HARBOUR BIOMED

和鉑醫藥控股有限公司
HBM HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 02142

2023 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Jingsong Wang *(Chief Executive Officer) (Chairperson)*
Dr. Yiping Rong

NON-EXECUTIVE DIRECTORS

Ms. Weiwei Chen
Mr. Junfeng Wang *(resigned with effect from 13 July 2023)*
Mr. Yu Min Qiu *(resigned with effect from 13 July 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robert Irwin Kamen
Dr. Xiaoping Ye
Mr. Ka Chi Yau
Dr. Albert R. Collinson *(appointed with effect from 13 July 2023)*

AUDIT COMMITTEE

Mr. Ka Chi Yau *(Chairperson)*
Dr. Xiaoping Ye
Ms. Weiwei Chen

REMUNERATION COMMITTEE

Dr. Xiaoping Ye *(Chairperson)*
Dr. Jingsong Wang
Mr. Ka Chi Yau

NOMINATION COMMITTEE

Dr. Jingsong Wang *(Chairperson)*
Dr. Robert Irwin Kamen
Dr. Xiaoping Ye

AUTHORIZED REPRESENTATIVES

Dr. Jingsong Wang
Dr. Yiping Rong *(appointed on 19 October 2023)*
Mr. Richard Yu Fu *(resigned on 19 October 2023)*

JOINT COMPANY SECRETARIES

Mr. Wing Yat Christopher Lui
Mr. Richard Yu Fu *(resigned on 19 October 2023)*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 472, Harbour Place, 2nd Floor
103 South Church Street, George Town
Grand Cayman KY1-1106
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

Suite 202, Building A3,
218 Xinghu Street,
Suzhou Industrial Park, Suzhou, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.
P.O. Box 472, Harbour Place, 2nd Floor
103 South Church Street, George Town
Grand Cayman KY1-1106, Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road,
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISER

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom and affiliates

PRINCIPAL BANK

China Merchants Bank, Shenzhen Branch
23/F, No. 2016 Shennan Boulevard, Futian District
Shenzhen, China

COMPANY WEBSITE

www.harbourbiomed.com

STOCK CODE

02142

Corporate Profile

Incorporated in July 2016, we are a clinical-stage biopharmaceutical company engaged in the discovery and development of differentiated antibody therapeutics in immune-oncology and immunology disease areas. We are committed to the discovery, development and commercialization of novel antibody therapeutics to address current patients' needs.

Since 2022, we have established two sub-brands, Harbour Therapeutics, focusing on pipeline development, products collaboration and commercialization, and Nona Biosciences, a global biotechnology company providing a total solution for partners worldwide. In 2023, Harbour Therapeutics and Nona Biosciences became two pillars driving Company business growth.

ROBUST PORTFOLIO AND DIFFERENTIATED PIPELINE

Under Harbour Therapeutics, we have a robust and diversified pipeline of more than ten potentially differentiated drug candidates, four of which are in clinical development stage. HBM9161, HBM4003, HBM7008 and HBM1020 are our main products.

BATOCLIMAB (HBM9161)

Batoclimab is designed as a fully human monoclonal antibody that selectively binds to and inhibits the neonatal fragment crystallizable receptor ("**FcRn**"). FcRn plays a pivotal role in preventing the degradation of IgG antibodies. High levels of pathogenic IgG antibodies drive many autoimmune diseases. As the clinically most advanced FcRn inhibitor being developed in Greater China, batoclimab has the potential to be a breakthrough treatment for a wide spectrum of autoimmune diseases in Greater China. In 10 October 2022, we entered into a license agreement with CSPC NBP Pharmaceutical Co. Ltd. ("**NBP Pharma**", a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited), pursuant to which we granted NBP Pharma an exclusive sublicensable license under the Licensed Technology to develop, manufacture and commercialize batoclimab in Greater China (including Hong Kong, Macau and Taiwan). In March 2023 we completed the Phase III clinical trial for generalized myasthenia gravis ("**gMG**").

HBM4003

HBM4003 is a next-generation, fully human anti-CTLA-4 antibody against cytotoxic T-lymphocyte-associated antigen-4 (CTLA-4), one of the major negative regulators of T cell responses. It is also our first internally developed molecule generated on our HCAb Platform, which we have advanced from candidate selection to clinical stage within three years. HBM4003 is the first fully human heavy chain only anti CTLA-4 antibody entered into clinical development around the world in history, and has favorable properties compared with conventional anti-CTLA-4 antibodies in pre-clinical settings. Compared with conventional CTLA-4 antibody, HBM4003 has unique, favorable properties including significant Treg cell depletion and improved pharmacokinetics ("**PK**") for better safety. While increasing the potential to selectively deplete intratumoral Treg cells via enhanced antibody-dependent cellular cytotoxicity ("**ADCC**") strategy. The improved efficacy and safety have been observed in clinical trials. We believe HBM 4003 will be able to break the significant immune-suppressive barrier of anti-cancer immunotherapies in solid tumors. HBM4003 has great potential to overcome the efficacy and toxicity bottleneck with the existing CTLA-4 therapy, and become the core product in cancer immunotherapy.

HBM7008

HBM7008 is a bispecific antibody targeting Tumor Associated Antigen B7H4 and 4-1BB that not only displays high potency in the T cell co-stimulation and tumor growth inhibition, and potentially may also translate to better safety due to its strict dependency of TAA-mediated crosslinking T cell activation. HBM7008 is one of the fully human bispecific antibodies developed from the HBICE® platform of the Company. It is the only bispecific antibody against these two targets in clinical stage globally. Its unique specificity on tumors and immune modulation activity makes it a promising therapeutics in PD-L1 negative or PD1/PD-L1 resistant patients. It also has the potential to avoid 4-1BB liver toxicity risk observed in other products with the benefit of its innovative biology mechanisms and bispecific design. In February 2023, we entered into a license and collaboration agreement with Cullinan Oncology, Inc. (together with its affiliates, "**Cullinan**"), pursuant to which we granted Cullinan an exclusive sub-licensable license to exploit any product that is comprised of or contains the Company's bispecific antibody targeting B7H4x4-1BB (HBM7008) in the United States of America and its territories and possessions (including the District of Columbia and Puerto Rico).

HBM1020

HBM1020 is a first-in-class fully human monoclonal antibody generated from Harbour Mice® Platform targeting B7H7. As a newly discovered member of the B7 family, B7H7 expression is found non-overlapping with PD-L1 expression in multiple tumor types, which potentially play a more important role for tumor cells to escape immune surveillance. HBM1020 is the first and the only product targeting B7H7 in clinical stage globally. With its excellent product design and target features, B7H7 unique expression is found non-overlapping with PD-L1 in multiple tumor indicates an alternative immune evasion pathway besides PD-(L)1. In PD-L1 negative/refractory patients, B7H7 potentially plays a more important role for tumor cells to escape immune surveillance. In May 2023, we initiated Phase I clinical trail in the U.S.. We believe that HBM1020 has great potential to address huge unmet medical needs on solid tumors treatment.

Engaged in the discovery and development of differentiated antibody therapeutics in immune-oncology and immunology disease areas, we also explored and developed multiple programs including novel and challenging mAbs such as HBM1022 (CCR8), HBM1007 (a CD73 targeted mAb working through dual modes of action), HBM9378 (a TSLP targeted mAb with better bioavailability), HBM1047 (a CD200R1 targeted mAb), HBM9014 (a LIFR targeted mAb), and bispecific antibodies generated from our HBICE® Platform with novel design and differentiated mechanism such as HBM7020 (BCMAxCD3), HBM9027 (PD-L1xCD40), HBM7022 (CLDN18.2xCD3), HBM7004 (B7H4xCD3). In addition, by leveraging the advantages of the Harbour Mice® Platform, we explored more modalities of therapy in immune-oncology, such as HBM9033 (a MSLN targeted ADC).

LEADING DRUG INNOVATION AND DISCOVERY ENGINE

HBM4003 and other multiple programs were developed through our proprietary Harbour Mice® Platform. Our Harbour Mice® Platform generates fully human monoclonal antibodies in the classical two heavy and two light chain H2L2 format as well as heavy chain only (HCAb) format. Our H2L2 Platform generates, at a rapid rate and in a scalable fashion, classical two heavy and two light immunoglobulin chain antibodies (H2L2) with optimized fully human variable regions, allowing for endogenous affinity maturation and immune effector function. Our HCAb Platform is a human antibody platform that engineers "heavy chain only" antibodies (HCAb) in a wide variety of formats (such as mRNA, nanobodies, bispecific/multispecific antibodies cell therapy and ADC) and with favorable developability. Leveraging the technology know-how we accumulated on our HCAb Platform, we have independently developed the HBICE® Platform, which focuses on generating differentiated HCAb-based bispecific immune cell engagers potentially capable of delivering tumor-killing effects unachievable by combination therapies. Integrated with our single B-cell cloning platform, our antibody discovery engine is highly productive and efficient to drive innovation and sustainable growth of the Company.

With a unique leading edge and technological advantage of our technology platform, we established Nona Biosciences in 2022 to better empower the innovators in the industry and enable our collaborators from I to I™ (Idea to IND). Nona Biosciences is a global biotechnology company committed to providing a total solution for partners worldwide, from academies, biotech startups to biopharma giants. The integrated antibody discovery services range from antigen preparation, animal immunization, single B cell screening, to antibody lead generation and engineering, developability assessment and pharmacological evaluation, leveraging the advantages of Harbour Mice® Platforms and the experienced therapeutic antibody discovery team.

In 2023, Nona Bioscience made significant achievements with robust business grows and platform innovation. In business development, we saw service business grow fast in 2023 and a successful asset licensing to Pfizer. In the meantime, we consistently advance technology innovation, Nona Biosciences has established four leading technology units based HCAb including, protein engineering, conjugation technology, delivery technology and cell therapy.

