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 2020

The board (the "**Board**") of directors (the "**Directors**") of SinoMab BioScience Limited (中國抗體製藥有限公司) (the "**Company**" together with its subsidiaries, the "**Group**") hereby announces the audited consolidated annual results of the Group for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures of the year ended 31 December 2019. The consolidated financial statements of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company (the "**Audit Committee**") and audited by the Company's auditor. Unless otherwise specified, figures in this announcement are prepared under the Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

FINANCIAL HIGHLIGHTS

- Loss was approximately RMB122.6 million for the Reporting Period, representing a decrease of approximately RMB153.7 million compared to the year ended 31 December 2019, mainly due to the decrease in costs of business development in research and development ("**R&D**"). The decrease in costs of business development in R&D during the Reporting Period, was mainly attributable to (i) no intellectual property transfer fees were incurred for new products (2019: RMB103.3 million); and (ii) no co-development fees were incurred in relation to milestone payment under collaboration agreements (2019: RMB43.7 million).

- Net cash used in investing activities for the Reporting Period was approximately RMB179.2 million, which was mainly due to (i) capital expenditures of subsidiaries in Suzhou and Hainan of approximately RMB92.3 million for the preparation of the Company's product, SM03 commercialization; (ii) an investment in China Healthcare Fund Segregated Portfolio of approximately RMB69.6 million, which was subsequently disposed of in February 2021 at a consideration of approximately HK110.6 million; and (iii) an investment in an associate, D2M Biotherapeutics Limited ("**D2M**"), a company principally engaged in identification of novel drug targets business, of approximately RMB17.3 million.

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

BUSINESS HIGHLIGHTS

The Board is excited to announce that, during the Reporting Period, we achieved significant progress with respect to the Group's clinical trial programs, pipeline development, and preparation of commercialisation, including the following:

- Our flagship product SM03 – As at the end of the Reporting Period, 332 patients have been enrolled into SM03 Phase III clinical trials for rheumatoid arthritis ("**RA**") and we expect to complete patient enrollment in the first half of 2021 at the earliest. SM03's Phase III clinical trial interim analysis of safety data was completed in June 2020, which was generally in line with the results of SM03's Phase II clinical trials.

- Our key product SN1011 – An Investigational New Drug ("**IND**") application (autoimmune disease) for SN1011 was approved by the National Medical Products Administration of the People's Republic of China (the "**PRC**") (the "**NMPA**") on 27 August 2020. The first healthy subject had been successfully dosed in Phase I clinical trial of SN1011 in Shanghai, China on 15 January 2021. As at the date of this announcement, 27 subjects have been enrolled into Phase I clinical trial of SN1011. We expect to complete Phase I clinical study in the first half of 2021, then initial Phase II clinical study in the second half of 2021 for systemic lupus erythematosus ("**SLE**").

- Another key product SM17 – Preparation for IND application has been completed. We are in the progress of compiling the dossier for IND filing globally in the third quarter of 2021.

- Commercialisation Production Base – A land parcel located at the Suzhou Dushu Lake High Education Town was purchased by the Group on 24 June 2020 for building our PRC headquarters, R&D center as well as another important production base. The project has a site area of 43,158 square metres and a total floor area of approximately 70,000 square metres. Upon completion, the production capacity of the production base would be over 30,000 litres. The construction works are progressing steadily and are expected to be completed by late 2022.

- Exploring novel drug targets identification – On 22 July 2020, a research, development and commercialization agreement was entered into between the Company and D2M for a long-term collaboration for the identification of novel drug targets. Under the collaboration, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are the first Hong Kong-based listed biopharmaceutical company dedicated to the research, development, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, primarily monoclonal antibody ("**mAb**")-based biologics. We 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 innovation, 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 rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases such as systemic lupus erythematosus ("**SLE**"), Sjogren's syndrome ("**SS**") and non-Hodgkin's lymphoma ("**NHL**"), which is expected to be commercialised by the end of 2021 at the earliest.

Our key product, SN1011, is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed for high selectivity and superior efficacy for the long-term treatment of SLE, RA, pemphigus, multiple sclerosis and other immunological disease, which we expect to initiate its Phase II clinical study for SLE in the second half of 2021.

