of Baiyao Group are listed on the Shenzhen Stock Exchange (stock code: 000538), and it is one of the ten Key Large Enterprises in Yunnan Province (雲南省十戶重點大型企業), one of Top 100 Enterprises in Yunnan Province (雲南省百強企業) and one of the first national innovative enterprises. Baiyao Group operates through four segments, namely pharmaceuticals, health products, Chinese medicine resources and pharmaceutical logistics, and is principally engaged in chemical raw material, chemico-pharmaceutical preparations, proprietary Chinese medicines, Chinese medicinal material and biologic products. During the said employment, he rose through the ranks and held the position of assistant department manager before his departure from Baiyao Group to further his education. He re-joined Baiyao Group in 2006 as a vice president of sales of the native medicine division, and has held various positions since then. Mr. Dong served as a director of Yunnan Institue of materia medica (formerly known as Yunnan institute of medicine) from 2018 until January 2023. Mr. Dong currently serves as a general manager of Institute for Strategic Development of Baiyao Group.

Wenyi LIU 劉文溢, 37

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

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

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

Dr. Liu received her bachelor's degree in economics from the University of Southampton in Southampton, England in June 2009 and master's degree in economics from the University of Warwick in Coventry, England in November 2010. Dr. Liu also obtained her master's degree in health science and Ph.D in public health from The Johns Hopkins University in May 2023. Dr. Liu obtained the securities qualification certificate issued by the Securities Association of China in November 2011.

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

Lei SHI 石磊, 38

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

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

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

Jianmin ZHANG 張健民, 46

Appointed to the Board: 6 September 2023
Joined the Group: September 2023

Dr. Zhang was appointed as a non-executive Director on 6 September 2023. Dr. Zhang is primarily responsible for providing overall guidance on business and strategic development of the Group based on his work experience, professional background and expertise.

Dr. Zhang is currently the chief scientific officer and head of institute of innovative medicine of Hainan Haiyao. Hainan Haiyao is a substantial shareholder of the Company and its shares are listed on the Shenzhen Stock Exchange (Stock Code: 00566). From November 2019 to April 2023, Dr. Zhang served as a director of Medicinal Chemistry at Shanghai Jiyu Medical Technology Limited (上海濟煜醫藥科技有限公司). Prior to that, he served as a leader of medical research and development of innovative drug division at ApoPharma Inc. from September 2012 to August 2019 and served as a medical research and development scientist at Tranzyme Pharma, Inc. (now known as Ocera Therapeutics, Inc.) from May 2011 to September 2012.

Dr. Zhang obtained a master's degree in Polymer Chemistry and Physics from Wuhan University in 2002. In 2007, Dr. Zhang earned his Ph.D. in Chemistry from The University of Alberta and did his postdoctoral training in the University of British Columbia from November 2007 to March 2011.

Independent Non-executive Directors

George William Hunter CAUTHERLEY, 81

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

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

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

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

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

Chi Ming LEE 李志明, 70

Member of Audit Committee and Chairman of Remuneration Committee

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

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

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

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

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

Ping Cho Terence HON 韓炳祖, 64

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

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

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

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

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

Dylan Carlo TINKER, 55

Member of Audit Committee and Member of Nomination Committee

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

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

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

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

SENIOR MANAGEMENT

Jianping HUA 華劍平, 42

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

Mr. Hua has more than 19 years of experience in financial and investment matters. Prior to joining our Group, Mr. Hua served as a vice chief financial officer, member of the executive board of the president, vice president of medical technology management committee and deputy general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司, Shanghai Stock Exchange: 600196 and Stock Exchange: 2196) from February 2011 to January 2019. He also served as an executive director from March 2018 to January 2019, and as the chief financial officer from February 2014 to January 2019, of Sisram Medical Ltd (Stock Exchange: 1696). From August 2005 to February 2011, Mr. Hua served as a manager in the assurance department at PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. (普華永道中天會計師事務所有限公司). Mr. Hua obtained his bachelor's degree in English from Shanghai University, China (上海大學) in July 2005.

Other senior management team

Our senior management also includes Dr. Shui On LEUNG and Mr. Shanchun WANG, see "Board of Directors" above for biographical details of Dr. Shui On LEUNG and Mr. Shanchun WANG.

MANAGEMENT

Changliang WANG 王昌良, 54

Mr. Wang joined our Company in October 2022 as a Vice President (China) and is responsible for the production, quality, equipment, engineering, procurement and other matters in China.

Mr. Wang has over 26 years of experience in equipment, quality and production. Prior to joining the Group, Mr. Wang joined Dongfeng Pharmaceutical Factory (the predecessor of Chia Tai-Tianqiang Pharmaceutical Holdings Co. Ltd.) in July 1997 as a director of the equipment department with the title of senior engineer, mainly responsible for the procurement management of equipment and instruments and responsible for equipment selection, process optimisation and layout design of technical transformation projects. He has extensive experience in the process equipment, production process and process layout of chemicals and biopharmaceuticals. Mr. Wang received his bachelor's degree in mechanical design, manufacturing and automation from China University of Petroleum in January 2016.

Ming Hon YAU 游明翰, 45

Dr. Yau joined our Company in January 2012 and currently serves as a Vice President (CMC) of the Company. He rose through the ranks in the Company and held the positions of senior director (production), managing director (downstream process), associate director (R&D) and research project manager (R&D). Dr. Yau is primarily responsible for supervising process development, and analytical technology development, technical transfer. He is also responsible for business development for pre-clinical and clinical stage assets.

Dr. Yau has over 17 years of experience in the fields of research, development and manufacturing of biological products. From July 2011 to December 2011, he served as an assistant manager of Nano and Advanced Materials Institute Limited (納米及先進材料研發院有限公司). From February 2008 to June 2011, Dr. Yau worked as an R&D assistant manager and subsequently as a manufacturing project manager at New A Innovation Limited (新意康生物科技有限公司), a company in Hong Kong focusing on life science and animal health, responsible for overseeing all upstream process development, establishing pilot production sites in different locations in China, establishing and operating a GMP-compliance manufacturing facility at New Zealand and technology transfer. From April 2006 to April 2008, Dr. Yau served as a full-time postdoctoral fellow in the Li Ka Shing Faculty of Medicine of the University of Hong Kong, focusing on monoclonal antibody production and immunoassay development to provide tools for the early diagnosis of diabetes and cardiovascular diseases.

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

Guolin XU 徐國林, 38

Mr. Xu has been with the Company since June 2009 and currently serves as a director (clinical and regulatory affairs). He is primarily responsible for reporting, applying, and communicating regulatory registration matters, as well as clinical trial operations, progress monitoring, and communication.

Mr. Xu has over 15 years of experience in clinical operation management and regulatory registration affairs. Mr. Xu obtained a bachelor of science degree in biology from The Hong Kong University of Science and Technology in June 2005, and a master of philosophy degree in chemical pathology from The Chinese University of Hong Kong in February 2009. In July 2012, Mr. Xu obtained the drug registration qualification certificate registered and approved by the Guangdong Provincial Food and Drug Administration.

Yuande ZHANG 張元德, 43

Mr. Zhang joined our Company in February 2023 as a director (marketing) and is responsible for developing and executing overall products marketing strategies according to the Company's strategic planning and other duties.

Mr. Zhang has over 15 years of experience in market management. Prior to joining the Group, Mr. Zhang served as a senior sales representative at Smith & Nephew Medical Ltd. (施樂輝醫用產品有限公司) from September 2008 to February 2010, responsible for the regional products sales. From March 2010 to February 2013, he joined Qilu Pharmaceutical Co., Ltd. as a medical manager and product manager, responsible for the promotion of medical projects and marketing in the field of tumors. From March 2013 to February 2022, he served as a department manager of the central marketing department of Chia Tai-Tianqing Pharmaceutical Holdings Co. Ltd., responsible for market management of products in various fields such as autoimmunity and pain relief. Mr. Zhang obtained his bachelor degree in pharmacy from Shenyang Pharmaceutical University in June 2005 and master degree in biochemistry and molecular biology from Tarim University in June 2008.

Jie QIAO 喬杰, 57
Mr. Qiao has joined our Company since August 2023 as an assistant to President (China) and is mainly responsible for the Company's strategic planning, post-listing medical affairs, sales and compliance, and sales performance management.

Mr. Qiao has 8 years of experience as a doctor and over 26 years of experience in medical affairs of over 60 generic and innovative products, directly or indirectly. Prior to joining our Group, Mr. Qiao served as a doctor at the Jiangsu Salt Industry Company General Hospital (江蘇省鹽業公司總醫院) from July 1989 to July 1997, responsible for the diagnosis and treatment of respiratory diseases. He also served as the medical specialist, senior product manager, commercial manager, marketing director, director of the integrated market medical center and marketing consultant of Chia Tai-Tianqiang Pharmaceutical Holdings Co. Ltd. from August 1997 to February 2022, playing an important role in various aspects of the company's marketing strategy, business development and project planning. Mr. Qiao received his bachelor's degree in clinical medicine and medical technology from the Xuzhou Medical University in July 1989.

Kwan Yin SIU 蕭君言, 45
Dr. Siu joined our Company in November 2011 as a research scientist, subsequently as a principal senior scientist (bioprocess) from January 2015 to March 2019, an associate director (manufacturing/upstream processing group) from April 2019 to December 2021, and has served as a director (process development) of our Company since January 2022. Dr. Siu is primarily responsible for supervising cell line bioprocess, analytical method development and supporting investigational new drug application and product registration.

Dr. Siu has over 14 years of experience in the area of R&D of cell culture and related process. Prior to joining our Group, Dr. Siu served as a stem cell scientist at Asia Pacific Stem Cell Science Limited, a cord blood storage services company in Hong Kong, from June 2009 to September 2011, responsible for stem cell research. From January 2009 to May 2009, Dr. Siu served as an assistant engineer at Sundart (M&E) Limited.

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

Ka Wa Benny CHEUNG 張嘉華, 44
Dr. Cheung joined our Company in January 2010 as a research scientist, subsequently as a principal senior scientist from January 2015 to December 2021, and has served as a director (quality control) of our Company since January 2022. Dr. Cheung is primarily responsible for managing Quality Control Department in different sites, providing support for drug application dossier preparation and analytical method development. He is also responsible for all matters and procedures relating to patent and trademarks, such as filing applications.

Dr. Cheung has over 16 years of experience in the area of R&D of drugs. Prior to joining our Group, Dr. Cheung served as a technical officer and subsequently as a senior technical officer at the Department of Paediatrics and Adolescent Medicine at the University of Hong Kong from September 2007 to January 2010, respectively, in charge of overseeing R&D projects.

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

COMPANY SECRETARY

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

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company has applied the principles and code provisions of the CG Code throughout the Reporting Period as the basis of the Company's corporate governance practices. The Board regularly reviews the Company's corporate governance practices and relevant policies to comply with the prevailing standards and requirements of good corporate governance. To comply with the increasingly stringent regulatory requirements, revision of the existing practices and policies, and introduction of appropriate new measures will be implemented as and when required.

During the year ended 31 December 2023, the Company has complied with all applicable code provisions as set out in the CG Code, except for code provision C.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

CORPORATE STRATEGY AND CULTURE

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

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

Corporate Governance Report

With our ELITES culture and business strategy of the Company, we are able to continuously generate and preserve our value. Under the leadership of our management team, consisting of members with rich experience in scientific research and business management, we have established a business model that integrates elements from the entire industry chain encompassing R&D, clinical trials and production. Pursuant to this business model, we leverage our proven ability in novel drug discovery, clinical development and in-house manufacturing capabilities to enable multiple clinical trails and subsequent commercialisation. During the year ended 31 December 2023, our drug candidates had progressed steadily and we are moving forward to realise the commercialisation of our flagship product and be able to sustainably deliver our purpose in becoming a global leader in the innovation of therapeutics for immunological and other debilitating diseases and to preserve our value in benefiting the world and become a highly respected company. Details of our latest development and business operation are discussed under Management Discussion and Analysis section in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

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

BOARD OF DIRECTORS

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

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

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

Board Composition

The Board currently comprises eleven Directors, consisting of two executive Directors, five non-executive Directors and four independent non-executive Directors.

During the year ended 31 December 2023 and up to the date of this report, the composition of the Board comprises the following Directors:

Executive Directors

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*
Mr. Shanchun WANG *(President (China))* (appointed on 7 February 2024)

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Dr. Wenyi LIU
Mr. Lei SHI
Dr. Jianmin ZHANG (appointed on 6 September 2023)
Ms. Jie LIU (resigned on 6 September 2023)

Independent Non-executive Directors

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

During the year ended 31 December 2023, changes to the composition to the Board were as follow:

— Ms. Jie LIU resigned as a non-executive Director of the Company with effect from 6 September 2023.

— Dr. Jianmin ZHANG was appointed as a non-executive Director of the Company with effect from 6 September 2023.

Subsequent to the Reporting Period, Mr. Shanchun WANG was appointed as an executive Director of the Company with effect from 7 February 2024. Mr. Wang had obtained the legal advice referred to in Rule 3.09D on 6 February 2024 and had confirmed he understood his obligations as a Director.

The biographical information of the Directors is set out in the section headed "Directors and Management" on pages 23 to 30 of this annual report.

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

Chairman and Chief Executive Officer

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

Dr. Shui On LEUNG ("**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.

Independent Non-executive Directors

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Names of each of the independent non-executive Directors are disclosed in all corporate communication of the Company. An updated list of directors of the Company, identifying the roles and functions and the position of independent non-executive Directors is maintained on the websites of both the Company and of the Stock Exchange.

The Company has received written confirmation from each of the independent non-executive Directors confirming his independence as regards the factors set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

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

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. The two executive Directors, Dr. Shui On LEUNG (entered into a service contract as executive Director) and Mr. Shanchun WANG (entered into a letter of appointment as executive Director) are appointed for an initial term of three years, subject to renewal after expiry of the then current term. Mr. Wang also entered into an employment contract as President (China).

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

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

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year ended 31 December 2023, the Company organised training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and continuing obligations of listed issuer under the Listing Rules. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The records of the continuous professional development that have been received by the Directors for the year ended 31 December 2023 are summarised as follows:

Directors	**Type of Training** *(Note 1)*
Executive Director	
Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*	✓
Non-executive Directors	
Dr. Haigang CHEN	✓
Mr. Xun DONG	✓
Dr. Wenyi LIU	✓
Mr. Lei SHI	✓
Dr. Jianmin ZHANG *(Note 2)*	✓
Ms. Jie LIU *(Note 3)*	✓
Independent Non-executive Directors	
Mr. George William Hunter CAUTHERLEY	✓
Mr. Ping Cho Terence HON	✓
Dr. Chi Ming LEE	✓
Mr. Dylan Carlo TINKER	✓

Notes:

1. During the year ended 31 December 2023, the Company has arranged training to all Directors. The training is delivered by the Company's external legal adviser, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

2. Appointed on 6 September 2023

3. Resigned on 6 September 2023

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2023, the Board conducted regular meetings and scheduled to meet at least four times at approximately quarterly intervals in accordance with the CG Code. Apart from regular Board meetings, the Chairman also held meeting annually with the independent non-executive Directors without the presence of other Directors.

The attendance records of the Directors at the Board meetings and the general meetings held during the year ended 31 December 2023 are as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Director		
Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*	5/5	1/1
Non-executive Directors		
Dr. Haigang CHEN	5/5	1/1
Mr. Xun DONG	5/5	1/1
Dr. Wenyi LIU	5/5	1/1
Mr. Lei SHI	5/5	1/1
Dr. Jianmin ZHANG *(Note 1)*	0/1	0/0
Ms. Jie LIU *(Note 2)*	4/4	1/1
Independent Non-executive Directors		
Mr. George William Hunter CAUTHERLEY	5/5	1/1
Mr. Ping Cho Terence HON	5/5	1/1
Dr. Chi Ming LEE	5/5	1/1
Mr. Dylan Carlo TINKER	5/5	1/1

Note:

1. Appointed on 6 September 2023

2. Resigned on 6 September 2023

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the Company's website and the Stock Exchange's website and are available to Shareholders upon request. All three committees are provided with sufficient resources to perform their duties. Independent professional advice is available to the committees to perform their responsibilities at the Company's expenses, when necessary.

Audit Committee

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

The Audit Committee currently comprises the following members:

Independent Non-executive Directors:

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

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

A summary of work performed by the Audit Committee during the year ended 31 December 2023 is set out as follows:

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

(ii) reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2022 and the interim results of the Group for the six months ended 30 June 2023;

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

(iv) recommending the Board on the re-appointment of external auditor at the 2023 annual general meeting; and

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

During the year ended 31 December 2023, four Audit Committee meetings were held, of which two of them were attended by the Company's external auditor regarding the review of the Company's financial report and accounts. The attendance records of the members of the Audit Committee during the year ended 31 December 2023 are as follows:

Name of members of the Audit Committee	Attendance
Mr. Ping Cho Terence HON *(Chairman of the Committee)*	4/4
Mr. George William Hunter CAUTHERLEY	4/4
Dr. Chi Ming LEE	4/4
Mr. Dylan Carlo TINKER	4/4

Remuneration Committee

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

The Remuneration Committee currently comprises the following members:

Executive Director:

Dr. Shui On LEUNG *(Member)*

Independent Non-executive Directors:

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

The primary functions of the Remuneration Committee include reviewing and determining/making recommendations to the Board on the remuneration packages and the terms of service contracts of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the Board's corporate goals and objectives, and the performance of the Group as well as remuneration benchmarks from comparable companies and prevailing market conditions.