PLATFORM-VALUE MAXIMIZED BUSINESS COLLABORATIONS

We own the global rights to use and develop our Harbour antibody platforms, enabling us to maximize the value of our platforms to address global unmet medical needs. With the leading discovery engine, we will expand our business collaborations with leading academic institutions and select industrial partners focusing on innovation and efficiency across the world.

The business collaboration model of Harbour Therapeutics is not only limited to pure out-licensing, but also to engage with academic institutions or other leading innovative pioneers in the industry for co-development and incubation of joint ventures on next-generation innovative therapy. Our platforms have been validated by over 50 industry and academic partners. Built upon our strong track record of collaborations, we believe our platforms will generate the potential on revenue creation and broaden the scope of our business development.

In addition to collaboration through the molecules and pipeline generated from the platforms, we are also focusing our vision on more original and innovative collaborations on early stages. By integrating the industry leading Harbour Mice® and HCAb Plus™ Platforms with our experienced therapeutic antibody discovery team, Nona Biosciences provides a one-stop solution for therapeutic antibody discovery, engineering and development from I to I™ with flexible business model. We believe that Nona Biosciences will show us a new path to expand our collaboration networks and maximize the value of our platform.

FINANCIAL HIGHLIGHTS

	As of 31 December/For the year ended 31 December				
	2023 US$ in thousands	2022 US$ in thousands	2021 US$ in thousands	2020 US$ in thousands	2019 US$ in thousands
Revenue	**89,502**	40,659	4,308	14,107	5,419
Cost of sales	**(2,034)**	(130)	(137)	(449)	(623)
Other income and gains	**6,589**	4,768	5,965	5,270	1,581
Selling expense	**(1,062)**	–	–	–	–
Research and development expenses	**(45,081)**	(135,143)	(107,103)	(55,244)	(49,477)
Administrative expenses	**(19,498)**	(27,274)	(40,067)	(46,294)	(10,587)
Impairment losses on financial assets, net	**(503)**	–	–	–	–
Finance costs	**(3,872)**	(1,987)	(176)	(280)	(213)
Loss on fair value change of convertible redeemable preferred shares	**–**	–	–	(213,703)	(13,387)
Other expenses	**(1,359)**	(17,913)	(619)	(45)	(301)
Income tax credit/(expense)	**81**	(248)	(49)	99	92
Profit/(Loss) for the year	**22,763**	(137,268)	(137,878)	(296,539)	(67,496)
Earnings/(Loss) per share (Basic and diluted) (USD)	**0.03**	(0.19)	(0.19)	(1.69)	(0.57)
Cash and cash equivalents	**140,324**	171,705	216,304	356,794	33,391
Total assets	**228,480**	232,123	282,361	388,738	69,499
Total liabilities	**108,851**	139,622	59,447	27,730	222,946
Total equity/(deficit)	**119,629**	92,501	222,914	361,008	(153,447)

PROGRESS ON HARBOUR THERAPEUTICS

1. BATOCLIMAB (HBM9161)

a. Completed the Phase III clinical trial for generalized myasthenia gravis ("**gMG**") in March 2023.

2. PORUSTOBART (HBM4003)

Combination with PD-1 for Hepatocellular Carcinoma ("HCC")

a. Presented the results of Phase Ib clinical trial in combination of toripalimab in patients with HCC at the American Society of Clinical Oncology (ASCO) Annual Meeting 2023 in June 2023.

Combination with PD-1 for Neuroendocrine Neoplasms ("NET/NEC")

b. Presented the results of Phase Ib clinical trial in combination of toripalimab in patients with advanced high-grade neuroendocrine neoplasms ("**NENs**") at the American Association for Cancer Research ("**AACR**") Annual Meeting 2023.

3. HBM9378

a. Completed subjects recruitment of Phase I trial in March 2023.

b. Completed the Phase I clinical trial in October 2023.

4. HBM1020

a. Obtained the Investigational New Drug ("**IND**") clearance to commence Phase I trial for solid tumors from U.S. Food and Drug Administration ("**U.S. FDA**") in January 2023.

b. Completed first dosing of first patient in Phase I trial in the U.S. in June 2023.

5. OTHER PRODUCTS

a. Obtained the IND clearance to commence Phase I trial of HBM1007 for solid tumors from U.S. FDA in January 2023.

b. Obtained the IND clearance to commence Phase I trial of HBM1022 for solid tumors from U.S. FDA in February 2023.

c. Obtained the IND clearance to commence Phase I trial of HBM9027 for solid tumors from U.S. FDA in January 2024.

BUSINESS DEVELOPMENTS

1. COLLABORATIONS ON ASSETS

a. In April 2022, we entered into a global out-license agreement with AstraZeneca to develop and commercialize HBM7022, a novel bispecific antibody generated from the HBICE® Platform of the Company. In the first half of 2023, AstraZeneca obtained the IND clearance from U.S. FDA and IND approval from NMPA. In July 2023, AstraZeneca initiated Phase I/II international multi-center clinical trial.

b. In February 2023, we entered into a license and collaboration agreement with Cullinan Oncology Inc. ("**Cullinan**"), pursuant to which an exclusive sub-licensable license was granted to Cullinan to exploit HBM7008 in the U.S. and its territories and possessions (including the District of Columbia and Puerto Rico) with an upfront payment of US$25 million, up to approximately US$600 million in milestone payments and tiered royalties up to high teens.

c. In December 2023, we entered into a global out-license agreement with Pfizer for the global clinical development and commercialize HBM9033, a novel MSLN antibody drug conjugation generated from the Harbour Mice® Platform, with the aggregate amount of US$53 million upfront and near-term payments, up to US$1.05 billion in milestone payments and tiered royalties on net sales ranging from high single digits to high teens.

d. We have also further advanced the strategic collaboration with Hualan Genetic Engineering Co., Ltd. ("**Hualan Genetic**") in respect of three innovative monoclonal antibody and bispecific antibody drugs, one of which had received the IND approvals in the first half of 2023 and the other two in the second half of 2023.

2. PLATFORM-BASED COLLABORATIONS

a. We have further advanced the collaboration with BioMap to explore the integration of Harbour Mice® Platform and AI technology developed by BioMap.

b. In 2018, Beigene, Ltd. (stock code 6160)("**Beigene**") obtained rights to use the proprietary Harbour Mice® H2L2 Platform for multiple antibody programs, and in September 2023 Nona Biosciences expanded the antibody discovery collaboration with Beigene leveraging the Harbour Mice® Platform.

c. In 2022, we entered into collaboration with Duality Biotherapeutics, Inc. ("**Duality Biologics**") on antibody-drug conjugate ("**ADC**") projects, and in July 2023, Beigene acquired an exclusive option for a global clinical and commercial license of an investigational preclinical ADC therapy developed under the collaboration between Duality Biologics and the Company for patients with select solid tumors.

d. In February 2023, Nona Biosciences entered into a collaboration agreement with Mythic Therapeutics, a biotechnology company focused on the development of ADC therapies, for the treatment of a wide range of cancers.

e. In April 2023, Nona Biosciences entered into a collaboration agreement with Washington University in St. Louis, the U.S. to discover viral targets for which few or no human monoclonal antibodies (mAbs) currently exist, such as western equine encephalitis virus (WEEV), rabies and severe fever with thrombocytopenia syndrome virus (SFTSV).

f. In May 2023, Nona Biosciences entered into a strategic collaboration agreement with Massachusetts-based PharmaEssentia Innovation Research Center ("**PIRC**") on our proprietary Harbour Mice® fully human antibody transgenic mice platform.

g. In May 2023, Nona Biosciences entered into an agreement with ModeX Therapeutics, an OPKO Health company, for the use of Nona Biosciences' platforms to support ModeX's development of multi-specific antibody therapeutics.

h. In October 2023, Nona Biosciences entered into a collaboration agreement with INGENIA Therapeutics for the use of our proprietary Harbour Mice® to accelerate the development of innovative therapeutics for immunological disorders with highly unmet needs.

i. In November 2023, Nona Biosciences entered into strategic collaboration with GeneQuantum Healthcare ("**GeneQuantum**") to empower early discovery of next-generation bioconjugates.

j. In December 2023, Nona Biosciences entered into a collaboration agreement with Lycia Therapeutics, for the use of Nona Biosciences's proprietary Harbour Mice HCAb fully human antibody transgenic mice platform to discover novel antibodies for its LYTAC support ModeX's development of multi-specific antibody therapeutics.

k. In December 2023, Nona Biosciences entered into a collaboration agreement with Evive Biotech on antibody discovery based on the Harbour Mice® Platform to accelerate antibody discovery.

3. INCUBATION TO ADVANCE CUTTING-EDGE AREAS

a. We advanced the collaboration with Boston Children's Hospital, an affiliate of Harvard Medical School, by leveraging state of the art target discovery and antibody design platform in the identification of novel antibody therapeutics. HBM Alpha Therapeutics ("**HBMAT**"), a joint venture between the Company and Boston Children's Hospital, completed its seeds round financing in January 2023.

b. We advanced the exploration in NK cell therapy with Shanghai NK Cell Technology Limited ("**NK Cell Tech**") since 2021, pursuant to which the Company granted non-exclusive sublicense of its platforms to NK Cell Tech for specific cell therapy. In 2023, NK Cell Tech presented clinical data of NK-010 in ASCO for ovarian cancer and myeloid leukemia. In January 2024, NK-010 obtained U.S. FDA IND clearance to conduct Phase I trial in the U.S..

