SINOMAB

SinoMab BioScience Limited
中國抗體製藥有限公司
(Incorporated in Hong Kong with limited liability)

**Stock Code: 3681**

# Interim Report 2022

# Contents

# Corporate Information

## DIRECTORS

### Executive Director

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Pui Yin Peony WONG

## AUTHORISED REPRESENTATIVES

Dr. Shui On LEUNG
Mr. Jianping HUA

## REGISTERED OFFICE

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No. 15 Science Park West Avenue
Hong Kong Science Park, Pak Shek Kok
New Territories
Hong Kong

## AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

## LEGAL ADVISER

*As to Hong Kong law*
Paul Hastings

*As to PRC law*
Zhong Lun Law Firm

## HONG KONG SHARE REGISTRAR

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Shops 1712–1716
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Wanchai, Hong Kong

## COMPANY WEBSITE

www.sinomab.com

## STOCK CODE

3681

**Dr. Shui On LEUNG**

Chairman, Executive Director and
Chief Executive Officer

Dear valued Shareholders,

On behalf of the Board, I hereby present the interim report of the Company (together with its subsidiaries) for the six months ended 30 June 2022. We would like to express our wholehearted gratitude towards your abiding trust and support that witness our growth and accompany us through the years.

## BUSINESS OVERVIEW

Since the outbreak of COVID-19 pandemic at the end of 2019, fighting against the pandemic has always been an important task in Hong Kong, mainland China and other parts of the world. The COVID-19 variants appeared successively from the beginning of the year, and the economic activities in Hong Kong and mainland China have been affected to varying degrees. However, with the joint efforts of the government and society, the pandemic is relatively under control, and all walks of life are recovering gradually. Despite the challenges we are still facing in 2022, all staff of the Group remain committed to working with a professional and responsible attitude and made contributions to completing each of the Group's business activities and research and development ("**R&D**") work. In the first half of 2022, we have delivered a satisfactory performance to the Shareholders as scheduled, especially as we have achieved fruitful pharmaceutical R&D attainments.

The R&D of our flagship product SM03 (Suciraslimab), a potential global first-in-target anti-CD22 monoclonal antibody for the treatment of rheumatoid arthritis ("**RA**"), has been progressing ideally. The enrollment of Phase III clinical trial in RA in the PRC completed on 31 December 2021 with 530 patients, exceeding the original target of 510 patients. The preliminary result for primary endpoint of Phase III study at week 24 is expected in the third quarter of 2022 and the readout of the final study result for both safety and efficacy

at week 52 is expected in the first quarter of 2023. The efficacy and safety of Suciraslimab have been evaluated in a Phase II clinical study in moderate-to-severely active RA patients and have achieved desirable results. Both the high-dosage group and the low-dosage group met the primary clinical endpoint and showed significantly better performance than the placebo group. We plan to submit the New Drug Application (NDA) to the National Medical Products Administration ("**NMPA**") in the first half of 2023 and expect to realise commercialisation in the second half of 2023 at the earliest. In the meantime, we will also advance clinical studies of Suciraslimab in other immunological diseases, further expanding the potential therapeutic area of Suciraslimab to fulfil other unmet medical needs, including systemic lupus erythematosus ("**SLE**"), Alzheimer's disease and Sjogren's syndrome ("**SS**"), etc. We also plan for the Investigational New Drug ("**IND**") application and proof-of-concept clinical studies for Alzheimer's disease. The IND is expected to be submitted and approved in 2022. Upon reaching the commercialisation stage of Suciraslimab, we believe that Suciraslimab can bring desirable benefits to the Company and fulfil our commitment to shareholders.

The R&D of SN1011, our key product and third-generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor, has also achieved progress. SN1011 has currently obtained three IND approvals from the NMPA, for the treatment of SLE, pemphigus and multiple sclerosis ("**MS**"). An IND application of SN1011 for neuromyelitis optica spectrum disorder ("**NMOSD**") was submitted and accepted by the Center for Drug Evaluation (the "**CDE**") of NMPA in June 2022.

Another key product, SM17, a humanised anti-IL-7RB monoclonal antibody for injection, is a First-in-Class asthma therapeutic product. Its IND application was approved by the U.S. Food and Drug Administration ("**FDA**"), and the first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical trial in the United States in June 2022. The subjects are currently in normal condition.

Our other drug candidate, SM06, is a second-generation anti-CD22 monoclonal antibody; it is a humanised version of SM03 that works with a similar mechanism of action. We believe that SM06 will be more suitable for treating chronic diseases requiring long-term administration, such as SLE, RA, and other immunological diseases. We are currently conducting a preclinical trial of SM06, collecting high-quality preclinical data, and expect to speed up the submission of SM06 for its clinical studies in the United States. We expect to submit the first IND application for SM06 to the FDA in 2023 at the earliest.

Our innovative R&D strengths dedicated to the past 20 years of development of monoclonal antibodies in the field of autoimmune diseases and our R&D product pipeline which addresses indications against a plethora of immunological diseases have been recognised by the biopharmaceutical industry, the government, and relevant investment institutions. In September 2021, we entered into the first license out agreement to grant the right to develop and commercialise SN1011, a key product of the Company, for the treatment of renal diseases globally. This licensing manifests the R&D potential of SN1011 through industrial recognition and brought the Company an initial upfront payment of US$4 million and potentially up to US$183 million development and sales milestone payments. In addition, after the Reporting Period, we will receive a subsidy of HK$8 million, being the highest subsidy amount, from the Clinical Translational Catalyst ("**CTC**") program of Hong Kong Science and Technology Parks Corporation ("**HKSTP**") for the clinical trials of our key product, SN1011, for MS. We stood out from many biopharmaceutical companies in the CTC program and were granted the highest subsidy amount, embodying the recognition by the evaluation committee of the Company's product candidates and R&D plan. In recent years, our country has had high appreciation of Hong Kong innovative technology development. Benefitting from the potential of our own product pipeline and the geographical advantage of locating in Hong Kong Science Park, the technology innovation centre in Hong Kong, we believe we can continue to pursue further development.

We have two production bases, which are fully prepared for the subsequent commercialisation for our pipeline product candidates. One is the China headquarters located in Suzhou Dushu Lake High Education Town, with a total floor area of approximately 75,000 sq.m., which 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 total production capacity is 36,000 litres (up to one million treatment courses per year), development of which will come into operation in phases. Phase I development with a production capacity of 6,000 litres is expected to come into operation in 2024. We also have a production base with a capacity of 1,200 litres in Haikou, with a total operational area of approximately 19,163 sq.m. The production base consists of a clean area for processing, a controlled-not-classified (CNC) area for supporting activities, utility rooms, quality control laboratories, warehouse, and administrative offices, which can satisfy our needs for clinical R&D and for early commercialisation marketing. The manufacturing capacity of our existing Haikou production base together with the Phase I development in Suzhou would be up to two hundred thousand treatment courses per year.

We have developed a comprehensive and integrated industry chain, which consists of target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control, quality assurance, regulatory approval and commercial-scale production. Leveraging our full-spectrum platform that leads in the Greater China region and our R&D strengths of 20 years of development of monoclonal antibody drugs in the field of autoimmune diseases, coupled with our expanding production base and improving production facilities, we are able to speed up the R&D process of our product portfolio. This also assists in improving the efficiency of commercialisation of our core products, with the purpose of creating more values for the Company and shareholders and to benefit more patients with clinical needs. The field of autoimmune diseases is the second gold mine following the field of tumour treatment. Both the current domestic diagnosis technology and treatment standards are not so well-established, resulting in low diagnosis and treatment rates in the field of autoimmune diseases in China. The scale of the domestic market will be expanded with the continuous improvement of diagnosis and treatment technology. The Company has been developing in the R&D of monoclonal antibody drugs in the field of autoimmune diseases for 20 years, and has achieved comprehensive menu of candidate drugs in different indications in the field of autoimmune diseases. We strive to be professional in the field of autoimmune diseases, wishing to develop drugs with better efficacy and higher safety for patients suffering from chronic diseases who need long-term medication, so as to benefit more patients. We are committed to developing into a sustainable and value-creating biopharmaceutical company with strengths in R&D, production and commercialisation which has a diversified product portfolio.

