SinoMab BioScience Limited
中國抗體製藥有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 3681)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2023 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2022. The condensed consolidated financial statements of the Group for the Reporting Period, including the accounting principles adopted by the Group, have been reviewed by the audit committee of the Company (the "**Audit Committee**") in conjunction with the Company's external auditor. Unless otherwise specified, figures in this announcement are prepared under the Hong Kong Financial Reporting Standards (the "**HKFRSs**").

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

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 (Suciraslimab), (*anti-CD22 monoclonal antibody*) — Primary endpoint was met in its Phase III clinical study for the treatment of rheumatoid arthritis ("**RA**") in China in April 2023. According to the assessment of the topline data, Suciraslimab was effective in suppressing disease activity and alleviating symptoms of active RA patients receiving methotrexate therapy. Biologics License Application ("**BLA**") for the treatment of RA was submitted to the National Medical Products Administration of the People's Republic of China ("**PRC**") (the "**NMPA**") in August 2023 for subsequent approval for the commercialisation of Suciraslimab.

  - Our key product SM17, *(Humanised monoclonal antibody targeting the receptor for IL-25)* — Patients accruals for Phase I First-in-Human (FIH) clinical trial in the U.S. was completed and the clinical study is expected to be completed by the end of 2023, six months ahead of the original completion date. Two Investigational New Drug ("**IND**") submissions for the treatment of asthma and atopic dermatitis ("**AD**") have been filed and accepted by the Center for Drug Evaluation ("**CDE**") of the NMPA on 19 May 2023 and 9 June 2023, respectively. The IND submission for the treatment of asthma was subsequently approved by the NMPA on 11 August 2023.

  - Another key product SN1011, *(BTK Inhibitor)* — SN1011 has currently obtained four IND approvals from the NMPA for the treatment of systemic lupus erythematosus, pemphigus, multiple sclerosis and neuromyelitis optica spectrum disorder.

  - Commercial Production Base — We are building our commercial production base which is located in our Group's PRC headquarters, our new Suzhou campus, at the Suzhou Dushu Lake High Education Town, China. Upon completion of the new Suzhou campus, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

FINANCIAL HIGHLIGHTS

- Loss for the period decreased by RMB9.7 million from RMB143.8 million for the six months ended 30 June 2022 to RMB134.1 million for the six months ended 30 June 2023, which was mainly due to (i) the decrease in costs of research and development ("**R&D**") of approximately RMB15.3 million, mainly due to completion of Phase III clinical trial for the treatment of RA in China; (ii) the decrease in foreign exchange loss, net, of approximately RMB9.5 million; and offset by (iii) the increase in administrative expenses of approximately RMB16.4 million mainly due to non-cash share-based payment.

- Net cash used in operating activities for the Reporting Period was decreased mainly due to the completion of Phase III clinical trial of SM03.

- Net cash used in investing activities for the Reporting Period was approximately RMB61.9 million, which was mainly due to the capital expenditures for our commercial production base in Suzhou to enhance the Group's production capacity.

- Net cash from financing activities for the Reporting Period was approximately RMB42.0 million, which was mainly due to the net increase in the bank borrowings.

- The Directors have resolved not to declare an interim dividend for the Reporting Period.

BUSINESS OVERVIEW

Since early 2023, the epidemic has been subsiding and various industries have gradually been recovering. With the support of all our staff, shareholders and various sections of our community, our business activities were carried out in an orderly manner in the first half of 2023 and have achieved a number of breakthroughs in the R&D area.

As a global first-in-target and our self-developed flagship product, SM03 (Suciraslimab), an anti-CD22 monoclonal antibody, had completed a multi-center Phase III clinical trial for the treatment of active RA in China (Study number: SM03-RA-III). Initial statistical analysis of the unblinded Phase III data during the Reporting Period has revealed that the trial successfully met the primary endpoint. Suciraslimab is thus the world's first anti-CD22 monoclonal antibody that had completed a Phase III clinical trial for the treatment of autoimmune diseases and met its primary endpoint, further confirming the clinical efficacy and safety of Suciraslimab in patients with moderate-to-severe active RA who had an inadequate response to methotrexate (MTX), marking a significant step towards Suciraslimab's commercial launch. Our BLA was also filed with the NMPA in August 2023 for subsequent approval for commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission. We will accelerate the commercialisation of Suciraslimab, as well as to consolidate the first mover advantage of Suciraslimab in first-in-target and first-in-class of a new medicine. At the same time, clinical development of Suciraslimab in other indications on the treatment of immunological diseases are also implemented at full steam. We also plan to file IND application for mild cognitive impairment ("**MCI**") or Alzheimer's Disease to further expand the potential therapeutic area of Suciraslimab to fulfill other unmet medical needs.

Another key product, SM17 (a humanised monoclonal antibody targeting the receptor for IL-25), has repeatedly achieved breakthroughs in its research and development activities. We have completed all patient accruals for the Phase I clinical study currently being conducted in the U.S.. The study is expected to be completed by the end of this year, six months ahead of the original anticipated completion date. In order to expand the market reach to other indications, two additional IND submissions for SM17 were filed with and accepted by the CDE of NMPA in May 2023 and June 2023, respectively. The former application is for the treatment of asthma and the latter for AD. The IND submission for the treatment of asthma was subsequently approved by the NMPA on 11 August 2023. A Phase I clinical study is planned to be initiated soon in China to investigate the safety profile of SM17 in the Chinese population.

We have production bases in Suzhou and Haikou, China, for the subsequent commercialisation for our pipeline product candidates. The production base located in Suzhou will come into operation in phases, of which phase I development with a production capacity of 6,000 litres is expected to come into operation in 2024. Our Haikou production base has a 1,200-litre production capacity. Upon completion of the Suzhou development, our total production capacity of our two production bases would be over 36,000 litres (up to one million treatment courses per year).