ACADEMIC CONVENTIONS/PUBLICATIONS

a. Presented a novel human heavy-chain-only antibody to mitigates neutralization resistance of SARS-CoV-2 variants on Front Immunol. in February 2023.

b. Presented the Phase I data of Porustobart + Toripalimab in patients with NET/NEC at AACR Annual Meeting in April 2023.

c. Presented the Phase I data of Porustobart + Toripalimab in patients with HCC at ASCO Annual Meeting in June 2023.

d. Presented the safety result of Porustobart in nonclinical and clinical at Society of Toxicology in September 2023.

e. Presented the non-clinical data of HBM7008 at Society for Immunotherapy of Cancer Meeting in November 2023.

f. Presented new preclinical data of two assets, HBM9014 and R1055 in separate poster presentation at PEGS Annual Meeting 2023.

g. Presented "Cutting-edge HCAb Harbour Mice® platform to generate fully human heavy chain only antibodies" at Festival of Biologics U.S. in March 2023.

h. Presented the direct CAR-Based library screening Platform to develop fully human heavy-chain only CAR-T Cell therapies at 8th CAR-TCR summit 2023.

i. Presented the novel fully human heavy chain only antibody-based mRNA-encoded T cell engager for cancer immunotherapy at mRNA Therapy Summit.

For details of any of the aforementioned, please refer to the rest of this report and, where applicable, the Company's prior press releases and announcements.

Dear Shareholders,

On behalf of the Board, it is my pleasure to share with you the forth annual report of the Group. I would like to take this opportunity to walk you through the results we achieved in 2023 and our exciting milestones for 2024.

For us, 2023 has been our third financial year since listing on the Main Board of the Stock Exchange of Hong Kong in December 2020. We made progress in two significant undertakings: develop Harbour Therapeutics into a faster, more focused clinical-stage next-generation therapeutics company, and initiating Nona Biosciences to leverage our unique global patent protected technology platforms to empower global therapeutic innovation. We have achieved these initiatives with outstanding results in a year when high inflation, geopolitical tension, and other continued challenges were affecting most industries, the Company is well positioned in this new era to achieve results that will propel the Company to new heights and create robust returns for our Shareholders.

We are navigating in a fiercely competitive world that is going through rapid changes. Facing human being's fundamental quest for longevity and quality of life, having greater demand for biotechnological breakthroughs and innovative therapeutics. More than ever, it is explicit that only those with truly impactful products can accelerate in the next era of biotechnology.

The Company is dedicated to the research and development ("**R&D**") and commercialization of our portfolio products to address patients' needs across the globe. We are particularly proud of everything our team has accomplished in 2023. We have achieved rapid advancement in our core products, further strengthened our R&D capabilities and out-licensed internally discovered molecules to top-tier companies across the world. Besides the development of our internal portfolio and collaborations based on the products generated from our technology platform, our wholly-owned subsidiary, Nona Biosciences, providing next-generation antibody and biotherapeutic solutions to partners from discovery to IND, also delivered solid business performance and enhanced value for the Company. Nona Biosciences leverages Harbour BioMed's technology platforms, including its Harbour Mice® and HBICE® for fully human antibody generation, and demonstrated expertise in discovery and development, along with an innovative business model to make these technologies broadly accessible to biotechnology and biopharmaceutical companies and academic institutions.

ADVANCEMENT OF ROBUST PORTFOLIO AND DIFFERENTIATED PIPELINE

Harbour Therapeutics, a sub-brand parallel to Nona Biosciences, will be individually responsible for the development of our products pipeline. Focused on oncology and immunology, the differentiated portfolio of Harbour Therapeutics consists of six innovative drug candidates in clinical stage and multiple novel candidates at IND/IND-enabling stages.

In 2023, we conducted the global clinical development program of HBM4003 for multiple indications. As a pioneer, HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody discovered and developed through in-house efforts. It is also the first fully human heavy chain only antibody which has entered into clinical development around the world. Within five years, this flagship program has advanced from candidate selection to the Phase II stage and the data readout of combination therapy in multiple indications. The results of clinical trial showed good safety profile with a strong potential on efficacy and potential to become the best-in-class therapy for patients with melanoma in China.

In 2023, we also obtained the IND clearance of HBM1020 from the U.S. FDA to initiate the clinical study in the U.S., and conducted the Phase I clinical trial for solid tumors in the U.S.. HBM1020 is a first-in-class fully human monoclonal antibody generated from Harbour Mice® Platform targeting B7H7. As a newly discovered member of the B7 family, B7H7 expression is found to be non-overlapping with PD-L1 expression in multiple tumor types, which potentially play a more important role for tumor cells to escape immune surveillance. HBM1020 is the first product targeting B7H7 in clinical stage globally. With its excellent product design and target features, we believe that HBM1020 has great potential to address huge unmet medical needs on solid tumors.

Another example demonstrating our strong research capabilities is the discovery of HBM7008, a novel product targeting B7H4 and 4-1BB. Developed from our immune cell engager platform HBICE®, HBM7008 is, globally, the only bispecific antibody against these two targets. HBM7008 is our second product, generated from our platform, at the clinical stage. Leveraging and integrating the expertise of our internal scientists in biology and antibody engineering and the unique characteristics of HBICE® platform, we have seen exciting performance of HBM7008 both in efficacy and safety profile at pre-clinical stage and we are fully confident in the global clinical development. In 2022, we initiated the Phase I trials in the U.S. and Australia. In February 2023, to maintain our leading position in the development of this first-in-class asset, we have entered into a co-development collaboration with Cullinan, to expand our study process in the U.S., Europe and Australia.

We also co-developed HBM9378 with Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. ("**Kelun-Biotech**"), and completed Phase I trial in 2023. HBM9378 is a co-development program with Kelun-Biotech. With the joint efforts of both partners, we expect exciting progress of HBM9378 in the future.

LEADING DRUG INNOVATION AND DISCOVERY ENGINE

Driven by our unique platforms, we also developed new assets such as HBM1022 and HBM1007. In the year 2023, HBM1020, HBM1022, HBM1007 and HBM9033 obtained the IND clearance from the U.S. FDA to initiate clinical study in the U.S. In the first quarter of 2024, HBM9027 obtained the IND clearance from U.S. FDA.

In addition, HBM7004, HBM1047 and HBM9014 are all pre-clinical stage products in our pipeline. With the efficient output of our technology platform and the accumulated expertise of our R&D team, we aim to deliver at least one IND submission generated from our discovery engine each year.

PLATFORM-VALUE-MAXIMIZED BUSINESS COLLABORATIONS

In 2023, we continued to expand our business collaborations with leading academic institutions and select industrial partners focusing on innovation and efficiency across the world. We believe our flexible business models built around our proprietary technologies and platforms can and will maximize our platform value by leveraging complementary advantages from the Company and our collaborators.

ASSETS COLLABORATION OF HARBOUR THERAPEUTICS

Harbour Therapeutics has entered into several external collaboration in terms of pipeline licensing and collaborations. In 2023, we have granted the regional out-licensing of HBM7008 in the U.S. to Cullinan. HBM7022, which we licensed to AstraZeneca in 2022 has entered into clinical stage. Meanwhile, the three assets, that we have licensed the Greater China Rights to Hualan Genetic, obtained IND approval from NMPA to initiate clinical study in China. In addition, HBM9378, which we developed in collaboration with Kelun-Biotech, completed Phase I trial in clinical stage. With the multiple collaborations based on the assets generated from HBICE®, our platform has showed its strengths and unique advantages in building a comprehensive portfolio in immune cell engagers.

We believe that the co-development and collaboration of the pipeline is not only the recognition of our industry partners for our products and technology platforms, but will also help the Company to improve the efficiency of our portfolio advancement, spread the costs and risks, and make the development of the Company more robust.

MULTIPLE COLLABORATIONS OF NONA BIOSCIENCES

With the technological advantage of our platform, we established Nona Biosciences (formerly known as Harbour BioMed (Suzhou) CO., LTD) to better empower the innovators in the industry and enable our collaborators from I to I™. Nona Biosciences is a global biotechnology company committed to providing a total solution for partners worldwide, from academies, biotechnology startups to biopharmaceutical giants. From the end of 2022, Nona Biosciences achieved big success in its launch as it has landed a number of international collaborations in multiple innovated formats. Nona Biosciences has established four leading technology units based on HCAb, including protein engineering, conjugation technology, delivery technology and cell therapy to empower the next-generation therapies.

In addition, we have granted the global out licensing of HBM9033, a potential best in class MSLN-targeted ADC, to Pfizer. With the multiple collaborations based on the assets generated from HCAb Plus™, our platform has shown its strength and unique advantages in expanding the technology boundaries and exploring innovation directions.

With the flexible business model and a great start, we believe that Nona Biosciences will show us a new path to expand our collaboration network and maximize the value of our platform.

INCUBATION ON CUTTING-EDGE COLLABORATIONS

To give full play to the value of our unique platform technologies, we have continued to explore the expandability of platform technology application scenarios which generate impactful values to the Company. We are incubating several joint ventures focusing on next-generation innovation ranging from multivalence to cell therapies, etc. Their common feature is to increase the application scenarios of our technology platform to bring incremental value to the Company.

In other words, this "technology for equity" model allows us to integrate incremental resources for a diversified deployment of our next-generation innovation, which will continuously bring us new value growth points with minimal marginal investment.

2024 OUTLOOK: EXTENSIVE GLOBALIZATION AND BREAKTHROUGH INNOVATION

Looking to the future, we will keep driving business growth and accomplishing our mission through two key pillars, Harbour Therapeutics and Nona Biosciences. In 2024, for Harbour Therapeutics, we will advance multiple clinical trials of our internal pipeline to fully advance the global clinical development project. For Nona Biosciences, we will keep providing integrated discovery solutions for biotechnology and pharmaceutical companies and ultimately create an innovation ecosystem to promote biological advancement.

A range of products based on our technology platform and generated from the concept of T-cell engager and NK cell engager, will be pushed forward to clinical stage in the following years. With a combination of in-house development and business collaborations, we believe the Company will form a portfolio of products with a differentiated competitive advantage in immuno-oncology.

The platform-valued-maximized business collaborations will further drive the Company down the path of global development. We have seen very exciting value through these platform-based collaborations with top institutions around the world as our preclinical products become increasingly mature, and more extensive global collaborations are expected in 2024.