Another key product, SM17, is a first-in-class and first-in-target humanised anti-IL 17RB antibody for the treatment of asthma, idiopathic pulmonary fibrosis, which we intend to enter into human clinical trials globally by the second half 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

Pipeline	Indication	Territory	IND Enabling			Phase I	Phase II	Phase III
			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)							
	Sjogren's syndrome (SS)							
SN1011 (BTK Inhibitor) (Third-Generation)	Systemic lupus erythematosus (SLE)	China						
	Rheumatoid arthritis (RA)							
	Rheumatoid arthritis (RA)	Australia						
	Systemic lupus erythematosus (SLE)							
	Pemphigus							
SM17 (Humanised Anti-IL17RB) (First-in-Class and First-in-Target)	Asthma							
	Idiopathic Pulmonary fibrosis (IPF)							
SM06 (Humanised anti-CD22)	Systemic lupus erythematosus (SLE)							
	Rheumatoid arthritis (RA)							
	Sjogren's syndrome (SS)							
SM09 (Humanised Anti-CD20)	Non-Hodgkin's lymphoma (NHL)							
	Rheumatoid arthritis (RA)							
TNF2 (Humanised Ab)	Rheumatoid arthritis (RA)							

IND enabling stage

IND enabling stage I – R&D

IND enabling stage II – chemistry, manufacturing and control processes (CMC)

IND enabling stage III – Preclinical

Clinical stage

Flagship product

SM03

Our self-developed SM03 is a potential first-in-target anti-CD22 mAb for the treatment of rheumatoid arthritis ("**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 differentiates itself from the current treatments available in the market. SM03 for RA 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 2020, a total of 332 patients have been enrolled into SM03 Phase III clinical trials for RA and treated with the assigned drugs. A Phase III clinical trial interim analysis whose objective is to assess the safety and tolerability profile of patient against existing SM03's safety information was completed in June 2020. Safety data of the Phase III clinical trial interim analysis were generally in line with the results of Phase II clinical trials. We expect to complete patient enrollment for SM03's Phase III clinical trial for RA in the first half of 2021 at the earliest, and plan to file our Biologics Licence Application ("**BLA**") with the National Medical Products Administration of the People's Republic of China ("**PRC**") (the "**NMPA**") in the second half of 2021 at the earliest. Such timeframe was extended from the original schedule as a result of the uncertainties brought by coronavirus disease (COVID-19). We also expect to commercialize SM03 by the end of 2021 at the earliest. In response to the strategic planning on the Group's product pipeline development, we planned to file Investigational New Drug ("**IND**") application in the United States for SM06, a humanized version of SM03 with the same mechanism of action of SM03. Therefore, our previously planned bridging clinical study in Australia for SM03 had been negated by the clinical studies for SM06 to be conducted in the United States. 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 for addressing unmet medical needs. We expect to initiate Phase II clinical study for SLE in the second half of 2021.

Key products

SN1011

SN1011 is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed for higher selectivity and superior efficacy for the long-term treatment of SLE, RA, pemphigus, multiple sclerosis and other immunological diseases. SN1011 differentiates from existing BTK inhibitors currently available in the market, such as Ibrutinib, in terms of mechanism of action, 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 single ascending dose ("**SAD**") and multiple ascending dose 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. On 22 June 2020, the Company filed an IND application (autoimmune disease) which was accepted by the Center for Drug Evaluation of the NMPA on 25 June 2020 and was subsequently approved by the NMPA on 27 August 2020. The Company has initiated the Phase I clinical study in China and the first healthy subject had been successfully dosed in Phase I clinical trial of SN1011 in Shanghai, China on 15 January 2021. As at the date of this announcement, 27 subjects have been enrolled into Phase I clinical trial of SN1011. We expect to complete Phase I clinical study in the first half of 2021, then initiate Phase II clinical study in the second half of 2021 for SLE. Please also refer to the Company's announcements dated 14 November 2019, 29 January 2020, 29 June 2020, 1 September 2020 and 15 January 2021 for further information about the latest R&D progress of SN1011.

