SinoMab BioScience Limited
中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3681)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of SinoMab BioScience Limited (中國抗體製藥有限公司) (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures of the year ended 31 December 2018. The consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee of the Company and audited by the Company's auditor. Unless specified, figures in this announcement are prepared under the Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

FINANCIAL HIGHLIGHTS

- Total comprehensive loss was approximately RMB273.08 million for the Reporting Period, representing an increase of approximately RMB193.80 million compared to the year ended 31 December 2018, mainly due to the increase in research and development ("**R&D**") expenses and administrative expenses, which was aligned with the Group's clinical trial development of SM03 and SN1011, milestone payments of co-developed products, intellectual property transfer fees, and listing expenses.

- Net cash from financing activities for the year ended 31 December 2019 was approximately RMB1,420.80 million, which was principally attributable to net cash from the successful new allotment of shares amounting to RMB1,137.88 million through the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 November 2019.

- Net cash used in investing activities for the Reporting Period was approximately RMB42.29 million, which was mainly due to Suzhou production base's construction, which will significantly enhance the Group's production capacity.

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

BUSINESS HIGHLIGHTS

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

    - Enrolment of patients for Phase III clinical trials of SM03 (potential first-in-target anti-CD22 monoclonal antibody ("**mAb**")) for rheumatoid arthritis ("**RA**") started in 2019. As at 31 December 2019, a total of 288 patients have been enrolled and treated with the assigned drugs.

    - As for SN1011's Phase I clinical trial for immunological diseases in Australia, as at 15 January 2020, the clinical trial in respect of single ascending dose ("**SAD**") has been completed with 40 subjects participated in the clinical trial with no serious adverse event ("**SAE**") reported. The clinical trial has entered into multiple ascending doses ("**MAD**"), and current safety is in line with expectations.

    - As at 17 January 2019, the Company entered into an agreement with LifeArc for the co-development of SM17, which is a humanised mAb against the receptor IL17BR found on type 2 innate-lymphoid cells ("**ILC2**").

    - As for construction of Suzhou commercial-scale production base which occupies approximately 7,000 sq.m. with a total production capacity of 6,000L (in addition to the Company's current total production capacity of 1,200L), the administrative areas, testing laboratories and R&D laboratories were completed as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