OUTLOOK

Looking forward to the second half of 2023, with the gradual elimination of epidemic control measures and benefitting from sustainable favorable national policies, China's biopharmaceutical industry will be blooming. We will seize the opportunity and continue to focus on new drug development and product commercialisation, and to enhance our competitiveness in the industry. As previously mentioned, we will work at full steam to prepare the commercialisation of Suciraslimab after our successful submission of BLA. With Mr. Shanchun WANG joining SinoMab as the President (China), we are able to drive down production and operational costs and achieve profit-generating commercialisation of Suciraslimab upon its marketing approval. Our ultimate goal is to maximize the value to our investors by realizing a "self-sustaining" mode needed for the future growth of the Company.

In addition, facing the vast market for the treatment of asthma and atopic dermatitis, we will continue to accelerate our research and development activities for SM17 and to strengthen and consolidate the competitiveness and potential of our drug candidates in our product pipeline, so as to further leap forward our Group's business development and scale new heights in our operating results. We will continue developing novel drugs to move towards our objective in growing into a leading global biopharmaceutical company to fulfill unmet medical needs.

As a biopharmaceutical company having grown up in the Hong Kong Science Park with a history of more than 20 years, we will take the advantage of the vigorous development of the global pharmaceutical market, leverage the positive support from national policies and make good use of our superior geographical advantages. At the same time, we will adhere to our vision of independent innovation to further expand our product pipeline, and spare no effort to provide more effective treatment options for Chinese and global patients, aiming to become a global leader in the innovation of therapeutics for immunological and other debilitating diseases.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The operating performance and the progress of the Group's clinical projects during the period under review and future prospects are contained in the sections headed "Business Overview" and "Outlook" above as well as in this sub-section.

The Group has no immediate plan for material investments or capital assets, other than as disclosed in the above section headed "Business Overview" and this sub-section.

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

Overview

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

Our flagship product, SM03 (Suciraslimab), is a potential global first-in-target anti-CD22 mAb for the treatment of RA and other immunological and neuro-immunological diseases such as systemic lupus erythematosus ("**SLE**"), Sjogren's syndrome ("**SS**"), MCI, Alzheimer's disease, as well as non-Hodgkin's lymphoma ("**NHL**"). As announced by the Company on 26 April 2023, Suciraslimab met its primary endpoint in a Phase III clinical study for the treatment of RA in China. Our BLA was also filed with the NMPA in August 2023 for subsequent approval for commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission.

Our key product, SM17, is a First-in-Class (FIC), humanised monoclonal antibody targeting the receptor for IL-25. An IND application for asthma was submitted in February 2022 and was subsequently approved by the U.S. Food and Drug Administration ("**FDA (USA)**") in March 2022. The first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical study in the U.S. in June 2022 and 77 subjects have been enrolled as of 30 June 2023. The FIH study, consisting of multiple cohorts of single ascending dose ("**SAD**") and multiple ascending dose ("**MAD**"), is expected to be completed by the end of 2023. Two additional IND applications for the treatment of asthma and AD were filed with and accepted by the CDE of the NMPA in May 2023 and June 2023, respectively. The IND submission for the treatment of asthma was subsequently approved by the NMPA on 11 August 2023. The compound has the potential for treating asthma, AD, idiopathic pulmonary fibrosis ("**IPF**") and other immunological disorder.

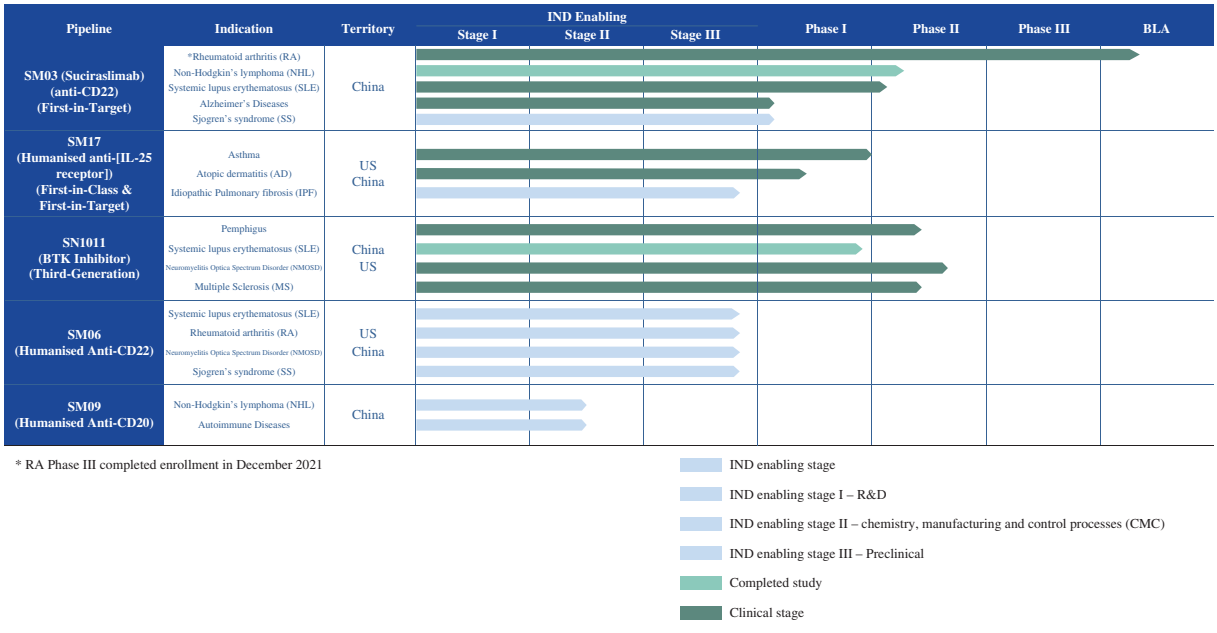
Another key product, SN1011, is a third generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor. SN1011 was designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve superior efficacy and good safety profile for the potentially long-term treatment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