The Board has delegated its responsibility to the Remuneration Committee to determine the remuneration packages of individual executive directors and senior management.

A summary of work performed by the Remuneration Committee during the year ended 31 December 2023 is set out as follows:

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

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

(iii) reviewing the remuneration packages of the individual Directors and the senior management and make recommendation to the Board of their remuneration and/or determine the remuneration of such individuals;

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

(v) reviewing and approving the grants of share options to senior management pursuant to the 2022 Share Option Scheme.

The Remuneration Committee was of the view that clawback mechanism is not necessary for the grants under the 2022 Share Option Scheme as the scheme rules have already provided for the lapse and cancellation of options in different scenarios and have provided enough protection to the Company's interests. The Remuneration Committee was also of the view that the grant of share options made on 6 November 2023 forms part of the management agreement between the Company and the grantees for the purpose of attracting and retaining the grantees, as such no performance target was stipulated and that the grant for such purpose aligned with the purpose of the 2022 Share Option Scheme; and

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

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

During the year ended 31 December 2023, three Remuneration Committee meetings were held. The attendance records of the members of the Remuneration Committee during the year ended 31 December 2023 are as follows:

Name of members of the Remuneration Committee	Attendance
Dr. Chi Ming LEE *(Chairman of the Committee)*	3/3
Mr. Ping Cho Terence HON	3/3
Dr. Shui On LEUNG	3/3

Nomination Committee

The Nomination Committee was established in 2019.

The Nomination Committee currently comprises the following members:

Executive Director:

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

Independent Non-executive Directors:

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

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

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

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

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

A summary of work performed by the Nomination Committee during the year ended 31 December 2023 is set out as follow:

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

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

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

(iv) reviewing and making recommendation to the Board on the appointment of a director.

During the year ended 31 December 2023, one Nomination Committee meeting was held. The attendance records of the members of the Nomination Committee during the year ended 31 December 2023 are as follows:

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

Board Diversity Policy

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

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

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

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

The Board has achieved gender diversity as the current female to male representation at Board level is 1:10.

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

Corporate Governance Functions

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

During the year ended 31 December 2023, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

During the year ended 31 December 2023, the Company has engaged an independent consultant ("**Independent Consultant**") to carry out the analysis and independent review of the adequacy and effectiveness of the risk management and internal control systems of the Company and its subsidiaries. The review included making enquiries with appropriate management and key process owners and performing walkthrough tests to identify the major risks and significant deficiencies, and making recommendation for improving and strengthening the internal control system to the Audit Committee for approval. The management then conducts follow-up review at least in a quarterly basis on the effectiveness of any adopted measures for improving and strengthening the internal control system, and report back to the Audit Committee.

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

Risk Management

- The Audit Committee will (i) oversee and manage the overall risks associated with our business operations, including reviewing and approving our risk management policy to ensure that it is consistent with our business strategies; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management policies within the Company and the Group.

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

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

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

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

Internal Control

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system. During the Reporting Period, our engaged Independent Consultant performed certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control during the period from 1 January 2023 to 31 December 2023 of our Company and our major operating subsidiaries in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. In the year under review, no material issues on the Group's internal control system have been identified in the reviewed areas and reported to the Audit Committee. The Independent Consultant also performed follow-up review on the remedial actions undertaken by the management of the Group on the deficiencies identified during the course of the Internal Control Review conducted in 2023.

Corporate Governance Report

During the year ended 31 December 2023, the Company has regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures the Company has implemented or planned to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety. For more information, see "— IPRs Protection" and "— Health & Safety" to the ESG Report. We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures.

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

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

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

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

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

The Board conducts a review of its risk management and internal control systems annually and, supported by the Audit Committee, reviewed the risk management and internal control systems, including the financial, operational, ESG and compliance controls, for the year ended 31 December 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 113 to 116.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

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

COMPANY SECRETARY

During the Reporting Period, Ms. Sze Ting CHAN of Tricor Services Limited resigned as the Company's company secretary on 20 March 2023 and effective from 31 March 2023. Following the resignation of Ms. Chan, Ms. Yuk Yin Ivy CHOW was appointed as the company secretary of the Company with effect from 31 March 2023. Ms. Chow is a corporate services director - tax services of PwC Corporate Services Limited.

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

For the year ended 31 December 2023, each of Ms. Chan and Ms. Chow has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

In order to conform to the core shareholder protection standards, as set out in the amendments made to Appendix 3 to the Listing Rules, which took effect on 1 January 2022, amendments had been made to the Articles of the Company ("**the Amendments**"). The Amendments were approved by the Shareholders at the annual general meeting of the Company held on 12 June 2023.

For details, please refer to the circular of the Company dated 27 April 2023 and the poll results announcement of the Company dated 12 June 2023. An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

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

Convening a General Meeting

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

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

Putting Forward Proposals at Annual General Meetings and General Meetings

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

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

Policies relating to Shareholders

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

Corporate Communications

Pursuant to Rule 2.07A of the Listing Rules in respect of the expansion of paperless listing regime and electronic dissemination of corporate communications that came into effect on 31 December 2023 and the Companies Ordinance, the Company has adopted electronic dissemination of corporate communications. The details of the arrangement are set out in the circulars of the Company dated 9 February 2024.

DIVIDEND POLICY

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

1 ABOUT THE REPORT

1.1 Scope of Report

SinoMab BioScience Limited ("**SinoMab**" or the "**Company**", together with its subsidiaries, the "**Group**" or "**We**") is the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics, primarily engaged in the research and development ("**R&D**") of pharmaceutical products. This report aims to objectively disclose the Group's environmental, social and governance ("**ESG**") performance for the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**").

Unless otherwise stated, the scope of this report covers the ESG performance of the Group's main operating regions in Hainan, Suzhou, Shanghai, Shenzhen, Nanjing in the People's Republic of China (the "**PRC**" or "**Mainland China**") and the Hong Kong Special Administrative Region ("**Hong Kong**"). The environmental Key Performance Indicators ("**KPIs**") disclosed in this report focus on Hainan, Suzhou and Hong Kong bases of the Group[1].

1.2 Framework of Report

This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "**ESG Reporting Guide**") contained in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). For detailed information on the corporate governance, it is recommended to read this report in conjunction with the section headed "Corporate Governance Report" of the Group's 2023 Annual Report.

This report has been prepared in accordance with the four reporting principles of "materiality", "quantitative", "consistency" and "balance" as set out in the ESG Reporting Guide.

Materiality: This report follows the ESG Reporting Guide to carry out materiality assessment work. Our working procedures include: (i) identifying relevant ESG topics, (ii) assessing the materiality of the topics, and (iii) reviewing and confirming the assessment process and results by the Board of Directors (the "**Board**"). We report ESG matters based on the materiality assessment results. For details on materiality assessment work, please refer to the subsection headed "3.4 Materiality Analysis" below.

Quantitative: This report follows the ESG Reporting Guide and refers to applicable quantitative standards and conventions, and adopts quantitative methods to measure and disclose applicable KPIs. The measurement standards, methodologies, assumptions and/or calculation tools of the KPIs in this report, as well as the sources of the conversion factors used have been explained in the corresponding places (if applicable), and the relevant environmental targets are disclosed in the subsection headed "6. Green Operation".

[1] For the previous reporting year, the Group considered that the environmental performance of the offices in Hong Kong, Shanghai and Shenzhen is not significant as compared to the bases in Hainan and Suzhou and has therefore excluded the environmental KPIs of these offices from the reporting scope. During the Reporting Period, the environmental data of the Hong Kong office is included due to improved data collection methods, and therefore the environmental KPIs are not directly comparable between these two years.

Consistency: With the exception of changes in the scope of reporting, the preparation method of this report is basically consistent with that of previous years, and for any changes that may affect a meaningful comparison with previous reports, explanations have been provided for the relevant data.

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

1.3 Source of Information and Reliability Guarantee

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

1.4 Access and Respond to the Report

This report is published in both traditional Chinese and English. The electronic version of this report is available on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the official website of SinoMab at www.sinomab.com. If there are any comments or suggestions on the ESG management of the Group, please contact us via email message@sinomab.com. We look forward to your valuable opinions.

2 BOARD STATEMENT

The Board is ultimately responsible for the ESG work of the Group and for setting clear duties and management responsibilities for ESG matters. The Board is responsible for overseeing and managing the implementation of ESG-related matters of the Group and ensuring compliance with ESG-related laws and regulations. All ESG functional departments are responsible for implementing the ESG work and reporting their results, decisions and recommendations to the Board.

The Board shall participate in assessing, prioritising and managing ESG matters including risks and materiality to the Group's business at least once a year. For details on risk management and materiality assessment, please refer to the Corporate Governance Report section of the Group's 2023 Annual Report and the subsection headed "3.4 Materiality Analysis" below. The key ESG risks have been incorporated into the Group's risk management system and measures have been developed in response to the relevant risks. The Board has reviewed these key risks, is aware of the measures taken and has made recommendations.

During the Reporting Period, the Board has established environmental targets related to business operations and has reviewed and discussed the establishment and progress of these targets from time to time. Where appropriate, external consultants will be engaged to provide expertise and professional advice on the ESG management process.

This report discloses the above ESG-related issues in detail, which has been reviewed and approved by the Board on 25 March 2024.

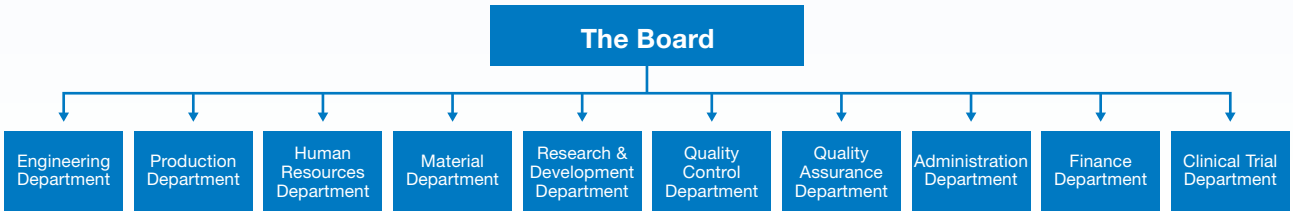
3 ESG MANAGEMENT SYSTEM

3.1 ESG Concept

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

3.2 ESG Governance Structure

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



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

ESG functional departments: To assist the Board in supervising ESG-related topics, the primary responsibility is to formulate departmental ESG targets and work plans according to the ESG management policy and strategy, implement key tasks (including data collection and progress tracking of KPIs) based on them, and promptly monitor the achievement of the targets. Functional departments should report at least once a year to the Board on the development of ESG work in their own departments and submit annual ESG information and disclosure materials for the review and discussion of ESG-related topics and to assist the Board in fulfilling their supervisory responsibilities.

3.3 Stakeholder Engagement

The Group attaches great importance to the communication and feedback from stakeholders. During the Reporting Period, we continued to identify and proactively respond to ESG topics of concern to stakeholders, including government and regulatory authorities, shareholders and other investors, employees, customers and patients, partners, suppliers, industry, environmental groups, communities, etc.

Main stakeholders	Main expectations & requirement	Major communication channels	Key ESG concerns
Government and regulatory authorities	• Abide by national policies and laws and regulations • Pay taxes in full and on time • Safe manufacturing	• Information disclosure	• Employment • Health & safety • Labour standards • Product responsibility • Anti-corruption
Shareholders and other investors	• Income returns • Compliant operation • Increase in company value • Information transparency and efficient communication	• Shareholder's meeting • Annual report • Regular announcement • Official website	• Use of resources • Supply chain management • Product responsibility • Anti-corruption
Employees	• Protection of interests • Occupational health • Salary and benefits • Career development	• Communication meeting • Face to face communication • Company newsletter and intranet • Staff mailbox • Training and workshop • Employee activities	• Use of resources • Employment • Health & safety • Development & training • Labour standards • Supply chain management • Product responsibility • Anti-corruption
Customers and patients	• Quality products and services • Health & safety • Integrity in operation • Customer information and privacy protection	• Information disclosure • Customer service centre and hotline • Customer opinion survey • Customer communication meeting	• Product responsibility

Main stakeholders	Main expectations & requirement	Major communication channels	Key ESG concerns
Partners	• Integrity in operation • Fair competition • Fulfil contracts according to law • Mutual benefits	• Business communication • Exchange seminar	• Supply chain management • Product responsibility • Anti-corruption
Suppliers	• Fair competition • Business ethics and reputation	• Supplier evaluation • Phone • Email • Field visit and meeting • Supplier management meeting and event	• Supply chain management • Product responsibility • Anti-corruption
Industry	• Industry standard formulation	• Participate in industry forum	• Product responsibility • Anti-corruption
Environmental groups	• Compliant discharge of pollutant • Energy conservation and emission reduction • Ecology protection	• Communicate with local environmental authorities • Report submission	• Emissions • Use of resources • Environment and natural resources • Climate change
Communities	• Promotion of community development • Participation in public welfare • Transparent information disclosure	• Charity • Social media • Company website • Company announcement • Media interview	• Emissions • Environment and natural resources • Climate change • Health and safety • Anti-corruption • Community investment

3.4 Materiality Analysis

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

1 Identification of potentially material topics

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

- ESG Reporting Guide
- Industry ESG key topics

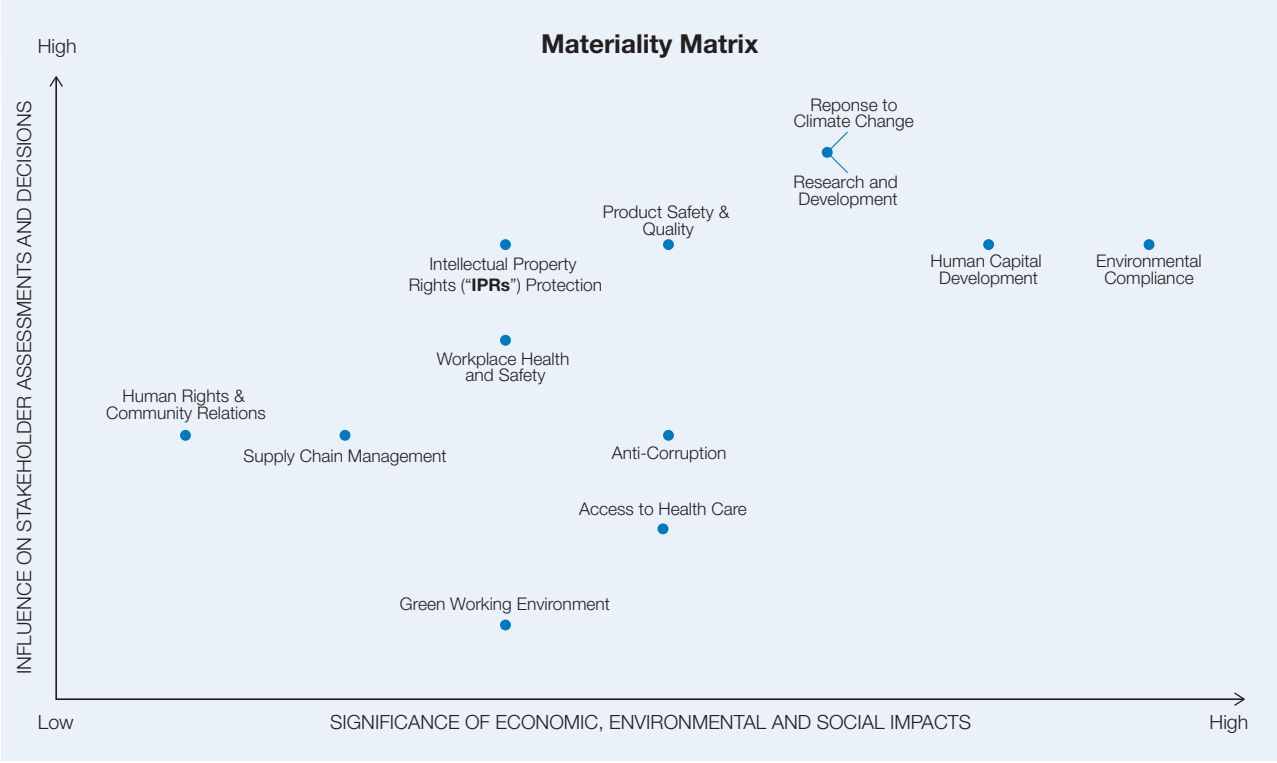
2 Stakeholder communication and analysis of material topics

- Conduct analysis of material topics through the aforementioned communication channels with key stakeholders to understand their views on relevant ESG topics
- Consider the opinion of external consultants

3 Confirmation of material topics

- Based on the results of the stakeholder analysis, identify the Group's material ESG topics and use them to guide the preparation of this report and the direction of the Group's next steps

During the Reporting Period, the result of our analysis of the material topics is as follows:



4 RESPONSIBLE OPERATION

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

4.1 Product Responsibility

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

SM03 ("**Suciraslimab**"), our flagship product, is a global first-in-class anti-CD22 mAb for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases. Suciraslimab has been recognised by the Ministry of Science and Technology of the PRC for two consecutive times as one of the significant special projects of Significant New Drugs Development under the Twelfth Five-Year Plan and Thirteenth Five-Year Plan, and has been accepted by the National Medical Products Administration ("**NMPA**") of the PRC in September 2023, indicating that it has entered the countdown phase to achieve commercial profitability.