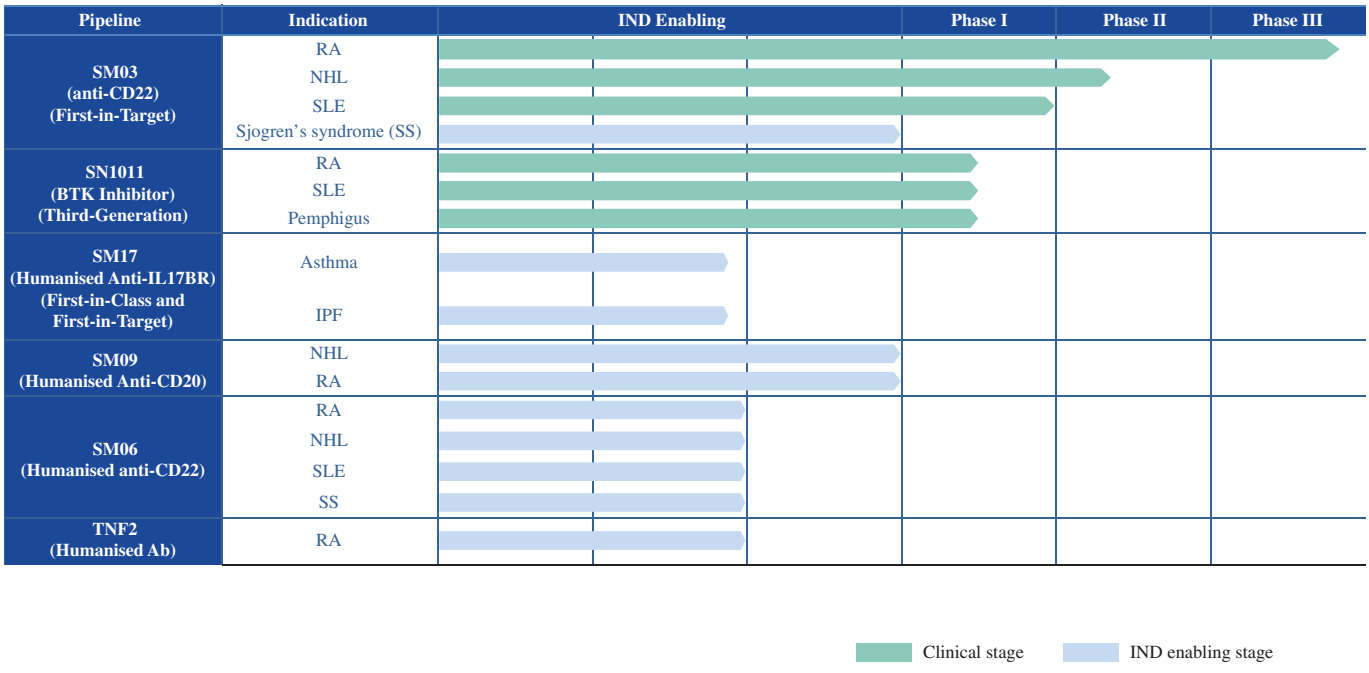
Overview

We are a Hong Kong-based biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily complementary mAb-based biologics. 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 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, is a potential global first-in-target mAb for the treatment of RA and potentially for the treatment of other immunological diseases, which is expected to be commercialised by the end of 2021.

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

Progress of clinical projects

Product pipeline



Flagship product

SM03 – Potential first-in-target anti-CD22 mAb

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

We plan to rapidly advance the development of SM03. As at 31 December 2019, a total of 288 patients have been enrolled into SM03 Phase III clinical trials for RA and treated with the assigned drugs. Safety data of SM03 Phase III clinical trials were also as expected and consistent with the results of Phase II clinical trials. We expect to complete patient enrolment for SM03's Phase III clinical trial for RA in the second half of 2020, and plan to file our Biologics Licence Application ("**BLA**") with the National Medical Products Administration of the PRC (the "**NMPA**") in the first half of 2021. Such timeframe was extended from the original schedule as a result of the uncertainties brought by coronavirus disease (COVID-19). We also expect to commercialise SM03 by the end of 2021. For global development, we also plan to conduct a bridging clinical study in Australia, which will lead to the subsequent clinical trials planned in the United States. The bridging clinical trial is under preparation and is expected to initiate in the first half of 2020. In addition to our efforts to develop SM03 as a therapeutic for RA, we will advance SM03 clinical trials for SLE to broaden the therapeutic uses of SM03 in fulfilling unmet medical needs. We plan to initiate Phase II clinical trials for SLE in China in the second half of 2020.

Key products

SN1011 – Third generation BTK inhibitor

SN1011 is a third generation Bruton's tyrosine kinase ("**BTK**") inhibitor designed for higher selectivity and superior efficacy for the treatment of RA, SLE, pemphigus and other immunological diseases for long-term administration. SN1011 differentiates from existing BTK inhibitors currently available in the market, such as Ibrutinib, in terms of selectivity and affinity.

With regard to SN1011's Phase I clinical trial in Australia, the Company has been conducting the clinical trials for the evaluation of the safety and tolerability of SN1011 in a group of healthy adult subjects, including both SAD and MAD studies. As at 15 January 2020, the phase I of the clinical trial in respect of the SAD part has been completed on 40 Caucasian subjects. Please also refer to the announcements of the Company on 14 November 2019 and 29 January 2020 for further information about the latest R&D progress of SN1011. The Company is planning to make an Investigational New Drug ("**IND**") submission (autoimmune disease) in China in 2020. The timeframe was extended from the original schedule as a result of the uncertainties brought by COVID-19.

SM17 – IL17BR expressed on ILC2

The parent antibody of SM17 was originally developed to treat eosinophilic asthma via blockage of IL25 onto the receptor IL17BR expressed on ILC2. The antibody is specific to IL17BR, which is found to be significantly upgraded in biopsy tissues of asthmatic patients. When evaluated in a murine-based Ovalbumin ("**OVA**")-induced Allergic Asthma Model, binding of the antibody to IL17BR blocks receptor signaling which 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 LifeArc using their proprietary humanisation technology. The antibody was later found to exhibit other therapeutic potential, including on type II ulcerative colitis and idiopathic pulmonary fibrosis ("**IPF**"). In the latter case, the antibody was demonstrated to significantly reduce pulmonary collagen in mice suffering from bleomycin-induced pulmonary fibrosis. The levels of antibody-induced pulmonary collagen reduction were comparable to such achieved in mice treated with pirfenidone.