SM17

The parent antibody of SM17 was originally developed to treat eosinophilic asthma via blockage of IL25 onto the receptor IL17RB expressed on ILC2. The antibody is specific to IL17RB, 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 IL17RB 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 the Group's international partner, LifeArc (a medical research charity based in the United Kingdom), using their proprietary humanisation technology. The antibody was later found to exhibit other therapeutic potential, including 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. SM17 production process development is completed, and clinical batch for Phase I trials is now under manufacturing. Preliminary toxicological studies demonstrated that SM17 is well tolerated at pharmacologically active dose levels in cynomolgus monkeys. Good Laboratory Practice (GLP) compliance toxicological studies are now ongoing. We are in the progress of compiling the dossier for IND filing globally by the second half of 2021. Meanwhile, we are now conducting in-house proof-of-concept ("**POC**") studies to explore the clinical application of SM17 on various disease indications. 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 globally by the second half 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 with the same mechanism of action of SM03. It is contemplated to be a less immunogenic and more human-like antibody with reduced side effects. We believe that SM06 will be more suitable for treating diseases requiring long-term administration, such as SLE, RA and other immunological diseases. We are currently in the process of optimising production for SM06 and speeding up the filing of SM06 for clinical studies in the United States. Our expected timeframe to complete pre-clinical research has been speeded up to two years. Once we commercialise SM03, we will proceed to engage the NMPA and/or regulatory authorities of other jurisdictions 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 2020, 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 1,200 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.

The Company is in the process of constructing the Suzhou commercial-scale production base with a production capacity of 6,000 litres 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. The administrative areas have been in operation since late-2020 for supporting ongoing and new product development projects and the testing and R&D laboratories are under commissioning during the Reporting Period. The equipment installation for the testing and R&D laboratories is expected to be completed in the first half of 2021, and the testing and R&D laboratories are 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, of which one invention patent is also applicable to SM06, and four invention patents which are registered in the United States, of which three invention patents are also applicable to SM06. The Company has also filed two Patent Cooperation Treaty ("**PCT**") patent applications, both of which are also applicable to SM06, 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 2020	As at 31 December 2019
Number of invention patents owned by the Company	19	19

R&D personnel

Education level	Number at the end of the Reporting Period	Number at the beginning of the Reporting Period
PhD	7	6
Master	11	15
Undergraduate or below	7	7
Total number of R&D personnel	25	28

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 six 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 innovation, 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, 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 RA and SLE. As previously mentioned, we expect to file our SM03 BLA for RA with the NMPA in the second half of 2021 at the earliest. As mentioned in the preceding paragraph, our previously planned bridging clinical study in Australia for SM03 had been negated by the clinical studies for SM06 to be conducted in the United States. In terms of the broader indication development, we will advance clinical trials for SLE and possibly other autoimmune diseases.

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**") study in the second quarter of 2021 and initiate Phase II POC study for patients with autoimmune diseases in the second half of 2021. On 22 June 2020, the Company filed an IND application (for autoimmune disease) which was accepted by the Center for Drug Evaluation of the NMPA on 25 June 2020 and was subsequently approved by the NMPA on 27 August 2020. The Company has initiated Phase I clinical study in China and the first healthy subject has been successfully dosed in a Phase I clinical trial of SN1011 in Shanghai, China on 15 January 2021.

Further, in respect of SM17, we plan to enter into human clinical trials globally by the second half of 2021.

Pre-clinical R&D

The Group's international partner, LifeArc, 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 Pharmacokinetics ("**PK**")/Pharmacodynamics ("**PD**"), and fulfil other regulatory requirements. The Company intends to enter into human clinical trials globally by the second half of 2021.

We are currently in the process of optimising production for SM06 and speeding up the filing of SM06 for clinical studies in the United States. Our expected timeframe to complete pre-clinical research has been speeded up to two years.

The Company continues to optimise production and pre-clinical research for SM09 and TNF2. It is expected that these pre-clinical researches will complete in two years, after which the Company will engage the NMPA and/or 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 for a long-term collaboration for the identification of novel drug targets, for which the Company is entitled to conduct subsequent researches, development and commercialization 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 prioritized target-selection mechanism.

Production

The Suzhou commercial-scale production base is under commissioning, the administrative arm of which has been in operation since late 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.

On 24 June 2020, the Company purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town, where the Company plans to build its PRC headquarters, an R&D centre as well as another production base, with a total floor area of approximately 70,000 square metres. The foundation works have been completed. The superstructure works have commenced and are expected to be completed by late 2022. Upon completion, the production capacity of the production base would be over 30,000 litres.

Commercialisation

Albeit uncertainties associated with COVID-19, we expect to build up our sales team 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. 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.

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 announcement, the pandemic has affected one clinical trial in the PRC and one study in Australia since a number of out-patient clinics have closed temporarily, patients or subjects have generally avoided to visiting hospitals and certain hospitals have put on hold the enrollment of patients or subjects 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 new drug R&D according to the needs of clinical drug use. The Company will also formulate reasonable new drug technology solutions, continuously increase the investment in R&D of new drugs, and uphold the principle of prudence in launching R&D projects for new drugs. In particular, the Company implements phase-based assessments on product candidates in the course of R&D. If it is found that the expected result cannot be achieved, the subsequent R&D of such product candidates will be terminated at once, so as to minimise the R&D risk of new drugs.