## SUSTAINABILITY RESPONSE TO COVID-19

Faced with the severe situation of the widespread outbreak of the pandemic caused by COVID-19 variants at the beginning of the year, all staff of the Company remained committed to working with a professional and responsible attitude, and actively cooperated to complete the conduct of various businesses and the promotion of product R&D projects. Under such a severe situation, the Company has also delivered a satisfactory performance in the first half of 2022, especially fruitful R&D achievements. In order to protect the physical and mental health of staffs and provide a safe working environment, the Company actively cooperated with hygiene authorities and implemented a series of epidemic prevention and safety measures according to the guidelines issued by them. In addition to strengthening hygiene and cleaning, increasing disinfection equipment in the workplace, arranging staff for body temperature checks and distributing masks to them, we also adopted flexible work arrangements which allow staff to complete various tasks online if necessary. In summary, under the severe situation of the pandemic, the Company's various operations are still carried out in an orderly manner.

## OUTLOOK

Faced with the widespread outbreak caused by COVID-19 variants, the world focus has been on accelerated vaccination rollout and easing of lockdowns to restart economic activities. Public health is still the focus of the world, and the biopharmaceutical industry receives much attention. In February 2022, nine departments, namely the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Commerce, the National Health Commission, the Ministry of Emergency Management, the National Healthcare Security Administration, the NMPA and the National Administration of Traditional Chinese Medicine, jointly released the Plan for Development of Pharmaceutical Industry over the 14th Five-Year Plan Period. The document sets the goals of strengthening the innovation capacity, improving industry chain and supply chain, improving the supply support mechanism, upgrading the manufacturing level, intensifying the industrial upgrading and enhancing the international competitiveness. In July 2022, President XI Jinping, and the Chief Executive of the HKSAR, Mr. LEE Ka-chiu, visited Hong Kong Science Park, with the desire to promote Hong Kong as an international innovation and technology hub, demonstrating the country's high appreciation of Hong Kong's innovative technological development. Being a Hong Kong local biopharmaceutical company located in Hong Kong Science Park for 20 years, we have also been granted the highest amount of subsidy under the CTC program of HKSTP in July 2022, embodying the recognition by the Hong Kong government of the potential of our R&D pipeline and R&D plan. We hope that with the support of the government, we can carry out various clinical R&D work successfully, develop products with better efficacy and higher safety, which could benefit the large population of patients who have unmet needs for treatment in the autoimmune diseases field and create more values for the Company and the shareholders.

Through the establishment of a strong pipeline with strategic internal platforms, we introduce innovative antibody drug candidates against novel targets and achieve therapeutic effects through new mechanisms of action. Our innovative technology therapeutic platforms includes an antibody humanisation platform (SM06 and SM09, being our products on this platform), B-cell therapy platform (anti-CD22 products SM03 and SM06, anti-CD20 product SM09, and the third-generation covalent reversible BTK inhibitor SN1011, being our products on this platform), alarmins-pathway therapeutic platform (SM17, being our product on this platform), selective-T cell therapy platform and neurological disease platform (SM03 and SM06, being our products on this platform).

In 2020, the total sales volume of the TOP100 drugs in global sales was about US$355.8 billion, and autoimmune and inflammatory drugs ranked second (about US$94 billion, accounting for 26.4%). According to Frost & Sullivan, the global market for autoimmune disease drugs is expected to increase from US$120.5 billion in 2020 to US$163.8 billion in 2030, at a CAGR of 6.0%. Driven by the development of diagnostic techniques for autoimmune diseases, the PRC market for therapeutics for autoimmune diseases is expected to grow rapidly and is expected to increase from US$2.9 billion in 2020 to US$24.1 billion in 2030 and is expected to increase at a CAGR of 27.7% from 2020 to 2024, and at a CAGR of 20.9% from 2024 to 2030. The biopharmaceutical market share in the PRC market for autoimmune diseases is expected to increase from 28.6% in 2020 to 68.8% in 2030. Among them, the market size of RA in China is expected to increase from US$2.4 billion in 2020 to US$12.8 billion in 2030 and is expected to increase at a CAGR of 22.5% from 2020 to 2024 and at a CAGR of 15.5% from 2024 to 2030.

As a biopharmaceutical company having grown up in the Hong Kong Science Park for 20 years and driven by the favourable factors of the international environment, national policies, domestic and foreign geographical position and global market, we believe that our product candidates enjoy promising and broad market prospects in both the global and the China market. We will adhere to the vision of independent innovation, advance the development of novel drugs, further expand the product pipeline, develop greater scope of indications for drug candidates; continue to actively explore cooperation and partnership opportunities, consolidate our position in the field of autoimmune disease; strengthen product R&D, production and commercialisation capacities with the objective of growing into a global leader in novel treatments of immunological diseases that continuously contributes towards the pharmaceutical field.

The Company has always been committed to researching and developing monoclonal antibody drugs in the field of autoimmune diseases. With the original aspiration, we will remain dedicated to discovering and developing novel drugs, advancing innovative treatments for autoimmune diseases to fight for patients' well-being and create value for shareholders. Last but not least, on behalf of the Board and management of the Company, I hereby express the sincerest gratitude again to all shareholders for the enduring support, to all employees for the unremitting effort and to everyone for the unselfish contribution in the pandemic and expect to have a better second half of 2022 together!

*Chairman, Executive Director and Chief Executive Officer*
**Dr. Shui On LEUNG**
22 August 2022

## OVERVIEW

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

Our flagship product, SM03 (Suciraslimab), is a potential global first-in target mAb for the treatment of rheumatoid arthritis ("**RA**") and other immunological diseases such as systemic lupus erythematosus ("**SLE**"), Sjogren's syndrome ("**SS**") as well as non-Hodgkin's lymphoma ("**NHL**"). The Phase III clinical trial in RA completed its enrollment of 530 patients on 31 December 2021, exceeding the original target of 510 patients. The preliminary result for primary endpoint of Phase III study at week 24 is expected in the third quarter of 2022 and the readout of the final study result for both safety and efficacy at week 52 is expected in the first quarter of 2023. We plan to file our New Drug Application ("**NDA**") with the National Medical Products Administration (the "**NMPA**") of the People's Republic of China ("**PRC**") in the first half of 2023 and expect to commercialise Suciraslimab in the second half of 2023 at the earliest.

Our key product, SN1011, is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor. SN1011 was designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve superior efficacy and good safety profile for the potentially long-term treatment of patients with chronic immunological disorders. SN1011 currently obtained three Investigational New Drug ("**IND**") approvals from the NMPA for the treatment of SLE, pemphigus and MS. An IND application in neuromyelitis optica spectrum disorder ("**NMOSD**") was also submitted and accepted by the Center for Drug Evaluation (the "**CDE**") of the NMPA in June 2022. The indications of NMOSD and MS are strategically prioritised for development in our current clinical program for SN1011.