We are in the process of generating and collecting the necessary data through our in-house platforms for IND filing. We are currently generating high-yield production cell and preparing for the full characterisations of SM17. Upon the establishment of the cell bank, we will further establish the parameters for bioreactor production, optimise purification and formulation, and finalise physicochemical properties and quality control assays for SM17. We will then conduct pre-clinical studies to test its efficacies, safety and pharmacokinetics ("**PK**")/progressive disease ("**PD**"), and fulfil other regulatory requirements as consistent with the policies of the regulatory agencies in major jurisdictions. Pre-IND meetings with the relevant regulatory agencies in these jurisdictions are planned prior to our IND submissions. We intend to enter into human clinical trials by the first quarter of 2021.

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 following the mechanism of action of SM03. It is contemplated to be a less immunogenic and more human-like antibody with less side effects. We believe that SM06 will be more suitable for treating diseases requiring long-term administration, such as rheumatoid arthritis, systemic lupus erythematosus and other immunological diseases. We are currently in the process of optimising production for SM06 and expect to complete pre-clinical research in five years. Once we commercialise SM03, we will proceed to engage the NMPA to initiate clinical trials for SM06.

SM09

SM09 is a framework-patched (humanised) anti-CD20 antibody that targets an epitope different from that of other market-approved anti-CD20 antibodies such as rituximab, obinutuzumab and ofatumumab for the treatment of NHL and RA.

TNF2

TNF2 is a humanised version of infliximab for the treatment of RA. The antibody blocks binding of TNF- α onto its receptors with affinity and specificity comparable to infliximab, and efficiently inhibits TNF- α induced death of L929 cell, which is a murine fibroblast cell line.

Production

In the year of 2019, 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 4,526 square metres with a production capacity of 1,200L, 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.

The Company is in the process of constructing the Suzhou commercial-scale production base in compliance with the current Good Manufacturing Practice ("**GMP**") standards enforced by the United States Food and Drug Administration (the "**FDA**"). Construction of administrative areas, testing laboratories and R&D laboratories was completed in 2019. These facilities are under commissioning and are expected to be in operation in the first half of 2020 for supporting ongoing and new product development projects. The construction and equipment installation for the production area are expected to be completed in the first half of 2021, and the production area is expected to fully operate in the second half of 2021.

Intellectual property

Core technology of main drugs (products)

For SM03, the Company has two invention patents which are registered in the PRC and four invention patents which are registered in the United States. The Company also has filed two Patent Cooperation Treaty ("**PCT**") patent applications, which are currently under review according to PCT procedures.

For SM09, the Company has one invention patent registered in the PRC which is valid until 2026. The Company also holds three invention patents registered in the United States for SM09.

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 and trademark applications pending approval in the PRC.

Patents

Item	As at 31 December 2019	As at 31 December 2018
Number of invention patents owned by the Company	19	18

R&D personnel

Education level	Number at the beginning of the Reporting Period	Number at the end of the Reporting Period
PhD	5	6
Master	16	15
Undergraduate or below	6	7
Total number of R&D personnel	27	28
Percentage of R&D personnel to the total number of staff	30%	25%

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

Major government R&D grants, funding, subsidies and tax preference

During the Reporting Period, the Company received a total of three government grants.

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 R&D and PRC-based manufacturing capabilities. Our vision is to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases.

Our portfolio of drug candidates encompasses the entire immunological field which, we believe, will enable us to provide comprehensive treatment options for field-wide indications to patients. We believe our dedication, experience and achievements in the field of immunology have expedited the process, and elevated the industry standard, for the discovery and development of novel therapeutics against a variety of immunological diseases. As a result, we have accumulated significant experience in the discovery of new treatment modalities for immunological diseases, which has allowed 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, from 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 only by 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) 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 for rheumatoid arthritis and systemic lupus erythematosus. As previously mentioned, we expect to file our SM03 BLA for rheumatoid arthritis with the NMPA in the first half of 2021. We are also actively preparing for SM03 global development through initiating a bridging study in the Caucasian population. The study is expected to start in the first half of 2020, which will help us to bridge the clinical data generated from Chinese patients to the Caucasian population. As for indication of systemic lupus erythematosus, we plan to initiate Phase II clinical trials in China in the second half of 2020.