Market competition risk

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

Quality control risk of drugs

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

Risk of not making profit in short run

One of the most prominent characteristics of the biopharmaceutical industry is a long profit cycle. Generally, a biopharmaceutical enterprise at the R&D stage takes a longer time to 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 gain

Our other income and gain consist primarily of bank interest income, fair value gain on a financial asset at fair value through profit or loss and government grants. Total other income and gain were approximately RMB58.4 million for the Reporting Period, representing an increase of approximately RMB55.4 million from the year ended 31 December 2019, mainly due to (i) the recognition of unrealised fair value gain of a financial asset at fair value through profit or loss amounting to approximately RMB28.3 million, (ii) an increase in government grants amounting to approximately RMB12.8 million and (iii) an increase in bank interest income amounting to approximately RMB14.3 million.

R&D costs

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Intellectual property transfer fee for new products	**–**	103,277
Laboratory consumable and experiment costs	**79,891**	49,097
Milestone payment of co-developed products	**–**	43,721
Employment costs	**17,228**	11,809
Others	**6,283**	6,438
	103,402	214,342

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 2020 and 2019, we incurred R&D costs of approximately RMB103.4 million and RMB214.3 million, respectively. The decrease in our costs of business development in R&D during the Reporting Period, was mainly attributable to (i) no intellectual property transfer fees were incurred for new products (2019: RMB103.3 million); and (ii) no co-development fees were incurred in relation to milestone payment under collaboration agreements (2019: 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, consulting and auditing expenses, legal and other professional advisory service fees, office expenses, transportation costs and others.

For the years ended 31 December 2020 and 2019, our total administrative expenses were approximately RMB72.0 million and RMB61.5 million, respectively. The increase was mainly due to (i) the recognition of a non-cash share-based payment (being the grant of restricted share units ("**RSUs**") under the RSU scheme of approximately RMB34.9 million); (ii) an increase in the employment related costs for our business expansion of approximately RMB12.0 million; (iii) an increase in post-listing expenses including public relations fees, compliance fees and independent non-executive directors' fees of approximately RMB3.5 million; and (iv) offset by the decrease in listing fees of approximately RMB41.9 million.

Liquidity and capital resources

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

As at 31 December 2020, our bank balance and cash totalled RMB810.4 million, as compared to RMB1,200.9 million as at 31 December 2019. The decrease was mainly due to (i) an investment in the China Healthcare Fund which is a segregated portfolio of New China Overseas Opportunity Fund SPC ("**New China Overseas**") of approximately RMB69.6 million (equivalent to HK$78.0 million), which was subsequently disposed of at a consideration of HK$110.6 million in February 2021; (ii) a settlement of listing fees of approximately RMB54.5 million; (iii) the capital expenditures of subsidiaries in Suzhou and Hainan, of approximately RMB92.3 million; (iv) an investment in D2M Biotherapeutics Limited, of approximately RMB17.3 million; (v) the expenses paid for operating activities, of approximately RMB141.3 million; and (vi) offset by the increase in the bank borrowing of approximately RMB40.2 million.

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

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Net cash flows used in operating activities	**(141,338)**	(222,489)
Net cash flows used in investing activities	**(179,218)**	(42,286)
Net cash flows (used in)/from financing activities	**(18,808)**	1,420,802
Net (decrease)/increase in cash and cash equivalents	**(339,364)**	1,156,027
Cash and cash equivalents at the beginning of the year	**1,200,868**	41,512
Effect of foreign exchange rate changes, net	**(51,134)**	3,329
Cash and cash equivalents at the end of the year	**810,370**	1,200,868
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**77,606**	703,983
Non-pledged time deposits with original maturity of less than three months when acquired	**732,764**	496,885
Cash and cash equivalents as stated in the statement of cash flows	**810,370**	1,200,868

As at 31 December 2020, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Bank Borrowing and Gearing Ratio

As at 31 December 2020, the Group's outstanding borrowing of RMB60.5 million (31 December 2019: RMB20.3 million) were denominated in RMB and carried at a variable rate of interest equal to the People's Bank of China RMB Loan Prime Rate plus 0.25%.

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%. Gearing ratio is not meaningful as our interest-bearing bank borrowing less cash and cash equivalents was negative.