Another key product, SM17, is a first-in-class and first-in-target humanised anti-IL-17RB antibody. The IND application was submitted and accepted by the U.S. Food and Drug Administration ("**FDA**") in February 2022 and was subsequently approved by the FDA in March 2022. The first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical study in the U.S. in June 2022 and 14 subjects have been enrolled as of 31 July 2022. The FIH study, consisting of multiple cohorts of single ascending dose ("**SAD**") and multiple ascending dose ("**MAD**"), is expected to be completed by the third quarter of 2023 to build-up basis for follow-up various proof-of-concept studies. The compound has the potential for treating asthma, atopic dermatitis ("**AD**"), idiopathic pulmonary fibrosis ("**IPF**") and other immunological disorder.

Our other drug candidate, SM06, is a second-generation humanised anti-CD22 antibody derived from Suciraslimab with similar mechanism of action. Our in-house in-vitro studies demonstrated SM06 to have potentially enhanced efficacy in enacting immunomodulatory effects. The compound is at IND enabling stage for U.S. submission, and currently in the process of optimisation for clinical studies by the second quarter of 2023 at the earliest.

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 period 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

| Pipeline | Indication | Territory | IND Enabling | | | Phase I | Phase II | Phase III | BLA |
|---|---|---|---|---|---|---|---|---|---|
| | | | Stage I | Stage II | Stage III | | | | |
| SM03 (anti-CD22) (First-in-Target) | *Rheumatoid arthritis (RA) | China | | | | | | | |
| | Non-Hodgkin's lymphoma (NHL) | | | | | | | | |
| | Systemic lupus erythematosus (SLE) | | | | | | | | |
| | Alzheimer's Diseases | | | | | | | | |
| | Sjogren's syndrome (SS) | | | | | | | | |
| SN1011 (BTK Inhibitor) (Third-Generation) | Pemphigus | China US | | | | | | | |
| | Systemic lupus erythematosus (SLE) | | | | | | | | |
| | Neuromyelitis Optica Spectrum Disorder (NMOSD) | | | | | | | | |
| | Multiple Sclerosis (MS) | | | | | | | | |
| SM17 (Humanised Anti-IL-17RB) (First-in-Class & First-in-Target) | Asthma | US China | | | | | | | |
| | Atopic dermatitis (AD) | | | | | | | | |
| | Idiopathic Pulmonary fibrosis (IPF) | | | | | | | | |
| SM06 (Humanised Anti-CD22) | Systemic lupus erythematosus (SLE) | US China | | | | | | | |
| | Rheumatoid arthritis (RA) | | | | | | | | |
| | Neuromyelitis Optica Spectrum Disorder (NMOSD) | | | | | | | | |
| | Sjogren's syndrome (SS) | | | | | | | | |
| SM09 (Humanised Anti-CD20) | Non-Hodgkin's lymphoma (NHL) | China | | | | | | | |
| | Autoimmune Diseases | | | | | | | | |

* RA Phase III completed enrollment in December 2021

- IND enabling stage
- IND enabling stage I – R&D
- IND enabling stage II – chemistry, manufacturing and control processes (CMC)
- IND enabling stage III – Preclinical
- Completed study
- Clinical stage

## Flagship Product

### *SM03 (Suciraslimab)*

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

We plan to rapidly advance the development of Suciraslimab. On 31 December 2021, Suciraslimab Phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the original target of 510 patients. The Phase III clinical trial is a multi-centre, randomised, double-blind, placebo-controlled, parallel group study to confirm the clinical efficacy and long-term safety in active RA patients receiving methotrexate (MTX). The efficacy and safety of Suciraslimab was previously evaluated in a Phase II clinical study in moderate-to-severely active RA patients. The study results were published recently and shown that Suciraslimab at a dose of 600 mg with 4 and 6 infusions respectively, were both efficacious and well-tolerated throughout the 24 weeks of treatment when compared with the placebo group. Suciraslimab was effective in suppressing disease activity and alleviates symptoms of active, moderate-to-severely RA patients receiving stable doses of background MTX. The preliminary result for primary endpoint of Phase III study at week 24 is expected in the third quarter of 2022, and the readout of the final study result for both safety and efficacy at week 52 is expected in the first quarter of 2023. We plan to file our NDA with the NMPA in the first half of 2023 and expect to commercialise Suciraslimab upon health authority's approval in the second half of 2023 at the earliest. In addition to the RA program, we will advance Suciraslimab clinical development in other indications to broaden the therapeutic uses of Suciraslimab for addressing other unmet medical needs. Due to strategic prioritisation on specific therapeutic area other than RA, we expect to initiate proof-of-concept clinical studies for Alzheimer's disease and/or SS in China.

## Key Products

### *SN1011*

SN1011 is a third generation, covalent reversible 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 SLE, pemphigus, MS 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) was conducted in Australia and China in 2019 and was completed in July 2021. The study has demonstrated good safety and PK profile. IND application of SN1011 for the treatment of SLE and pemphigus was also approved by the NMPA on 27 August 2020 and 23 June 2021, respectively. Following SN1011 IND approval for pemphigus and SLE, a new IND submission in MS was submitted to the NMPA CDE in January 2022, and was approved by the NMPA in April 2022. A parallel IND application for MS is also scheduled for submission in the U.S in the third quarter of 2022, with a follow-up global Phase II clinical trial planned for initiation in the fourth quarter of 2022. An IND application for NMOSD was also submitted and accepted by the CDE of the NMPA in June 2022. The Company plans to initiate the Phase II clinical study for NMOSD in China upon IND approval. In addition to the above indications, the compound has also received regulatory approval for conducting clinical studies on SLE and pemphigus in China. 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 and 9 June 2022 for further information about the latest R&D progress of SN1011. The indications of NMOSD and MS are strategically prioritised for development in our current clinical program for SN1011.

### *SM17*

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

The IND application for asthma was submitted and accepted by the FDA in February 2022 and was subsequently approved by the FDA in March 2022. The first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical trial in the U.S. in June 2022 and 14 subjects have been enrolled as of 31 July 2022. The subjects are currently in normal condition. The Phase I clinical study consisting of SAD and MAD cohorts to evaluate its safety, tolerability and PK in healthy subject. Please also refer to the Company's announcements dated 16 February 2022, 14 March 2022 and 15 June 2022 for further information about the latest R&D progress of SM17.

## Other drug candidates

### *SM06*

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

### *SM09*

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

## COLLABORATION

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

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

## PRODUCTION

We have a production base in Haikou. 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 production. The Haikou production base occupies a total operational area of approximately 19,163 square metres with a production capacity of 1,200 litres, which is sufficient for clinical and initial marketing needs. The plant has an operational area consisting of a clean area for processing, a controlled-not-classified (CNC) area for supporting activities, utility rooms, quality control laboratories, warehouse and administrative offices and R&D laboratories for on-going and new product development projects.

### Suzhou Production Base

As part of our commercialisation plan, we purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town, China in June 2020. The land is used for constructing the Group's PRC headquarters, an R&D centre as well as another production base, and the total floor area would be approximately 75,000 square metres. This new Suzhou campus consists of commercial manufacturing facilities, a pilot plant, an R&D centre, a quality control centre, a clinical study centre and an administration building. The new production base would be of commercial-scale manufacturing facilities and is currently under construction. The superstructure works have been completed in December 2021 and the interior fitting-out works are planned to commence in the second half of 2022. The development of our Suzhou campus will be completed and come into operation in phases. Phase I development with a production capacity of 6,000 litres is expected to come into operation in early 2024. Together with our existing production capacity of 1,200 litres from Haikou production base, our manufacturing capacity would be up to two hundred thousand treatment courses per year. Upon completion of the development, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

## R&D ACTIVITIES OF FLAGSHIP PRODUCT

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

On 31 December 2021, SM03 (Suciraslimab) Phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the target number. We plan to have our readout of the Phase III trial in the third quarter of 2022, the expected time to file our NDA with the NMPA is in the first half of 2023 and we expect to commercialise SM03 in the second half of 2023 at the earliest.