During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations relating to health and safety, advertising, labelling and privacy matters of products and method of redress, that had a significant impact on the Group, including but not limited to the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》) and the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) of the PRC and the *Trade Marks Ordinance* (《商標條例》) and the *Patents Ordinance* (《專利條例》) of Hong Kong.

4.1.1 Product quality assurance

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

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

- The CEO of the Group is responsible for overall product quality and ensures that the Group achieves the quality targets and produces drugs in compliance with the GMP requirements.

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

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

Full-cycle quality control

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

- **Product quality control in R&D**

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

- **Quality control in the selection and collection stage**

  Our Purchasing Department, Production Department as well as Quality Management Department jointly conduct supplier development and assessment. We have reorganised the material management hierarchy and further optimised the material management system. At the same time, we updated our supplier management system and improved the review content of our annual material management. We have established the *Quality Agreement Management Regulations* (《質量協議管理規程》) to strictly control the quality of the inspection, production and material supply that we entrusted to our partners. We implement a strict control process for production materials and establish corresponding management and operational procedures for each node in the process. We implement a "three-tier check" on the quality of raw materials, including warehousing check, issue check and workshop handover check, and enforce the Four-Eyes principle in the review of high-risk materials.

- **Quality control for production**

  The Group attaches great importance to quality control in the production process, inviting external experts to guide the optimisation of the Company's quality system, revising and perfecting the quality management system documents relating to manufacturing technique, technical operations and approval records, etc., such as the *Correction and Prevention Management Regulations* (《糾正與預防措施管理規程》), the *Deviation Management Regulations* (《偏差處理管理規程》) and the *Change Control Management Regulations* (《變更控制管理規程》). If deviations from regulations or standards are identified, corrective and preventive measures will be prescribed according to the type and level of deviation identified in the *Deviation Management Regulations*.

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

- **Quality control for final products**

  We have formulated quality control procedures for products that will proceed to commercialisation, such as the *Quality Standards for Suciraslimab Drug Substances* (《舒西利單抗原液質量標準》). The final product will be tested by the QC according to the relevant specifications and verification and will be comprehensively reviewed by the QA before being reviewed and released by the designated personnel. We have introduced a fully automated product packaging line to reduce the risk of human error and ensure the quality of finished products.

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

- **Drug quality control in clinical trial phase**

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

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

- **Drug transportation:** We select a service provider with cold chain transportation of drug qualification and enter into a quality assurance agreement. When receiving the medicine, we confirm that the packaging is complete and undamaged, and check proof materials that demonstrate the storage conditions for the medicine have been met during transportation. If the packaging is damaged or the medicine is over-temperature, we will store the medicine separately and conduct evaluation in a timely manner to see whether the delivered medicine meets the relevant standards.

- **Clinical trials:** The Group selects clinical trial hospitals and researchers with relevant qualifications and a good reputation as partners. We sign the *Agreement of Quality Assurance for Clinical Trial Drug* (《臨床試驗用藥質量保證協議》) with the sponsor of the clinical trial. We review inspection reports for each batch of clinical trial drugs, archive the release reports for inspection, and review the drug management policies of the clinical trial institutions frequently to ensure the quality and safety of the clinical trial drug.

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

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

- **Pharmacovigilance system**

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

- **Awareness raising**

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

- **Complaint and recall procedure**

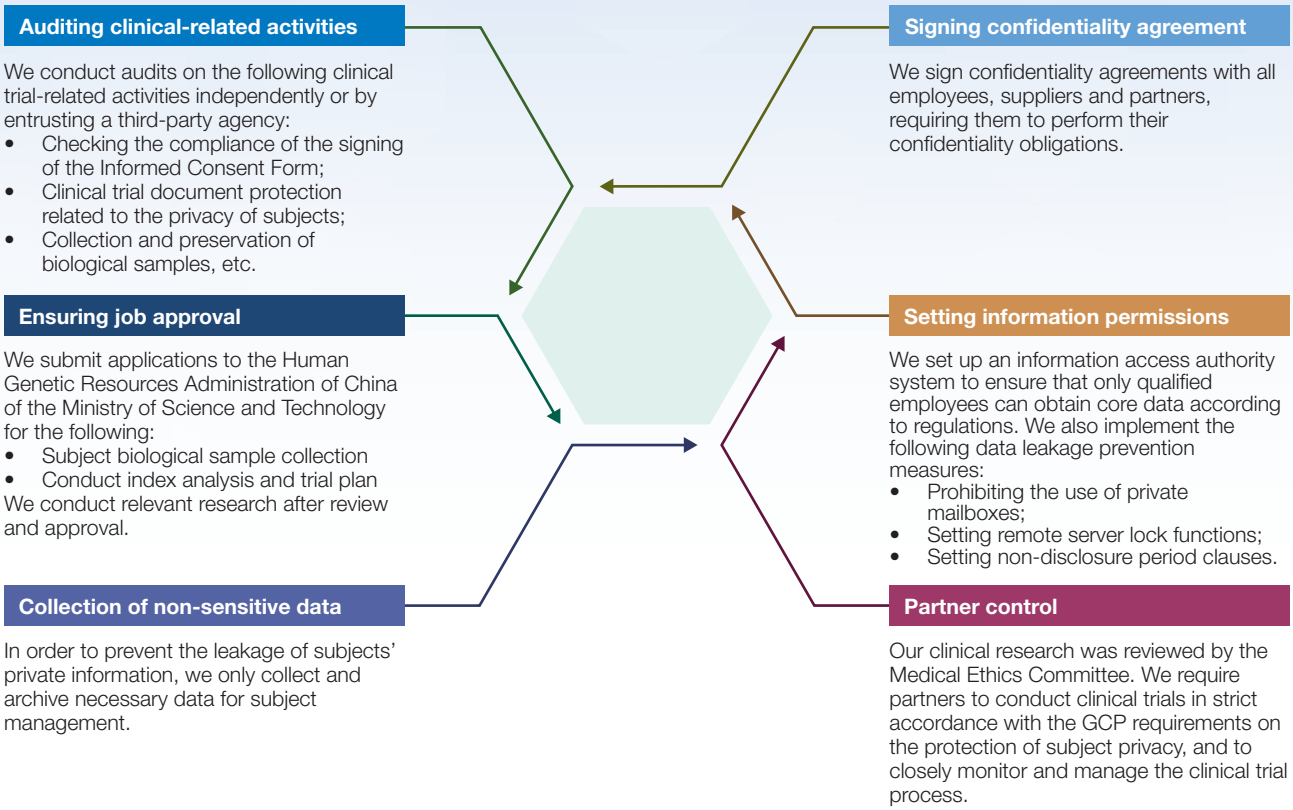
  We have not yet commercialised our products during the Reporting Period. However, we still attach great importance to establishing product complaint and recall systems. We have identified the requirements of the relevant laws and regulations such as the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) and the *Drug Administration Law of the People's Republic of China* (《中華人民共和國藥品管理法》), and have established the *Drug Safety Issues Management Regulations* (《藥品安全問題處理管理規程》) in accordance with the relevant regulations including the *Measures for the Administration of Drug Recalls* (《藥品召回管理辦法》) and the GMP to regulate the handling of drug safety issues that arise after marketing. We have also developed the *Drug Recalls Management Regulations* (《藥品召回管理規程》) to specify the product complaint response process and recall procedures. The QA is responsible for drug recalls. Once a potential safety hazard is identified through evaluation, we will implement the drug recall process to control and proactively withdraw marketed drugs with quality problems or potential safety risks, and conduct investigations and evaluations on the recalled drugs in order to protect consumer rights. According to the management requirements for user complaints in Section 9 of Chapter 10 of the GMP, we have established a user complaint management system and formed the *User Complaint Management Policy* (《用戶投訴管理制度》), which clearly stipulates the pathway, processing procedures and time limit for product complaints and feedback, forming a complete workflow to ensure compliance with the GMP and to safeguard patients' medication safety and legitimate interests as far as possible.

  During the Reporting Period, we did not receive any customer complaint, and there was no any recall of sold products for safety and health reasons.

4.1.2 Privacy protection

The Group attaches great importance to the protection of the privacy of customers and clinical trial subjects. We strictly abide by the GCP and other regulations, establish and continuously improve the corresponding management system, and have a designated team responsible for managing the protection of the privacy of customers and clinical trial subjects.

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



4.1.3 IPRs protection

The Group attaches great importance to protecting our proprietary technologies and drug candidates from competition, which is critical to our success. Therefore, we are committed to obtaining, maintaining and enforcing IPRs to protect our innovations. We actively develop and protect IPRs to ensure that our technologies and drug research are adequately safeguarded.

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

Meanwhile, we respect other parties' IPRs. For example, for employees who used to work for other biotechnology or pharmaceutical companies, we reach into agreements on proprietary rights, non-disclosure and non-competition in connection with their previous employment. Whether it is a self-developed product or an imported project, the Group will conduct a comprehensive background investigation on their patents. If there is a situation that may cause IPRs disputes, we will re-evaluate the product development plan and prospects to ensure that the IPRs of other parties are not infringed.

As of the end of 2023, we had been granted 20 invention patents worldwide and 15 pending patent applications in the United States, the PRC, Europe and elsewhere.

4.1.4 Regulation of advertising and labelling

During the Reporting Period, we had not yet commercialised our products, so we did not advertise our products to the public. However, we have actively identified the regulatory requirements for the Company's advertising and promotional activities as set out in the *Provisions for the Classification Management of Prescription and Non-prescription Drugs (Interim)* (《處方藥與非處方藥分類管理辦法（試行）》) and the *Measures for the Examination of Pharmaceutical Advertisements* (《藥品廣告審查辦法》) in relation to drug advertisements to avoid potential false promotion and misleading advertising or product descriptions, thereby laying a solid foundation for product commercialisation in the future.

4.2 Operational Integrity

The Group strives to create a clean and honest working environment and advocate the corporate culture of integrity. We adhere to a zero-tolerance attitude towards any form of illegal business practices, such as offering or receiving bribes, money laundering and fraud.

We have established policies such as the *Code of Ethics for Directors and Senior Management Staff* (《董事及高級管理人員道德守則》), the *Code of Ethics for Employees* (《員工道德守則》), the *Regulations on Avoiding Conflicts of Interest and Preventing Bribery* (《避免利益衝突和防止受賄管理規定》). We require employees to sign the *Anti-fraud Management Policy* (《反舞弊管理制度》) statement and prohibit employees from engaging in any illegal or unethical business behaviour and seeking benefits from it, as well as requires immediately reporting if any conflict of interest is involved. At the same time, we have also established an anti-fraud management system for suppliers, which provides standardised guidance on anti-fraud management and auditing of the procurement process, effectively controlling backroom deals, corruption and other phenomena during the procurement process to ensure transparency. Please refer to the section headed "4.3 Supply Chain Management" for details.

We have set up an online email reporting channel for employees and stakeholders to report actual or suspected corruption, fraud and other violations of professional ethics. In the event of a violation, the Group will impose disciplinary actions on employees, including but not limited to dismissal or report to the judicial authorities, depending on the impact of the incident. The Group attaches importance to protecting the privacy and safety of whistleblowers in the investigation and will deal seriously with cases of infringement of whistleblower privacy or retaliation against whistleblowers.

During the Reporting Period, the Group invited the Independent Commission Against Corruption of Hong Kong and compliance lawyers to conduct training on anti-corruption for 10 directors and 75 employees. Through video conference, a total of three one-hour lectures on the code of business conduct, bribery, gifts and entertainment were carried out, aiming to strengthen integrity awareness within the Group.

During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations in relation to bribery, extortion, fraud and money laundering that had a significant impact on the Group, including but not limited to the *Prevention of Bribery Ordinance* (《防止賄賂條例》) of Hong Kong and the *Company Law of the People's Republic of China* (《中華人民共和國公司法》) and the *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》) of the PRC. At the same time, the Group was not aware of any concluded legal cases regarding corrupt practices brought against the Group or its employees.

4.3 Supply Chain Management

SinoMab is committed to working closely with suppliers in the field of sustainable development to jointly improve the industry's sustainable development performance. The Group's major suppliers included equipment suppliers, raw material suppliers and service providers. We require suppliers to abide by the laws and regulations of the places where they operate, formulate supplier management systems and management processes, and establish and continuously improve supplier management systems. The Procurement Department works with other departments to manage suppliers following the principle of "Fairness, Justice and Openness". At the same time, we actively focus on suppliers' environmental and social risk management. We gradually deepen ESG risk management of suppliers while establishing long-term and stable cooperative relations with suppliers.

During the Reporting Period, the geographical distribution of the Group's suppliers is as follows:

4.3.1 Supplier entry

The Group has established a unified procurement system. We have formulated the *Procurement/Payment Management Regulations* (《採購／付款管理規定》), the *Equipment Procurement Management and Bidding Process* (《設備採購管理及招標流程》) and other policies to standardise the management of the procurement process. During the Reporting Period, in order to further standardise the management of our procurement, we have therefore formulated and implemented the *Procurement Management System* (《採購管理制度》) to standardise the procurement process. The system basically serves to conduct supplier management following the principle of "Fairness, Justice and Openness" so as to strengthen the Group's internal control and management, reduce procurement costs, improve overall efficiency and control operational risks at a reasonable level.

1 Initial screening

The source of suppliers includes the recommendation of the requesting department, historical cooperative suppliers, and market research introduction, etc. Departments recommending new suppliers to expand the supplier directory shall complete the application form in the system and provide the business licence, bank account information, etc., which will be filed by each procurement department for reference. The Procurement Department is responsible for organising cross-departmental joint access assessment of suppliers to be admitted in accordance with different categories and keeping the records.

2 Unconventional procurement

For procurement activities that do not follow the procurement process, the requesting department is required to complete the *Unconventional Procurement Report* (《非常規採購報告》) and submit the same to the head of the corresponding department as well as the president or the CEO for approval based on the procurement cost and the authority to review.

Green procurement

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

4.3.2 Supplier audit

We focus on the ESG risk management of our suppliers. All suppliers that we work with and have contractual relationships should have disclosed conflicts of interest and signed the *Supplier Integrity and Honesty Agreement* (《供應商誠信廉潔協議》). After due diligence, suppliers who can meet the quality and business requirements of the Group are assessed as qualified, while suppliers who can provide quality goods or services at competitive prices are assessed as preferred and recorded in the annual supplier directory. In addition, the Procurement Department conducts annual cross-departmental rating of the supplier directory by the end of the fourth quarter of each year based on the quality, cost, service and innovation of the suppliers of the year, serving as a basis for evaluating suppliers or eliminating unqualified suppliers.

During the Reporting Period, the Group implemented the above management practices for the 189 major suppliers with whom we have newly cooperated. For suppliers with risks in the annual evaluation, we require them to rectify the situation in a timely manner; for suppliers with significant risks or those unable to complete improvement measures, we terminate our cooperation with them.

4.3.3 Management of clinical trial activities

As many of our products are in or about to enter the clinical trial stage, the Group attaches great importance to the supplier management in clinical trial activities. When selecting service providers related to clinical trials and registration filings, we establish an internal management system, form an internal expert panel, conduct one or more rounds of supplier negotiations, carry out panel scoring, and reach a unanimous resolution. We choose third-party contract research organisations ("**CROs**") and clinical trial service providers with relevant qualifications, rich experience and a good reputation in the field of clinical research, as partners. We closely monitor and manage the performance of our partners, including, but not limited to:

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

Suppliers in clinical trial activities must comply with the NMPA guide and policies relating to clinical trials, as well as general industry practices. The Group also sets relevant qualification and capability requirements for clinical trial hospitals, researchers and other clinical trial service providers to standardise their management.

5 GROWING TOGETHER

The Group regards its employees as its most valuable assets. We strive to create a fair, healthy and comfortable workplace, respect and protect the rights and interests of employees, and provide diverse growth opportunities and benefits to support our employees. We hope to grow with our employees together.

5.1 Employment

Human resources are the foundation for supporting the development of the Group, therefore we have adopted a people-oriented management approach to implement the relevant employment policies. We regularly review and update our established *Employee Handbook* (《員工手冊》) to further regulate matters such as employee recruitment, employment, remunerations and benefits, performance, working hours, development and promotion. We adhere to the principle of fair and equitable employment, encourage diversity in the composition of our workforce, and prohibit any differentiation in the treatment of employees on the basis of gender, race, religious belief, sexual orientation or cultural background, etc.

During the Reporting Period, the Group was not aware of any material non-compliance of employment-related laws and regulations that had a significant impact on the Group, including but not limited to the *Labour Law of the People's Republic of China* (《中華人民共和國勞動法》) and the *Labour Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) of the PRC, as well as the *Employment Ordinance* (《僱傭條例》), Chapter 57 of the Laws of Hong Kong.

As at 31 December 2023, the Group had a total of 215 employees (as at 31 December 2022: 279 employees). The following tables show the breakdown of the number of employees and turnover rates by category.