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

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

Progress of clinical projects

Product pipeline



* RA Phase III completed enrollment in December 2021

Flagship product

SM03 (Suciraslimab)

Our self-developed SM03 (Suciraslimab) is a potential first-in-target anti-CD22 mAb for the treatment of rheumatoid arthritis (RA), other immunological and neuro-immunological diseases such as systemic lupus erythematosus (SLE), Sjogren's syndrome (SS), mild cognitive impairment (MCI), Alzheimer's disease as well as non-Hodgkin's lymphoma (NHL). Suciraslimab adopts a novel mechanism of action, which differentiates itself from the current treatments available in the market.

On 26 April 2023, the Company announced that Suciraslimab met its primary endpoint in a Phase III clinical study for the treatment of RA in China. The Phase III clinical study is a randomised, multi-centre, double-blind, placebo-controlled study to confirm the clinical efficacy and safety in patients with moderate-to-severe active RA who had an inadequate response to methotrexate (MTX). According to the assessment of the topline data, Suciraslimab was effective in suppressing disease activity and alleviating symptoms of active RA patients receiving methotrexate therapy. Suciraslimab Phase III clinical trial for RA completed its enrollment of 530 patients, exceeding the original target of 510 patients, on 31 December 2021. A Phase III extension study has been conducted and 93 patients have been enrolled as at 30 June 2023. Our Biologics License Application ("**BLA**") was filed with the National Medical Products Administration of the People's Republic of China (the "**NMPA**") in August 2023 for subsequent approval for commercialisation of Suciraslimab which will usually happen 10 to 12 months after the BLA submission. We expect it to be our first commercially available drug candidate.

In addition to the RA program, we will advance Suciraslimab clinical development in other indications to broaden the therapeutic uses of Suciraslimab for addressing other unmet medical needs. Due to strategic prioritisation on specific therapeutic area other than RA, we expect to initiate proof-of-concept clinical studies for MCI or Alzheimer's disease and/or SS in China. We also expect to submit IND for the treatment of MCI or Alzheimer's disease in late 2023.

Key products

SM17

SM17 is a novel, first-in-class, humanised, IgG4-k monoclonal antibody which is capable of modulating Type II allergic reaction by targeting the receptor of a critical "alarmin" molecule interleukin 25 (IL-25). SM17 could suppress Th2 immune responses by binding to IL-25 receptor(also known as IL-17RB) on Type 2 Innate Lymphoid cells (ILC2s), and Type 2 helper T (Th2) cells, blocking a cascade of responses induced by IL-25, and suppressing the release of the downstream Th2 cytokines such as IL-4, IL-5 and IL-13. IL-25 is classified as "alarmin" which is overexpressed in biopsy tissues of patients with asthma, atopic dermatitis (AD) and idiopathic pulmonary fibrosis (IPF). In-vitro studies clearly demonstrated that SM17 could suppress IL-25 induced type 2 immunity and the underlying mechanism supports its potential benefits in treating allergic and autoimmune diseases.

When evaluated in two murine asthma models induced by ovalbumin or house dust mite, blockage of IL-25 signaling pathway by SM17 offered protection against airways resistance and type 2 immune response in the lung. SM17 also significantly reduced immune cell infiltration into the lung and serum levels of IgE. In another 1-Fluoro-2, 4-dinitrobenzene (DNFB) driven murine atopic dermatitis model, SM17 administration could attenuate epidermal thickening and improve skin condition by suppressing Th2 immune responses and immune cell infiltration into the skin layers. We expect that targeting upstream mediators of the Th2 inflammatory cascade, such as the receptor for IL-25, will have a broader effect on reducing airway as well as skin inflammation.

The IND application for asthma was submitted in February 2022 and was subsequently approved by the FDA (USA) in March 2022. The first healthy subject had been successfully dosed in a Phase I First-in-Human (FIH) clinical trial in the U.S. in June 2022. As at 30 June 2023, 77 subjects have been enrolled in the Phase I clinical study and none of subjects reported a serious adverse event (SAE). The Phase I clinical study consisting of SAD and MAD cohorts to evaluate its safety, tolerability, and PK in healthy subjects is expected to be completed by end of 2023, six months ahead of the original anticipated completion date.

Currently, two additional IND submissions for the treatment of asthma and atopic dermatitis have been filed with and accepted by the CDE of NMPA on 19 May 2023 and 9 June 2023, respectively. The IND submission for the treatment for asthma was subsequently approved by the NMPA on 11 August 2023. The IND approvals for the treatment of asthma and AD can allow the Company to conduct respective comprehensive clinical development programs in China. A Phase I clinical study is planned to be initiated soon in China to investigate the safety profile of SM17 in the Chinese population and to initial the clinical development program of SM17 for the treatment of allergic diseases. The compound has the potential for treating asthma, AD, IPF and other immunological disorders. Please also refer to the Company's announcements dated 16 February 2022, 14 March 2022, 15 June 2022, 22 May 2023, 12 June 2023 and 14 August 2023 for further information about the latest R&D progress of SM17.