The expenditure on the R&D activities of SM03 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 RMB51.4 million on the R&D activities of Suciraslimab.

### Cautionary Statement required by Rule 18A.08 of the Listing Rules:

The Company cannot guarantee that it will be able to ultimately develop and market Suciraslimab successfully.

## INTELLECTUAL PROPERTY

### Core Technology of Main Drugs (Products)

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

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

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 has filed one invention patent application for Suciraslimab in the United States. As at 30 June 2022, the Group has five pending patent applications in the United States, two pending patent applications in the PRC, and two pending patent applications in the Europe.

### 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 30 June 2022 | As at 31 December 2021 |
|---|---|---|
| Number of invention patents owned by the Group* | 26 | 25 |

* *including patent pending and granted patent*

## HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 296 employees in China, Hong Kong and the United States. For the Reporting Period, the Group incurred approximately RMB38.5 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. The Company has also established its restricted share unit scheme and share award scheme, details of which are set out in "Other Information — Share Incentives" in this interim report.

## R&D PERSONNEL

| Education level | Number at the end of the Reporting Period | Number at the beginning of the Reporting Period |
|---|---|---|
| Ph.D. | 7 | 8 |
| Master | 21 | 17 |
| Undergraduate or below | 12 | 13 |
| Total number of R&D personnel | 40 | 38 |

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

## FUTURE AND PROSPECTS

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

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

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

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

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

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

### Clinical Development Plan

We will continue to advance clinical trials for SM03 (Suciraslimab) for RA and other autoimmune diseases. As previously mentioned, we expect to file our Suciraslimab NDA for RA with the NMPA in the coming year. In terms of the broader indication development, we will advance clinical trials for SS and other autoimmune diseases. We plan to initiate IND application and proof-of-concept Phase II clinical study for SS in China. We are also in the process of further broadening therapeutic area of Suciraslimab, seeking regulatory pathways to extrapolate the clinical indications of neuro-immunological diseases for Suciraslimab. We are in the process of planning for IND application and proof-of-concept study targeting Alzheimer's disease, based on the recent innovative R&D findings about potential treatment of Suciraslimab. The IND is expected to be submitted and approved in 2022.

We will continue the global clinical development program for SN1011 in the immunological/neurological disease areas. As mentioned in previous sections, based on INDs obtained from the NMPA for the treatment of SLE, pemphigus and MS, and the pending approval for the treatment of NMOSD, the Company currently strategically prioritises its clinical program for SN1011 for the indications of NMOSD and MS. The Company plans to submit its IND application for the treatment of MS in the U.S. in the third quarter of 2022 and plans to initiate a global Phase II clinical study in the fourth quarter of 2022. In addition to the expected global Phase II clinical trial for MS, the Company also plans to initiate Phase II clinical study for NMOSD in China upon obtaining its IND approval. The Company also plans to apply for other INDs and/or proof-of-concept clinical studies for SN1011 in the near future.

In respect of SM17, the Phase I first-in-human clinical trial was entered into in the U.S. in June 2022, and the earliest time for Phase I results will be in the third quarter of 2023. As of 31 July 2022, 14 subjects have been enrolled in the FIH clinical trial. Proof-of-concept studies will then be conducted to evaluate the primary efficacy of SM17 in asthma or other indications, if supported by good tolerability and safety results from Phase I, which is expected.

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

### Pre-clinical R&D

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

The Company continues to optimise production and pre-clinical research for SM09 and TNF2. It is expected that these pre-clinical researches will be completed in one year, after which the Company will engage NMPA and/or the FDA to initiate clinical trials.

### Novel drug targets identification

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

### Production

As previously reported, the Group purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town in China in June 2020. The land is used for constructing the Group's PRC headquarters, an R&D centre as well as another production base, and the total floor area would be of approximately 75,000 square metres. This new Suzhou campus consists of commercial manufacturing facilities, a pilot plant, an R&D centre, a quality control centre, a clinical study centre and an administration building. The superstructure works have been completed in December 2021 and the interior fitting-out works are expected to commence in the second half of 2022. The development of the new Suzhou campus will be completed and come into operation in phases. Phase I development with a production capacity of 6,000 litres (up to two hundred thousand treatment courses per year) is expected to come into operation in early 2024. Upon completion of the new Suzhou campus, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

### Commercialisation

Albeit uncertainties associated with COVID-19, we expect to build up our sales team by 2022. The leader of sales and marketing was on board in February 2022. Our commercialisation team is expected to cover a majority of provinces and municipalities in China and to support the future commercialisation of our drug candidates. We are actively exploring and identifying opportunities for collaboration and/or partnership, including but not limited to licensing in or licensing out, to enhance our sales and business development capabilities.

## MARKET OVERVIEW

In 2020, the total sales volume of the TOP100 drugs in global sales is about US$355.8 billion, and autoimmune and inflammatory drugs ranked second (about US$94 billion, accounting for 26.4%). The current global market for autoimmune diseases is mainly divided into three categories including rheumatism, skin, and gastrointestinal diseases. Among them, the single market size in the treatment fields of RA, psoriasis, and Crohn's disease all exceed US$10 billion, but there is still a large unmet clinical need for various autoimmune and inflammatory diseases. According to Frost & Sullivan, the global market for autoimmune disease drugs is expected to increase from US$120.5 billion in 2020 to US$163.8 billion in 2030, at a CAGR of 6.0%. In the global market for autoimmune diseases, the market share of biological drugs is expected to increase from 68.4% in 2020 to 81.4% in 2030.

Driven by the development of diagnostic techniques for autoimmune diseases, the PRC market for therapeutics for autoimmune diseases is expected to grow rapidly and is expected to increase from US$2.9 billion in 2020 to US$24.1 billion in 2030 and is expected to increase at a CAGR of 27.7% from 2020 to 2024, and at a CAGR of 20.9% from 2024 to 2030. The biologics market for autoimmune disease in China is expected to increase from US$0.8 billion in 2020 to US$16.6 billion in 2030 at a CAGR of 47.6% from 2020 to 2024, and at a CAGR of 27.9% from 2024 to 2030, and the biopharmaceutical market share in the PRC market for autoimmune diseases is expected to increase from 28.6% in 2020 to 68.8% in 2030.

The overall scale of existing patients with autoimmune diseases in China is huge. 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 market size of RA in China is expected to increase from US$2.4 billion in 2020 to US$12.8 billion in 2030 and is expected to increase at a CAGR of 22.5% from 2020 to 2024 and at a CAGR of 15.5% from 2024 to 2030. We have been focusing on the R&D of monoclonal antibody drugs in the field of autoimmune diseases for more than 20 years, our existing product pipeline covers all indications in the field of autoimmune diseases. We are one of a few biopharmaceutical companies in China with full-fledged capability that integrates all-industry functionalities, including R&D, production and commercialisation. Once Suciraslimab can be successfully commercialised, leveraging on the first-mover advantage in the first-in-target and first-in-class of Suciraslimab and its competitive advantage in its relatively 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 in the huge market share, and the successful launch of Suciraslimab will be an important milestone in the development of the Group.

### COVID-19

Where the outbreak of COVID-19 continues and/or worsens, the Company's clinical trial development will continue to be affected. As of the date of this interim report, the pandemic has affected one clinical trial in the PRC, since a number of out-patient clinics have closed temporarily, patients or subjects have generally avoided visiting hospitals and certain hospitals have put on hold the enrollment of patients or subjects for clinical trials. The pandemic has also affected and will have continuous negative impact on logistic and related preparations for global clinical studies, due to the strict boarder control and travel limitations during pandemic. Save as disclosed in this interim report, as at the date of this interim report, all other operations of the Company have been conducted as normal so far, but can be impacted if the pandemic continues.