KPI B1.1 Total workforce by gender, employment type, age group and geographical region		**Unit**	**2023**
Total workforce		Person	215
By gender	Male	Person	107
	Female	Person	108
By employment type	Full-time employees	Person	213
	Part-time employees	Person	2
By age group	Under 30 years old	Person	64
	Between 30 and 49 years old	Person	138
	50 years old or above	Person	13
By geographical region	Mainland China	Person	178
	Hong Kong	Person	37

KPI B1.2 Employee turnover rate by gender, age group and geographical region[1]		Unit	2023
Total number of employee turnover		Person	92
Employee turnover rate		%	29.97
By gender	Male	%	30.07
	Female	%	29.87
By age group	Under 30 years old	%	28.09
	Between 30 and 49 years old	%	31.68
	50 years old or above	%	18.75
By geographical region	Mainland China	%	31.27
	Hong Kong	%	21.28
	Others	%	100.00

Note:

(1) Employee turnover rate (both overall and by category) is calculated as follows:

$$\frac{\text{Number of employees who left the Group during the Reporting Period}}{\text{Number of employees who left the Group during the Reporting Period + Number of employees at the end of the Reporting Period}} \times 100\%$$

5.1.1 Employment practices

We have formulated talent recruitment plans based on the Group's strategic planning and regulated the recruitment process by formulating the *Personnel Evaluation and Employment Management Regulations* (《人員考核聘用管理規程》). We recruit talent through diverse methods such as online social recruitment, campus recruitment, job fairs, and internal employee reference. In accordance with the employment conditions and procedures stipulated in the *Employee Handbook* (《員工手冊》), upon confirmation of employment, employees shall submit the required personal information on the day of onboarding in accordance with the notification requirements for strict verification by the Human Resources Department to lower the risk of child labour. During Reporting Period, the Group was not aware of any child labour incident.

For the normal management and operation of the Group, standard working hours and irregular working hours are implemented in the subsidiaries and branches in different locations. The specific attendance regulations under the standard working hours system are set out in the *Employee Handbook* (《員工手冊》). Overtime work due to operational needs will be arranged in accordance with the *Management Measures for Overtime Work* (《加班管理辦法》). Employees must inform and seek approval from the department head or department manager before working overtime, and may apply for compensatory leave afterwards to avoid overwork. The provisions on overtime work and compensatory leave are not applicable to employees who work under the irregular working hours system, and they should make flexible arrangements for work and rest time according to their actual work schedules and needs. In the event of non-compliance or violation of labour laws, we will take immediate corrective action to rectify the violation, including immediate suspension from duty and thorough investigation of the incident. During the Reporting Period, the Group was not aware of any forced labour incidents.

We sign a labour contract with each employee in accordance with applicable laws and regulations. The dismissal or termination of employees is handled according to the type of reason, and obligations such as confidentiality and non-competition after termination of employment are set out in the labour contract and the *Employee Handbook* (《員工手冊》).

5.1.2 Remuneration and benefits

The Group provides employees with competitive remuneration packages and attaches great importance to employee benefits. Our staff remuneration package generally includes remuneration, bonuses and allowances for travelling, meals, communications, etc. Staff remuneration is tied to employees' performance to motivate our employees. We have set up a share incentive plan to provide equity incentives to our core staff to attract and retain talents and to form a corporate community of interests. In addition to the timely payment of the five major social insurance programmes and housing provident fund as well as the Mandatory Provident Fund for employees in accordance with the relevant national and local government regulations, the Group may also purchase accident insurance or other additional insurance for employees in special positions, as appropriate.

We offer multiple benefits, including medical care, housing subsidies, travelling insurance and other additional benefits such as the year-end awards, holiday benefits, free annual medical examinations, free work meals, holiday cash or gifts, etc. Employees can enjoy paid holidays such as annual leave, sick leave, marriage leave, paternity leave and breastfeeding leave.

5.1.3 Evaluation and promotion

The Group provides employees with dual development channels in management and professionalism for promotion. To encourage employees to improve their personal quality and professional abilities, we conduct a fair and comprehensive evaluation every year to provide a comprehensive and integrated assessment of employees' work tasks, performance contribution, work skills and other aspects. The results of the performance management evaluation of all employees are the main bases for performance bonus, employee appointment and removal, position adjustment, salary adjustment and labour contract renewal. The career development channels of the Group are categorised into management and professionalism for promotion. The corporate development requires both excellent management positions and more excellent technical talents of all kinds. Therefore, while expanding the scale and increasing the number of management positions, we will also encourage our employees to continuously improve their professional skills and develop in the professionalism channel.

During the Reporting Period, we continued to implement the *Employee Promotion Management System* (《員工晉升管理制度》) and the *Performance Evaluation Management System* (《績效考核管理制度》) to help employees look back at their performance and understand their strengths and weaknesses. We revised the employee performance evaluation form to save filling time, quickly identify the employee performance and coordinate problems at work. There is also an open performance communication channel for employees to better communicate their performance with department supervisors so that they can understand the problems, find solutions and keep making progress.

5.1.4 Employee activities

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

During the Reporting Period, employees of the Hong Kong headquarters participated in an environmental activity of beach clean-up, which not only enhanced teamwork and a sense of belonging among employees, but also contributed to the protection of the environment. For details, please refer to the section headed "5.4 Contributing to Society".

5.1.5 Employee communications

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

5.2 Health & Safety

Human resources are valuable assets of the Group. We are committed to meeting the medical needs of society while protecting the health and safety of our employees, and therefore adhere to our policy of production safety. There were no work-related fatalities occurred in the Group in the past three reporting periods (including the Reporting Period). During the Reporting Period, an employee of the Hainan segment was injured in a fall while participating in an employee activity and lost 22 working days due to work injury. The person in charge reported the injury to the Social Security Bureau and after determination, the sick leave for the work injury was approved. During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations relating to health and safety at work that had a significant impact on the Group, including but not limited to the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》) and *the Regulations on Work-related Injury Insurance* (《工傷保險條例》) of the PRC. Meanwhile, we keep following internal health and safety management policies and procedures such as the *Production Safety Management Protocol* (《生產安全管理規程》), the *Safety Incident Management Protocol* (《安全事故管理規程》) and the *Hazardous Waste Management Protocol* (《危險廢物管理規程》), etc.

We have established and improved the internal Environment, Health and Safety ("**EHS**") management system, comprehensively identified and evaluated potential risk areas, risk factors and key risk positions, and adopted a variety of measures to reduce health and safety risks faced by employees:

- We arrange EHS specialists to be responsible for the identification of health- and safety-related policies and regulations. Our EHS specialists conduct standardised management of hazardous operations and special equipment, perform regular safety inspections, and also assist the person in charge in implementing the organisation, formulation, rehearsal and improvement of emergency response programme;

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

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

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

- We encourage all employees to report the hidden safety hazards they have identified. Relevant departments will be appointed to carry out safety rectification measures in a timely manner to ensure the health and safety of employees.

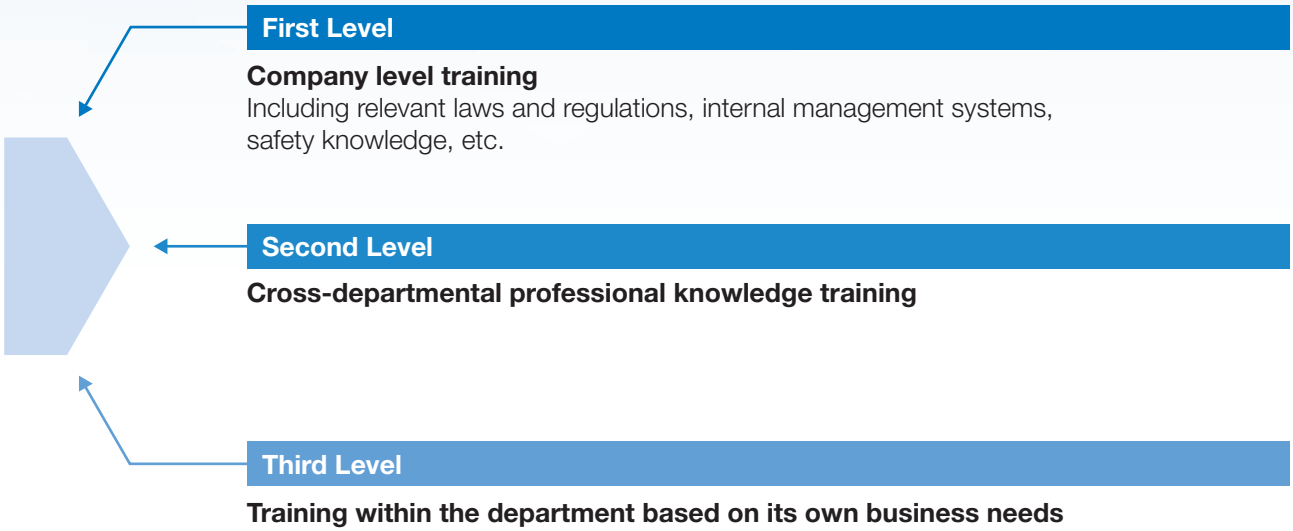
In order to improve employees' safety awareness and emergency response capabilities, we formulate plans for emergency drills and regularly organise relevant training courses, including fire-fighting training, workshop production safety training, laboratory safety training, equipment safety training,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

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

Under the regular epidemic trend of the Covid-19, we remain highly vigilant. We insist on daily disinfection and cleaning of the offices. Gathering activities, on-site meetings and business trips are reduced to lower the risk of infection. Meanwhile, to ensure our employees' safety and stable operation, we evaluate the operation situation every day and examine if our employees wear masks or adopt other protective measures.

5.3 Training and Development

As a company of innovative drugs, SinoMab expects every employee to have the spirit of scientific exploration, the ability to learn and the motivation to keep moving forward. We adhere to the "Selection, Employment, Training, Promotion and Retention" strategy and have established a three-level training system to provide comprehensive training sessions for employees. Based on job functions and responsibilities, we draw up corresponding annual training plans.



The training of the Group is categorised into five main types, including: new employee training, technical professional training, management training, certification and qualification training, and general training. Training methods are mainly divided into face-to-face teaching, practical operation and self-study, and are assessed by written tests or in operation forms. We actively enrich the internal and external training lecturer resources and promote the building of our technical talent team. We have developed the *External Training Management System* (《外部培訓管理制度》) to standardise the management of external training, meet the needs of employee development, improve knowledge and skills, thereby improving the planning, pertinence and effectiveness of external training.

During the Reporting Period, we further strengthened the training in professional areas, including GMP-related knowledge, biopharmaceutical trends, laboratory safety and financial knowledge. The Group is paying particular attention to the skill training of middle management and endeavours to create a unique management mode to improve corporate governance through case studies and role-playing.

Employee training performance table

KPI B3.1 Percentage of employees trained by gender and employee category[2]		**Unit**	**2023**
Percentage of employees trained by gender	Male	%	80.37
	Female	%	78.70
Percentage of employees trained by employee category	Management	%	88.00
	Other	%	78.42

KPI B3.2 Average training hours per employee by gender and employee category[3]		**Unit**	**2023**
Average training hours per employee by gender	Male	Hour	25.81
	Female	Hour	33.30
Average training hours per employee by employee category	Management	Hour	22.96
	Other	Hour	30.44

Notes:

(2) Percentage of employees trained by category:

$$\frac{\text{Number of employees trained of the respective category during the Reporting Period}}{\text{Number of employees of the respective category at the end of the Reporting Period}} \times 100\%$$

(3) Employee training hours by category:

$$\frac{\text{Training hours by employees of the respective category during the Reporting Period}}{\text{Number of employees of the respective category at the end of the Reporting Period}}$$

5.4 Contributing to Society

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

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

In addition, the Group is mindful of the importance of environmental protection. During the Reporting Period, the employees of the Hong Kong headquarters participated in the "2023 Beach Clean-up Day", which was jointly organised by our external consultancy firm and Green Hope, a local non-profit environmental group in Hong Kong. The event was held at Clear Water Bay in Hong Kong, where volunteer teams joined forces to clean up the shoreline. After more than four hours of unremitting efforts, a total of nearly 140 kg of garbage was cleared. This remarkable achievement demonstrates the shared passion of all participants for environmental protection.

6 GREEN OPERATION

The Group adheres to an environmentally responsible attitude, implements green development mechanism, commits to reducing its environmental impact, and actively responds to the global challenge of climate change. We strive to improve our EHS management system, ensure compliance of emissions, and adopt a number of energy-saving and emission-reduction measures. We hire professionally qualified institutions for designing environmental protection plans for proposed projects, carrying out environmental impact assessment work according to law, analysing possible environmental impacts of projects and planning corresponding counter measures.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with related laws and regulations, including but not limited to the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》) of the PRC and *Chapter 354 — Waste Disposal Ordinance of the Hong Kong Legislation* (《香港法例》第354章《廢物處置條例》) of Hong Kong.

The Group's main resource consumption and emissions come from the production process, and the Group's production activities are currently concentrated in Haikou base in Hainan. Having achieved all targets set in 2022, to further strengthen the environmental management within the Group, we have set targets to conduct or participate in annual activities in relation to greenhouse gas ("**GHG**") emissions, waste production, energy consumption and water consumption from 2024 onwards in order to raise awareness within the corporation.

For the impact of the Group's business activities on the environment and natural resources, as well as the steps to achieve environmental targets, please refer to the sections headed "Resource Conservation" and "Compliant Emissions" in this report.

6.1 Resource Conservation

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

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

The water resources used by the Group are sourced from municipal water supply, thus there was no issue in sourcing water that was fit for purpose. In order to improve the efficiency of water usage, we targeted to take measures such as installing sensor switches and implementing recycled water irrigation for green areas. In this regard, such target was achieved during the Reporting Period. Additionally, we regularly check water meter readings for any potential water leakage and immediately repair dripping faucets to reduce water wastage. Our operating manual for production activities also stipulated relevant requirements for water conservation.

In terms of the steam usage, we have formulated a steam use approval system, which is handled by the Engineering Department. Prior to continuous production, an activation request is submitted to the Engineering Department. Once the production is complete, a deactivation request is promptly submitted to the Engineering Department in order to reduce energy wastage.

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

The diesel consumption of the Group is primarily used for backup power generation and generator maintenance, and its share of total energy consumption is not significant. Nevertheless, we still adhere to the principle of resource conservation.

We actively promote green offices by encouraging paperless documentation. When printing is needed, we prioritise the use of environmentally friendly paper and set double-sided printing as the default setting to reduce paper wastage.

6.2 Compliant Emissions

Due to our business nature, our emissions are mainly GHG, exhaust gas, wastewater, non-hazardous waste and hazardous waste. We place paramount importance to ensure compliance of emissions and have formulated relevant policies in accordance with relevant regulations and standards, including the *Laboratory Waste Management Protocol* (《實驗室廢棄物管理規程》), the *Hazardous Waste Management Protocol* (《危險廢物管理規程》), the *Three Waste Management Protocol* (《三廢管理規程》), the *Inactivation of Production Appliances and Wastes Operation Protocol* (《生產器具及廢料滅活操作規程》) and other policies to provide standardised guidance and requirements for emission management by specialists.

We have established emission management measures for GHG, exhaust gas, wastewater, non-hazardous waste and hazardous waste:

- **GHG Emissions:** GHG is mainly generated from the energy consumption, such as electricity, steam, gasoline and diesel. We adopt a variety of energy-saving measures to effectively reduce GHG emissions.

- **Exhaust Gas Emissions:** The exhaust gas mainly comes from laboratory and production processes for clinical samples, and we process it through medium- and high-efficiency filter equipment to ensure compliant emissions. Only small amounts of uncaptured emissions are discharged to a sanitary containment area around the plant.

- **Wastewater Treatment:** The wastewater mainly comprises production and laboratory wastewater and domestic sewage. We use strong oxidants or inactivation tanks at high temperatures to deactivate solutions such as biologically active cell suspensions and cell culture media contained in production and laboratory wastewater. To ensure compliance with discharge standards, all wastewater from washing laboratory bottles is neutralised to the required pH level before being discharged, thereby achieving the target for the Reporting Period. Subsequently, we combine these solutions with other production and laboratory wastewater as well as domestic sewage, and direct them to the sewage treatment ponds for centralised pre-treatment. Once they meet the discharge standards, they are released into the municipal network for final disposal.

- **Non-hazardous Waste:** The non-hazardous wastes are mainly daily office wastes. We classify them based on their recyclability. Non-hazardous wastes with recyclable value are handed over to waste recyclers to promote waste recycling. Other non-hazardous wastes are transferred to designated garbage stations for disposal.

- **Hazardous Waste:** The hazardous wastes generated from the Group's operation mainly include waste chemical reagents, empty glass reagent bottles and waste drugs left-over from production and laboratory processes. They also include hazardous wastes generated in the daily office operations such as empty toner cartridges and disused fluorescent tubes. All hazardous wastes are collected by qualified third-party agencies or suppliers for proper disposal, thus being able to achieve the target of 100% compliant disposal.

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

6.3 Response to Climate Change

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

Identify risks and opportunities and respond proactively

Reduce GHG Emissions
(Please refer to the "Compliant Emissions" section of this report)

Risk category	Areas affected	Potential risks	Adaptation measures
Physical risk	Acute risk: more severe extreme weather events (such as typhoon, heavy rain, etc.)	• Damage to office buildings, production workshops, laboratories, etc. may lead to increase in operating costs such as maintenance and repair budgets, and cause property losses; • Interrupt production and affect production efficiency and stable operation.	• Formulate emergency response plans for environmental emergencies; • Install drain valves, sandbags, and strengthen the waterproof function of coloured concrete tiles to prevent rainwater from infiltrating into the workshop in extreme weathers such as typhoons and heavy rains; • Install anti-typhoon windows and regularly check the security of facilities and equipment; • Increase investments, to provide comprehensive insurance coverage for property and other assets that are vulnerable to damage from extreme weather damage or other physical impacts caused by climate change; • Allow employees to suspend work and stay in a safe place; • Conduct emergency drills on a regular basis.
	Chronic risks: rising sea levels, continuous high temperatures, etc.	• Purchase more refrigeration facilities due to rising temperatures, and increase operating costs.	• Increase the use of high-efficiency refrigeration equipment; • Continue to implement, review and improve the Group's climate change and energy policies.