SN1011

SN1011 is a third generation, covalent reversible BTK inhibitor designed to exhibit high selectivity with prolonged but controlled drug exposure to achieve superior efficacy and good safety profile for the potentially long-term treatment of systemic lupus erythematosus (SLE), pemphigus, multiple sclerosis (MS), neuromyelitis optica spectrum disorder (NMOSD) and other rheumatology or neuro-immunological diseases. SN1011 differentiates from existing BTK inhibitors currently available in the market, such as Ibrutinib, in terms of mechanism of action, affinity, selectivity and safety.

The Phase I study (First-in-Human) in Australia was conducted in 2019 while Phase I study (First-in-Human) in China was conducted and completed in 2021. The study has demonstrated a good safety and pharmacokinetics ("**PK**") profile. SN1011 has currently obtained four IND approvals from the NMPA for the treatment of SLE, pemphigus, MS and NMOSD on 27 August 2020, 23 June 2021, 19 April 2022 and 22 August 2022, respectively. As reported before, the timetable of clinical study of SN1011 will be re-scheduled due to adjustment on clinical study strategy. Please also refer to the Company's announcements dated 14 November 2019, 29 January 2020, 29 June 2020, 1 September 2020, 15 January 2021, 24 June 2021, 23 July 2021, 7 February 2022, 20 April 2022, 9 June 2022 and 23 August 2022 for further information about the latest R&D progress of SN1011.

Other drug candidates

SM06

SM06 is a second-generation anti-CD22 antibody that is humanised using our proprietary framework-patching technology. SM06 is a humanised version of SM03 (Suciraslimab), SM06 works with a similar mechanism of action. Our in-house in-vitro studies demonstrated SM06 to have potentially enhanced efficacy in enacting immunomodulatory effects. It is found to be less immunogenic as the more "human-like" antibody has the potentially improved safety profiles. We believe that the lower immunogenicity of SM06 would be more suitable for treating chronic diseases requiring long-term administration, such as systemic lupus erythematosus (SLE), rheumatoid arthritis (RA) and other immunological diseases. We are currently in the process of optimising the chemistry, manufacturing and control processes (CMC) for SM06.

SM09

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

Collaboration

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

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

Production

We have a production base in Haikou. We are also constructing our second production base in Suzhou, Jiangsu.

Haikou Production Base

We carried out our manufacturing activities at our Haikou production base, where we manufacture our drug candidates for pre-clinical research, clinical trials and future large-scale production. The Haikou production base occupies a total operational area of approximately 19,163 square metres with a production capacity of 1,200 litres, which is sufficient for clinical and initial marketing needs. The plant has an operational area consisting of a clean area for processing, a controlled-not-classified (CNC) area for supporting activities, utility rooms, quality control laboratories, warehouse and administrative offices and R&D laboratories for on-going and new product development projects.

* *For identification purposes only*

Suzhou Production Base

As part of our commercialisation plan, we purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town, China, in June 2020. The land is used for constructing the Group's PRC headquarters, an R&D centre as well as another production base, and the total floor area would be approximately 75,000 square metres. This new Suzhou campus consists of commercial manufacturing facilities, a pilot plant, an R&D centre, a quality control centre, a clinical study centre and an administration building. The new production base would be of commercial-scale manufacturing facilities and is currently under construction. The superstructure works have been completed in December 2021 and the infrastructure is expected to be available by 2023. The development of our Suzhou campus will be completed and come into operation in phases. Phase I development with a production capacity of 6,000 litres is expected to come into operation in 2024. Together with our existing production capacity of 1,200 litres from Haikou production base, our manufacturing capacity would be up to two hundred thousand treatment courses per year. Upon completion of the development, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

Intellectual property

Core technology of main drugs (products)

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

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

For SM09, the Group has two invention patents granted and registered in the PRC. The Group also holds three invention patents granted and registered in the United States for SM09.

During the Reporting Period, the Group had filed one invention patent application in the United States, two Patent Cooperation Treaty ("**PCT**") patent applications for Suciraslimab. As at 30 June 2023, the Group had three pending patent applications in the United States, five pending patent applications in the PRC, two pending patent applications in Europe, and four PCT patent applications.

Well-known or famous trademarks

The Company conducts its business under the brand name of "SinoMab" ("中國抗體"). As at the end of the Reporting Period, the Company had various registered trademarks in Hong Kong and the PRC, with multiple trademark applications pending approval in the PRC.

Patents

Item	As at 30 June 2023	As at 31 December 2022
Number of invention patents owned by the Group*	**32**	31

* *including patent pending and granted patent*

R&D personnel

Education level	Number at the end of the Reporting Period	Number at the beginning of the Reporting Period
Ph. D.	**7**	11
Master	**29**	40
Undergraduate or below	**25**	36
Total number of R&D personnel	**61**	87

The above number of R&D personnel does not include our employees in manufacturing, quality assurance or quality control for the clinically related operation. The decrease in number of personnel is mainly due to simplification of clinical team for better efficiency during the Reporting Period.

Future and prospects

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

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

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

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

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

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

Clinical development plan

We will continue to advance clinical trials for SM03 (Suciraslimab) for RA and other autoimmune diseases. As previously mentioned, we have submitted our BLA for Suciraslimab for the treatment of RA to the NMPA in August 2023. In terms of the broader indication development, we will advance clinical trials for MCI or Alzheimer's disease and other autoimmune diseases. We are in the process of further broadening therapeutic area of Suciraslimab, seeking regulatory pathways to extrapolate the clinical indications of neuro-immunological diseases for Suciraslimab. We are also in the process of planning for IND application and proof-of-concept study targeting MCI or Alzheimer's disease, based on the recent innovative R&D findings about potential treatment of Suciraslimab, the IND is expected to be submitted in 2023. The initiation of IND application and proof-of-concept Phase II clinical study for SS in China is also in our plan.