Significant investment held

As at 31 December 2020, the Company held 775,347.912 units of class A participating shares (the "**Investment**") in the China Healthcare Fund, which is a segregated portfolio of New China Overseas. New China Overseas is an open-ended investment company incorporated in the Cayman Islands with limited liability on 17 October 2014 and registered as an exempted segregated portfolio company with the Registrar of Companies of the Cayman Islands.

The principal investment objective of the China Healthcare Fund is to achieve absolute returns through investment in the healthcare industry in the Greater China region and to capture the investment opportunities in the fast-growing healthcare industry in the Greater China region. The China Healthcare Fund mainly invests in equities listed on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), as well as the stock exchanges in the PRC and the United States. In particular, the China Healthcare Fund focuses on investing in equities whose operations focused mainly in, or who derive a significant amount of earnings from, the healthcare industry in the Greater China region, or which are closely related thereto.

The Company made an investment amounting to HK$78.0 million in the Investment on 22 January 2020. As at 31 December 2020, the fair value of the Investment amounted to approximately RMB93.1 million (equivalent to approximately HK$110.6 million) which represented approximately 8.24% to the total assets of the Company. During the Reporting Period, the Company recognised unrealised gain from change in fair value of the Investment of approximately RMB28.3 million and received no dividend.

Based on the performance of the China Healthcare Fund since its establishment in 2015, the average annualised rate of return is approximately 2.37% per annum. The China Healthcare Fund yielded a significant return of approximately 41.8% for the year ended 31 December 2020, despite the weak global economy, social unrest and the trade war between China and the United States, as the fund manager focused on investing in equities mainly in the healthcare industry that the fund manager believed would have high growth rates, reasonable valuations and strong track records.

During the year under review, the Investment served as a corporate investment strategy to maintain and generate possible future income of the Company and was a means to better utilise the Company's current financial resources, and fell under "other general corporate purposes" of the Company's planned use of proceeds from the Company's listing. The Investment matured on 22 January 2021 and can be redeemed since then. The Company executed a contract on 4 February 2021 to dispose the Investment at a consideration of HK$110.6 million and the disposal was completed on 18 February 2021. Please refer to the section headed "SUBSEQUENT EVENTS AFTER REPORTING PERIOD" for more details.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company's total assets as at 31 December 2020.

Change in use of proceeds

As previously reported, the Board resolved to change the use of the unutilised net proceeds. The change in use of proceeds was made in light of a strategic collaboration with D2M for a long-term collaboration for the identification of novel drug targets (the "**Collaboration**"). Further detail are disclosed under the below section headed "Global offering and use of proceeds".

On 22 July 2020, the Company and D2M entered into a research, development and commercialization agreement in respect of the Collaboration. The Company also entered into a shares purchase agreement and a shareholders' agreement with D2M, among others, pursuant to which Ingenious Sino Limited, a wholly-owned subsidiary of the Company, purchased from D2M 27,780,000 series pre-A1 preferred shares, representing 29.24% equity interests in D2M as at the date of this announcement, at an aggregate purchase price of US$5,000,000. Further details relating to the Collaboration were disclosed in the announcement of the Company dated 22 July 2020.

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.

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

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 announcement dated 22 July 2020. The following table sets out the revised applications of the net proceeds and the actual usage up to 31 December 2020:

Use of proceeds	**Planned applications** *(HK$ million)*	**Revised applications** *(HK$ million)*	**Actual utilisation up to 31 December 2020** *(HK$ million)*	**Unutilised net proceeds as at 31 December 2020** *(HK$ million)*	**Expected timeline for full utilisation of the unutilised net proceeds** *(Note 1)*
For the R&D and commercialization of our drug candidates					
For the R&D and commercialization 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	190.9	190.9	101.9	89.0	By the end of 2023

Use of proceeds	Planned applications *(HK$ million)*	Revised applications *(HK$ million)*	Actual utilisation up to 31 December 2020 *(HK$ million)*	Unutilised net proceeds as at 31 December 2020 *(HK$ million)*	Expected timeline for full utilisation of the unutilised net proceeds *(Note 1)*
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	279.4	69.5	209.9	By the end of 2023
To further advance our R&D programmes, expand our R&D team, build our commercialization team, develop our proprietary technology and enhance our full-spectrum platform	42.4	42.4	4.2	38.2	By the end of 2021
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	84.9	84.9	49.5	35.4	N/A *(Note 2)*
For the construction of our Suzhou production base primarily for the commercial-scale production of our core product SM03					
For the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline	85.8	85.8	4.9	80.9	By the end of 2021
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	59.7	–	59.7	By the end of 2021
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 commercialization to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline	107.6	107.6	–	107.6	By the end of 2022