Risk category	Areas affected	Potential risks	Adaptation measures
Transition risk	Policy and legal risks	• Compliance requirements and cost increases related to national low-carbon related laws, policies, etc.	• Closely monitor changes in environmental laws, regulations and policies and respond in a timely manner.
	Market risk	• Inability to effectively respond to changes in the Group's pharmaceutical market demand caused by climate change.	• Continue to track changes in pharmaceutical market demand and improve R&D and production capabilities, and respond promptly to climate risks.

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

6.4 Environmental KPIs

The environmental KPIs for SinoMab during the Reporting Period covers the Group's operation locations in Hainan, Suzhou and Hong Kong.

1. Energy and Resource Consumption KPIs[4]

Indicators	Unit	2023
Energy consumption[5]		
Direct energy consumption, including:	MWh	12.44
Gasoline	MWh	9.66
Diesel	MWh	2.78
Indirect energy consumption, including:	MWh	4,806.75
Electricity	MWh	4,161.54
Steam[6]	MWh	645.21
Total energy consumption	MWh	4,819.19
Energy consumption intensity[7]	MWh/m^2	0.42
Water consumption		
Total water consumption	tonne	24,011
Water consumption intensity	tonne/m^2	2.07

Notes:

(4) During the Reporting Period, we have not yet commercialised the product, and did not involve the use of product packaging and data disclosure.

(5) The unit conversion method of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

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

(7) As at 31 December 2023, the Group's total unit floor area of the bases in Hainan, Suzhou and Hong Kong amounted to approximately 11,604 m^2. This figure is also used to calculate other intensity data.

2. *Emissions KPIs*

Indicators	Unit	2023
GHG emissions[8]		
Direct GHG emissions		
(Scope 1)[9], including:	tCO_2e	31.96
Gasoline	tCO_2e	2.66
Diesel	tCO_2e	0.68
Refrigerants	tCO_2e	28.62
Energy indirect GHG emissions		
(Scope 2)[10], including:	tCO_2e	2,615.44
Electricity	tCO_2e	2,359.94
Steam	tCO_2e	255.50
Other indirect GHG emissions		
(Scope 3)[11], including:	tCO_2e	75.82
Employee business travel	tCO_2e	54.86
Water treatment	tCO_2e	15.71
Waste paper disposal	tCO_2e	5.25
Total GHG emissions	tCO_2e	2,723.22
GHG emissions intensity	tCO_2e/m^2	0.23
Exhaust gas emissions[12]		
Nitrogen Oxides ("**NO_x**")	kg	1.63
Sulphur Oxides ("**SO_x**")	kg	0.02
Particulate matter ("**PM**")	kg	0.13
Waste produced		
Hazardous Waste	tonne	2.80
Non-hazardous waste[13]	tonne	10.42
Hazardous waste production intensity	kg/m^2	0.24
Non-hazardous waste production intensity	kg/m^2	0.90

Notes:

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

(9) Carbon emissions from gasoline and diesel are based on "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the Sixth Assessment Report (AR6) published by the Intergovernmental Panel on Climate Change ("**IPCC**") and the "Greenhouse Gas Emission Accounting Method and Reporting Guidelines (Trial)" provided by the NDRC; the carbon emissions of refrigerants are calculated according to the IPCC Sixth Assessment Report (AR6).

(10) Carbon emissions from electricity are calculated based on electricity carbon dioxide emission factors in different regions. GHG emissions from operating sites in mainland China are based on the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the PRC. The operating site in Hong Kong is calculated according to the relevant emission factor coefficient provided by CLP Holdings Limited. Carbon emissions from steam are calculated based on the "Greenhouse Gas Emission Accounting Method and Reporting Guidelines (Trial)".

(11) Carbon emissions from employee business travel are calculated using the ICAO carbon calculator. Carbon emissions from water treatment are based on the emission factor coefficient provided in the "Annual Report 2021/22" published by Water Supplies Department and "Sustainability Report 2021–22" published by Drainage Services Department of Hong Kong. Carbon emissions from waste paper disposal are calculated in accordance with "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.

(12) Exhaust gas emissions are calculated based on "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and "Calculation Manual of Pollutant Production and Emissions Coefficients for Boiler" issued by the Ministry of Ecology and Environment of the PRC.

(13) The non-hazardous waste mainly comes from office waste and kitchen waste, and is handled uniformly by Administration Departments.

APPENDIX: "ESG REPORTING GUIDE" INDEX

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

Topic	Topic description	Corresponding section
Comply or explain		
A Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Green Operation
KPI A1.1	The types of emissions and respective emissions data.	6.2 Compliant Emissions 6.4 Environmental KPIs
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.4 Environmental KPIs
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.4 Environmental KPIs
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.4 Environmental KPIs
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	6. Green Operations 6.2 Compliant Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6. Green Operations 6.2 Compliant Emissions

Topic	Topic description	Corresponding section
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6. Green Operations
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	6.4 Environmental KPIs
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6.4 Environmental KPIs
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6. Green Operations 6.1 Resource Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6. Green Operations 6.1 Resource Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, explained
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6. Green Operations
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Green Operations
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.3 Response to Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.3 Response to Climate Change

Topic	Topic description	Corresponding section
B Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (a) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	5.1 Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1 Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.2 Health & Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.2 Health & Safety
KPI B2.2	Lost days due to work injury.	5.2 Health & Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2 Health & Safety

Topic	Topic description	Corresponding section
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3 Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.3 Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	5.3 Training and Development
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.1 Employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1.1 Employment Practices
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1.1 Employment Practices
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.3 Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	4.3 Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.3.1 Supplier Entry 4.3.2 Supplier Audit
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.3.2 Supplier Audit 4.3.3 Management of Clinical Trial Activities
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.3.1 Supplier Entry

Topic	Topic description	Corresponding section
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.1.1 Product Quality Assurance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.1.1 Product Quality Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.1.3 IPRs Protection
KPI B6.4	Description of quality assurance process and recall procedures.	4.1.1 Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.1.2 Privacy Protection

Topic	Topic description	Corresponding section
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.2 Operational Integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.2 Operational Integrity
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.2 Operational Integrity
KPI B7.3	Description of anti-corruption training provided to directors and staff.	4.2 Operational Integrity
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.4 Contributing to Society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.4 Contributing to Society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	5.4 Contributing to Society

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

PRINCIPAL ACTIVITIES

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

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

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

BUSINESS REVIEW AND RESULTS

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

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income on pages 117 to 118 of this annual report.

DIVIDEND

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

The Directors have resolved not to recommend the payment of a final dividend to the Shareholders for the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting of the Company will be convened to be held on Friday, 14 June 2024. Relevant notice of the meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and buy back Shares (the "**Circular**") to be published, together with this Annual Report on the websites of the Stock Exchange and the Company and to be despatched to the Shareholders in the manner as required by the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2024 Annual General Meeting, 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 period no transfers of Shares will be registered. In order to be entitled to attend and vote at the 2024 Annual General Meeting, all transfers of Shares, duly accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 7 June 2024.

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 allocation (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
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 to two subscribers and raised net proceeds of approximately HK$50,890,400, representing a net subscription price of approximately HK$1.77 per subscription share (the "**2022 Subscriptions**"). The subscription price of HK$1.78 per share represents (i) the closing price per Share of HK$1.78 as quoted on the Stock Exchange on 2 November 2022, being the date of the subscription agreements; and (ii) a discount of approximately 0.56% to the average closing price per Share of HK$1.79 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the subscription agreements. Each of the investors, namely Ms. Shun Kuen CHAN and Mr. Shanchun WANG subscribed 14,340,000 new ordinary shares. The 2022 Subscriptions were conditional upon the approval of the listing of, and permission to deal in, all the new shares being granted by the Listing Committee of the Stock Exchange, such approval was given by the Stock Exchange in November 2022.

The Directors consider that the 2022 Subscriptions represent a good opportunity for the Company to raise capital to meet the Company's funding needs and strengthen the shareholding base of the Company. 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.

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. The subscription price of HK$1.29 per share represents (i) a discount of approximately 18.35% to the closing price per Share of HK$1.58 as quoted on the Stock Exchange on 14 December 2023, being the date of the subscription agreements; and (ii) a discount of approximately 16.77% to the average closing price per Share of HK$1.55 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the subscription agreements. Each of the subscribers and its ultimate beneficial owner(s), are independent third parties of the Company. All subscribers are individuals (including employees of the Company), corporations and/or professional investors procured by the Company. The 2023 Subscriptions were conditional upon the approval of the listing of, and permission to deal in, all the new shares being granted by the Listing Committee of the Stock Exchange, such approval was given by the Stock Exchange in December 2023.

The Directors consider that the 2023 Subscriptions represent a good opportunity for the Company to raise capital to meet the Company's funding needs and strengthen the shareholding base of the Company.

The Company intended to use the net proceeds to (i) 35% for marketing and commercialisation, including establishment of a sales and marketing team, post commercialisation medical activities and marketing and academic promotion activities for Susciralimab; (ii) 20% for commercial production and post-launch site transfer for Susciralimab; (iii) 15% for BLA commercialisation application and extension study for Susciralimab; (iv) 15% for clinical trials of Susciralimab for the treatment of MCI; and (v) 15% for clinical studies for SM17 for the treatment of AD. The net proceeds of the 2023 Subscriptions are expected to be utilised by the end of 2025.

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.

R&D ACTIVITIES OF FLAGSHIP PRODUCT

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

On 26 April 2023, the Company announced that Suciraslimab met its primary endpoint in a Phase III clinical study for the treatment of RA in China. According to the assessment of the topline data, Suciraslimab was effective in suppressing disease activity and alleviating symptoms of active RA patients receiving methotrexate therapy. BLA for the treatment of RA was submitted to the NMPA in August 2023 for subsequent approval for the 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.

On 31 December 2021, SM03 (Suciraslimab) phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the target number. 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 annual report, clinical data collected for the extension study demonstrates the continued efficacy of Suciraslimab.

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

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

During the Reporting Period, the Group incurred approximately RMB81.2 million on the R&D activities of Suciraslimab.

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

Cautionary Statement required by Rule 18A.05 and 18A.08(3) of the Listing Rules: The Company cannot guarantee that it will be able to ultimately develop and market Suciraslimab successfully.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

R&D risk of new drugs

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

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

Market competition risk

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

Quality control risk of drugs

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

Risk of not making profit in short run

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

Risk of industry regulations and policies

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

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

Foreign exchange risk

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

ENVIRONMENTAL POLICY

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2023, the Company has not commercialised its products and there was no customer.

The Group's largest supplier accounted for 15.2% of its total purchases, and the five largest suppliers accounted for 37.0% of its total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2023 are set out in note 1 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 24 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

There was no distributable reserve as at 31 December 2023.

EQUITY-LINKED AGREEMENTS

(a) Subscriptions of new shares under general mandate

Save as disclosed in previous paragraphs headed "USE OF PROCEEDS FROM NEW SHARE SUBSCRIPTIONS UNDER GENERAL MANDATE" under this section to this annual report, the Company has not conducted any equity fund raising activities during the Reporting Period.

(b) Share Options

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

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

SHARE INCENTIVES

During the Reporting Period, the Company maintained three share incentive schemes, including Restricted Share Unit Scheme (terminated with effect from 20 March 2023), Share Award Scheme and Share Option Scheme. The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue for the Reporting Period is 0.024.

The number of options and awards available for grant under the scheme mandate (including options and awards under the service provider sublimit) of all share schemes of the Company is 25,156,020 share options (including 10,062,404 share options under service provider sublimit) at the beginning of the Reporting Period and 533,620 share options (including 533,620 share options under service provider sublimit) at the end of the Reporting Period.

Restricted Share Unit Scheme *(terminated with effect from 20 March 2023)*

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

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

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

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

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

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

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

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

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

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

There is no purchase price for above granted RSUs.

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

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

Share Award Scheme

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

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

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date until 3 February 2031, unless otherwise terminated under the terms of the Share Award Scheme. The remaining life the Share Award Scheme is 6 years 10 months.

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

During the Reporting Period, a total of 5,880,000 Awards were granted to the employees by the Company pursuant to the Share Award Scheme. There were 16,955,500 Awards at the beginning and 11,075,500 Awards (being 1.07% of the issued shares of the Company) at the end of the Reporting Period available for grant under the Share Award Scheme. No Share was purchased by the Trustee from the market during the Reporting Period. As at the date of this report, the Company has 1,091,755,119 issued Shares and there are 11,075,500 Awards under the Share Award Scheme, being 1.01% of the issued Shares of the Company, available for grant.

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

			Number of Awards							
Categories of Selected Participants	Date of Grant	Closing price per Share immediately before the date of Grant (HK$)	Unvested as at 1 January 2023	Granted during the year	Vested during the year	Lapsed/ Cancelled during the year	Unvested as at 31 December 2023	Purchase price/Award (HK$)	Vested Dates/ Vesting Periods	Exercise Periods
Employee *(Note b)*	06/11/2023	1.10	–	1,000,000	1,000,000	–	–	Nil	06/11/2023 *(Note c)*	N/A
Employees	16/11/2023	1.12	–	4,880,000	–	–	4,880,000	1.12	17/11/2025–17/11/2028 *(Note d)*	17/11/2025–16/11/2033

Notes:

a. The fair value of the share awards granted, the weighted average closing price of the shares immediately before the date of which the share awards were vested during the year ended 31 December 2023, and the accounting policy and standard adopted are disclosed in notes 26(a) and 26(b) to the consolidated financial statements respectively.

b. The grant was made to Mr. Shanchun WANG who was a senior management at the date of grant and he was one of the five highest paid individuals during the Reporting Period. Mr. Wang was appointed as an executive Director of the Company with effect from 7 February 2024.

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

d. The vesting of the share awards was subject to performance evaluation and contribution to the Group and the payment of HK$1.12 for each share award to the Company. The purchase price of HK$1.12 is the closing price of the Shares on the date of grant, and being the highest of the said closing price and the average closing price of the Shares for the five consecutive trading days prior to the date of grant.

e. As at the end of the Reporting Period, the Company had 1,034,920,400 issued Shares.

Share Option Scheme

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

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

Any employee (whether full-time or part-time), director, service provider of any member of the Group, is participant ("**Participant**") under the 2022 Share Option Scheme, provided that the Board may have absolute discretion to determine whether or not one falls within this category. The maximum number of Shares which may be issued upon exercise of all share options to be granted under this 2022 Share Option Scheme and any grants made under any other schemes of the Company shall not exceed 50,312,020 Shares, representing 5% of the total number of Shares in issue on the Adoption Date (the "**Scheme Mandate Limit**"). Within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to service providers shall not exceed 10,062,404 Shares, representing 1% of the total number of Shares in issue on the Adoption Date (the "**Service Provider Sublimit**"). The grantee shall pay HK$1.00 by way of consideration for the grant within the period stipulated in the offer letter. There were 25,156,020 share options (including 10,062,404 share options under Service Provider Sublimit) available for grant at the beginning of the Reporting Period and 533,620 share options (including 533,620 share options under Service Provider Sublimit) available for grant at the end of the Reporting Period. The total number of Shares available for issue under the 2022 Share Option Scheme is 50,312,020 Shares, representing 4.61% of the issued shares of the Company as at the date of this annual report. As at the date of this report, the Company has 1,091,755,119 issued Shares. The total number of Shares issued and to be issued upon exercise of the share options granted to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue.

The options may by exercised during such period determined by the Board and specified in the offer letter to the grantee, which may be varied by the Board in accordance with the terms of the 2022 Share Option Scheme, provided that it shall not under any circumstances exceed ten years from the date of grant of the relevant option. The remaining life the 2022 Share Option Scheme is 8 years 6 months. The vesting period of options granted under the 2022 Share Option Scheme shall be determined by the Board subject to a minimum period set out in the rules of the 2022 Share Option Scheme.

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

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

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

		Number of shares								
Categories of Selected Participants	Date of Grant	Closing price per Share immediately before the date of Grant (HK$)	Outstanding as at 1 January 2023	Granted during the year	Vested during the year	Exercised/ Lapsed/ Cancelled during the year	Outstanding as at 31 December 2023	Exercise Price per Share (HK$)	Vesting Date/ Vesting Periods	Exercise Period
Employees *(Note b)*	03/11/2022	1.78	25,156,000	–	25,156,000	–	25,156,000	1.79	04/11/2023	04/11/2023–02/11/2032
Employee *(Note b)*	06/11/2023	1.10	–	10,062,400	–	–	10,062,400	1.102	07/11/2024	07/11/2024–06/11/2034
Employees	16/11/2023	1.12	–	14,660,000	–	100,000 *(Note c)*	14,560,000	1.120	17/11/2025–17/11/2028 *(Note d)*	17/11/2025–16/11/2033

Notes:

a. The fair value of the share options granted, the weighted average closing price of the shares immediately before the date on which the options were exercised or vested during the year ended 31 December 2023, and the accounting policy and standard adopted are disclosed in note 26(b) to the consolidated financial statements respectively.

b. Each of 10,062,400 share options were granted to Mr. Shanchun WANG who was a senior management at the date of the grant during the year ended 31 December 2022 and 2023. Mr. Wang was appointed as an executive Director of the Company with effect from 7 February 2024.

c. 100,000 share options were lapsed during the Reporting Period.

d. The vesting of the share options was subject to performance evaluation and contribution to the Group.