In respect of SM17, the Phase I first-in-human clinical trial was entered into in the U.S. in June 2022, and the earliest time for Phase I results will be available by the end of 2023, six months ahead of the original anticipated completion date. As of 30 June 2023, 77 subjects have been enrolled in the FIH clinical trial. Two additional IND submissions, for the treatment of asthma and AD, have been filed with and accepted by the CDE of the NMPA in the first half of 2023. The IND submission for the treatment of asthma was subsequently approved by the NMPA on 11 August 2023. A Phase I clinical study is planned to be initiated soon in China to investigate the safety profile of SM17 in the Chinese populations. Proof-of-concept studies will then be conducted to evaluate the primary efficacy of SM17 in asthma, AD or other indications, if supported by good tolerability and safety results from Phase I, which is expected.

For SN1011, four IND approvals were obtained from the NMPA for the treatment of SLE, pemphigus, MS and NMOSD. As reported in the preceding section, the timeline for the R&D of SN1011 is in progress of re-scheduling.

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

Pre-clinical R&D

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

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

Novel drug targets identification

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

Production

As previously reported, the Group purchased a piece of land of 43,158 square metres in Suzhou Dushu Lake High Education Town in China in June 2020. The land is used for constructing the Group's PRC headquarters, an R&D centre as well as another production base, and the total floor area would be of approximately 75,000 square metres. This new Suzhou campus consists of commercial manufacturing facilities, a pilot plant, an R&D centre, a quality control centre, a clinical study centre and an administration building. The superstructure works have been completed in December 2021 and the infrastructure is expected to be available by 2023. The development of the new Suzhou campus will be completed and come into operation in phases. Phase I development with a production capacity of 6,000 litres (up to two hundred thousand treatment courses per year) is expected to come into operation in 2024. Upon completion of the new Suzhou campus, the total production capacity of the production base would be over 36,000 litres (up to one million treatment courses per year).

Commercialisation

We are continuing to build up our sales team. As of the Reporting Period, we have initially established a marketing team, and plan to continue to expand the marketing and sales team. Our commercialisation team is expected to cover a majority of provinces and municipalities in China and to support the future commercialisation of our drug candidates. We are actively exploring and identifying opportunities for collaboration and/or partnership, including but not limited to licensing in or licensing out, to enhance our sales and business development capabilities.

MARKET OVERVIEW

According to Frost & Sullivan, the global market for autoimmune disease drugs is expected to increase from US$120.5 billion in 2020 to US$163.8 billion in 2030, at a CAGR of 6.0%. The overall scale of existing patients with autoimmune diseases in China is huge. According to "*Rheumatoid Arthritis in China: A National Report of 2020*" issued by the National Clinical Research Center for Dermatologic and Immunologic Diseases in October 2021, there are about 5 million RA patients in China. With the continuous improvement of the diagnosis and treatment rate of autoimmune diseases in China and the continuous progress of related medical technologies, the market size of RA in China is expected to expand rapidly. According to Frost & Sullivan, the RA therapeutics market in the PRC is expected to reach RMB28 billion by 2023 and RMB83.3 billion by 2030. We have been focusing on the R&D of monoclonal antibody drugs in the field of autoimmune diseases for more than 20 years and our existing product pipeline covers all indications in the field of autoimmune diseases. We are one of a few biopharmaceutical companies in China with full-fledged capability that integrates all-industry functionalities, including R&D, production and commercialisation. Once Suciraslimab can be successfully commercialised, leveraging on the first-mover advantage in the first-in-target and first-in-class of Suciraslimab and its competitive advantage in its relatively improved safety profile over existing and potential market competitors, precisely formulating R&D and sales strategies, and focusing on the target group, we believe that we can create certain values for this significant market, and thus the successful launch of Suciraslimab will be an important milestone in the development of the Group.

COVID-19

Given the relaxation on the pandemic policy worldwide, all clinical trials have resumed to normal during the Reporting Period.

STRATEGIC IN-HOUSE PLATFORMS FOR ESTABLISHING STRONG PIPELINE

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

Antibody Humanisation Platform

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

B-cell Therapeutic Platform

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

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

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

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

Alarmins-pathway Therapeutic Platform

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

IL-25 is one of the three alarmins that targets a particular receptor called IL-17RB. Our SM17 is a humanised, IgG4-k monoclonal antibody targeting the receptor for IL-25, developed under our alarmins-pathway therapeutic platform.

Selective-T Cell Therapeutic Platform

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

Neurological Disease Platform

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

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

FINANCIAL REVIEW

Other income and gains, net

Our other income and gains consist primarily of bank interest income, changes in fair value on a financial asset at fair value through profit or loss and government grants. Total other income and gains were approximately RMB7.2 million for the Reporting Period, representing a decrease of approximately RMB0.7 million from the six months ended 30 June 2022, was mainly due to (i) a decrease in bank interest income of approximately RMB1.4 million; and offset by (ii) an increase in government grants of approximately RMB0.6 million.

R&D costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Laboratory consumable and experiment costs	**34,336**	43,086
Employment costs	**23,368**	27,307
Milestone payment of co-developed products	**–**	4,324
Others	**9,046**	7,414
	66,750	82,131

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

For the six months ended 30 June 2023 and 2022, we incurred R&D costs of approximately RMB66.8 million and RMB82.1 million, respectively. The decrease in costs of business development in R&D during the Reporting Period was mainly attributable to (i) a decrease in laboratory consumable and experiment costs of approximately RMB8.8 million mainly due to completion of Phase III clinical trial for the treatment of active RA in China as of 31 December 2022; (ii) a decrease in employment costs of R&D employees of approximately RMB3.9 million mainly due to simplification of our clinical team for better efficiency; and (iii) a decrease in milestone payment of approximately RMB4.3 million as the next milestone payment was not reached during the Reporting Period.