We insist on innovation and we believe that the Company will thrive in the fast evolutionary industry. With your support, we are confident that we will continue to bring sustainable and considerable values to our patients, our employees and our Shareholders.

Last but not least, on behalf of the Board and management team, I would like to thank our colleagues for their dedication and contribution. Our gratitude also extends to our Shareholders, our partners and external service providers for their continued support. We look forward to building another prosperous year in 2024 with all relevant parties.

Jingsong Wang
Chairman of the Board
28 March 2024

OVERVIEW

ABOUT HARBOUR THERAPEUTICS

Harbour Therapeutics is committed to the discovery, development and commercialization of novel antibody therapeutics focusing on oncology and immunology. We have built a robust portfolio and differentiated pipeline by leveraging our unique antibody technology platforms as well as based on our biological understanding and industry experiences. Our portfolio also consists of strategically selected, clinical assets with near-term revenue potential targeting diseases with high unmet needs and taking the lead in filling the gap of the Greater China market.

ABOUT NONA BIOSCIENCES

Our proprietary antibody technology platforms, Harbour Mice®, generate fully human monoclonal antibodies in the classical two heavy and two light chain (H2L2) format, as well as heavy chain only (HCAb) format. Building upon our HCAb antibodies, the HCAb-based immune cell engagers (HBICE®) are capable of delivering tumor killing effects unachievable by combination therapies. Integrated with our single B cell cloning platform, our antibody discovery engine is highly productive and efficient in driving innovation and the sustainable growth of the Company.

With such a unique leading edge and technological advantage of our technology platform, we established Nona Biosciences in 2022 to better empower the innovators in the industry and enable our collaborators from I to I™ (Idea to IND). Nona Biosciences is a global biotechnology company committed to providing total solution for partners worldwide, from academies, biotechnology startups to biopharmaceutical giants. The integrated antibody discovery services range from antigen preparation, animal immunization, single B cell screening, to antibody lead generation and engineering, developability assessment and pharmacological evaluation, leveraging the advantages of Harbour Mice® Platforms and the experienced therapeutic antibody discovery team.

We believe our flexible business models, which are built based on both Harbour Therapeutics and Nona Biosciences, can and will maximize our platform value by leveraging the complementary advantages of the Company and our collaborators.

PORTFOLIO

We have over 10 drug candidates focused on oncology and immunological diseases in pre-clinical to late clinical stages. The following table summarizes our product pipeline and the development status of each drug candidate in the areas indicated in the chart at the right column.

Project	Target	Indication	Commercial Rights	Status
				Discovery / Pre-Clinical / IND / Phase I / Phase II / Phase III / BLA
Batoclimab HBM9161	FcRn	Myasthenia Gravis	Greater China Rights Out-licensed [1]	Phase III (CSPC)
Porustobart HBM4003	CTLA-4 [2]	Solid Tumors [a]	Global	Monotherapy Ph 1b/2
		Solid Tumors [b]		Combo with PD-1 Ph 1b/2
		Solid Tumors [c]		Combo with PD-1/PD-1+Chemo Ph 1
HBM7008	B7H4×4-1BB	Solid Tumors	Ex-U.S. [3]	Ph 1 (cullinan ONCOLOGY)
HBM9378	TSLP	Asthma	Global	Ph 1
HBM1020	B7H7/HHLA2	Solid Tumors	Global	Ph 1
HBM7022	CLDN18.2xCD3	Solid Tumors	Global Out-license	Ph 1/2 (AstraZeneca)
HBM1007	CD73	Solid Tumors	Global	US IND clearance in January 2023
HBM1022	CCR8	Solid Tumors	Global	US IND clearance in February 2023
HBM9033	MSLN ADC	Solid Tumors	Global Out-license	US IND clearance (Pfizer)
HBM9027	PD-L1xCD40	Solid Tumors	Global	US IND clearance in January 2024
HBM7004	B7H4×CD3	Solid Tumors	Global	
HBM1047	CD200R1	Solid Tumors	Global	
HBM9014	LIFR	Solid Tumors	Global	(Yinuoke)

HARBOUR BIOMED

1. HBM in-license the Greater China Rights of HBM9161 from HanAll in 2017, and the rights is out-license to CSPC in Oct 2022
2. HBM4003 is a next-gen anti-CTLA-4 antibody with enhanced ADCC for Treg depletion
3. The U.S. rights of HBM7008 is out-licensed to Cullinan in Feb 2023

* MG: Myasthenia Gravis;

a. Melanoma, HCC, RCC and Other Advanced Solid Tumors
b. Melanoma, HCC, NEC/NET and Other Advanced Solid Tumors
c. NSCLC and Other Advanced Solid Tumors

BUSINESS REVIEW

Since 2023, China's healthcare reform has further deepened, and the reform of the pharmaceutical industry has gradually developed in depth and breadth amidst policy and market changes. Looking back at the overall industry landscape, the adjustment of medical insurance catalogues, medical insurance price negotiations and the new round of volume-based procurement have brought continuous challenges to drug prices, especially for the pricing of less differentiated products. Meanwhile, the exploration of medical insurance payment reform has also driven the industry to focus more on the drugs' potency-price ratio. The revised "Drug Registration Regulation" (the "**DRR**") took effect on 1 July 2020. The DRR and its supplementary measures provide several accelerated pathways for new drug development and approval, aiming to encourage clinical value-oriented drug innovation, accelerate the filing of clinically urgent drugs and address unmet clinical needs, which will ultimately benefit more patients.

In the second half of 2023, a one-year centralized governance of the medical anti-corruption campaign has been launched in China, covering the whole field and the whole chain for key links, such as production, supply, sales, use and reimbursements. The medical reform policy is still the core variable, and the pharmaceutical industry will pay more attention to the research and development of clinically valuable products and services, and the innovation orientation is significant.

At the same time, we have also seen opportunities and challenges in the global industry competition. On the one hand, biopharmaceutical companies face challenges in global development and commercialization of innovative medicines in recent years, mainly caused by changes in policy and market orientation. Successive new policy imposes new requirements on the quality of clinical trials and the protection of patient privacy. We are also paying attention to relevant policy changes in major countries around the world to align our product development with the rules and regulations of the region where the products are registered. On the other hand, against the backdrop of healthcare services upgrades and acceleration of the aging of the population, industry demand is still large and growing steadily. The industry as a whole is still on an upward trend which brings greater market opportunities for differentiated innovative drugs. The Company has been upholding the clinical value-oriented product line layout, and the forward-looking clinical development.

With the gradual improvements of the structural adjustment of the pharmaceutical industry, a new ecosystem has formed in the industry. The Company will further optimize its strategies in research, development, registration, patenting and global collaboration, by focusing on the development of highly differentiated products with clear value that can meet clinical needs and by providing integrated discovery solutions for biotechnology and pharmaceutical companies. We believe that the Company's business will have broad market prospects in the future.

PRODUCT DEVELOPMENT OF HARBOUR THERAPEUTICS

During the Reporting Period, Harbour Therapeutics continued to expand our business collaborations with leading academic institutions and selected industry partners focusing on innovation and efficiency across the world. The co-development and collaboration with industry partners on the development of our pipeline products not only shows that our products and technology platform were recognized by industry partners, but will also help the Company to improve the efficiency of our portfolio advancement, spread the costs and risks, and lead to robust development of the Company.

PRODUCTS IN CLINICAL STAGE

Batoclimab (HBM9161)

We completed the treatment of patients in early 2023 and announced the positive topline results of the phase III clinical trial of batoclimab for the treatment of gMG in March 2023, which was also the first positive pivotal trial outcome for batoclimab worldwide. This marks a major milestone as it is the Company's first product to complete phase III clinical trial and be poised for commercialization to benefit the gMG patients. We also initiated Open-Label extension clinical trial in 2022 and completed enrolment in March 2023. In June 2023, NMPA accepted the BLA of batoclimab (HBM9161) for the treatment of gMG. This is also the first BLA accepted by NMPA since Harbour BioMed's establishment. In December 2023, the Company voluntarily planned to include additional long-term safety data and re-submitted the BLA for batoclimab (HBM9161).According to the analysis on the Open-Label extension clinical trial for gMG up to November 2023, the data showed sustainable efficacy and safety of batoclimab in long-term disease management. We will continue to communicate with the NMPA and subsequent submission-related interactions and processes are still ongoing. We believe that the collaboration with CSPC Group enables the Company to optimize the market potential and advance the clinical development of HBM9161, so as to further maximize the value of batoclimab in Greater China.

Porustobart (HBM4003)

HBM4003 is the next-generation, fully human heavy chain only anti-CTLA-4 antibody generated from the HCAb Platform. It is also the first fully human heavy chain only antibody entered into clinical development around the world in history. In 2023, we implemented the global development plan for multiple types of solid tumors with adaptive treatment designed for HBM4003, and positive data of efficacy and safety profile have been read out in the ongoing trials of NET/NEC and HCC. This flagship program is a great combination of our research and development ("**R&D**") capabilities with technology platform, and has made significant progress:

Combination Therapy with PD-1 for NET/NEC

A. Released the results of Phase Ib clinical trial of porustobart (HBM4003) in combination of toripalimab at the AACR Annual Meeting 2023.

This is an open-label Phase Ib clinical study to evaluate the safety, tolerability, PK/PD and preliminary efficacy of HBM4003 combined with toripalimab in patients with advanced NEN and other solid tumors. Patients (pts) with pretreated advanced high-grade NENs received porustobart at one of the two dose levels (0.3 mg/kg and 0.45 mg/kg) plus toripalimab 240 mg every three weeks (Q3W). The primary endpoint is objective response rate (ORR) per RECIST 1.1 by investigator.

- Porustobart in combination of toripalimab showed promising anti-tumor activity in advanced high-grade NENs. No significant difference in efficacy was observed between the two dose groups.