Use of proceeds	Planned applications *(HK$ million)*	Revised applications *(HK$ million)*	Actual utilisation up to 31 December 2020 *(HK$ million)*	Unutilised net proceeds as at 31 December 2020 *(HK$ million)*	Expected timeline for full utilisation of the unutilised net proceeds *(Note 1)*
For the construction of an upstream production facility and downstream purification facility	88.2	88.2	–	88.2	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	167.9	167.9	33.5	134.4 *(Note 3)*	By the end of 2022
For our working capital, expanding internal capabilities and other general corporate purposes	127.2	127.2	123.4	3.8 *(Note 4)*	N/A
Collaboration with D2M Group	–	38.8	19.4	19.4	By the end of 2023
Total	1,272.8	1,272.8	406.3	866.5	

Notes:

(1) 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.

(2) 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.

(3) Based on the latest development planning for the land purchased on 24 June 2020 and due to the uncertainties brought by the outbreak of COVID-19, the timeframe for construction of the site area and expansion of the production base has been extended.

(4) Costs of HK$78.0 million for the Investment in China Healthcare Fund will be returned to this planned application. The Investment was subsequently disposed of at a consideration of HK$110.6 million in February 2021, please refer to the paragraphs headed "Significant investment held" and "Subsequent events after reporting period" to this announcement for more details.

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 revised applications.

Connected Transaction

On 22 December 2020, a subscription agreement (the "**Subscription Agreement**") was entered into between the Company (the issuer) and Haiyao International Group Limited (the "**Investor**") in respect of the subscription by the Investor for convertible bonds in an aggregate principal amount of HK$100,000,000 ("**Convertible Bonds**"). The initial conversion price of the Convertible Bonds is HK$5.0 per conversion share, representing a premium of approximately 25% over the closing price of the shares of the Company as quoted on the Stock Exchange on 22 December 2020 (which is HK$4.0), subject to adjustment ("**Conversion Price**"). After deducting the transaction cost, the net price for each conversion share is HK$4.945 (assuming full conversion of the Convertible Bonds at the initial Conversion Price and assuming no adjustment). The Investor has the right to convert all or part of the Convertible Bonds on the first anniversary date from the date on which Convertible Bonds are originally issued in accordance with the Subscription Agreement. Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into a maximum of 20,000,000 shares of the Company (subject to adjustment). The conversion share has no nominal value.

The purpose of the transactions contemplated under the Subscription Agreement is to raise immediate funding for the Group. The following table sets out the planned applications of the net proceeds from the issue of Convertible Bonds of approximately HK$98.9 million (after deduction of all estimated expenses relating thereto):

Use of proceeds	**Planned applications** *(HK$million)*	**Percentage of total net proceeds** *(%)*	**Actual utilisation up to 31 December 2020** *Note 1* *(HK$million)*	**Unutilised net proceeds as at 31 December 2020** *Note 1* *(HK$million)*	**Expected timeline for full utilisation of the unutilised net proceeds** *Note 2*
For the 2021 Phase I clinical study costs for SM17, to be started in 2021	9.89	10	N/A	N/A	By end of 2022
For the Investigational New Drug enabling of SM17 to be started in 2021, which is mainly to contract research organization and contract manufacturing organization	19.78	20	N/A	N/A	By end of 2022
For the construction costs for the Suzhou production base	29.67	30	N/A	N/A	By end of 2022
For general working capital	39.56	40	N/A	N/A	N/A
Total:	98.90	100	N/A	N/A	

Notes:

1. *As completion of the Subscription Agreement has not yet taken place as of 31 December 2020, the Company has not yet received the proceeds from the issue of the Convertible Bonds.*

2. *The expected timeline for utilizing 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.*

The Investor is a wholly owned subsidiary of Hainan Haiyao Co., Ltd. ("**Haiyao**"), a substantial shareholder of the Company. Therefore, the Investor is a connected person of the Company. As at the date of the Subscription Agreement, Haiyao held 158,882,115 shares of the Company, representing approximately 15.79% equity interests in the Company.

Accordingly, the Subscription Agreement and the transactions thereunder constituted a connected transaction of the Company and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). At the extraordinary general meeting of the Company held on 19 February 2021, the issue of convertible bonds upon the terms and conditions of the Subscription Agreement was approved by the independent shareholders of the Company.

As at the date of this announcement, the Subscription Agreement has not yet completed.