Administrative expenses

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

For the six months ended 30 June 2023 and 2022, our total administrative expenses were approximately RMB50.2 million and RMB33.8 million, respectively. The increase was mainly due to (i) an increase in the equity-settled non-cash share-based payment expenses of approximately RMB10.3 million arising from the share options granted in November 2022; and (ii) an increase in deprecation and amortisation expenses of approximately RMB2.5 million in the Reporting Period.

Other expenses, net

For the six months ended 30 June 2023, there was foreign exchange loss, net, of approximately RMB20.0 million. During the Reporting Period, most of the Company's cash and cash equivalents were denominated in RMB. The majority of the exchange loss, which was caused by the difference of the functional currency of Hong Kong headquarters in HKD and the presentation currency of the Group in RMB, did not represent the Company's actual loss.

Liquidity and capital resources

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

As at 30 June 2023, cash and cash equivalents and structured deposit totalled RMB286.5 million, as compared to RMB345.7 million as at 31 December 2022. The net decrease of approximately RMB59.2 million was mainly due to (i) the capital expenditures of approximately RMB61.3 million, mainly for our commercial production base in Suzhou; (ii) the net cash used in operating activities, of approximately RMB62.8 million; offset by (iii) the net cash from financing activities, of approximately RMB42.0 million; and (iv) the net effect of foreign exchange rate change of approximately RMB19.1 million mainly due to the weakening of RMB in the Reporting Period.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash flows used in operating activities	**(62,750)**	(145,587)
Net cash flows used in investing activities	**(61,942)**	(101,687)
Net cash flows from financing activities	**42,044**	20,905
Net decrease in cash and cash equivalents	**(82,648)**	(226,369)
Cash and cash equivalents at the beginning of the period	**345,712**	562,983
Effect of foreign exchange rate changes, net	**19,146**	30,773
Cash and cash equivalents at the end of the period	**282,210**	367,387
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**286,463**	367,638
Bank balances restricted for special purpose	**(4,253)**	(251)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**282,210**	367,387

As at 30 June 2023, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Bank borrowings and gearing ratio

As at 30 June 2023, the Group's outstanding borrowing of RMB331.9 million (31 December 2022: RMB268.8 million) were denominated in RMB and carried at a fixed interest rate of 3.30% per annum and variable rates of interest ranging from the People's Bank of China RMB Loan Prime Rate minus 0.30% per annum to the People's Bank of China RMB Loan Prime Rate plus 0.40% per annum.

As at 30 June 2023, the amount of unutilised banking facilities of the Group is approximately RMB423.5 million.

The Group monitored capital using gearing ratio. Gearing ratio is calculated using interest-bearing bank borrowing less cash and cash equivalents divided by total equity and multiplied by 100%. During the Reporting Period, the Group always maintained a net cash position.

Pledge of assets

As at 30 June 2023, land use right of net carrying amount of approximately RMB14.7 million was pledged to secure the bank loan borrowed by the Group (31 December 2022: RMB15.0 million).

Capital commitments

Particulars of capital commitments of the Group as at 30 June 2023 are set out in the interim condensed consolidated financial information.

Contingent liabilities

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

Significant investments held and disposed

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30 June 2023.

Global offering and use of proceeds

On 12 November 2019, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") and the Company raised net proceeds of HK$1,272.8 million.

Reference is made to the Company's prospectus dated 31 October 2019 (the "**Prospectus**") and announcements dated 22 July 2020, 14 August 2020, 21 March 2022 and 20 March 2023.

Details of the planned applications of the net proceeds from the Listing (adjusted on a pro-rata basis based on the actual net proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcements dated 22 July 2020, 14 August 2020, 21 March 2022 and 20 March 2023. The following table sets out the planned applications of the net proceeds and the actual usage up to 30 June 2023:

Use of proceeds	**Planned applications** [(Note 1)] *(HK$ million)*	**Actual utilisation up to 30 June 2023** *(HK$ million)*	**Unutilised net proceeds as at 30 June 2023** *(HK$ million)*	**Expected timeline for full utilisation of the unutilised net proceeds** [(Note 2)]
For the R&D and commercialisation of our drug candidates				
For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States; and (iv) New Drug Application registration filings and the commercial launch of SM03	250.9	225.8	25.1	By the end of 2023
To fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline	299.4	288.5	10.9	By the end of 2023
To further advance our R&D programmes, expand our R&D team, build our commercialisation team, develop our proprietary technology and enhance our full-spectrum platform	52.4	52.3	0.1	By the end of 2023
For the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio	99.9	89.4	10.5	N/A [(Note 3)]
For the construction of our Suzhou production base primarily for the commercial-scale production of our core product SM03				
For the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline	85.8	48.4	37.4	By the end of 2023
For the purchase of manufacturing equipment, primarily for the production of SM03	59.7	9.9	49.8	By the end of 2023

Use of proceeds	Planned applications [Note 1] (HK$ million)	Actual utilisation up to 30 June 2023 (HK$ million)	Unutilised net proceeds as at 30 June 2023 (HK$ million)	Expected timeline for full utilisation of the unutilised net proceeds [Note 2]
For the construction of the Suzhou production base				
For the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of rheumatoid arthritis, systemic lupus erythematosus, non-Hodgkin's lymphoma and other potential indications, R&D of SM03 at commercialisation to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline	87.6	87.2	0.4	By the end of 2023
For the construction of an upstream production facility and downstream purification facility	28.2	6.7	21.5	By the end of 2023
For the purchase of land from the Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base	117.9	98.9	19.0	By the end of 2023
For our working capital, expanding internal capabilities and other general corporate purposes	152.2	143.8	8.4	N/A
Collaboration with D2M Group	38.8	38.8	–	N/A
Total	1,272.8	1,089.7	183.1	

Notes:

(1) Planned applications as revised and disclosed in the Company's announcements dated 22 July 2020, 14 August 2020, 21 March 2022, and 20 March 2023.