## STRATEGIC IN-HOUSE PLATFORMS FOR ESTABLISHING STRONG PIPELINE

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

### Antibody Humanisation Platform

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

### B-cell Therapeutic Platform

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

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

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

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

### Alarmins-pathway Therapeutic Platform

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

IL25 is one of the three alarmins that targets a particular receptor called IL-17RB. Our SM17 is a humanised, IgG4-k monoclonal antibody targeting IL-17RB, developed under our alarmins-pathway therapeutic platform.

### Selective-T Cell Therapeutic Platform

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

### Neurological Disease Platform

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

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

## FINANCIAL REVIEW

### Other income and gains, net

Our other income and gains consist primarily of bank interest income, changes in fair value on a financial asset at fair value through profit or loss, government grants and foreign exchange gain. Total other income and gains were approximately RMB7.9 million for the Reporting Period, representing a decrease of approximately RMB4.8 million from the six months ended 30 June 2021, was mainly due to a decrease in bank interest income of approximately RMB4.3 million.

### R&D costs

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(unaudited)* |
| Laboratory consumable and experiment costs | **43,086** | 70,258 |
| Employment costs | **27,307** | 15,113 |
| Milestone payments of co-developed products | **4,324** | – |
| Others | **7,414** | 4,611 |
| | **82,131** | 89,982 |

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 six months ended 30 June 2022 and 2021, we incurred R&D costs of approximately RMB82.1 million and RMB90.0 million, respectively. The decrease in costs of business development in R&D during the Reporting Period was mainly attributable to (i) a decrease in laboratory consumable and experiment cost amounting to approximately RMB27.2 million due to completion of patients enrollment for Suciraslimab Phase III clinical trial for RA as of 31 December 2021 and completion of Phase I study (First-in-Human) for SN1011 in Australia and China in July 2021; offset by (ii) an increase in employment costs of R&D employees in particular for the expansion of our clinical department amounting to approximately RMB12.2 million; (iii) an increase of approximately RMB4.3 million in milestone payment following the IND application approval for SM17; and (iv) an increase of approximately RMB2.5 million in depreciation and amortisation charges in relation to R&D activities.

### Administrative expenses

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

For the six months ended 30 June 2022 and 2021, our total administrative expenses were approximately RMB33.8 million and RMB32.9 million, respectively. The slight increase was mainly due to (i) an increase in the employment related costs for our business expansion of approximately RMB4.0 million; and offset by (ii) a decrease in the legal and professional fee of approximately RMB2.0 million in the Reporting Period.

### Other expenses, net

For the six months ended 30 June 2022, there was foreign exchange loss, net, of approximately RMB29.5 million (six months ended 30 June 2021: foreign exchange gain, net RMB2.4 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 30 June 2022, cash and cash equivalents and structured deposit totalled RMB407.8 million, as compared to RMB563.0 million as at 31 December 2021. The net decrease of approximately RMB155.2 million was mainly due to spending on (i) the capital expenditures of approximately RMB61.0 million, mainly for our commercial production base in Suzhou; (ii) the net cash used in operating activities, of approximately RMB145.6 million; offset by (iii) the net increase in the bank borrowing of approximately RMB26.5 million; and (iv) the net effect of foreign exchange rate change of approximately RMB30.8 million mainly due to weakening of RMB in the Reporting Period.

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(unaudited)* |
| Net cash flows used in operating activities | **(145,587)** | (88,857) |
| Net cash flows used in investing activities | **(101,687)** | (62,511) |
| Net cash flows from/(used in) financing activities | **20,905** | (7,846) |
| Net decrease in cash and cash equivalents | **(226,369)** | (159,214) |
| Cash and cash equivalents at the beginning of the period | **562,983** | 810,370 |
| Effect of foreign exchange rate changes, net | **30,773** | (8,096) |
| Cash and cash equivalents at the end of the period | **367,387** | 643,060 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position | **367,638** | 643,060 |
| Bank balances restricted for special purpose | **(251)** | – |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows | **367,387** | 643,060 |

As at 30 June 2022, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

*Note:* Together with structured deposit of RMB40.0 million, the total funding available to use is approximately RMB407.4 million.

## Bank Borrowings and Gearing

As at 30 June 2022, the Group's outstanding bank borrowings of RMB225.6 million (31 December 2021: RMB198.8 million) were denominated in RMB and carried at a fixed interest rate of 3.30% per annum and variable rates of interest ranging from the People's Bank of China RMB Loan Prime Rate minus 0.30% per annum to the People's Bank of China RMB Loan Prime Rate plus 0.25% per annum.

As at 30 June 2022, the amount of unutilised banking facilities for Suzhou production base is approximately RMB471.9 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%. During the Reporting Period, the Group always maintained a net cash position.

## 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.

## Share Capital

During the Reporting Period, there was no change in the share capital of the Company.

## Loss Per Share

The basic and diluted loss per share are RMB0.15 for the six months ended 30 June 2022 (30 June 2021: RMB0.11).

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(unaudited)* |
| **Loss** | | |
| Loss attributable to ordinary equity holders of the parent | **143,790** | 114,403 |

| | Number of shares<br>Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***(unaudited)*** | *(unaudited)* |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period | **988,144,900** | 1,001,741,519 |

### Pledge of Assets

As at 30 June 2022, land use right of net carrying amount of approximately RMB15.2 million was pledged to secure one of the bank loans borrowed by the Group (31 December 2021: RMB15.5 million).

### Capital Commitments

Particulars of capital commitments of the Group as at 30 June 2022 are set out in note 13 to the condensed consolidated financial statements.

### Contingent Liabilities

As at 30 June 2022, the Group had no contingent liabilities (2021: Nil).

## DIVIDEND

No dividend was paid or declared by the Company for the Reporting Period.

## 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.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Period and as at the date of this interim report, there was no future plans approved by the Group for any material investments or capital assets.

## SIGNIFICANT INVESTMENTS

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2022.

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**Independent review report**
**To the Board of Directors of SinoMab BioScience Limited**
*(Incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 41, which comprises the condensed consolidated statement of financial position of SinoMab BioScience Limited (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
22 August 2022

# Interim Condensed Consolidated Statement of Profit or Loss

*For the six months ended 30 June 2022*

| | Notes | Six months ended 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
|---|---|---|---|
| Other income and gains, net | | **7,903** | 12,745 |
| Research and development costs | | **(82,131)** | (89,982) |
| Administrative expenses | | **(33,849)** | (32,861) |
| Finance costs | | **(2,140)** | (2,499) |
| Other expenses, net | 4 | **(30,382)** | (138) |
| Share of loss of an associate | | **(3,191)** | (1,668) |
| LOSS BEFORE TAX | 5 | **(143,790)** | (114,403) |
| Income tax expense | 6 | **–** | – |
| LOSS FOR THE PERIOD | | **(143,790)** | (114,403) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted (RMB) | 8 | **0.15** | 0.11 |

# Interim Condensed Consolidated Statement of Comprehensive Income

*For the six months ended 30 June 2022*

| | Six months ended | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(unaudited)* |
| LOSS FOR THE PERIOD | **(143,790)** | (114,403) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| *Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:* | | |
| Exchange differences on translation to the presentation currency | **32,318** | (9,331) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | **(111,472)** | (123,734) |