DIRECTORS

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

Executive Directors

Dr. Shui On LEUNG *(Chairman and Chief Executive Officer)*
Mr. Shanchun WANG *(President (China)) (appointed on 7 February 2024)*

Non-executive Directors

Dr. Haigang CHEN
Mr. Xun DONG
Dr. Wenyi LIU
Mr. Lei SHI
Dr. Jianmin ZHANG *(appointed on 6 September 2023)*
Ms. Jie LIU *(resigned on 6 September 2023)*

Independent Non-executive Directors

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

Details of the Directors' biographies are set out on pages 23 to 30 of this annual report.

During the year ended 31 December 2023, changes to the composition of the Board were as follow:

— Ms. Jie LIU resigned as a non-executive Director of the Company with effect from 6 September 2023.

— Dr. Jianmin ZHANG was appointed as a non-executive Director of the Company with effect from 6 September 2023.

Subsequent to the Reporting Period, Mr. Shanchun WANG was appointed as an executive Director of the Company on 7 February 2024.

In accordance with Article 111(a) of the Articles, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE, Dr. Shui On LEUNG and Dr. Wenyi LIU will retire from office by rotation at the 2024 Annual General Meeting. In addition, Mr. Shanchun WANG and Dr. Jianmin ZHANG who have been appointed by the Board after the 2023 annual general meeting shall hold office until the 2024 Annual General Meeting pursuant to Article 110 of the Articles and are eligible for re-election at the 2024 Annual General Meeting. All of the above Directors being eligible, have offered themselves for re-election at the 2024 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rule 13.51(2) and 13.74 of the Listing Rules, will be set out in the circular.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors for the year ended 31 December 2023 and up to the date of this annual report are set out as below:

Name of Director	Details of changes
Non-executive Director: Dr. Wenyi LIU	• Obtained master's degree in health science and Ph.D in public health from The Johns Hopkins University in May 2023.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rules 13.51B of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Management".

Service Agreement

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

A letter of appointment was issued to Mr. Shanchun WANG for his appointment on 7 February 2024 as an executive director of the Company (i) for a term of three years with effect from the issue date; and (ii) subject to re-appointment and termination in accordance with the terms thereunder. Mr. Wang also entered an employment agreement with the Company in 2022 for his position of President (China) of the Company.

We have issued a letter of appointment to each of Dr. Wenyi LIU and Dr. Haigang CHEN on 18 October 2019 (i) for an initial fixed term of three years commencing from 12 November 2019 and (ii) subject to re-appointment and termination of their respective letter of appointment. We have also issued a letter of appointment to Mr. Xun DONG on 23 December 2019, Ms. Jie LIU on 14 December 2021, Mr. Lei SHI on 17 December 2021 and Dr. Jianmin ZHANG on 6 September 2023 (i) for a term of three years with effect from the respective issue date, and (ii) subject to re-appointment and termination of their respective letter of appointment. The letter of appointment to Ms. Jie LIU was terminated due to her resignation on 6 September 2023.

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

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

Permitted Indemnity Provision

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

Directors' Rights to Acquire Shares or Debentures

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

Competing Interest and Other Interest

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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

Independence of Independent Non-executive Directors

The Company has received confirmation of independence from each of the independent non-executive Directors as regards to the factors set out in Rule 3.13 of the Listing Rules and the Company considers such Directors are independent pursuant to Rule 3.13 of the Listing Rules.

Management Contracts

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

Remuneration Policy

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

Remuneration of Directors and Five Individuals with Highest Emoluments

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

DIRECTORS OF SUBSIDIARIES

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

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

As at 31 December 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were entered in the register pursuant to section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ chief executive	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Dr. Wenyi LIU[3]	Interest in a controlled corporation and interest of spouse	285,703,036	27.61%
Dr. Shui On LEUNG[4]	Interest in a controlled corporation	129,729,200	12.54%
Mr. Shanchun WANG[5]	Beneficial Interest	35,464,800[6]	3.43%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2023, the Company had 1,034,920,400 issued Shares.

(3) As at 31 December 2023, 212,879,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Dr. Liu. Dr. Liu is deemed to be interested in these Shares for the purposes of the SFO. The interest in the other 72,823,636 Shares were held by Mr. Jing QIANG, of which 46,711,640 Shares were held through Grogene Technology Limited (格擎生物科技有限公司) which is wholly owned by Mr. Jing QIANG. Dr. Liu is the spouse of Mr. Qiang who is deemed to have an interest in the 72,823,636 Shares for the purposes of the SFO.

(4) As at 31 December 2023, these Shares were held by Skytech Technology, which is wholly owned by Dr. Leung.

(5) Mr. Shanchun WANG was appointed as an executive Director of the Company with effect from 7 February 2024.

(6) As at 31 December 2023, Mr. Shanchun WANG held interests in 20,124,800 share options granted under the Company's 2022 Share Option Scheme.

Save as disclosed above, as at 31 December 2023, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, to the best knowledge of the Directors, the following persons/entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which had been disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Mr. Jing QIANG[4]	Beneficial interest, interest in a controlled corporation and interest of spouse	285,703,036	27.61%
Apricot Capital (上海杏澤投資管理有限公司)[5][6][7]	Interest in a controlled corporation	212,879,400	20.57%
Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥))[5][7]	Interest in a controlled corporation	212,879,400	20.57%
Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)[8]	Beneficial interest	158,882,115	15.35%
Skytech Technology[3]	Beneficial interest	129,729,200	12.54%
Apricot Oversea Holdings Limited[5]	Beneficial interest	108,316,600	10.47%
Ms. Sijia XU[9]	Beneficial interest	89,802,105	8.68%
West Biolake Holdings Limited[6]	Beneficial interest	72,349,000	6.99%
China Citic Bank Co., Ltd., Haikou Branch[8]	Person having a security interest in Shares	158,882,115	15.35%

Notes:

(1) All interests stated are long positions.

(2) As at 31 December 2023, the Company had 1,034,920,400 issued Shares.

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

(4) As at 31 December 2023, 72,823,636 Shares were held by Mr. Jing QIANG of which 46,711,640 Shares were held through his wholly owned company, Grogene Technology Limited (格擎生物科技有限公司). The interest in the other 212,879,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Dr. Wenyi LIU. Mr. Qiang is the spouse of Dr. Liu who is deemed to be interested in these Shares for the purposes of the SFO.

(5) Apricot Oversea Holdings Limited is the overseas holding platform of Xingze Xinghe and Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥)) ("**Jianyi Xinghe**"), holding as to approximately 9% and 1.47% of the issued Shares as at 31 December 2023, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) ("**Yueyi Investment**") are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea Holding Limited.

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

(7) Save as Apricot Capital's deemed interest in West Biolake Holdings Limited and Apricot Oversea Holdings Limited pursuant to the SFO, Apricot Capital is the general partner of Xingze Xingzhan. Apricot BioScience Holdings, L.P. held approximately 1.28% of the issued Shares as at 31 December 2023. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.06% and 0.78% of the issued Shares as at 31 December 2023, respectively. Apricot Capital was owned by Dr. Wenyi LIU, a non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* (上海佐禾投資管理有限公司) ("**Zuohe Investment**") as to 40% and 60%, respectively as at 31 December 2023. Zuohe Investment was owned by Dr. Liu and an independent third party as to 51% and 49% as at 31 December 2023, respectively. For the purpose of the SFO, Dr. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment.

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

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

* *For identification purpose only*

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

Continuing Connected Transactions under License Agreement

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

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

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

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

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

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

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

POTENTIAL NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

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

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

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

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

As at the date of this annual report, Dr. Wenyi LIU, our non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent. Suzhou Sinovent is a close associate of Dr. Liu and therefore, the Company's connected person. Specifically, as at the date of this annual report, Mr. Jing QIANG, a substantial shareholder and the spouse of Dr. Liu, directly held approximately 0.85% in Suzhou Sinovent. Mr. Qiang indirectly controlled in aggregate approximately 35.01% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan bonded port Youxiao Business Management Center, L.P.* (寧波梅山保税港區猷霄企業管理中心(有限合夥)), Suzhou Youyao Business Management Center, L.P.* (蘇州佑曜企業管理中心(有限合夥)) and Ningbo Meishan bonded port Chenghuaiyangguan Business Management Center, L.P.* (寧波梅山保税港區騁懷仰觀企業管理中心(有限合夥)) and Shanghai Xingwei Investment Partnership (Limited Partnership)* (上海杏微投資合夥企業(有限合夥)), each a limited partnership incorporated in the PRC and was ultimately controlled by Mr. Qiang as its general partner.

In addition, as at the date of this annual report, Suzhou Sinovent was held as to 4.25% by Shanghai Xinghe Medical Management Partnership (Limited Partnership)* (上海杏赫醫療管理合夥企業(有限合夥)), and as to 0.48% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)* (杭州杏澤興福投資管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Dr. Liu as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 59.41% as at the date of this annual report.

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

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

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

* *For identification purpose only*

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

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

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

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

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

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. Related party transactions are disclosed in note 30 to the consolidated financial statements.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiries with each of the Directors, all the Directors confirmed that they had complied with such code of conduct throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. As at the date of this report, the Board comprises two executive Directors, five non-executive Directors and four independent non-executive Directors. The Board has adopted the code provisions set out in the CG Code as its corporate governance code. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 47 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

FINANCIAL SUMMARY

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

AUDIT COMMITTEE

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

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

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

AUDITOR

The financial statements for the year ended 31 December 2023 have been audited by Ernst & Young. Ernst & Young shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution to re-appoint Ernst & Young as auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in relation to the completion of the 2023 Share Subscriptions in January 2024 under the preceding section "USE OF PROCEEDS FROM NEW SHARE SUBSCRIPTIONS UNDER GENERAL MANDATE" contained in this Report of the Directors, there are no significant events that affected the Group after the Reporting Period and up to the date of this report. Please refer to note 34 to the consolidated financial statements for further details in relation to the completion.

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

25 March 2024

Ernst & Young
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of SinoMab BioScience Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 117 to 181, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement of research and development costs The Group incurred significant research and development ("**R&D**") costs of RMB135,409,000 as disclosed in the consolidated statement of profit or loss for the year ended 31 December 2023. Service fees paid to contract research organisations ("**CROs**") and clinical site management operators ("**SMOs**") (collectively referred as "**Outsourced Service Providers**"), and co-development fees paid to R&D collaboration partners are included in the Group's R&D costs. The R&D activities with these Outsourced Service Providers and R&D collaboration partners are documented in agreements and are typically performed over an extended period. These expenses are charged to the consolidated statement of profit or loss based on the progress of the R&D projects. We identified the measurement of R&D costs as a key audit matter due to its significant amount and the risk of not recording R&D costs in the appropriate reporting period. The accounting policy and the disclosure for significant accounting judgement related to R&D costs are included in note 2.4 and note 3 of the consolidated financial statements.	We obtained an understanding of management's controls in relation to the process of R&D costs, and we evaluated the design of the controls and tested their implementation effectiveness. We, on a sampling basis, reviewed the key terms set out in the agreements with the Outsourced Service Providers and collaboration partners and evaluated the completion status of R&D projects based on inquiry with project managers, inspection of supporting documents and by obtaining external confirmations from the Outsourced Service Providers and collaboration partners. We evaluated the adequacy of the accrued R&D costs by comparing the subsequent milestone billings and payments with the accrued R&D costs to determine whether these costs were recorded in the appropriate reporting period.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**1,365**	–
Cost of sales		**(943)**	–
Gross profit		**422**	–
Other income and gains	5	**10,746**	55,117
Research and development costs		**(135,409)**	(180,368)
Administrative expenses		**(97,615)**	(82,591)
Other expenses	6	**(14,671)**	(65,958)
Finance costs	8	**(6,584)**	(4,962)
Share of loss of an associate		**–**	(5,396)
LOSS BEFORE TAX	7	**(243,111)**	(284,158)
Income tax expense	11	**–**	–
LOSS FOR THE YEAR		**(243,111)**	(284,158)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	**(0.24)**	(0.29)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 *RMB'000*	2022 *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	*14*	**463,914**	391,973
Right-of-use assets	*15(a)*	**72,860**	93,844
Intangible assets	*16*	**1,844**	2,595
Deposits	*18*	**1,100**	2,005
Other non-current assets	*17*	**37,885**	70,838
Total non-current assets		**577,603**	561,255
CURRENT ASSETS			
Prepayments, deposits and other receivables	*18*	**6,087**	58,431
Financial asset at fair value through profit or loss	*19*	**30,993**	30,476
Pledged and restricted deposits	*21*	**29,439**	–
Cash and cash equivalents	*21*	**203,664**	345,712
		270,183	434,619
Non-current asset held for sale	*20*	**–**	12,474
Total current assets		**270,183**	447,093
CURRENT LIABILITIES			
Other payables and accruals	*22*	**101,395**	141,590
Lease liabilities	*15(b)*	**4,663**	15,380
Interest-bearing bank borrowings	*23*	**66,588**	30,421
Total current liabilities		**172,646**	187,391

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS		**97,537**	259,702
TOTAL ASSETS LESS CURRENT LIABILITIES		**675,140**	820,957
NON-CURRENT LIABILITIES			
Lease liabilities	*15(b)*	**54,750**	73,024
Interest-bearing bank borrowings	*23*	**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	*24*	**1,725,211**	1,725,211
Reserves	*25*	**(1,429,628)**	(1,215,636)
Total equity		**295,583**	509,575

Leung Shui On
Director

Hon Ping Cho Terence
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Note	Share capital RMB'000	Shares held under Share Award Scheme* RMB'000	Share-based payment reserve* RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1 January 2023		1,725,211	(55,914)	98,450	8,637	(19,690)	(1,247,119)	509,575
Loss for the year		–	–	–	–	–	(243,111)	(243,111)
Other comprehensive income for the year:								
Exchange differences on translation to the presentation currency		–	–	–	–	9,961	–	9,961
Total comprehensive loss for the year		–	–	–	–	9,961	(243,111)	(233,150)
Share award vested	26	–	3,298	(3,298)	–	–	–	–
Equity-settled share-based payment expenses	26	–	–	19,158	–	–	–	19,158
At 31 December 2023		1,725,211	(52,616)	114,310	8,637	(9,729)	(1,490,230)	295,583

	Notes	Share capital RMB'000	Shares held under Share Award Scheme RMB'000	Share-based payment reserve RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022		1,679,126	(59,673)	97,174	8,637	(82,077)	(962,961)	680,226
Loss for the year		–	–	–	–	–	(284,158)	(284,158)
Other comprehensive income for the year:								
Exchange differences on translation to the presentation currency		–	–	–	–	62,387	–	62,387
Total comprehensive loss for the year		–	–	–	–	62,387	(284,158)	(221,771)
Issue of shares	24	46,085	–	–	–	–	–	46,085
Equity-settled share-based payment expenses	26	–	3,759	1,276	–	–	–	5,035
At 31 December 2022		1,725,211	(55,914)	98,450	8,637	(19,690)	(1,247,119)	509,575

* These reserve accounts comprise the consolidated reserves of RMB1,429,628,000 (2022: RMB1,215,636,000) in the consolidated statement of financial position. Capital reserve represents the contribution of RMB8,637,146 by a non-controlling shareholder to the Company in 2018.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(243,111)**	(284,158)
Adjustments for:			
Finance costs	*8*	**6,584**	4,962
Bank interest income	*5*	**(6,176)**	(9,582)
Loss on disposal of items of property, plant and equipment		**–**	1,442
Gain on disposal of investment in an associate and fair value remeasurement of existing equity in the investee	*5*	**–**	(39,768)
Impairment of non-current asset held for sale	*20*	**–**	1,475
Gain on disposal of right-of-use assets		**(1,230)**	–
Gain on disposal of an asset held for sale		**(6)**	–
Fair value losses on financial instruments at fair value through profit or loss		**514**	337
Share of loss of an associate		**–**	5,396
Depreciation of property, plant and equipment	*14*	**19,134**	14,634
Depreciation of right-of-use assets	*15(a)*	**15,639**	12,397
Amortisation of intangible assets	*16*	**1,291**	1,002
Equity-settled share-based payment expenses	*26*	**18,995**	5,017
		(188,366)	(286,846)
Decrease/(increase) in prepayments, deposits and other receivables		**60,655**	(12,436)
Decrease in other payables and accruals		**(12,312)**	(10,838)
Cash used in operations		**(140,023)**	(310,120)
Interest received	*5*	**6,176**	9,582
Net cash flows used in operating activities		**(133,847)**	(300,538)
CASH FLOWS FROM INVESTING ACTIVITIES			
Partial disposal of investment in an associate		**–**	33,360
Purchases of items of property, plant and equipment		**(101,453)**	(97,135)
Prepayments for purchases of property, plant and equipment		**(1,885)**	(15,616)
Purchases of intangible assets		**(554)**	(1,630)
Increased in pledged deposits		**(5,000)**	–
Purchases of financial assets at fair value through profit or loss		**(41,000)**	(75,000)
Redemption of financial assets at fair value through profit or loss		**41,111**	75,566
Proceeds from disposal of items of property, plant and equipment		**5**	–
Proceeds from disposal of an asset held for sale		**12,480**	–
Settlement of financial liabilities at fair value through profit or loss		**(625)**	(903)
Net cash flows used in investing activities		**(96,921)**	(81,358)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	*24*	**–**	46,085
Advances from issue of shares		**10,038**	–
New bank loans	*27(b)*	**124,185**	71,756
Repayment of bank loans	*27(b)*	**(23,250)**	(5,000)
Principal portion of lease payments	*27(b)*	**(20,477)**	(5,565)
Interest paid		**(8,229)**	(4,991)
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 the year		**342,887**	562,983
Effect of foreign exchange rate changes, net		**9,278**	59,515
CASH AND CASH EQUIVALENTS AT END OF YEAR		**203,664**	342,887
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*21*	**67,649**	141,174
Non-pledged time deposits with original maturity of less than three months when acquired	*21*	**136,015**	204,538
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