(2) The expected timeline for utilising the unutilised net proceeds is based on the best estimation made by the Group. It is subject to change based on the future development and events which may be outside of the Group's control.

(3) As the discovery and development of new drug candidates not currently in pipeline is a continuous and ongoing process, the Company is unable to set out a detailed timeline for the utilisation of such net proceeds.

Such utilisation of the net proceeds was in accordance with the planned applications as set out in the above. The unutilised portion of the net proceeds will be applied in a manner consistent with the above planned applications.

Share subscriptions and use of proceeds

On 16 November 2022, the Company completed an issue of 28,680,000 new ordinary shares at a subscription price of HK$1.78 per share and raised net proceeds of approximately HK$50,890,400 (the "**Subscriptions**").

References are made to the Company's announcements dated 7 November 2022 and 20 March 2023.

Details of the planned applications of the net proceeds from the Subscriptions were disclosed in the Company's announcement dated 7 November 2022 and subsequently revised and disclosed in the Company's announcement dated 20 March 2023. The following table sets out the planned applications of the net proceeds and the actual usage up to 30 June 2023:

Intended use of the proceeds	**Planned application** *(HK$ million)*	**Details of usage**	**Actual utilisation up to 30 June 2023** *(HK$ million)*	**Unutilised net proceeds as at 30 June 2023** *(HK$ million)*	**Expected timeline for full utilisation of the unutilised net proceeds**
(i) For the R&D and commercialisation of our drug candidate	39.6	For the R&D and commercialisation of our core product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; and (ii) New Drug Application registration filings and the commercial launch of SM03.	25.0	14.6	By the end of 2023
(ii) Further advance the Company's R&D programmes, expand its R&D team, build its commercialisation team, develop its proprietary technology and enhance its full-spectrum platform	0.2	For R&D programmes of SN1011, especially for the Phase II clinical study for neuromyelitis optica spectrum disorder (NMOSD) in China, for the trial expense and related production cost.	0.2	–	N/A
	4.0	To fund the expansion of R&D team.	–	4.0	By the end of 2023
	2.0	To build the Company's commercialisation team, develop its proprietary technology and enhance the Company's full-spectrum platform.	–	2.0	By the end of 2023

Intended use of the proceeds	Planned application *(HK$ million)*	Details of usage	Actual utilisation up to 30 June 2023 *(HK$ million)*	Unutilised net proceeds as at 30 June 2023 *(HK$ million)*	Expected timeline for full utilisation of the unutilised net proceeds
(iii) For general working capital purpose	5.1	For the general working capital of the Group, including but not limited to staff employment cost and rental and property management fees.	2.3	2.8	By the end of 2023
Total	50.9		27.5	23.4	

Such utilisation of the net proceeds was in accordance with the planned applications as set out in the above. The unutilised portion of the net proceeds will be applied in a manner consistent with the above planned applications.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 Rules Governing the Listing of Securities on the Stock Exchange (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 Reporting Period and to the date of this announcement.

PRELIMINARY ANNOUNCEMENT OF INTERIM RESULTS

The financial information relating to the year ended 31 December 2022 included in this preliminary results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to 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 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

- The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2022. The auditor's report was unqualified and not modified, 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 during the six months ended 30 June 2023.

The Board is of the view that during the six months ended 30 June 2023, the Company has complied with all applicable code provisions as set out in the CG Code, save for the deviation as disclosed below.

Pursuant to code provision C.2.1 in the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Shui On LEUNG ("**Dr. Leung**") is currently both the chairman and the chief executive officer of the Company. The Board believes that Dr. Leung is the Director best suited, among all Directors, to identify strategic opportunities and focus in view of his extensive understanding of the Company's business as a founder and the chief executive officer. The Board further believes that the combined role of chairman and chief executive officer will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) decisions to be made by the Board require approval by at least a majority of the Directors; (ii) Dr. Leung and the other Directors are aware of and have undertaken to fulfil their fiduciary duties as Directors, which require, amongst other things, that they act for the benefit and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is protected by the operations of the Board, which consists of an executive Director (Dr. Leung), five non-executive Directors and four independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategies and other key business, financial, and operational policies of the Company are made collectively after thorough discussions at both the Board and senior management levels. Therefore, the Board considers that it is in the best interests of the Group for Dr. Leung to take up both roles for business development and effective management, and the deviation from the code provision C.2.1 in the CG Code is appropriate in such circumstances.

Save as disclosed in this announcement, from 1 January 2023 to 30 June 2023, there were no other material changes in respect of the Company that needed to be disclosed under paragraph 46 of Appendix 16 to the Listing Rules.