# Interim Condensed Consolidated Statement of Financial Position

*30 June 2022*

| | Notes | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | **275,920** | 253,285 |
| Right-of-use assets | | **95,804** | 102,922 |
| Investment in an associate | | **25,079** | 26,933 |
| Intangible assets | | **1,928** | 1,921 |
| Deposits | | **2,477** | 2,444 |
| Other non-current assets | | **72,944** | 58,465 |
| Total non-current assets | | **474,152** | 445,970 |
| CURRENT ASSETS | | | |
| Prepayments, deposits and other receivables | | **40,121** | 32,702 |
| Financial asset at fair value through profit or loss | 10 | **40,204** | – |
| Cash and cash equivalents | 11 | **367,638** | 562,983 |
| Total current assets | | **447,963** | 595,685 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | | **56,203** | 85,970 |
| Lease liabilities | | **11,060** | 7,394 |
| Interest-bearing bank borrowings | | **12,500** | 5,000 |
| Total current liabilities | | **79,763** | 98,364 |

| | Notes | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|---|
| NET CURRENT ASSETS | | **368,200** | 497,321 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **842,352** | 943,291 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | **60,536** | 69,288 |
| Interest-bearing bank borrowings | | **213,062** | 193,777 |
| Total non-current liabilities | | **273,598** | 263,065 |
| Net assets | | **568,754** | 680,226 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | *12* | **1,679,126** | 1,679,126 |
| Reserves | | **(1,110,372)** | (998,900) |
| Total equity | | **568,754** | 680,226 |

# Interim Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2022*

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 (audited) | 1,679,126 | (59,673) | 97,174 | 8,637 | (82,077) | (962,961) | 680,226 |
| Loss for the period | – | – | – | – | – | (143,790) | (143,790) |
| Other comprehensive income for the period: | | | | | | | |
| Exchange differences on translation to the presentation currency | – | – | – | – | 32,318 | – | 32,318 |
| Total comprehensive loss for the period | – | – | – | – | 32,318 | (143,790) | (111,472) |
| At 30 June 2022 (unaudited) | 1,679,126 | (59,673) | 97,174 | 8,637 | (49,759) | (1,106,751) | 568,754 |

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *RMB'000* | Shares held under Share Award Scheme* *RMB'000* | Share-based payment reserve* *RMB'000* | Capital reserve* *RMB'000* | Exchange fluctuation reserve* *RMB'000* | Accumulated losses* *RMB'000* | Total equity *RMB'000* |
| At 1 January 2021 (audited) | 1,679,126 | – | 35,382 | 8,637 | (61,367) | (674,767) | 987,011 |
| Loss for the period | – | – | – | – | – | (114,403) | (114,403) |
| Other comprehensive loss for the period: | | | | | | | |
| Exchange differences on translation to the presentation currency | – | – | – | – | (9,331) | – | (9,331) |
| Total comprehensive loss for the period | – | – | – | – | (9,331) | (114,403) | (123,734) |
| Purchase of shares under the share award scheme | – | (59,673) | – | – | – | – | (59,673) |
| At 30 June 2021 (unaudited) | 1,679,126 | (59,673) | 35,382 | 8,637 | (70,698) | (789,170) | 803,604 |

* These reserve accounts comprise the consolidated debit reserves of RMB1,110,372,000 (31 December 2021: RMB998,900,000) in the interim condensed consolidated statements of financial position as at 30 June 2022.

# Interim Condensed Consolidated Statement of Cash Flows

*For the six months ended 30 June 2022*

| | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
|---|---|---|
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | **(145,587)** | (88,857) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in an associate | **–** | (16,173) |
| Purchases of items of property, plant and equipment | **(43,296)** | (41,278) |
| Deposits for purchases of property, plant and equipment | **(17,375)** | (26,261) |
| Purchases of intangible assets | **(315)** | (293) |
| Purchase of financial assets at fair value through profit or loss | **(70,000)** | (50,000) |
| Increase in pledged deposits | **–** | (20,982) |
| Redemption of financial asset at fair value through profit or loss | **30,242** | 92,046 |
| Settlement of financial liabilities at fair value through profit or loss | **(943)** | 430 |
| Net cash flows used in investing activities | **(101,687)** | (62,511) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New bank loans | **29,034** | 67,582 |
| Repayment of bank loan | **(2,500)** | (2,500) |
| Principal portion of lease payments | **(4,864)** | (10,077) |
| Interest paid | **(765)** | (3,178) |
| Purchase of shares under the share award scheme | **–** | (59,673) |
| Net cash flows from/(used in) financing activities | **20,905** | (7,846) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(226,369)** | (159,214) |
| Cash and cash equivalents at the beginning of the period | **562,983** | 810,370 |
| Effect of foreign exchange rate changes, net | **30,773** | (8,096) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | **367,387** | 643,060 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | **367,638** | 146,252 |
| Non-pledged time deposits with original maturity of less than three months when acquired | **–** | 496,808 |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position | **367,638** | 643,060 |
| Bank balances restricted for special purpose | **(251)** | – |
| Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows | **367,387** | 643,600 |

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2021. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

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

The nature and impact of the revised HKFRSs are described below:

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised HKFRSs are described below: (continued)

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

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

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

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

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 3. 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

***Non-current assets***

| | As at 30 June 2022 *RMB'000 (unaudited)* | As at 31 December 2021 *RMB'000 (audited)* |
|---|---|---|
| Mainland China | **440,091** | 408,980 |
| Cayman Islands | **25,079** | 26,933 |
| Hong Kong | **8,982** | 10,057 |
| | **474,152** | 445,970 |

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

## 4. OTHER EXPENSES, NET

| | Six months ended 30 June 2022 *RMB'000 (unaudited)* | 2021 *RMB'000 (unaudited)* |
|---|---|---|
| Foreign exchange loss, net | **29,546** | – |
| Others | **836** | 138 |
| | **30,382** | 138 |

## 5. LOSS BEFORE TAX

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

| | Six months ended 30 June 2022 *RMB'000 (unaudited)* | 2021 *RMB'000 (unaudited)* |
|---|---|---|
| Fair value gain on financial assets at fair value through profit or loss | **(446)** | (245) |
| Fair value loss/(gain) on financial liabilities at fair value through profit or loss | **943** | (485) |
| Foreign exchange loss/(gain), net | **29,546** | (2,394) |

## 6. INCOME TAX

No Hong Kong profits tax has been made as the Company did not generate any assessable profit during the period (six months ended 30 June 2021: Nil).

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

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

## 7. DIVIDENDS

No dividend was paid or declared by the board of directors of the Company during the six months ended 30 June 2022 and 2021.

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

The calculation of the basic loss per share amounts is based on the consolidated loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 988,144,900 (six months ended 30 June 2021: 1,001,741,519) in issue during the period, as adjusted to exclude the shares held under the share award scheme of the Company.

No adjustment has been made to basic loss per share presented for the six months ended 30 June 2022 and 2021 as the Group has no potentially dilutive ordinary shares in issue during those periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets with a cost of RMB29,326,000 (30 June 2021: RMB46,272,000).

## 10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Note | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|---|
| Structured deposit | (i) | **40,204** | – |

*Note:*

(i) The structured deposit is principal-protected and a minimum rate of return is guaranteed. The structured deposit was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. The Group has estimated the fair value of the structured deposit based on fair value provided by the financial institution. As of 30 June 2022, the maturity of the structured deposit is within one month, with an expected return rate ranging from 1.60% to 3.80% per annum.