We will continue the global clinical development programme for SN1011 in the immunological diseases area. We expect to finish Phase I first-in-human ("**FIH**") dosing study by mid 2020 and initiate multinational Phase II proof of concept ("**POC**") study for patients with autoimmune diseases in the second half of 2020. As previously mentioned, we are also planning to make an IND submission (for autoimmune disease) in China in 2020.

Further, in respect of SM17, we plan to enter into global human clinical trials by the first quarter of 2021.

Pre-clinical R&D

The Group's international partner, LifeArc (a medical research charity based in the United Kingdom), engaged the Company to co-develop SM17. The Company is in the process of generating and collecting the necessary data for IND filing in respect of SM17, and will thereafter conduct pre-clinical studies to test its efficacies, safety and PK/PD, and fulfil other regulatory requirements. The Company intends to enter into human clinical trials by the first quarter of 2021.

The Company continues to optimise production and pre-clinical research for SM06, SM09 and TNF2. It is expected that these pre-clinical researches will complete in three years, after which the Company will engage the NMPA and/or FDA to initiate clinical trials.

Production

The Suzhou commercial-scale production base is under commissioning, which is expected to be in operation in the first half of 2020 for supporting ongoing and new product development projects. The construction and equipment installation for the production area are expected to be completed in the first half of 2021, and the production area is expected to fully operate in the second half of 2021.

The Company is in the process of purchasing a piece of land of 43,333 square metres in Suzhou Dushu Lake High Education Town, where the Company plans to build its PRC headquarters, R&D centre and a second production base. The Company expects the purchase to complete by the first half of 2020, and the associated construction work to commence in the second half of 2020.

Commercialisation

With uncertainties associated with COVID-19, we expect to put in place our senior management team in charge of commercialisation at the end of 2020. We also expect to hire up to 100 employees by 2021. 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.

COVID-19

Where the outbreak of COVID-19 continues and/or worsens, the Company's clinical trial development will continue to be affected. As at the date of this announcement, the pandemic has affected one clinical trial in the PRC since a number of out-patient clinics have closed temporarily, patients have generally avoided to visit hospitals and certain hospitals have put on hold the enrolment of patients for clinical trials. Save as disclosed in this announcement, as at the date of this announcement, all other operations of the Company have been conducted as normal so far, but can be impacted if the pandemic continues.

RISK FACTORS

R&D risk of new drugs

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

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

Market competition risk

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

Quality control risk of drugs

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

Risk of not making profit in short run

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

Risk of industry regulations and policies

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

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

Foreign exchange risk

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

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

FINANCIAL REVIEW

Other income and gains

Our other income and gains consist primarily of bank interest income, dividend income from equity investments at fair value through profit or loss, changes in fair value of equity investments at fair value through profit or loss and governmental subsidy. Total other income and gains was approximately RMB3.0 million for the year ended 31 December 2019, representing a decrease of approximately RMB5.7 million from the year ended 31 December 2018, mainly due to (i) a decrease in dividend income from and change in fair value of equity investments, which were derecognised in the year ended 31 December 2018, amounting to approximately RMB7.1 million, (ii) a decrease in governmental subsidy amounting to approximately RMB1.5 million and (iii) the offset by an increase in bank interest income amounting to approximately RMB2.9 million.

R&D costs

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Intellectual property transfer fee for new products	**103,277**	–
Laboratory consumable and experiment costs	**49,097**	32,160
Milestone payment of co-developed products	**43,721**	–
Employment costs	**11,809**	8,683
Others	**6,438**	6,440
	214,342	47,283

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

For the years ended 31 December 2018 and 2019, we incurred R&D costs of approximately RMB47.3 million and RMB214.3 million, respectively. The increase in our R&D costs was mainly due to (i) intellectual property transfer fees for new products from two third parties for multiple oncological targets such as Her2, EGFR and CD38 and an additional immunological target to diversify our product portfolio amounting to approximately RMB103.3 million in total; and (ii) co-development fees relating to milestone payment under collaboration agreements amounting to approximately RMB43.7 million.