INTERIM DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: Nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**2023** ***RMB'000*** **(unaudited)**	2022 *RMB'000* (unaudited)
REVENUE	*3*	**1,365**	–
Cost of sales		**(943)**	–
Gross profit		**422**	–
Other income and gains, net		**7,155**	7,903
Research and development costs		**(66,750)**	(82,131)
Administrative expenses		**(50,200)**	(33,849)
Other expenses, net	*4*	**(21,521)**	(30,382)
Finance costs		**(3,202)**	(2,140)
Share of loss of an associate		**–**	(3,191)
LOSS BEFORE TAX		**(134,096)**	(143,790)
Income tax expense	*5*	**–**	–
LOSS FOR THE PERIOD		**(134,096)**	(143,790)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*6*	**0.13**	0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	**(134,096)**	(143,790)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation to the presentation currency	**20,194**	32,318
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(113,902)**	(111,472)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023** ***RMB'000*** **(unaudited)**	31 December 2022 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**439,494**	391,973
Right-of-use assets		**80,796**	93,844
Intangible assets		**2,067**	2,595
Deposits		**1,227**	2,005
Other non-current assets		**40,282**	70,838
Total non-current assets		**563,866**	561,255
CURRENT ASSETS			
Prepayments, deposits and other receivables		**12,967**	58,431
Financial asset at fair value through profit or loss	*8*	**31,619**	30,476
Cash and cash equivalents		**286,463**	345,712
		331,049	434,619
Non-current asset held for sale		**12,474**	12,474
Total current assets		**343,523**	447,093
CURRENT LIABILITIES			
Other payables and accruals		**100,405**	141,590
Lease liabilities		**13,049**	15,380
Interest-bearing bank borrowings	*9*	**61,387**	30,421
Total current liabilities		**174,841**	187,391
NET CURRENT ASSETS		**168,682**	259,702
TOTAL ASSETS LESS CURRENT LIABILITIES		**732,548**	820,957
NON-CURRENT LIABILITIES			
Lease liabilities		**55,880**	73,024
Interest-bearing bank borrowings	*9*	**270,530**	238,358
Total non-current liabilities		**326,410**	311,382
Net assets		**406,138**	509,575
EQUITY			
Equity attributable to owners of the parent			
Share capital	*10*	**1,725,211**	1,725,211
Reserves		**(1,319,073)**	(1,215,636)
Total equity		**406,138**	509,575

NOTES

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The financial information relating to the year ended 31 December 2022 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2022. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised HKFRSs for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendment to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The above amendments are not expected to have any significant impact on the Group's interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	Note	For the six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue from contract with a customer	*(i)*	**1,365**	–

Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Type of goods or services		
Capsule sales revenue	**1,365**	–
Geographical market		
Mainland China	**1,365**	–
Timing of revenue recognition		
Goods transferred at a point in time	**1,365**	–

Note:

(i) On 19 December 2022, the Company entered into a capsule sales agreement with Everest Medicines II (HK) Limited ("**Everest**") to sell the capsule which is the Bruton's tyrosine kinase ("**BTK**") inhibitor.

4. OTHER EXPENSES, NET

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange loss, net	**19,974**	29,546
Others	**1,547**	836
	21,521	30,382

5. INCOME TAX

No Hong Kong profits tax has been made as the Company did not generate any assessable profit during the period (six months ended 30 June 2022: Nil).

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

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

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

The calculation of the basic loss per share amounts is based on the consolidated loss for the period attributable to ordinary equity holders of the parent of RMB134,096,000 (six months ended 30 June 2022: RMB143,790,000), and the weighted average number of ordinary shares of 1,017,964,900 (six months ended 30 June 2022: 988,144,900) in issue during the period, as adjusted to exclude the shares held under the share award scheme of the Company.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented (six months ended 30 June 2022: no potentially dilutive ordinary shares in issue).

7. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2023 and 2022.

8. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**30 June 2023** ***RMB'000*** **(unaudited)**	31 December 2022 *RMB'000* (audited)
Unlisted equity investment, at fair value	*(i)*	**31,619**	30,476

Note:

(i) The above unlisted equity investment represented the Group's investment in 7.29% (31 December 2022: 7.68%) pre-A1 preferred shares of D2M and was classified as a financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

9. INTEREST-BEARING BANK BORROWINGS

	Note	**30 June 2023** ***RMB'000*** **(unaudited)**	31 December 2022 *RMB'000* (audited)
Non-current bank borrowings:			
Unsecured bank borrowings		**121,555**	117,434
Secured bank borrowing	*(i)*	**148,975**	120,924
		270,530	238,358
Current bank borrowings:			
Unsecured bank borrowings		**46,203**	30,265
Secured bank borrowing	*(i)*	**15,184**	156
		61,387	30,421
		331,917	268,779
Bank loans repayable analysed into:			
Within one year		**61,387**	30,421
In the second year		**46,000**	40,000
In the third to fifth years, inclusive		**224,530**	198,358
		331,917	268,779

Note:

(i) The bank loan borrowed by the Group is secured by the pledge of the Group's land use right. As at 30 June 2023, the net carrying value of the land use right is approximately RMB14,685,000 (31 December 2022: RMB14,957,000).

10. SHARE CAPITAL

	30 June 2023 ***RMB'000***	31 December 2022 *RMB'000*
Issued and fully paid:		
1,034,920,400 (2022: 1,034,920,400) ordinary shares	**1,725,211**	1,725,211

REVIEW OF INTERIM RESULTS

The independent auditor of the Company, Ernst & Young, has reviewed the interim condensed consolidated financial information in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises four independent non-executive Directors being Mr. Ping Cho Terence HON (Chairman), Mr. George William Hunter CAUTHERLEY, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER. The Audit Committee has jointly reviewed with the management and the independent auditor of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended 30 June 2023) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

PUBLICATION OF CONDENSED CONSOLIDATED INTERIM RESULTS AND 2023 INTERIM REPORT ON WEBSITES OF STOCK EXCHANGE AND COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinomab.com). The 2023 interim 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, 21 August 2023

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, Ms. Wenyi LIU, Ms. Jie LIU and Mr. Lei SHI, and the independent non-executive Directors are Mr. George William Hunter CAUTHERLEY, Mr. Ping Cho Terence HON, Dr. Chi Ming LEE and Mr. Dylan Carlo TINKER.