## 11. CASH AND CASH EQUIVALENTS

| | Note | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|---|
| Cash and bank balances | (i) | **367,638** | 399,983 |
| Time deposits | | **–** | 163,000 |
| Cash and cash equivalents | | **367,638** | 562,983 |
| Denominated in: | | | |
| RMB | | **323,363** | 285,724 |
| USD | | **37,125** | 248,953 |
| HKD | | **6,712** | 27,923 |
| EUR | | **241** | 248 |
| AUD | | **194** | 131 |
| GBP | | **3** | 4 |
| | | **367,638** | 562,983 |

*Note:*

(i) As at 30 June 2022, included in the cash and cash equivalents was an aggregate amount of RMB251,345.10 (31 December 2021: RMB4,126,045.10) designated for the use of a construction project by a subsidiary of the Group in accordance with the relevant facility agreements.

## 12. SHARE CAPITAL

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|---|---|
| Issued and fully paid: | | |
| 1,006,240,400 (2021: 1,006,240,400) ordinary shares | **1,679,126** | 1,679,126 |

## 13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Buildings, plant and machinery | **277,265** | 364,520 |

## 14. RELATED PARTY TRANSACTIONS

**(a) In addition to the balances, arrangements and transactions detailed elsewhere in this financial information, the Group had the following transaction with the related party during the period:**

| | Six months ended 30 June | |
|---|---|---|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Operating lease rent from a related party: | | |
| Haikou Pharmaceutical Factory Co., Ltd. | **–** | 1,230 |
| Long-term lease payment: | | |
| Haikou Pharmaceutical Factory Co., Ltd. | **3,393** | 7,888 |

## 14. RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with related party:

| | Note | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|---|
| Other payables and accruals: | | | |
| Haikou Pharmaceutical Factory Co., Ltd. | (i) | **1,372** | 451 |
| Prepayments: | | | |
| Haikou Pharmaceutical Factory Co., Ltd. | | **1,250** | 417 |
| Lease liabilities: | | | |
| Haikou Pharmaceutical Factory Co., Ltd. | | **56,068** | 58,082 |

*Note:*

(i) This balance is unsecured, interest-free and has no fixed terms of repayment.

### (c) Compensation of key management personnel of the Group:

| | Six months ended 30 June 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
|---|---|---|
| Salaries, allowances and benefits in kind | **6,963** | 4,382 |
| Pension scheme contributions | **119** | 104 |
| Total compensation paid to key management personnel | **7,082** | 4,486 |

## 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### As at 30 June 2022

***Financial assets***

| | Financial assets at amortised cost *RMB'000 (unaudited)* | Financial asset at fair value through profit or loss *RMB'000 (unaudited)* | Total *RMB'000 (unaudited)* |
|---|---|---|---|
| Financial assets included in prepayments, deposits and other receivables | 2,723 | – | 2,723 |
| Financial asset at fair value through profit or loss | – | 40,204 | 40,204 |
| Cash and cash equivalents | 367,638 | – | 367,638 |
| | 370,361 | 40,204 | 410,565 |

***Financial liabilities***

| | Financial liabilities at amortised cost *RMB'000 (unaudited)* |
|---|---|
| Lease liabilities | 71,596 |
| Financial liabilities included in other payables and accruals | 46,732 |
| Interest-bearing bank borrowings | 225,562 |
| | 343,890 |

## 15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### As at 31 December 2021

***Financial assets***

| | Financial assets at amortised cost *RMB'000 (audited)* |
|---|---|
| Financial assets included in prepayments, deposits and other receivables | 3,578 |
| Cash and cash equivalents | 562,983 |
| | 566,561 |

***Financial liabilities***

| | Financial liabilities at amortised cost *RMB'000 (audited)* |
|---|---|
| Lease liabilities | 76,682 |
| Financial liabilities included in other payables and accruals | 76,566 |
| Interest-bearing bank borrowings | 198,777 |
| | 352,025 |

## 16. 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 value of the non-current portion of financial assets included in prepayments, deposits and other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in structured deposits, which represent a wealth management product issued by a bank in Mainland China. The Group has estimated the fair value of these structured deposits based on fair values provided by financial institutions.

The Group enters into foreign exchange contracts with a bank. The foreign exchange contracts were 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.

## 16. 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 30 June 2022*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) *RMB'000 (unaudited)* | Significant observable inputs (Level 2) *RMB'000 (unaudited)* | Significant unobservable inputs (Level 3) *RMB'000 (unaudited)* | Total *RMB'000 (unaudited)* |
| Financial asset at fair value through profit or loss | – | 40,204 | – | 40,204 |

The Group did not have any financial assets measured at fair value as at 31 December 2021.

During the period, 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 (six months ended 30 June 2021: Nil).

## 17. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2022.

## USE OF PROCEEDS FROM LISTING

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

Reference is made to the Company's prospectus dated 31 October 2019 (the "**Prospectus**") and announcements dated 22 July 2020, 14 August 2020 and 21 March 2022.

Details of the planned applications of the net proceeds from the Listing (adjusted on a pro-rata basis based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcements dated 22 July 2020, 14 August 2020 and 21 March 2022. The following table sets out the planned applications of the net proceeds and the actual usage up to 30 June 2022:

| **Use of proceeds** | **Planned applications** [(Note 1)] *(HK$ million)* | **Actual utilisation up to 30 June 2022** *(HK$ million)* | **Unutilised net proceeds as at 30 June 2022** *(HK$ million)* | **Expected timeline for full utilisation of the unutilised net proceeds** [(Note 2)] |
|---|---|---|---|---|
| *For the R&D and commercialisation of our drug candidates* | | | | |
| For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States; and (iv) New Drug Application registration filings and the commercial launch of SM03 | 220.9 | 199.1 | 21.8 | By the end of 2022 |
| To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline | 279.4 | 237.5 | 41.9 | By the end of 2023 |
| To further advance our R&D programmes, expand our R&D team, build our commercialisation team, develop our proprietary technology and enhance our full-spectrum platform | 52.4 | 47.1 | 5.3 | By the end of 2022 |
| For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio | 84.9 | 57.0 | 27.9 | 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 | 27.6 | 58.2 | By the end of 2022 |
| For the purchase of manufacturing equipment, primarily for the production of SM03 | 59.7 | 9.9 | 49.8 | By the end of 2022 |

| Use of proceeds | Planned applications (Note 1) (HK$ million) | Actual utilisation up to 30 June 2022 (HK$ million) | Unutilised net proceeds as at 30 June 2022 (HK$ million) | Expected timeline for full utilisation of the unutilised net proceeds (Note 2) |
|---|---|---|---|---|
| *For the construction of the Suzhou production base* | | | | |
| For the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and other potential indications, R&D of SM03 at commercialisation to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline | 107.6 | 53.2 | 54.4 | By the end of 2022 |
| For the construction of an upstream production facility and downstream purification facility | 88.2 | 6.1 | 82.1 | By the end of 2022 |
| 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 | 86.4 | 31.5 | By the end of 2023 |
| *For our working capital, expanding internal capabilities and other general corporate purposes* | 137.2 | 118.3 | 18.9 | N/A |
| *Collaboration with D2M Group* | 38.8 | 38.8 | – | N/A |
| | 1,272.8 | 881.0 | 391.8 | |

*Notes:*

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

(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.

## SHARE INCENTIVES

### Restricted Share Unit Scheme

A restricted share unit scheme (the "**RSU Scheme**") was conditionally adopted by the Shareholders on 18 October 2019, with effect from 12 November 2019, the principle terms of which 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 RSU Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. 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 restricted share units ("**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.

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 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.

Under the RSU Scheme, 10,062,404 RSUs in respect of 10,062,404 Shares and 26,111,996 RSUs in respect of 26,111,996 Shares were granted to an employee of the Company and a former Director, Mr. Jing QIANG, (the "**Grant to Mr. Qiang**"), respectively, on 5 June 2020 and 14 December 2021. The Grant to Mr. Qiang formed part of his remuneration under his service contract as a Director. Please refer to the announcements of the Company dated 5 June 2020 and 23 December 2021 for further information.