- The overall objective response rate (ORR) and disease control rate (DCR) were 38.9% and 61.1%, respectively, and 3-month duration of response (DOR) rate was 80%, while the median DOR was not reached.

- For patients with NEC, the ORR and DCR were 38.5% and 69.2%, respectively.

Combination Therapy with PD-1 for HCC

B. Released the results of phase Ib clinical trial of porustobart (HBM4003), in combination of toripalimab in patients with HCC at ASCO Annual Meeting 2023.

This is an open-label Phase Ib dose expansion study to evaluate the safety, tolerability, PK/PD and preliminary efficacy of HBM4003 in combination with toripalimab in patients with advanced HCC and other solid tumors. Patients with advanced HCC (n=28) received porustobart 0.45 mg/kg plus toripalimab 240 mg every three weeks (Q3W) in both Cohort 1 and Cohort 2. Cohort 1 recruited patients who failed previous anti-VEGFR multikinase inhibitor(s) treatment while have not received anti-PD-(L)1 treatment (n=16); Cohort 2 recruited patients who failed previous anti-PD-(L)1 and anti-VEGF(R) treatments (n=12). The primary endpoint was objective response rate (ORR) per RECIST 1.1.

- In Cohort 1, the ORR and disease control rate (DCR) were 46.7% and 73.3%, respectively in 15 patients with post-treatment tumor assessments.

- In Cohort 2, the ORR and DCR were 9.1% (18.2% per mRECIST) and 54.5%, respectively in 11 patients with post-treatment tumor assessments.

Porustobart in combination of toripalimab showed promising anti-tumor activity. Greater effects were observed in Cohort 1, suggesting a larger available pool of effectors to induce anti-tumor activity in the presence of effective Treg depletion.

HBM9378

We rely on in-house technology platforms to co-develop fully human monoclonal antibody drugs of immunology targets, such as HBM9378, in collaboration with Kelun-Biotech. This collaboration of HBM9378 has entered into clinical development stage.

HBM9378 is a fully human monoclonal antibody against thymic stromal lymphopoietin ("**TSLP**") generated from H2L2 platform. It inhibits the TSLP mediated signalling pathway by blocking the interaction between TSLP and TSLP receptor. TSLP plays important roles in DC cell maturation, T helper 2 (Th2) cell polarization and inflammation, particularly in both eosinophilic and non-eosinophilic inflammation asthma. HBM9378 has fully human sequences with less immunogenicity risk and better bioavailability compared to other TSLP target competitors. The long half-life optimization and outstanding biophysical properties support its favorable dosing and formulation advantages.

HBM9378 completed the healthy Chinese subjects recruitment Phase I trial in March 2023, and completed the Phase I clinical trial in October 2023.

HBM1020

HBM1020 is a first-in-class fully human monoclonal antibody generated from H2L2 transgenic mice platform, targeting B7H7. The antibody can enhance anti-tumor immunity by blocking the novel immune checkpoint target. Preclinical data demonstrated its immune activation and anti-tumor functional activities.

B7H7, also known as HHLA2, is a novel immune modulatory molecule belongs to B7 family members. The B7 family is of central importance in regulating the T-cell response, making these pathways very attractive in cancer immunotherapy. Most of the validated targets in immuno-oncology so far are related to B7 family, including PD-(L)1, and CTLA-4. The therapies against B7 family targets have already shifted the paradigm for cancer therapy with outstanding clinical benefit. As a newly discovered member of the B7 family, B7H7 expression is found non-overlapping with PD-L1 expression in multiple tumor types, which indicates an alternative immune evasion pathway besides PD-(L)1. In PD-L1 negative/refractory patients, B7H7 potentially play a more important role for tumor cells to escape immune surveillance.

In January 2023, we obtained the IND clearance to commence Phase I trial for solid tumors in the U.S. and completed the first dosing of this trial in June 2023.

OTHER DEVELOPMENT PROJECTS

Apart from the main products mentioned above, we also developed multiple programs and we aim to deliver at least one IND submission generated from our discovery engine each year.

1. HBM1022

HBM1022 is a monoclonal antibody generated from Harbour integrated G protein-coupled receptor ("**GPCR**") antibody platform. The antibody can enhance anti-tumor immunity by depleting CCR8 positive regulatory T cells, activating effector T cells. HBM1022 presented cynomolgus cross-reactive and demonstrated its anti-tumor functional activities in preclinical studies.

CCR8 is a novel GPCR target on tumor-specific Treg cells. The GPCRs is essential in the immunoregulation, especially for immuno-oncology, where numerous chemokines work through GPCRs. It has been an extremely challenging target due to the structure complexity and low immunogenicity. CCR8 is expressed in tumor infiltrated Treg cells, and functionally involved in Treg cells migration and infiltration. Tumor resident CCR8 positive Treg has been shown to be a major driver for immunosuppression.

Generated from the Company's platform, HBM1022 is one of the few functional monoclonal antibodies that are cross-reactive to human and cynomolgus CCR8 with GPCR signalling modulation. With its unique characteristics, HBM1022 is expected to present therapeutic potentials in a variety of solid tumors with enriched CCR8-positive Tregs, including breast cancer, colon cancer, gastric cancer, non-small cell lung cancer and head and neck cancer.

In February 2023, HBM1022 obtained the IND approval from U.S. FDA to initiate Phase I trial in the U.S.

2. HBM1007

HBM1007 is a fully human mAb against CD73 generated from our H2L2 platform. CD73 is an ectoenzyme expressed on stromal cells and tumors that converts extracellular adenosine monophosphate (AMP) to adenosine. With unique epitopes to recognize CD73, HBM1007 works through dual modes of action: (1) it can block the enzymatic activity of both membrane and soluble CD73 independent of AMP concentration, suggesting its sustainable activity in TME, and (2) it reduces the surface expression of CD73 via internalization. As a result, both enzymatic and non-enzymatic dependent functions of CD73 were significantly reduced.

In January 2023, HBM1007 obtained the IND approval from U.S. FDA to initiate Phase I trial in the U.S.

3. HBM9027

HBM9027 is a novel PD-L1xCD40 bispecific antibody. Using our proprietary fully human HBICE® bispecific technology and Harbour Mice® Platform, we discovered a crosslinking dependent PD-L1xCD40 bispecific antibody to provide novel solutions for cancer immunotherapy from both efficacy and safety angles. The development of PD-L1xCD40 bispecific HBICE® further expands our bispecific immune cell engager into the cutting-edge DC/myeloid cell engager field and demonstrates HBICE® Platform's versatile geometry formats and plug-and-play advantages.

- Mediates both PD-1/PD-L1 inhibitory pathway and CD40 agonistic pathway to achieve synergistic anti-tumor immune responses.
- Combination effects on both myeloid cells and lymphocytes in the innate and adaptive immune systems by stimulating APC cells and relieving the immunosuppression on T cells.
- Potent in vivo anti-tumor efficacy and remarkable in vivo stability.
- Preclinical toxicology studies indicated that the crosslinking-dependent CD40 activation can overcome the liver and systemic toxicity of traditional anti-CD40 monoclonal antibody.
- The bispecific design on geometry and targets provides the cis-and trans-mode of actions on APC, DC, tumor and T cells, indicating the encouraging therapeutic window.

In January 2024, HBM9027 obtained the IND approval from U.S. FDA to initiate Phase I trial in the U.S.

4. HBM7004

HBM7004 is a novel B7H4xCD3 bispecific antibody. Using our proprietary fully human HBICE® bispecific technology and Harbour Mice® Platform (H2L2&HCAb), we discovered a B7H4xCD3 bispecific antibody to provide novel solutions for cancer immunotherapy from both efficacy and safety angles. The development of B7H4xCD3 bispecific HBICE® further consolidates our bispecific immune cell engager platform and demonstrates HBICE® platform's versatile geometry formats and plug-and-play advantages.

- Binds to target cells via bivalent B7H4 binding arms and demonstrates an intratumor B7H4-dependent T cell activation manner.
- Optimized CD3-agonistic activity has stronger in vivo antitumor activity and reduced systemic toxicity.
- Engages endogenous T cells to cancer cells and mediates potent cytotoxicity in an MHC-TCR independent manner.
- Potent in vivo anti-tumor efficacy and remarkable in vivo stability in multiple animal models.
- Shows strong synergistic effect when combining with B7H4x4-1BB bispecific antibody at low Effector: Target cell ratio, indicating the encouraging therapeutic window.

5. HBM9014

HBM9014 is a first-in-class, fully human antibody targeting Leukemia Inhibitory Factor Receptor ("**LIFR**") for cancer treatment. It has been discovered using Harbour Mice® Platform. It:

- blocks multiple IL6 family cytokine pathways via LIFR to inhibit their function in promoting tumor progression, metastasis and chemo-resistance.
- shows significant in vivo antitumor efficacy, enhanced efficacy in combination with Cisplatin in multiple tumor models.
- shows great tolerability in monkey toxicology study.

6. HBM1047

HBM1047 is a fully human anti-CD200R1 antagonistic mAb generated from Harbour Mice® Platform (H2L2). HBM1047 selectively binds to CD200R1 that is highly expressed on tumor infiltrating T cells and myeloid cells. HBM1047 blocks CD200-induced CD200R1 inhibitory signalling and enhances immune responses.

- HBM1047 is a fully human anti-CD200R1 antibody with potent antagonistic activities.
- HBM1047 preferentially binds to tumor infiltrating T cells and myeloid cells.
- HBM1047 shows dramatic anti-tumor efficacy in different preclinical models.
- HBM1047 exhibits superior developability, PK and safety profile.
- HBM1047 was well tolerated up to the highest dose at 200 mg/kg in cynomolgus.

BUSINESS DEVELOPMENT OF HARBOUR THERAPEUTICS

During the Reporting Period, Harbour Therapeutics continued to expand our business collaborations with selected industry partners focusing on innovation and efficiency across the world. The collaboration and co-development of our pipeline products with leading industry partners not only demonstrates the industry-wide recognition of our products and technology platform, but will also help the Company to improve the efficiency of our portfolio advancement, spread costs and risks, thus leading to the robust development of the Company.