Administrative expenses

Our administrative expenses primarily consist of listing expenses, 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, depreciation and amortisation, consulting and auditing expenses, legal and other professional advisory service fees, office expenses, transportation costs and others.

For the years ended 31 December 2018 and 2019, our total administrative expenses were approximately RMB9.0 million and RMB61.5 million, respectively. The increase was mainly due to (i) a one-off listing expenses for the global offering in 2019 amounting to approximately RMB41.9 million; (ii) an increase in the employment costs due to business expansion amounting to approximately RMB6.2 million.

Liquidity and capital resources

As at 31 December 2019, our bank balance and cash totalled RMB1,200.9 million, as compared to RMB41.5 million as at 31 December 2018. The increase was mainly due to (i) net proceeds from the global offering and Series E investment from pre-initial public offering investors and (ii) an offset by cash used in operations including the payment of intellectual property transfer fees and co-development fees.

Global offering and use of proceeds

On 12 November 2019, the Company's shares were listed on the Stock Exchange and the Company raised net proceeds of HK$1,272.80 million (equivalent to RMB1,137.88 million).

The net proceeds from the listing (adjusted on a pro-rata basis based on the actual net proceeds) are being utilised in accordance with the purposes set out in the prospectus (the "**Prospectus**") of the Company dated 31 October 2019. The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2019:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Actual utilisation up to 31 December 2019 *(HK$ million)*	Unutilised net proceeds as at 31 December 2019 *(HK$ million)*
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) NDA registration filings and the commercial launch of SM03	190.9	15.00	5.4	185.5
To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline	318.2	25.00	2.0	316.2
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	42.4	3.33	–	42.4
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	84.9	6.67	49.5	35.4
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	6.74	–	85.8

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Actual utilisation up to 31 December 2019 *(HK$ million)*	Unutilised net proceeds as at 31 December 2019 *(HK$ million)*
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	4.69	–	59.7
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	8.45	–	107.6
For the construction of an upstream production facility and downstream purification facility	88.2	6.93	–	88.2
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	167.9	13.19	–	167.9
For our working capital, expanding internal capabilities and other general corporate purposes	127.2	10.0	2.6	124.6
Total	1,272.8	100.0	59.5	1,213.3

Such utilisation of the net proceeds was in accordance with the proposed allocations set out in the manners set out in the Prospectus. The unutilised portion of the net proceeds will be applied in a manner consistent with the proposed allocations in the Prospectus.

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 from 12 November 2019 (the date on which the shares of the Company were first listed on the Stock Exchange (the "**Listing Date**")) and up to 31 December 2019.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

On 22 January 2020, the Company has made an investment amounting to HK$78,000,000 in a China Healthcare Fund Segregated Portfolio (the "**Healthcare Fund**"), which is a segregated portfolio of New China Overseas Opportunity Fund SPC (the "**Investment**"). To the best of the Company's knowledge, information and belief having made all reasonable enquiries, the Healthcare Fund and the manager(s) and other participating shareholders of the Healthcare Fund are not connected person of the Company and are not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Investment serves as a corporate investment strategy to maintain and generate possible future income of the Company and is a means to better utilise the Company's current financial resources, and falls under "other general corporate purposes" of the Company in respect of the use of proceeds from the Company's listing as set out in the Prospectus.

As none of the applicable percentage ratios (as defined under the Listing Rules) was 5% or above, the Investment was not subject to announcement, circular or shareholders' approval requirements under Chapter 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with each of the Directors, all the Directors confirmed that they had complied with such code of conduct from the Listing Date to 31 December 2019.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2018 and 2019 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for both years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

- The Company will deliver the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

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

CORPORATE GOVERNANCE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential to providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules since the Listing Date.

The Board is of the view that from the Listing Date and up to 31 December 2019, the Company has complied with all code provisions as set out in the CG Code, save for the deviation as disclosed below.