1. CORPORATE INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SinoMab BioScience (Shenzhen) Limited (深圳賽樂敏生物科技有限公司) (note (a))	People's Republic of China/Chinese Mainland	HKD 176,428,600	100%	–	Research and development of pharmaceutical products
SinoMab Biopharmaceutical (Haikou) Limited* (formerly known as SinoMab BioScience (Hainan) Limited) (中抗生物製藥(海口)有限公司) (notes (b) & (c) (formerly known as 海南賽樂敏生物科技有限公司)	People's Republic of China/Chinese Mainland	RMB 50,000,000	–	100%	Research and development of pharmaceutical products
MediNexus Pharma (Suzhou) Limited (杏聯藥業(蘇州)有限公司) (note (a))	People's Republic of China/Chinese Mainland	RMB 400,000,000	100%	–	Research and development of pharmaceutical products
MediNexus Pharma (Shanghai) Limited* (興聯藥業(上海)有限公司) (note (a))	People's Republic of China/Chinese Mainland	RMB 7,000,000	100%	–	Research and development of pharmaceutical products
Ingenious Sino Limited	British Virgin Islands	USD1	100%	–	Investment holding
SINOMAB PTY LTD (note (d))	Australia	AUD100	100%	–	Research and development of pharmaceutical products
GCT INC.	The United States of America	USD645,000	100%	–	Research and development of pharmaceutical products
MediNexus Pharma (Beijing) Limited* (杏聯藥業(北京)有限公司 (note (a))	People's Republic of China/Chinese Mainland	USD5,000,000	100%	–	Research and development of pharmaceutical products
SinoMab Biopharmaceutical (Nanjing) Limited* 中抗生物製藥(南京)有限公司 (note (a))	People's Republic of China/Chinese Mainland	USD10,000,000	100%	–	Research and development of pharmaceutical products

Notes:

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

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

(c) Change of name with effect from 6 March 2024.

(d) The subsidiary was deregistered on 14 September 2023.

* *For identification purpose only*

2.1 BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, except for financial asset at fair value through profit or loss which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except where 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 statements of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises 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.

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

(a) Amendments to HKAS 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 HKFRS 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 HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. 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 HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. 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 HKAS 12.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to HKAS 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 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than financial assets and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Production and R&D equipment	14% to 30%
Office equipment	9% to 20%
Motor vehicles	18% to 20%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets held for sale

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

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

Intangible assets

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	30 to 50 years
Buildings	1.5 to 20 years

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Financial liabilities

Initial recognition and measurement

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement of financial liabilities at amortised cost (other payables and borrowings)

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

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

Derecognition of financial liabilities

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

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Income tax

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contract with customer

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

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

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

Revenue from contracts with customers

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

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Shares held under share award scheme

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

Share-based payments

The Company operates a share award scheme and a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees for grants under a share option scheme is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions with employees for grants under a restricted share unit scheme and/or a share award scheme is measured by reference to the fair value at the date at which they are granted. The fair value is determined at the closing price of the shares at the grant date, less considerations received from the grantees (if any), further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

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

Foreign currencies

These financial statements are presented in RMB as the major operations of the Group are within the Chinese Mainland. The functional currency of the Company is the HKD and the functional currency of the subsidiaries established in Chinese Mainland is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item. (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

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

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

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

Useful lives and residual values of property, plant and equipment

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from an external customer

	2023 *RMB'000*	2022 *RMB'000*
Chinese Mainland	**1,365**	–

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**571,762**	552,362
Hong Kong	**4,741**	6,888
Total non-current assets	**576,503**	559,250

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Disaggregated revenue information

	2023 RMB'000	2022 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.

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of other income and gains is as follows:

	2023 RMB'000	2022 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.

6. OTHER EXPENSES

	Note	2023 RMB'000	2022 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 asset held for sale	*20*	**–**	1,475
Loss on disposal of items of property, plant and equipment		**–**	1,442
Others		**204**	244
Total other expenses		**14,671**	65,958

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2023 RMB'000	2022 RMB'000
Cost of capsules sold		**943**	–
Laboratory consumable and experiment costs		**75,505**	99,003
Depreciation of property, plant and equipment	*14*	**19,134**	14,634
Depreciation of right-of-use assets	*15(a)*	**15,639**	12,397
Amortisation of intangible assets	*16*	**1,291**	1,002
Auditor's remuneration		**2,000**	2,000
Fair value loss on financial liabilities at fair value through profit or loss		**625**	903
Lease payments not included in the measurement of lease liabilities	*15(c)*	**174**	164
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**58,392**	77,983
Equity-settled share-based payment expense	*26*	**18,996**	5,017
Pension scheme contributions (defined contribution scheme)*		**7,764**	9,553
Staff welfare expenses		**806**	733
Total		**85,958**	93,286

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2023 RMB'000	2022 RMB'000
Interest on bank loans		**13,273**	10,993
Interest on lease liabilities	*15(b)*	**3,477**	3,484
Total interest expenses on financial liabilities not at fair value through profit or loss		**16,750**	14,477
Less: Interest capitalised		**(10,166)**	(9,515)
Total		**6,584**	4,962

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**1,132**	1,080
Other emoluments:		
Salaries, allowances and benefits in kind	**5,090**	5,183
Pension scheme contributions	**16**	15
Subtotal	**5,106**	5,198
Total fees and other emoluments	**6,238**	6,278

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

(a) Independent non-executive directors

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

	2023 *RMB'000*	2022 *RMB'000*
Mr. Dylan Carlo TINKER	**283**	270
Mr. Ping Cho Terence HON	**283**	270
Mr. George William Hunter CAUTHERLEY	**283**	270
Dr. Chi Ming LEE	**283**	270
Total	**1,132**	1,080

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive director and non-executive directors

Year ended 31 December 2023	Fees *RMB'000*	Equity-settled share-based payment expense *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive director:					
Dr. Shui On LEUNG (i)	–	–	**5,090**	**16**	**5,106**
Total	–	–	**5,090**	**16**	**5,106**
Non-executive directors:					
Dr. Haigang CHEN	–	–	–	–	–
Dr. Wenyi LIU	–	–	–	–	–
Dr. Jianmin ZHANG (ii)	–	–	–	–	–
Mr. Xun DONG	–	–	–	–	–
Ms. Jie LIU (iii)	–	–	–	–	–
Mr. Lei Shi	–	–	–	–	–
Total	–	–	–	–	–

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

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

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

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

(ii) Dr. Jianmin ZHANG was appointed as a non-executive director of the Company with effect from 6 September 2023.

(iii) Ms. Jie LIU was appointed as a non-executive director of the Company with effect from 14 December 2021 and resigned on 6 September 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2022: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**8,189**	9,494
Equity-settled share-based payment expenses	**18,709**	2,573
Pension scheme contributions	**64**	82
	26,962	12,149

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

	Number of employees	
	2023	2022
HKD2,000,001 to HKD2,500,000	**–**	1
HKD2,500,001 to HKD3,000,000	**1**	–
HKD3,000,001 to HKD3,500,000	**–**	2
HKD4,500,001 to HKD5,000,000	**1**	–
HKD5,000,001 to HKD5,500,000	**–**	1
HKD6,500,001 to HKD7,000,000	**1**	–
HKD16,000,001 to HKD16,500,000	**1**	–
Total	**4**	4

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

11. 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.

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

2023

	Hong Kong *RMB'000*	Chinese Mainland *RMB'000*	Australia *RMB'000*	USA *RMB'000*	Others *RMB'000*	Total *RMB'000*
(Loss)/Profit before tax	**(109,174)**	**(150,523)**	**(2)**	**(1,222)**	**17,810**	**(243,111)**
Tax at the statutory tax rates	**(18,014)**	**(37,631)**	**(1)**	**(365)**	**–**	**(56,011)**
Income not subject to tax	**(1,000)**	**–**	**–**	**–**	**–**	**(1,000)**
Expenses not deductible for tax	**10,621**	**91**	**–**	**–**	**–**	**10,712**
Temporary difference not recognised	**175**	**(1,861)**	**–**	**–**	**–**	**(1,686)**
Tax losses not recognised	**8,218**	**39,401**	**1**	**365**	**–**	**47,985**
Tax charge at the Group's effective rates	**–**	**–**	**–**	**–**	**–**	**–**

11. INCOME TAX (continued)

2022

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

The Group had accumulated tax losses arising in Hong Kong of HKD441,120,793 and HKD385,664,736 as at 31 December 2023 and 2022, respectively, subject to the agreement by Inland Revenue Department, that were available indefinitely to offset against future taxable profits arising in Hong Kong.

The Group had accumulated tax losses arising in Chinese Mainland of RMB907,843,224 and RMB815,527,861 as at 31 December 2023 and 2022, respectively, subject to the agreement by relevant tax authorities, that will expire in one to five years for offsetting against future taxable profits arising in Chinese Mainland.

The Group had no accumulated tax losses arising in Australia as at 31 December 2023 (2022: AUD3,913,952), subject to the agreement by relevant tax authorities, that can be used to offset against future taxable profits arising in Australia.

The Group had accumulated tax loss arising in the United States of America of USD573,768 as at 31 December 2023 (2022: USD399,503), subject to the agreement by relevant tax authorities, that can be used to offset against future taxable profits arising in the United States of America.

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

12. DIVIDENDS

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

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

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of 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 years 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).

14. PROPERTY, PLANT AND EQUIPMENT

	Production and R&D equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023						
At 1 January 2023:						
Cost	**50,133**	**7,621**	**853**	**33,421**	**336,157**	**428,185**
Accumulated depreciation	**(18,248)**	**(3,090)**	**(643)**	**(14,231)**	**–**	**(36,212)**
Net carrying amount	**31,885**	**4,531**	**210**	**19,190**	**336,157**	**391,973**
At 1 January 2023, net of accumulated depreciation	**31,885**	**4,531**	**210**	**19,190**	**336,157**	**391,973**
Additions	**634**	**727**	**–**	**122**	**89,561**	**91,044**
Disposals	**–**	**(5)**	**–**	**–**	**–**	**(5)**
Depreciation provided during the year	**(7,993)**	**(1,368)**	**(115)**	**(9,658)**	**–**	**(19,134)**
Transfer from construction in progress	**5,770**	**593**	**–**	**215**	**(6,578)**	**–**
Exchange realignment	**13**	**13**	**1**	**9**	**–**	**36**
At 31 December 2023, net of accumulated depreciation	**30,309**	**4,491**	**96**	**9,878**	**419,140**	**463,914**
At 31 December 2023:						
Cost	**56,603**	**8,935**	**860**	**28,365**	**419,140**	**513,903**
Accumulated depreciation	**(26,294)**	**(4,444)**	**(764)**	**(18,487)**	**–**	**(49,989)**
Net carrying amount	**30,309**	**4,491**	**96**	**9,878**	**419,140**	**463,914**
31 December 2022						
At 1 January 2022:						
Cost	39,181	7,029	810	29,810	197,465	274,295
Accumulated depreciation	(11,028)	(1,878)	(508)	(7,596)	–	(21,010)
Net carrying amount	28,153	5,151	302	22,214	197,465	253,285
At 1 January 2022, net of accumulated depreciation	28,153	5,151	302	22,214	197,465	253,285
Additions	5,737	256	–	277	151,555	157,825
Disposals	(4)	(2)	–	–	(4,789)	(4,795)
Depreciation provided during the year	(6,996)	(1,179)	(110)	(6,349)	–	(14,634)
Transfer from construction in progress	4,938	241	–	2,895	(8,074)	–
Exchange realignment	57	64	18	153	–	292
At 31 December 2022, net of accumulated depreciation	31,885	4,531	210	19,190	336,157	391,973
At 31 December 2022:						
Cost	50,133	7,621	853	33,421	336,157	428,185
Accumulated depreciation	(18,248)	(3,090)	(643)	(14,231)	–	(36,212)
Net carrying amount	31,885	4,531	210	19,190	336,157	391,973

15. LEASES

The Group as a lessee

The Group has lease contracts for land, buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owner with lease period of 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1.5 and 20 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land use rights *RMB'000*	Buildings and equipment *RMB'000*	Total *RMB'000*
As at 1 January 2022	29,737	73,185	102,922
Lease modification	–	16,900	16,900
Depreciation charge	(831)	(11,566)	(12,397)
Exchange realignment	–	368	368
Transfer to non-current asset held for sale	(13,949)	–	(13,949)
As at 31 December 2022 and 1 January 2023	14,957	78,887	93,844
Additions	–	1,612	1,612
Lease termination	–	(6,985)	(6,985)
Depreciation charge	(546)	(15,093)	(15,639)
Exchange realignment	–	28	28
As at 31 December 2023	**14,411**	**58,449**	**72,860**

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**88,404**	76,682
New leases	**1,612**	–
Lease modification	**–**	16,900
Lease termination	**(8,215)**	–
Accretion of interest recognised during the year	**3,477**	3,484
Payments	**(25,615)**	(9,049)
Foreign exchange movement	**(250)**	387
Carrying amount at 31 December	**59,413**	88,404
Analysed into:		
Current portion	**4,663**	15,380
Non-current portion	**54,750**	73,024

The maturity analysis of lease liabilities is disclosed in note 33 to the financial statements.

The effective interest rate of lease liabilities was ranging between 3.45% and 4.90% during the years ended 31 December 2022 and 2023.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets	**15,639**	12,397
Interest on lease liabilities	**3,477**	3,484
Expense relating to short-term leases (included in administrative expenses)	**97**	47
Expense relating to leases of low-value assets (included in administrative expenses)	**77**	117
Total amount recognised in profit or loss	**19,290**	16,045

15. LEASES (continued)

The Group as a lessee (continued)

(d) The total cash outflow for leases is disclosed in note 27(c) to the financial statements.

The Group as a lessor

The Group subleases part of its right-of-use asset in Suzhou to an independent third party under operating lease arrangements. The terms of the leases generally require the tenant to pay security deposits. Rental income recognised by the Group during the year was RMB662,000 (2022: RMB1,057,000).

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenant are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**–**	192

16. INTANGIBLE ASSETS

	2023	2022
	RMB'000	*RMB'000*
	Office software	Office software
Cost at 1 January, net of accumulated amortisation	**2,595**	1,921
Additions	**528**	1,590
Amortisation provided during the year	**(1,291)**	(1,002)
Exchange realignment	**12**	86
At 31 December	**1,844**	2,595
At 31 December:		
Cost	**4,511**	3,959
Accumulated amortisation	**(2,667)**	(1,364)
Net carrying amount	**1,844**	2,595

17. OTHER NON-CURRENT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Prepayments for purchases of property, plant and equipment	**37,885**	70,838

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.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Deposits and other receivables	**3,971**	48,202
Prepayments	**3,216**	12,234
Total	**7,187**	60,436
Portion classified as non-current:		
Deposits	**(1,100)**	(2,005)
Current portion	**6,087**	58,431

The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 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.

20. NON-CURRENT ASSET HELD FOR SALE

	2023 RMB'000	2022 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.

21. CASH AND CASH EQUIVALENTS

	Notes	2023 RMB'000	2022 RMB'000
Cash and bank balances		**67,649**	141,174
Time deposits		**136,015**	204,538
Cash and cash equivalents	*(i)*	**203,664**	345,712
Restricted for special purpose	*(ii)*	**24,439**	–
Pledged for bank loans	*23(b)*	**5,000**	–
Pledged and restricted deposits		**29,439**	–
Denominated in:			
RMB		**144,636**	145,775
USD		**77,136**	156,895
HKD		**10,923**	42,650
EUR		**271**	255
AUD		**137**	133
GBP		**–**	4
Cash and cash equivalents and pledged and restricted deposits		**233,103**	345,712

Notes:

(i) The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(ii) As at 31 December 2023, bank balances restricted for special purpose amount, in aggregate, to RMB24,439,000 (2022: RMB2,824,500) which was designated for the use of a construction project by a subsidiary of the Group in accordance with the relevant facility agreements. The Group management monitors closely the use of the fund to meet its ongoing construction expenditure.

22. 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.

23. 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

23. INTEREST-BEARING BANK BORROWINGS (continued)

	2023 RMB'000	2022 RMB'000
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.

24. SHARE CAPITAL

	2023 RMB'000	2022 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**

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on the financial statements.

26. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE

(a) Share Award Scheme

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

Under the Share Award Scheme, the board of directors or an authorised person may select any eligible person and grant an award (the "**Award**") to the selected participants ("**Selected Participants**"), and such award shall be subject to the terms as specified in the Share Award Scheme.

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

The maximum number of award shares throughout the duration of the Share Award Scheme is 50,312,020 shares, being 5% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme is 20,124,808, being 2% of the issued shares of the Company as at the Adoption Date.

Computershare Hong Kong Trustees Limited (the "**Trustee**") has been appointed by the Company as the trustee for the Share Award Scheme. To satisfy an Award, the Company shall transfer to the trust the necessary funds and instruct the Trustee to acquire shares through on-market transactions at the prevailing market price or through manual trades. The number of shares purchased was 18,095,500. On 17 May 2021, the share purchase payment was completed, with a purchase consideration of RMB59,673,039.

During the year, a total of 5,880,000 awards (2022:1,140,000 awards) were granted to the employees by the Company pursuant to the Share Award Scheme.

(i) Among 5,880,000 awards, 1,000,000 awards were vested on the same date of grant (2022: 1,140,000 awards).

	Number of shares	
	2023	2022
Granted and vested during the year	**1,000,000**	1,140,000

During the year, the Company recognised an equity-settled share-based payment expense of RMB987,910 (2022: RMB1,783,963) for the share awards under the Share Award Scheme.

26. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(a) Share Award Scheme (continued)

(ii) The other 4,880,000 awards are share options which will be unlocked averagely in four years since November 2025. The following share options were outstanding under the Share Award Scheme during the year ended 31 December 2023.

	Weighted average exercise price *HK$ per share*	Number of options *'000*	Exercise period
At 1 January 2023	–	–	–
Granted during the year	**1.12**	**4,880**	**17 November 2025 to 16 November 2033**
At 31 December 2023	**1.12**	**4,880**	**–**

No share options were vested, forfeit, exercised or expired during the year ended 31 December 2023 (2022: Nil).

The fair value of the share options granted under the Shared Award Scheme during the year was HK$2,773,511 (HK$0.57 each) (2022: Nil). During the year, the Company recognised an equity-settled share-based payment expense of RMB80,236 (2022: Nil) for options granted under the Share Award Scheme.

(b) Share Option Scheme

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

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

Any employees (whether full-time or part-time), directors, or service providers of any member of the Group, are participants ("**Participants**") under the 2022 Share Option Scheme, provided that the board of directors may have absolute discretion to determine whether or not one falls within this category.

The 2022 Share Option Scheme remains in force until 25 October 2032 unless otherwise terminated under the terms of the 2022 Share Option Scheme.

26. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(b) Share Option Scheme (continued)

The maximum number of shares which may be issued upon exercise of all share options to be granted under this 2022 Share Option Scheme and any grants made under any other schemes of the Company shall not exceed 50,312,020, representing 5% of the total number of shares in issue on the Adoption Date (the "**Scheme Mandate Limit**").

Within the Scheme Mandate Limit, the total number of shares which may be issued upon exercise of all options to be granted to service providers shall not exceed 10,062,404 shares, representing 1% of the total number of shares in issue on the Adoption Date (the "**Service Provider Sublimit**").

The Company may seek approval of the shareholders in general meeting for refreshing the 2022 Share Option Scheme Mandate Limit and the Service Provider Sublimit such that the total number of shares which may be issued upon exercise of all options to be granted under this 2022 Share Option Scheme and any grants made under any other schemes of the Company as "refreshed" shall not exceed up to 10% of the total number of shares in issue as at the date of the approval of the shareholders on the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit provided that options previously granted under this 2022 Share Option Scheme or any grants made under any other schemes will not be counted for the purpose of calculating the limit as "refreshed".

There were 50,312,020 share options (including 10,062,404 share options under Service Provider Sublimit) available for grant on the Adoption Date and 533,620 share options (including share options under Service Provider Sublimit) available for grant at the end of the Reporting Period. The total number of shares available for issue under the 2022 Share Option Scheme is 533,620, representing 0.05% of the issued shares of the Company as at the date of this annual report. The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates under the 2022 Share Option Scheme, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options must be made on a trading day and shall remain open for acceptance by each eligible participant concerned for a period of not less than 10 business days from the date of the offer. An option shall be deemed to have been accepted by the grantee and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period stipulated above.

26. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(b) Share Option Scheme (continued)

The exercise period of share options granted is determinable by the board of directors or the chief executive officer of the Company, or any other authorised person(s), commencing from the date of the offer and ending on a date which is not later than expiry date required in the offer letter of the share options or the expiry date of the 2022 Share Option Scheme, if earlier.

The exercise price of the options shall not less than the highest of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2022 Share Option Scheme during the years ended 31 December 2023 and 2022:

	2023		2022	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**1.79**	**25,156**	–	–
Granted during the year	**1.11**	**24,722**	1.79	25,156
Forfeited during the year	**1.12**	**(100)**	–	–
At 31 December	**1.45**	**49,778**	1.79	25,156

26. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(b) Share Option Scheme (continued)

No share options were exercised or expired during the years ended 31 December 2023 and 2022. The exercise price and exercise period of the share options outstanding as at the end of the Reporting Period are as follows:

2023 **Number of options** ***'000***	Exercise price *HK$ per share*	Exercise period
25,156	1.79	4 November 2023 to 2 November 2032
10,062	1.102	7 November 2024 to 6 November 2034
14,560	1.12	17 November 2025 to 16 November 2033
49,778		

2022 Number of options *'000*	Exercise price *HK$ per share*	Exercise period
25,156	1.79	4 November 2023 to 2 November 2032

The fair value of the share options granted during the year was HK$13,922,005 (HK$0.56 each) (2022: HK$22,671,090, HK$0.90 each). During the year ended 31 December 2023, the Group recognised share option expense of RMB17,927,616 (2022: RMB3,233,275).

26. EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE (continued)

(b) Share Option Scheme (continued)

The fair value of equity-settled share options granted under the Share Award Scheme and the 2022 Share Option Scheme during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023	2022
Dividend yield (%)	–	–
Expected volatility (%)	53.78 – 54.10	62.82
Historical volatility (%)	53.78 – 54.10	62.82
Risk-free interest rate (%)	3.67 – 3.86	3.93
Expected life of options (year)	8 – 10	10
Closing price of the shares on the grant date (HK$)	1.10 – 1.12	1.75
Post-vesting forfeiture rate (%)	9.52 – 32.47	0 – 18.23
Early exercise multiple	2.20 – 2.80	2.20 – 2.80

The expected life of the options is based on the rule of the 2022 Share Option Scheme and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 49,778,400 share options outstanding under the 2022 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 49,778,400 additional ordinary shares of the Company and additional share capital of HK$72,424,764 (before issue expenses).

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,612,000 (2022: RMB16,900,000) and RMB1,612,000 (2022: RMB16,900,000), respectively, in respect of lease arrangements for office premises and manufacturing buildings.

(b) Changes in liabilities arising from financing activities

	Bank borrowings *RMB'000*	**Lease liabilities** *RMB'000*	**Deposits received for subscriptions of new shares** *RMB'000*
At 1 January 2023	**268,779**	**88,404**	**–**
Changes from financing cash flows	**97,844**	**(20,477)**	**10,038**
Interest paid classified as financing cash flows	**(10,115)**	**(5,138)**	**–**
Lease modification	**–**	**(8,215)**	**–**
New leases	**–**	**1,612**	**–**
Foreign exchange movements	**–**	**(250)**	**–**
Interest expense	**13,273**	**3,477**	**–**
Bank balances restricted for special purpose	**21,614**	**–**	**–**
At 31 December 2023	**391,395**	**59,413**	**10,038**

	Bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Deposits received for subscriptions of new shares *RMB'000*
At 1 January 2022	198,777	76,682	–
Changes from financing cash flows	65,249	(9,049)	–
Interest paid classified as financing cash flows	(9,065)	–	–
Lease modification	–	16,900	–
Interest expense	10,993	3,484	–
Bank balances restricted for special purpose	2,825	–	–
Foreign exchange movements	–	387	–
At 31 December 2022	268,779	88,404	–

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**174**	164
Within financing activities	**25,615**	9,049
	25,789	9,213

28. PLEDGE OF ASSET

Details of the Group's asset pledged for the Group's interest-bearing bank loan are included in note 23 to the financial statements.

29. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Buildings, plant and machinery	**161,094**	162,013

30. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

	Note	2023 RMB'000	2022 RMB'000
Other payables and accruals:			
Haikou Pharmaceutical Factory Co., Ltd.		**1,004**	1,179
Prepayments:			
Haikou Pharmaceutical Factory Co., Ltd.		**382**	417
Lease liabilities:			
Haikou Pharmaceutical Factory Co., Ltd.	*(i)*	**55,426**	72,652

Note:

(i) The Company is in a lease agreement with Haikou Pharmaceutical to lease equipment and a manufacturing building for a term of 10 years commencing from 1 January 2016 to 31 December 2025, with annual rental of RMB9,400,000 since 2022. The Company is in a lease agreement with Haikou Pharmaceutical to lease a property building for a term of 20 years commencing from 1 April 2021 to 31 March 2041, with annual rental of RMB3,393,000. As at 31 December 2023, the total lease liabilities payable to Haikou Pharmaceutical amounted to RMB55,426,000 (2022: RMB72,652,000). The total lease payment paid to Haikou Pharmaceutical amounted to RMB22,193,000 (2022: RMB3,393,000) under the lease during the year.

The transaction under these two lease agreement constituted one-off connected transactions as defined under Chapter 14A of the Listing Rules to the Company and have complied relevant requirements under Chapter 14A.

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

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**12,201**	16,256
Equity-settled share-based payment expenses	**9,748**	2,573
Pension scheme contributions	**80**	160
Total compensation paid to key management personnel	**22,029**	18,989

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

As at 31 December 2023

Financial assets

	Financial asset at fair value through profit or loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Cash and cash equivalents	–	203,664	203,664
Financial asset at fair value through profit or loss	30,993	–	30,993
Pledged and restricted deposits	–	29,439	29,439
Financial assets included in prepayments, deposits and other receivables	–	1,593	1,593
Total	30,993	234,696	265,689

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	93,166
Interest-bearing bank borrowings	391,395
Total	474,523

31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2022

Financial assets

	Financial asset at fair value through profit or loss *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Cash and cash equivalents	–	345,712	345,712
Financial asset at fair value through profit or loss	30,476	–	30,476
Financial assets included in prepayments, deposits and other receivables	–	6,381	6,381
Total	30,476	352,093	382,569

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Interest-bearing bank borrowings	268,779
Financial liabilities included in other payables and accruals	127,796
Total	396,575

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

The Group's finance department headed by chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in structured deposits, which represent a wealth management product issued by a bank in Chinese Mainland. The Group has estimated the fair value of these structured deposits based on fair values provided by financial institutions.

The Group enters into foreign exchange contracts with a bank. The foreign exchange contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign exchange contracts are the same as their fair values.

As at 31 December 2023, the Group had an unlisted equity investment, which was reclassified as financial asset at fair value through profit or loss subsequent to the disposal of an equity interest in an associate and a loss of significant influence. The Group estimated the fair value of the unlisted investment based on recent transaction price of series A funding which incurred near to 31 December 2023. The carrying amount of the financial asset at fair value through profit or loss is the same as its fair value.

32 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial asset at fair value through profit or loss	–	30,993	–	30,993

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial asset at fair value through profit or loss	–	30,476	–	30,476

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: Nil).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from foreign currency denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2023			
If RMB weakens against USD	**5**	**3,831**	**661**
If RMB strengthens against USD	**(5)**	**(3,831)**	**(661)**

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2023, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the loss before tax for the year ended 31 December 2023 would have been RMB465,000 (2022: RMB87,000) higher/lower, mainly as a result of higher/lower interest expense on borrowings.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand or within 1 year *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Lease liabilities	**6,585**	**34,755**	**37,318**	**78,658**
Interest-bearing bank borrowings	**67,834**	**363,564**	**–**	**431,398**
Financial liabilities included in other payables and accruals	**83,128**	**–**	**–**	**83,128**
Total	**157,547**	**398,319**	**37,318**	**593,184**

2022

	On demand or within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	18,925	48,358	44,103	111,386
Interest-bearing bank borrowings	30,943	270,482	–	301,425
Financial liabilities included in other payables and accruals	127,796	–	–	127,796
Total	177,664	318,840	44,103	540,607

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

34. EVENTS AFTER THE REPORTING PERIOD

On 14 December 2023, the Company entered into fifteen subscription agreements with fifteen subscribers for the issuance of an aggregate of 56, 834,719 shares new ordinary shares at a subscription price of HK$1.29 per 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. The net proceeds amounting to approximately HK$73,181,794 were settled as of 31 January 2024.

An aggregate of 56,834,719 shares, represents (i) approximately 5.49% of the issued share capital of the Company immediately before the completion of the share subscription; and (ii) approximately 5.21% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the Reporting Period is as follows:

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**2,334**	3,037
Right-of-use assets	**1,568**	2,945
Investments in subsidiaries	**603,945**	530,325
Intangible assets	**839**	906
Deposits	**811**	772
Total non-current assets	**609,497**	537,985
CURRENT ASSETS		
Prepayments, deposits and other receivables	**412,733**	497,571
Cash and cash equivalents	**81,237**	148,773
Total current assets	**493,970**	646,344
CURRENT LIABILITIES		
Other payables and accruals	**19,968**	10,425
Lease liabilities	**1,940**	1,909
Total current liabilities	**21,908**	12,334
NET CURRENT ASSETS	**472,062**	634,010
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,081,559**	1,171,995
NON-CURRENT LIABILITIES		
Lease liabilities	**134**	1,758
Total non-current liabilities	**134**	1,758
Net assets	**1,081,425**	1,170,237
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,725,211**	1,725,211
Reserves (note)	**643,786**	(554,974)
Total equity	**1,081,425**	1,170,237

Leung Shui On
Director

Hon Ping Cho Terence
Director

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Shares held under Share Award Scheme *RMB'000*	Share-based payment reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2022	(59,673)	97,174	(114,184)	(454,358)	(531,041)
Loss for the year	–	–	–	(129,221)	(129,221)
Exchange differences on translation to the presentation currency	–	–	100,253	–	100,253
Total comprehensive loss for the year	–	–	100,253	(129,221)	(28,968)
Equity-settled share-based payment expenses	3,759	1,276	–	–	5,035
At 31 December 2022 and 1 January 2023	(55,914)	98,450	(13,931)	(583,579)	(554,974)
Loss for the year	**–**	**–**	**–**	**(109,174)**	**(109,174)**
Exchange differences on translation to the presentation currency	**–**	**–**	**1,204**	**–**	**1,204**
Total comprehensive loss for the year	**–**	**–**	**1,204**	**(109,174)**	**(107,970)**
Share award vested	**3,298**	**(3,298)**	**–**	**–**	**–**
Equity-settled share-based payment expenses	**–**	**19,158**	**–**	**–**	**19,158**
At 31 December 2023	**(52,616)**	**114,310**	**(12,727)**	**(692,753)**	**(643,786)**

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2024.

Definitions

"AGM" or "2024 Annual General Meeting"	2024 annual general meeting of the Company to be held on Friday, 14 June 2024
"Articles"	the second amended and restated articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors and for the purposes of the Scheme, "**Board**" means the board of Directors or a duly authorised committee of the Board
"BTK Transfer and Collaboration Agreement"	a technology transfer and collaboration agreement entered into between the Company and Suzhou Sinovent on 30 March 2019
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Company" or "our Company"	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong on 27 April 2001 with limited liability
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"FDA"	the United States Food and Drug Administration
"GMP"	Good Manufacturing Practice
"Group" or "our Group"	the Company and its subsidiaries
"HKFRSs"	the Hong Kong Financial Reporting Standards
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NMPA"	National Medical Products Administration of the PRC
"Nomination Committee"	the nomination committee of the Company
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China
"Pre-IPO Investor(s)"	the investor(s) undertaking the pre-IPO investments in the Company
"Prospectus"	the prospectus of the Company dated 31 October 2019
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 December 2023
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Scheme"	the restricted share unit scheme of the Company conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Skytech Technology"	Skytech Technology Limited, a limited company incorporated in the British Virgin Islands on 2 January 2001 and wholly-owned by Dr. Shui On LEUNG

Definitions

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiaries"	the Company's subsidiaries and "subsidiaries" has the meaning ascribed to it under section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Suzhou Sinovent"	Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司) now known as Evopoint Biosciences Co., Ltd.* (蘇州信諾維醫藥科技股份有限公司), a connected person of the Company
"U.S." or "U.S.A." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"we", "our" or "us"	the Company or the Group as the context requires
"Xingze Xinghe"	Shanghai Xingze Xinghe Startup Investment Centre (Limited Partnership)* (上海杏澤興禾創業投資中心(有限合夥)), formerly known as Shanghai Xingze Xinghe Investment Management Centre (Limited Partnership)* (上海杏澤興禾投資管理中心(有限合夥)), a limited partnership established in the PRC on 8 January 2016
"Xingze Xingzhan"	Shanghai Xingze Xingzhan Enterprise Management Centre (Limited Partnership)* (上海杏澤興瞻企業管理中心(有限合夥)), a limited partnership established in the PRC on 16 October 2018
"%"	per cent

* *For identification purpose only*