1. Collaboration Progress on HBM7022 with AstraZeneca

In April 2022, we entered into a global out-license agreement with AstraZeneca to develop and commercialize HBM7022, a novel bispecific antibody generated from the HBICE® Platform of the Company. In the first half of 2023, AstraZeneca obtained the IND clearance from U.S. FDA and IND approval from NMPA. In July 2023, AstraZeneca initiated Phase I/II international multi-centre clinical trial.

2. HBM7008 Out-licensed to Cullinan Oncology

In February 2023, we entered into a license and collaboration agreement with Cullinan, pursuant to which an exclusive sub-licensable license was granted to Cullinan to exploit HBM7008 in the U.S. and its territories and possessions (including the District of Columbia and Puerto Rico) with an upfront payment of US$25 million, up to approximately US$600 million in milestone payments and tiered royalties up to high teens.

3. Advancement of the Strategic Collaboration with Hualan Genetic

The strategic collaboration with Hualan Genetic was further advanced in 2023. In September 2020, the Company entered into a strategic partnership agreement with Hualan Genetic to develop our three proprietary innovative monoclonal and bispecific antibodies, including HBM1029, HBM7015 and HBM7020. All three products under the collaboration have received the IND approvals to initiate Phase I trial in China in 2023.

4. Collaboration with Boston Children's Hospital

The Company established a collaboration initiative with Boston Children's Hospital in 2018, leveraging state-of-the-art target discovery and antibody design platform in the identification of novel antibody therapeutics. HBMAT is a joint venture between the Company and Boston Children's Hospital and it completed its seeds round financing in January 2023. HBM9013, the lead candidate developed by HBMAT, has advanced in CMC development. Boston Children's Hospital has been consecutively named the No.1 pediatric hospital by the U.S. News & World Report for nine years. We believe this collaboration will integrate both parties' strengths and advantages in drug development and bring innovative therapies to pediatric medicine.

5. Further exploration on NK Cell Therapy

The Company entered into a subscription agreement with NK Cell Tech in June 2021, pursuant to which the Company granted its platform non-exclusive sublicense to NK Cell Tech for specific cell therapy. In June 2022, NK Cell Tech announced that it has completed its A round financing raising a fund of over RMB100 million. In 2023, NK Cell Tech presented clinical data of NK-010 in ASCO for ovarian cancer and myeloid leukemia. In January 2024, NK-010 obtained U.S. FDA IND clearance to conduct Phase I trial in the U.S.

BUSINESS DEVELOPMENT OF NONA BIOSCIENCES

With our unique leading edge and technological advantage of our technology platform, we established Nona Biosciences in 2022 to better empower the innovators in the industry and enable our collaborators from I to I™ (Idea to IND). Nona Biosciences is a global biotechnology company committed to providing a total solution for partners worldwide, from academies, biotechnology startups to biopharmaceutical giants.

We believe our flexible business models built around our proprietary technologies and our strong internal discovery capabilities will maximize our platform value by leveraging complementary advantages from the Company and our collaborators. To give full play to the value of our unique platform technologies, we continue to explore the expandability of platform technology application scenarios which generate impactful values to the Company. We have established partnerships with industry pioneers and academic researchers in 2023 to further expand our network of collaborations in China and globally.

ASSET LICENSING

1. HBM9033 Out-licensed to Pfizer

In December 2023, we entered into a license agreement with Pfizer, for the global clinical development and commercialization of HBM9033, with the aggregate amount of US$53 million upfront and near-term payments, up to approximately US$1.05 billion in milestone payments and tiered royalties ranging from high single digits to high teens.

TECHNOLOGY LICENSING

1. Strategic Collaboration on AI and digitization with BioMap

In 2023, we have further advanced the collaboration with BioMap in relation to the co-development of innovative therapies to explore the integration of Harbour Mice® Platform and AI technology developed by BioMap. In 2021, the Company entered into a strategic collaboration agreement with BioMap for scientific research, development and transformation on novel antibodies products, which will be based on the Harbour Mice® Platform incorporating the benefits of the AI technology developed by BioMap. We believe that the collaboration with BioMap can optimize the discovery and pre-clinical development of innovative therapy through AI and digitization and empower the discovery engine of the Company.

2. Expanded Antibody Discovery Collaborations with Beigene

In 2018, Beigene obtained rights to use the proprietary Harbour Mice® H2L2 platform for multiple antibody programs. In September 2023, we advanced and expanded collaboration between Nona Biosciences and Beigene. Through the collaboration, Beigene was granted access to Nona Biosciences' proprietary fully human transgenic mice platform Harbour Mice®, which extends to the Harbour Mice® HCAb (heavy chain only antibody format) platform to further improve therapeutic antibody discovery efficiency and flexibility.

3. Collaborations with Duality Biologics

In 2022, we entered into a collaboration on ADC projects with Duality Biologics. In July 2023, Beigene acquired an exclusive option for a global clinical and commercial license of an investigational preclinical ADC therapy developed under the collaboration between Duality Biologics and the Company for patients with selected solid tumors.

4. Collaborations with Mythic Therapeutics

In February 2023, Nona Biosciences entered into a collaboration agreement with Mythic Therapeutics, a biotechnology company focused on the development of ADC therapies for the treatment of a wide range of cancers. Through the collaboration, Nona Biosciences will provide Mythic Therapeutics with access to its proprietary fully human heavy chain only antibody (HCAb) transgenic mice platform and antibody generation services to serve as input for Mythic Therapeutics' proprietary FateControl™ antibody engineering approach to generate next-generation ADCs for a wide range of cancers.

5. Collaborations with Washington University

In April 2023, Nona Biosciences entered into a collaboration agreement with Michael S. Diamond, MD, PhD, of Washington University in St. Louis, the U.S. to discover viral targets for which few or no human monoclonal antibodies (mAbs) currently exist, such as western equine encephalitis virus (WEEV), rabies and severe fever with thrombocytopenia syndrome virus (SFTSV).

6. Collaborations with PIRC

In May 2023, Nona Biosciences entered into a strategic collaboration agreement with Massachusetts-based PIRC on Harbour Mice® fully human antibody transgenic mice platform (H2L2 & HCAb). PIRC's therapeutic solutions reflect its motivation for reshaping the treatment path for progressive cancers, and we believe that by leveraging Nona Biosciences' antibody discovery ability, we can accelerate the R&D process of novel therapies.

7. Collaborations with ModeX Therapeutics

In May 2023, Nona Biosciences entered into an agreement with ModeX Therapeutics, an OPKO Health company, for the use of Nona Biosciences' platforms to support ModeX's development of multi-specific antibody therapeutics. Under the terms of the agreement, ModeX will have access to Harbour Mice® platforms to accelerate discovery of monoclonal antibodies to be integrated into ModeX's MSTAR platform. This is intended to significantly reduce an often-time-consuming step of the preclinical development process. The collaboration aims to leverage each company's unique strengths to drive forward the discovery of cutting-edge treatments.

8. Collaborations with INGENIA Therapeutics

In October 2023, Nona Biosciences entered into an agreement with INGENIA Therapeutics, a preclinical-stage biotechnology company with a breakthrough technology to restore defective blood vessels, for the use of Nona Biosciences' platforms to empower INGENIA's innovative pipeline. By harnessing the immense expertise and resources of both companies, the collaboration aims to accelerate the development of innovative therapeutics for immunological disorders with highly unmet needs.

9. Collaborations with GeneQuantum Healthcare

In November 2023, Nona Biosciences entered into a strategic collaboration with GeneQuantum to advance the early discovery of next-generation bioconjugates. Under the terms of the collaboration, Nona Biosciences will integrate GeneQuantum's exclusive and innovative iLDC (intelligent Ligase-dependent Conjugation) and iGDC (intelligent Glycotransferase-dependent conjugation) platforms, with Nona Biosciences' Harbour Mice® platform and cutting-edge technologies, to further enhance technology platform capabilities, providing global partners with a one-stop solution for the early discovery of next-generation bioconjugates.

10. Collaborations with Lycia Therapeutics

In December 2023, Nona Biosciences entered into a collaboration agreement with Lycia Therapeutics, a leader in extracellular protein degradation. Through the collaboration, Lycia Therapeutics will leverage Nona Biosciences' proprietary Harbour Mice® HCAb fully human antibody transgenic mice platform to discover novel antibodies for its LYTAC protein degrader therapeutics of cutting-edge treatments. We believe that leveraging Nona Biosciences' antibody discovery capabilities will help accelerate the efforts to advance novel protein degrader therapeutics.

11. Collaborations with Evive Biotech

In December 2023, Nona Biosciences entered into a collaboration agreement with Evive Biotech, a global biopharmaceutical company devoted to developing a portfolio of novel biological therapies, for the use of Harbour Mice® antibody technology platform on antibody discovery. The collaboration brings together professional advantages of Nona Biosciences and Evive Biotech, aiming to accelerate the process of antibody discovery and drug development.

Research, Development and Technology

We focus on innovative next-generation therapies in oncology and immunology. Our discovery and pre-clinical research teams conduct drug discovery, formulation development, process development and pre-clinical studies on new candidates.

Meanwhile, we have a professional team of scientists to optimize, upgrade and further develop our technology platforms. During the Reporting Period, the Company has made major progress in discovery, platform and patents as follows:

- Applied for 82 patents, and 51 patents have been granted invention patent license by the China National Intellectual Property Administration, with 280 patent applications still in progress as at 31 December 2023. These patent applications have further strengthened the protection of intellectual property rights of the Company's core products and technology platforms.

- Developed a novel human heavy-chain-only antibody to mitigate neutralization resistance of SARS-CoV-2 variants, which was presented on Front Immunol in February 2023.