Pursuant to code provision A.2.1 in the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Dr. Shui On Leung ("**Dr. Leung**") is currently both the chairman and the chief executive officer of the Company. The Board believes that Dr. Leung is the Director best suited, among all Directors, to identify strategic opportunities and focus in view of his extensive understanding of the Company's business as a founder and the chief executive officer. The Board further believes that the combined role of chairman and chief executive officer will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decisions to be made by the Board require approval by at least a majority of the Directors; (ii) Dr. Leung and 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 two executive Directors (Dr. Leung and Mr. Jing Qiang), 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 interest of the Group for Dr. Leung to take up both roles for business development and effective management, and the deviation from the code provision A.2.1 in the CG Code is appropriate in such circumstances.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, being Mr. Ping Cho Terence Hon (Chairman), Mr. Dylan Carlo Tinker and Mr. Michael James Connolly Hogan. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control and systems of the Group and overseeing the audit process and the relationship between the Company and its auditor.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Monday, 15 June 2020. The notice of the AGM will be published on the websites of the Company (www.sinomab.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

FINAL DIVIDENDS

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of shares of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive, during which no transfer of shares will be registered, in order to determine the holders of the shares of the Company who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of the shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4: 30 p.m. on Tuesday, 9 June 2020 (Hong Kong time, being the last share registration date).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
Other income and gains	*3*	**2,994**	8,666
Research and development costs		**(214,342)**	(47,283)
Administrative expenses		**(61,544)**	(8,996)
Finance costs		**(2,338)**	(3,030)
Other expenses		**(1,052)**	(32,967)
LOSS BEFORE TAX		**(276,282)**	(83,610)
Income tax expenses	*4*	**–**	–
LOSS FOR THE YEAR		**(276,282)**	(83,610)
Attributable to:			
Owners of the parent		**(276,282)**	(83,610)
Non-controlling interests		**–**	–
		(276,282)	(83,610)
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*5*	0.33	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(276,282)**	(83,610)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of the Company	**3,198**	4,331
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**3,198**	4,331
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,198**	4,331
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(273,084)**	(79,279)
Attributable to:		
Owners of the parent	**(273,084)**	(79,279)
Non-controlling interests	**–**	–
	(273,084)	(79,279)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**17,077**	5,808
Right-of-use assets		**25,091**	32,601
Other non-current assets	*7*	**26,955**	140
Total non-current assets		**69,123**	38,549
CURRENT ASSETS			
Prepayments, deposits and other receivables		**14,174**	8,758
Cash and cash equivalents		**1,200,868**	41,512
Total current assets		**1,215,042**	50,270
CURRENT LIABILITIES			
Other payables and accruals	*8*	**98,635**	1,146
Lease liabilities		**8,040**	17,273
Other borrowings	*9*	**–**	10,000
Total current liabilities		**106,675**	28,419
NET CURRENT ASSETS		**1,108,367**	21,851
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,177,490**	60,400
NON-CURRENT LIABILITIES			
Lease liabilities		**25,292**	32,994
Interest-bearing bank borrowings	*9*	**20,282**	–
Total non-current liabilities		**45,574**	32,994
Net assets		**1,131,916**	27,406
EQUITY			
Equity attributable to owners of the parent			
Share capital	*10*	**1,679,126**	301,532
Reserves		**(547,210)**	(274,126)
Total equity		**1,131,916**	27,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was established in Hong Kong on 27 April 2001 with limited liability. On 12 November 2019, the shares were first listed on the Main Board of the Stock Exchange. The registered address of the Company is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The principal activities of the Group are mainly research and development of pharmaceutical products.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except where otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

All HKFRSs effective for the accounting periods commencing from 1 January 2018 and 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of historical financial information for the years ended 31 December 2017 and 2018 and the four months ended 30 April 2019, which is included in the Prospectus.

Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 No mandatory effective date yet determined but available for adoption.

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

3. OTHER INCOME AND GAINS

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**2,993**	116
Dividend income from equity investments at fair value through profit or loss	**–**	1,885
Governmental subsidy	**–**	1,480
Changes in fair value of equity investments at fair value through profit or loss	**–**	5,211
Others	**1**	4
	2,994	8,666

4. INCOME TAX EXPENSE

Hong Kong profits tax has been charged at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2019. Tax on profits assessable elsewhere has been calculated at the relevant tax rates prevailing in such countries (or jurisdictions) in which the Group operates.

No Hong Kong profits tax was provided for as there was no estimated assessable profit of the Company that was subject to Hong Kong profit tax during the periods presented in the consolidated financial statements.