Details of the Subscription Agreement and the issue of the Convertible Bonds were disclosed in the announcements of the Company dated 22 December 2020 and 14 January 2021 and the circular of the Company dated 27 January 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.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Disposal of China Healthcare Fund

On 4 February 2021, the Company (as seller) and Dragon Capital Special Opportunities SPC for and on behalf of its segregated portfolio named Dragon Capital Special Opportunities 2 SP (as purchaser) entered into a contract to sell 775,347.912 units of class A participating shares in China Healthcare Fund at a consideration of HK$110,572,365.73 (the "**Disposal**"). The Company recorded a gain of approximately HK$32,572,365.73 (representing approximately 41.76% return on Investment) from the Disposal.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constituted a discloseable transaction of the Company subject to the announcement requirement under Chapter 14 of the Listing Rules.

The Disposal was completed on 18 February 2021. Please refer to the Company's announcements dated 4 February 2021 and 5 February 2021 for more details.

Connected Transaction under Lease Agreement

On 22 March 2021, a Lease Agreement was entered into between Hainan SinoMab Biotech Co., Ltd. (海南賽樂敏生物科技有限公司*) ("**Hainan SinoMab**"), a wholly owned subsidiary of the Company, as Lessee, and Haikou Pharmaceutical Factory Co., Ltd (海口市製藥廠有限公司) ("**Haikou Pharmaceutical**"), as Lessor, to lease No.6 Building (SinoMab Building) for a term of 20 years at an annual rent of RMB3,392,500 (exclusive of management fees and other outgoing expenses).

Pursuant to the Lease Agreement, Hainan SinoMab rented the No.6 Building (SinoMab Building) located in Haiyao Industry Park, 192 Nanhai Avenue, Xiuying District, Haikou City, Hainan Province with a total gross floor area of 14,637 square metres and a land area of approximately 6,550 square metres attached to the building, together with the existing fixtures, improvements and public facilities and equipment attached to the building and the land.

As Haikou Pharmaceutical is a subsidiary of Haiyao, a substantial shareholder of the Company, the transaction under the Lease Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 22 March 2021 for more details.

* *For identification purposes only*

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 throughout the year ended 31 December 2020.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2020 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 has delivered 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 and will deliver the financial statements for the year ended 31 December 2020 to the Registrar of Companies in due course.

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

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 throughout the Reporting Period.

The Board is of the view that throughout the Reporting Period, the Company has complied with all code provisions as set out in the CG Code, save for the deviation as disclosed 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 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), six 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**") comprises four independent non-executive Directors, being Mr. Ping Cho Terence HON (Chairman), Mr. George William Hunter CAUTHERLEY, Mr. Michael James Connolly HOGAN and Mr. Dylan Carlo TINKER. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control and systems of the Group and overseeing the audit process and the relationship between the Company and its auditor.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Tuesday, 15 June 2021. The notice of the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomab.com) and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 June 2021 to Tuesday, 15 June 2021, 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, 8 June 2021 (Hong Kong time, being the last share registration date).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2020

	NOTES	**2020** ***RMB'000***	2019 *RMB'000*
Other income and gain	*3*	**58,439**	2,994
Research and development costs		**(103,402)**	(214,342)
Administrative expenses		**(72,010)**	(61,544)
Finance costs		**(2,416)**	(2,338)
Other expenses, net		**(2,464)**	(1,052)
Share of loss of an associate		**(747)**	–
LOSS BEFORE TAX		**(122,600)**	(276,282)
Income tax expense	*4*	**–**	–
LOSS FOR THE YEAR		**(122,600)**	(276,282)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*5*	**0.12**	0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	2020	2019
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(122,600)**	(276,282)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation to the presentation currency	**(57,687)**	3,198
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(180,287)**	(273,084)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	NOTES	**2020** ***RMB'000***	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**101,093**	17,077
Right-of-use assets		**44,830**	25,091
Investment in an associate		**31,897**	–
Deposits		**1,391**	–
Other non-current assets	*7*	**15,958**	26,955
Total non-current assets		**195,169**	69,123
CURRENT ASSETS			
Prepayments, deposits and other receivables		**30,926**	14,174
Financial asset at fair value through profit or loss	*8*	**93,058**	–
Cash and cash equivalents		**810,370**	1,200,868
Total current assets		**934,354**	1,215,042
CURRENT LIABILITIES			
Other payables and accruals	*9*	**44,674**	98,635
Lease liabilities		**9,130**	8,040
Interest-bearing bank borrowing	*10*	**5,000**	–
Total current liabilities		**58,804**	106,675
NET CURRENT ASSETS		**875,550**	1,108,367
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,070,719**	1,177,490
NON-CURRENT LIABILITIES			
Lease liabilities		**28,247**	25,292
Interest-bearing bank borrowing	*10*	**55,461**	20,282
Total non-current liabilities		**83,708**	45,574
Net assets		**987,011**	1,131,916
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**1,679,126**	1,679,126
Reserves		**(692,115)**	(547,210)
Total equity		**987,011**	1,131,916