Subsequent to the Grant to Mr. Qiang, 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 Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

Under the Share Award Scheme, the Board or an authorised person as authorised by the Board for the administration of the Share Award Scheme, may select any eligible person and grant an award (the "**Award**") to the selected participants (the "**Selected Participants**"). 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.

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.

During the Reporting Period and as at the date of this interim report, there are 18,095,500 Shares held by the Trustee and no Awards had been granted to any eligible person under the Share Award Scheme.

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

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

| Name of Director/ chief executive | Capacity/nature of interest[1] | Number of Shares | Approximate percentage of shareholding[2] |
|---|---|---|---|
| Ms. Wenyi LIU[3] | Interest in a controlled corporation and interest of spouse | 285,713,036 | 28.39% |
| Dr. Shui On LEUNG[4] | Interest in a controlled corporation | 129,729,200 | 12.89% |

(1) All interests stated are long positions.

(2) As at 30 June 2022, the Company had 1,006,240,400 issued Shares.

(3) As at 30 June 2022, 212,889,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Liu. Ms. Liu is deemed to be interested in these Shares for the purposes of the SFO. The interest in the other 72,823,636 Shares were held by Mr. Jing QIANG, of which 46,711,640 Shares were held through Grogene Technology Limited (格擎生物科技有限公司) which is wholly owned by Mr. Jing QIANG. Ms. Liu is the spouse of Mr. Qiang who is deemed to have an interest in the 72,823,636 Shares for the purposes of the SFO.

(4) As at 30 June 2022, these Shares were held by Skytech Technology, which is wholly owned by Dr. Leung.

Save as disclosed above, as at 30 June 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, to the best knowledge of the Directors, the following persons/entities (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and the 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 | 285,713,036 | 28.39% |
| Apricot Capital (上海杏澤投資管理有限公司)[5][6][7] | Interest in a controlled corporation | 212,889,400 | 21.16% |
| 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 | 212,889,400 | 21.16% |
| Hainan Haiyao Co., Ltd. (海南海藥股份有限公司)[8] | Beneficial interest | 158,882,115 | 15.79% |
| Skytech Technology[3] | Beneficial interest | 129,729,200 | 12.89% |
| Apricot Oversea Holdings Limited[5] | Beneficial interest | 108,316,600 | 10.76% |
| Ms. Sijia XU[9] | Beneficial interest | 89,802,105 | 8.92% |
| West Biolake Holdings Limited[6] | Beneficial interest | 72,349,000 | 7.19% |
| Yunnan Baiyao Group Co., Ltd* (雲南白藥集團股份有限公司) | Beneficial interest | 51,599,400 | 5.13% |
| China Citic Bank Co., Ltd., Haikou Branch[8] | Person having a security interest in Shares | 158,882,115 | 15.79% |
| Haikou City Rural Credit Cooperatives* (海口市農村信用合作聯社)[9] | Person having a security interest in Shares | 51,000,000 | 5.07% |

* *For identification purpose only*

Notes:

(1) All interests stated are long positions.

(2) As at 30 June 2022, the Company had 1,006,240,400 issued Shares.

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

(4) As at 30 June 2022, 72,823,636 Shares were held by Mr. Jing QIANG of which 46,711,640 Shares were held through his wholly owned company, Grogene Technology Limited (格擎生物科技有限公司). The interest in the other 212,889,400 Shares were held by Apricot Capital (上海杏澤投資管理有限公司) through Apricot Oversea Holdings Limited, West Biolake Holdings Limited, Apricot BioScience Holdings, L.P., Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Wenyi LIU. Mr. Qiang is the spouse of Ms. Liu who is deemed to be interested in these Shares for the purposes of the SFO.

(5) Apricot Oversea Holdings Limited is the overseas holding platform of Xingze Xinghe and Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥) ("**Jianyi Xinghe**"), holding as to approximately 9.26% and 1.51% of the issued Shares as at 30 June 2022, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Centre (Limited Partnership)* (上海月溢投資中心(有限合夥)) ("**Yueyi Investment**") are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea Holdings 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 1.31% of the issued Shares as at 30 June 2022. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.09% and 0.80% of the issued Shares as at 30 June 2022, respectively. Apricot Capital was owned by Ms. Wenyi LIU, a non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* (上海佐禾投資管理有限公司) ("**Zuohe Investment**") as to 40% and 60%, respectively as at 30 June 2022. Zuohe Investment was owned by Ms. Liu and an independent third party as to 51% and 49% as at 30 June 2022, respectively. For the purpose of the SFO, Ms. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment.

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

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

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person or corporation having an interest or short position in the 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.

* *For identification purpose only*

## CHANGES IN DIRECTORS' INFORMATION

There was no change in information of Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31 December 2021.

## 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 Reporting Period.

## SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

The Company has adopted the Model Code as its written guidelines (the "**Employee 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 Employee Written Guidelines by the relevant employees was noted by the Company throughout the Reporting Period.

## CORPORATE GOVERNANCE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential to providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has applied the principles and code provisions as set out in the CG Code.

The Company has complied with all applicable code provisions as set out in the CG Code during the six months ended 30 June 2022, except for code provision C.2.1 as explained below.

### Chairman and Chief Executive Officer

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

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

The Board believes that Dr. Leung is the Director best suited, among all Directors, to identify strategic opportunities and focus in view of his extensive understanding of the Company's business as a founder and the chief executive officer. The Board further believes that the combined role of chairman and chief executive officer will not impair the balance of power and authority between the Board and the management of our 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 the 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 an executive Director (Dr. Leung), five non-executive Directors and four independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategies and other key business, financial, and operational policies of the Company are made collectively after thorough discussions at both the Board and senior management levels. Therefore, the Board considers that it is in the best interests of the Group for Dr. Leung to take up both roles for business development and effective management, and the deviation from the code provision C.2.1 in the CG Code is appropriate in such circumstances.

## NO MATERIAL CHANGES

Save as disclosed in this interim report, during the Reporting Period, there were no other material changes in respect of the Company that needed to be disclosed under paragraph 46 of Appendix 16 to the Listing Rules.

## REVIEW OF RESULTS

The Audit Committee currently comprises four independent non-executive Directors being Mr. Ping Cho Terence HON (Chairman), Mr. George William Hunter CAUTHERLEY, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER. The Audit Committee has reviewed this interim report.

The Audit Committee has reviewed, alongside the Company's management and external auditor, the accounting principles and policies adopted by the Group, auditing and internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the Reporting Period. The independent review report of the external auditor is set out on page 23 of this interim report.

| | |
|---|---|
| "Audit Committee" | the audit committee of the Company |
| "Board" | the board of Directors |
| "CG Code" | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "Company" or "our Company" | SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong on 27 April 2001 with limited liability |
| "Director(s)" | the director(s) of the Company |
| "FDA" | the United States Food and Drug Administration |
| "Group" or "our Group" | the Company and its subsidiaries |
| "HKFRSs" | the Hong Kong Financial Reporting Standards |
| "HK$" or "HKD" or "Hong Kong Dollars" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "NMPA" | National Medical Products Administration of the PRC |
| "Nomination Committee" | the nomination committee of the Company |
| "PRC" or "China" | the People's Republic of China |
| "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" | six months ended 30 June 2022 |

# Definitions

| | |
|---|---|
| "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 |
| "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) |
| "U.S.", "U.S.A." or "United States" | the United States of America, its territories, its possessions and all area 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*