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

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

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

The calculation of the basic earnings per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The weighted average numbers of ordinary shares for the years ended 31 December 2018 and 2019 were calculated based on the assumption that the bonus issue as detailed in note 10 to the financial statements has been adjusted retrospectively.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018 and 2019.

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

	2019	2018
	RMB'000	*RMB'000*
Loss attributable to ordinary equity holders of the parent	**276,282**	83,610

Number of shares:

	2019	2018
Weighted average number of ordinary shares in issue during the year	**836,654,781**	691,735,915

6. DIVIDEND

No dividend was paid or declared by the Company during the years ended 31 December 2018 and 2019.

7. OTHER NON-CURRENT ASSETS

The amount as at 31 December 2019 mainly represents prepayments for purchases of long-term assets for the construction of Suzhou production base primarily for the commercial-scale production of the core product SM03.

8. OTHER PAYABLES AND ACCRUALS

	NOTE	**2019**	2018
		RMB'000	*RMB'000*
Due to a related party	*(i)*	**20,000**	268
Accrued expenses		**56,630**	113
Payroll payables		**679**	660
Taxes other than income tax		**29**	19
Deferred income		**7,625**	–
Other payables		**13,672**	86
		98,635	1,146

Note:

(i) On 30 March 2019, the Company entered into a technology transfer and collaboration agreement with Suzhou Sinovent Pharmaceutical Technology Co., Ltd. ("Suzhou Sinovent"), which is a close associate of its executive director, Mr. Jing Qiang, and non-executive director, Ms. Wenyi Liu. Pursuant to the agreement, the Company agreed to acquire and Suzhou Sinovent agreed to transfer the techniques and applications of BTK inhibitor. The total consideration of the agreement is RMB140 million assuming all the milestones described in the agreement have materialised. For the year ended 31 December 2019, RMB40,000,000 was recognised in the statement of profit or loss in this regard, among which RMB20,000,000 was paid to Suzhou Sinovent during the year.

9. INTEREST-BEARING BANK AND OTHER BORROWINGS

	NOTE	**2019**	2018
		RMB'000	*RMB'000*
Bank loans repayable:	*(i)*		
in the second year		**5,000**	–
in the third to fifth years, inclusive		**15,282**	–
		20,282	**–**
Other borrowings repayable:			
within one year		**–**	10,000
		–	10,000

Note:

(i) In July 2019, in order to facilitate the construction of Suzhou production base primarily for the commercial-scale production of the core product SM03, the Group entered into a loan agreement with a reputable banking institution, which agreed to provide a credit facility of RMB200 million for a term of nine years at a variable rate of interest equal to the People's Bank of China RMB base lending rate, which was 4.9% as of 31 December 2019. As at 31 December 2019, the amount of utilised facilities was RMB20,281,650.

10. SHARE CAPITAL

	Number of Shares in issue	Amount *RMB'000*
At 1 January 2018	3,075,862	152,532
Share issued	541,583	150,000
Share issue expenses	–	(1,000)
At 31 December 2018	3,617,445	301,532
At 1 January 2019	**3,617,445**	**301,532**
Issue of shares on 15 February 2019	**503,110**	**200,000**
Bonus issue	**819,990,445**	**–**
Issue of shares on 12 November 2019	**182,129,400**	**1,237,460**
Share issue expenses	**–**	**(59,866)**
At 31 December 2019	**1,006,240,400**	**1,679,126**

Scope of work of the Group's auditor

The figures in respect of the Group's consolidated statement of financial position, consolidated statements of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this annual results announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019 prepared in accordance with HKFRSs. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

PUBLICATION OF AUDITED CONSOLIDATED ANNUAL RESULTS AND 2019 ANNUAL REPORT ON WEBSITES OF STOCK EXCHANGE AND COMPANY

This annual results announcement is published on the websites of the Company (www.sinomab.com) and the Stock Exchange (www.hkexnews.hk). The 2019 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Dr. Shui On LEUNG and Mr. Jing QIANG, the non-executive Directors are Ms. Wenyi LIU, Dr. Haigang CHEN, Mr. Senlin LIU, Mr. Huiyuan MA and Mr. Xun DONG, and the independent non-executive Directors are Mr. Dylan Carlo TINKER, Mr. Michael James Connolly HOGAN, Mr. Ping Cho Terence HON and Mr. George William Hunter CAUTHERLEY.