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, except for financial asset at fair value through profit or loss, which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except where otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 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, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts-Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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 GAIN

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**17,346**	2,993
Government grants	**12,760**	–
Fair value gain on a financial asset at fair value through profit or loss	**28,253**	–
Others	**80**	1
	58,439	2,994

4. INCOME TAX EXPENSE

No Hong Kong profit tax has been made as the Company did not generate any assessable profit during the year (2019: 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 period 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.

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

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

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 of 1,006,240,400 (2019: 836,654,781) in issue during the year.

The weighted average numbers of ordinary shares for the year ended 31 December 2019 was calculated based on the assumption that the bonus issue on 12 November 2019 has been adjusted retrospectively.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**122,600**	276,282

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**1,006,240,400**	836,654,781

6. DIVIDEND

No dividend was paid or declared by the Company during the years ended 31 December 2020 and 2019.

7. OTHER NON-CURRENT ASSETS

The amount 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. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Unlisted investment, at fair value	**93,058**	–

On 22 January 2020, the Company made an investment amounting to HKD78,000,000 in China Healthcare Fund Segregated Portfolio, which is a segregated portfolio of New China Overseas Opportunity Fund SPC.

9. OTHER PAYABLES AND ACCRUALS

	NOTES	**2020** ***RMB'000***	2019 *RMB'000*
Due to a related party	*(i)*	**–**	20,000
Accrued expenses		**7,490**	56,630
Payable for an investment in an associate		**16,312**	–
Payroll payable		**1,578**	679
Taxes other than income tax		**167**	29
Deferred revenue		**1,554**	7,625
Other payables	*(ii)*	**17,573**	13,672
		44,674	98,635

Notes:

(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.

(ii) Other payables primarily consisted of service fees payable to outsourced service providers including contract research organisations and clinical trial centres.

Other payables are non-interest-bearing and repayable on demand.

10. INTEREST-BEARING BANK BORROWING

	NOTE	**2020** ***RMB'000***	2019 *RMB'000*
Bank loans repayable:	*(i)*		
Within one year		**5,000**	–
In the second year		**5,000**	5,000
In the third to fifth years, inclusive		**40,000**	15,282
Beyond five years		**10,461**	–
		60,461	20,282

Note:

(i) In July 2019, the Group entered into an unsecured 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 Loan Prime Rate plus 0.25%, which was 4.9% as of 31 December 2020 (2019: 4.9%). As at 31 December 2020, the amount of utilised facilities was RMB60,460,553.

11. SHARE CAPITAL

	Notes	**Number of Shares in issue**	**Amount** *RMB'000*
At 1 January 2019		3,617,445	301,532
Issue of shares on 15 February 2019	*(i)*	503,110	200,000
Bonus issue	*(ii)*	819,990,445	–
Issue of shares on 12 November 2019	*(iii)*	182,129,400	1,237,460
Share issue expenses		–	(59,866)
At 31 December 2019, 1 January 2020 and 31 December 2020		1,006,240,400	1,679,126

(i) 503,110 shares were issued for cash at an average price of RMB397.53 per share, resulting in the issue of 503,110 shares for a total cash consideration, before expenses, of RMB200,000,000.

(ii) Pursuant to the resolution of shareholders of the Company passed on 18 October 2019, subject to the Global Offering becoming unconditional in all respects, directors of the Company were authorized to allot and issue 819,990,445 shares at nil consideration to all existing shareholders pro rata under the bonus issue.

(iii) In connection with the Company's initial public offering, 182,129,400 ordinary shares were issued at a price of HKD7.60 per share for a total cash consideration, before expenses, of approximately HKD1,384,183,000 (equivalent to approximately RMB1,237,460,000). Dealings in these shares on the Stock Exchange commenced on 12 November 2019.

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 2020 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 2020 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 2020 ANNUAL REPORT ON WEBSITES OF STOCK EXCHANGE AND COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomab.com). The 2020 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, 22 March 2021

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