- Presented the results of Phase Ib clinical trial of porustobart (HBM4003) in combination of toripalimab in patients with NET/NEC at the AACR Annual Meeting in April 2023.

- Presented the results of Phase Ib clinical trial of porustobart (HBM4003) in combination of toripalimab in patients with HCC at ASCO Annual Meeting in June 2023.

- Presented the safety results of porustobart (HBM4003), in nonclinical and clinical trial at Society of Toxicology in September 2023.

- Presented the non-clinical data of HBM7008 at Society for Immunotherapy of Cancer Meeting in November 2023.

- Presented new preclinical data of two assets, HBM9014 and R1055, in separate poster presentations at PEGS Annual Meeting 2023.

For details of our progress in clinical development of our products, please see the section titled "Business Review – Products Development of Harbour Therapeutics" in this section.

Nona Biosciences has established a robust antibody discovery platform, protein engineering platform, conjugation technology platform, HCAb-CAR screening platform and delivery technology platform to use mRNA-encoding target gene as immunogen to tackle difficult targets. Leveraging these technology platforms, the Company may move towards more novel and challenging drug targets globally. During the Reporting Period, the Company presented academic articles or conference posters as follows:

- Developed our HCAb Harbour Mice® platform and presented a poster of "Cutting-edge HCAb Harbour Mice® platform to generate fully human heavy chain only antibodies" at Festival of Biologics U.S. in March 2023.

- Developed a direct CAR-Based library screening Platform to develop fully human heavy-chain only CAR-T Cell therapies, which presented in post at 8th CAR-TCR summit 2023.

- Developed novel fully human heavy chain only antibody-based mRNA-encoded T cell engager for cancer immunotherapy, which presented in post at mRNA Therapy Summit.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company cannot guarantee that it will be able to develop, or ultimately market, any of the products in its pipeline successfully. Shareholders of the Company (the "**Shareholders**") and potential investors of the Company are advised to exercise due care when dealing in the Shares.

Significant Investments

To give full play to the value of our unique platform technologies, we continue to explore the expandability of platform technology application scenarios which generate impactful values to the Company. With limited investments, we are incubating several joint ventures focusing on next generation innovation varying from multivalent to cell therapies, etc. Their common objective is to increase the application scenarios of our technology platform and create the incremental value for the Company. In other words, this "technology for equity" model allows us to integrate incremental resources for the diversification deployment of our next generation innovation which will constantly bring us more new value growth points with minimal marginal investment.

Investment in NK Cell Tech

In June 2021, the Company entered into an agreement with NK Cell Tech, a startup company established in the PRC with globally leading technology and talents in the NK cell field, in respect of the co-development of novel NK cell therapy. The Company, via Harbour BioMed (Shanghai) Technology Development Co., Ltd ("**HBM Shanghai**"), a subsidiary of the Company, as the co-founder, made an investment in NK Cell Tech. Pursuant to the shareholders' agreement entered into by the parties, HBM Shanghai subscribed for redeemable ordinary shares with preferential shares of NK Cell Tech, representing 15.8% of the equity interest in the registered capital of NK Cell Tech, for a consideration of cash and technology sublicense agreement. Upon completion of the subscription, the Company, through its subsidiary, held 15.8% of the total equity interest of NK Cell Tech and has the right to appoint a person as a director of NK Cell Tech. This investment shows the expandability of our platform technology application scenarios which generate impactful values to the Company in the diversified deployment of next generation innovation. It opens up a new channel for our platform technology value creation and conversion. In June 2022, NK Cell Tech announced that it has completed its A round financing raising a fund of over RMB100 million. As of 31 December 2023, the Company, through HBM Shanghai, held 11.75% of the total equity interest of NK Cell Tech.

As of 31 December 2023, the fair value of the investment is US$5.75 million, which represented 2.52% of the Company's total assets. During the Reporting Period, the Group recorded unrealized loss on fair value change of US$0.51 million of its investment in NK Cell Tech.

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the total assets of the Group as at 31 December 2023) during the Reporting Period.

Prospects and Outlook

The Company's achievements and growth momentum in 2023 gave us confidence that we will be able to successfully address the complex market environment and provide innovative therapeutic drugs for immune diseases and cancer patients in the near future.

Since its establishment, we have been committed to developing innovative therapies for patients around the world and have become an innovative biopharmaceutical company with core technological advantages and a differentiated portfolio. In 2024, Harbour Therapeutics will further accelerate the progress of its portfolio. We will advance the multiple clinical trials of HBM4003, HBM1020 and other projects generated from our discovery engine with an approach of designing molecules against novel targets or innovative molecules against known targets. In addition, we expect to file INDs for at least two new products, and we will continue to identify new quality candidates through Harbour Mice® and HBICE®, our highly effective drug discovery engine.

The values of the antibody discovery platforms and flexible partnership models of Nona Biosciences have been well validated through the collaboration in 2022 and 2023. With a big success of the launch of Nona Biosciences, we will enhance the approaches with partners worldwide, from academies, biotechnology startups to pharmaceutical giants, providing total solution. The platform-valued-maximized business collaborations will further drive the Company down the path of global development. We have seen very exciting value through these platform-based collaborations with top institutions around the world as our preclinical products become increasingly mature, more extensive global collaborations are expected in 2024.

We will re-allocate internal resources to focus on the development of portfolio of assets generated from our platform, and the exploration on expanding the collaboration networks by Nona Biosciences.

FINANCIAL REVIEW

OVERVIEW

For the year ended 31 December 2023, the Group recorded a revenue of US$89.5 million, which increased significantly by US$48.8 million, or 119.9%, compared with US$40.7 million for the year ended 31 December 2022. The research and development expenses decreased by US$90.0 million, or 66.6%, from US$135.1 million for the year ended 31 December 2022 to US$45.1 million for the year ended 31 December 2023. The administrative expenses decreased by US$7.8 million, or 28.6%, from US$27.3 million for the year ended 31 December 2022 to US$19.5 million for the year ended 31 December 2023. Other income and gains were US$6.6 million for the year ended 31 December 2023, as compared with US$4.8 million for the year ended 31 December 2022. The Group recorded the profit of US$22.8 million for the year ended 31 December 2023.

REVENUE

Our revenue primarily consists of molecule license fee, research service fee and technology license fee, the increase primarily attributable to license out and collaboration agreement with Seagen, Cullinan and Kelun-Biotech.

Up to the year ended 31 December 2023, research service agreements with a total value of US$6.4 million have been successfully signed. Our research service fee increased by 300.0%, from US$0.8 million for the year ended 31 December 2022 to US$3.2 million for the year ended 31 December 2023.

COST OF SALES

Our cost of sales increased by US$1.9 million, from US$0.1 million for the year ended 31 December 2022 to US$2.0 million for the year ended 31 December 2023, mainly consisted of the labor costs and material costs for the research service. The increase was consistent with the growth of research service fee income.

OTHER INCOME AND GAINS

Other income and gains primarily consist of interest income, government grants recognized and other miscellaneous income, which increased from US$4.8 million for the year ended 31 December 2022 to US$6.6 million for the year ended 31 December 2023, primarily due to the increase in cash which generated more interest income.

RESEARCH AND DEVELOPMENT COSTS

Due to the overall economic downturn, the management of clinical trials has been optimized, thereby reducing our research and development costs by US$90.0 million, or 66.6%, from US$135.1 million for the year ended 31 December 2022 to US$45.1 million for the year ended 31 December 2023.

This decrease was primarily attributable to the combined impact of (i) optimized investments in our clinical programs and our molecule assets in discovery and pre-clinical stages; and (ii) optimized in employee cost from US$26.0 million to US$14.2 million.

	For the year ended December 31			
	2023		2022	
	US$ in thousands		US$ in thousands	
Third-party contracting costs	**19,784**	**43.9%**	86,917	64.3%
Employee costs	**14,155**	**31.4%**	25,950	19.2%
Depreciation and amortization	**3,761**	**8.3%**	5,609	4.2%
Materials	**2,966**	**6.6%**	11,904	8.8%
Provision for impairment of inventories	**1,035**	**2.3%**	–	–
Upfront and milestone fees	**773**	**1.7%**	1,589	1.2%
Others	**2,607**	**5.8%**	3,174	2.3%
	45,081	**100.0%**	135,143	100.0%

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased from US$27.3 million for the year ended 31 December 2022 to US$19.5 million for the year ended 31 December 2023, primarily attributable to a decrease in employee cost from US$14.8 million for the year ended 31 December 2022 to US$10.4 million for the year ended 31 December 2023 caused by the decrease of salary and welfare in relation to the decrease of our administration headcount.

	For the year ended 31 December			
	2023		2022	
	US$ in thousands		US$ in thousands	
Employee costs	**10,379**	**53.2%**	14,768	54.1%
Professional expenses	**6,498**	**33.3%**	8,905	32.7%
Depreciation and amortization	**870**	**4.5%**	2,426	8.9%
Others	**1,751**	**9.0%**	1,175	4.3%
	19,498	**100.0%**	27,274	100.0%

OTHER EXPENSES

Our other expenses decreased from US$17.9 million for the year ended 31 December 2022 to US$1.4 million for the year ended 31 December 2023, primarily due to the one-off loss on disposals of STD production plant and related assets in 2022.

	For the year ended 31 December			
	2023		2022	
	US$ in thousands		US$ in thousands	
Foreign exchange losses, net	**850**	**62.5%**	5,376	30.0%
Loss on fair value change of other financial assets	**506**	**37.2%**	–	–
Loss on disposals of property, plant and equipment	**3**	**0.2%**	12,537	70.0%
	1,359	**100.0%**	17,913	100.0%

PROFIT/(LOSS) FOR THE YEAR

As a result of the above factors, the profit for the year of the Group increased significantly by US$160.1 million from US$137.3 million losses for the year ended 31 December 2022 to US$22.8 million profits for the year ended 31 December 2023.

AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

	2023	2022
	USD'000	USD'000
Within 6 months	**52,323**	7,118
Less: Impairment allowance	**–**	–
Net carrying amount	**52,323**	7,118

A majority of the accounts receivables aged less than six months.

After the Reporting Period to the date of this report, 98.5% of the ending balance have been collected.

Ageing Analysis of Accounts Payables

An analysis of the trade payables as at the end of each year, based on the invoice date, is as follows:

	2023	2022
	USD'000	USD'000
Within 1 month	**14,864**	19,978
1-3 months	**256**	1,171
3-6 months	**234**	826
6-12 months	**9**	54
	15,363	22,029

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 3 months.

LIQUIDITY AND SOURCE OF FUNDING

Our primary uses of cash are to fund our clinical trials, research, purchase of equipment and materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from IPO, pre-IPO fund raising, positive cashflow from the increase in revenue in 2023 and bank loans. We closely monitor uses of cash and cash equivalents (mainly held in RMB and USD) and strive to maintain a healthy liquidity for our operations.

Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

	As of 31 December	
	2023	2022
Current ratio[(1)]	**3.28**	2.79
Gearing ratio[(2)]	**N/A[(3)]**	N/A[(3)]

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

(2) Gearing ratio is calculated by net debt divided by the adjusted capital plus net debt. Net debt includes lease liabilities, trade payables and financial liabilities included in other payables and accruals, less cash and cash equivalents and restricted bank balances. Adjusted capital includes equity attributable to owners of the parent.

(3) As at 31 December 2023 and 31 December 2022, the Group's cash and cash equivalents plus restricted bank balances exceeded the financial liabilities. As such, no gearing ratio as of 31 December 2023 and 31 December 2022 was presented.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies and joint ventures for the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

The Group did not have detailed future plans for material investments or capital assets.

PLEDGE OF ASSETS

As of 31 December 2023, except the cash in bank amounting to US$0.7 million (31 December 2022: US$0.7 million) was restricted, the Group had no other pledge of assets.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as of 31 December 2023 (as of 31 December 2022: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2023, the Group mainly operated in China and the majority of the transactions were settled in Renminbi ("**RMB**"), whereas the funding source of the Company was United States dollars ("**US$**"), the functional currency of the Company. Our financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currencies. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect our results of operations. We have not entered into any hedging transactions to manage the potential fluctuation in foreign currency as of 31 December 2023.

BANK LOANS AND OTHER BORROWINGS

As of 31 December 2023, we had bank loans of US$64.4 million and lease liabilities of US$1.6 million.

The table below summarizes the maturity profile of the Group's bank loans and lease liabilities as of the dates indicated, based on contractual undiscounted payments:

	Less than 1 year US$ in thousands	Between 1-5 years US$ in thousands	Total US$ in thousands
As of 31 December 2023			
Lease liabilities	874	731	1,605
Bank borrowings – unsecured*	39,103	28,993	68,096
As of 31 December 2022			
Lease liabilities	1,299	1,438	2,737
Bank borrowings – unsecured*	43,867	49,193	93,060

* The bank borrowings carry interest at rates ranging from 3.45% to 4.65% (2022: 3.45% to 4.65%) per annum.

EMPLOYEES AND REMUNERATION

As of 31 December 2023, 154 of our employees were located in the PRC, 22 were located in the United States, and 1 was located in the Netherlands. The following table sets forth the total number of employees by function as of 31 December 2023:

Function	Number of Employees	% of Total Employees
Research and Development	118	66.7
General and Administrative	59	33.3
Total	177	100.0

The total remuneration cost incurred by the Group for the year ended 31 December 2023 was US$26.3 million (including share-based payment amounting to US$3.9 million), as compared to US$40.7 million for the year ended 31 December 2022.

The Group has also adopted a pre-IPO equity plan, a post-IPO share option scheme and a post-IPO share award scheme.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023.

EXECUTIVE DIRECTORS

Dr. Jingsong Wang, M.D., Ph.D. (王勁松), aged 59, is an executive Director, the chief executive officer and chairman of the Board. Dr. Wang is a member of Remuneration Committee and the chairman of Nomination Committee. Dr. Wang is also a director of HBM Holdings BVI and HBM Therapeutics, as well as the legal representative and chief executive officer of HBM Shanghai, Nona Biosciences Suzhou, HBM Guangzhou and HBM Beijing. Dr. Wang is the principal founder of the Group and joined the Group in July 2016.

Dr. Wang was the associate director of translational medicine at Wyeth from July 2005 to May 2007. After that, he served as director of clinical discovery immunology at Bristol-Myers Squibb from June 2007 to November 2011. From November 2011 to December 2015, Dr. Wang served as the head of China research and development at Sanofi.

Dr. Wang has served as an independent director of Xinjiang Bai Hua Cun Pharma Tech Co., Ltd. (新疆百花村醫藥集團股份有限公司) since September 2021 and an independent non-executive director of Frontage Holdings Corporation (HKEX: 1521) since April 2018. He has also served as independent non-executive director of Silicon Therapeutics from August 2016 to February 2021.

Dr. Wang received his M.D. in clinical medicine from Xuzhou Medical College in China in June 1986, his master's degree in medical science (immunology) from Jilin University in China in July 1989, and his Ph.D. in molecular pharmacology from China Pharmaceutical University in China in July 2011. Dr. Wang also obtained a physician qualification awarded by the Commonwealth of Massachusetts Board of Registration in Medicine in May 2002, as well as a Diplomate in Internal Medicine and a Diplomate in Rheumatology, both awarded by the American Board of Internal Medicine in 2003 and 2004 respectively. He obtained an unrestricted licensure in medicine awarded by the State Board of Medicine of the Commonwealth of Pennsylvania in 2005. In addition, Dr. Wang served as a research/clinical fellow in rheumatology at Brigham and Women's Hospital and Harvard Medical School from June 2001 to June 2005.

Dr. Yiping Rong, Ph.D. (戎一平), aged 46, is an executive Director and the chief scientific officer of the Company.

Dr. Rong was an associate scientist at Shanghai Biochip Co., Ltd. between June 2002 and June 2003. He then served as the associate research investigator at Roche R&D Center (China), where he designed and led two oncology projects (tumor antigen target by antibody modality, protein interaction target by peptide or SMI) between January 2009 to September 2012, with his last position as a principal scientist. From September 2012 to July 2014, Dr. Rong served as senior scientist and group leader of Translation Research, Department of Oncology at Janssen Pharmaceutical R&D, Johnson & Johnson, Shanghai Discovery Center. He was in charge of preclinical translational oncology research for liver cancer indication. As a biology leader, he also successfully generated the preclinical data package and patient stratification biomarker strategy to support the first Janssen oncology Phase I filing in China. In July 2014, he joined Sanofi Asia Pacific R&D Hub, AP TSU Research as an associate director, where he led and managed the early stage cancer therapeutics projects for liver cancer until he departed from the position in May 2016 to join the Company.

Dr. Rong received his master's degree in Molecular Biology in June 2002 from East China University of Science and Technology & Chinese National Human Genome Center in China and his Ph.D in Pharmacology in May 2008 from Case Western Reserve University in the U.S.A.. Dr. Rong has also been a member of the American Association of Cancer Research.

NON-EXECUTIVE DIRECTOR

Ms. Weiwei Chen (陳維維), aged 58, is a non-executive Director. Ms. Chen had been re-designated as a non-executive Director in June 2021. Prior to that, Ms. Chen was an independent non-executive Director from December 2020 to June 2021. Ms. Chen joined the Group in December 2020.

Ms. Chen joined Sanofi Group in February 2004 as chief financial officer (China) and had subsequently served as the chief financial officer (Asia) since April 2011 until her departure in June 2012. Ms. Chen then served as the chief financial officer of Yum! Brands, Inc. (China Division) between July 2012 and May 2015. In June 2015, she joined Starbucks (China) where she has served as vice president and chief financial officer till December 2020.

Ms. Chen has served as a non-executive director of Dairy Farm International Holdings Limited, traded as DFI Retail Group (London stock exchange: DFIB, Singapore stock exchange: D01), a company listed on the London Stock Exchange, with secondary listings on the Bermuda and Singapore stock exchanges, since November 2021. She also joined the LianBio board, a Nasdaq listed company (symbol: LIAN), as an independent non-executive director in April 2022.

Ms. Chen received her bachelor's degree in accountancy from the University of Illinois in the United States in May 1993 and her master of business administration from Rutgers University in the United States in October 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Robert Irwin Kamen, Ph.D., aged 79, is an independent non-executive Director. Dr. Kamen is a member of the Nomination Committee. Dr. Kamen joined the Group in December 2016. He also served as a director of Harbour Antibodies from December 2007 to December 2016 prior to the acquisition of Harbour Antibodies by our Group. Dr. Kamen has served as an independent Director on our Board as well as a member of our scientific advisory board since December 2016. He provides our Group with independent consulting and advisory services and is not involved in the day-to-day management of the Group.

Dr. Kamen was the head of the transcription laboratory and a principal investigator of the Imperial Cancer Research Fund from 1976 to 1982, after which he served as the senior vice president of scientific affairs at Genetics Institute, Inc. from 1982 to 1989, where he was the overall head of research and development. He then served as the president of the BASF Research Corporation from 1991 to 2000, and the president and unit head of the Abbott Bioresearch Center, where he was also a member of the Abbott Labs executive committee, from 2000 to 2002. Dr. Kamen served as an executive in residence at Oxford Bioscience Partners, a venture capital firm, from 2002 to 2008. He has served as a venture partner at Third Rock Ventures since 2010.

Dr. Kamen has served as a director of the following listed companies:

- Jounce Therapeutics (NASDAQ: JNCE), since June 2013; and
- Neon Therapeutics (which was formerly NASDAQ-listed with ticker symbol NTGN and subsequently acquired by Biopharmaceutical New Technologies (NASDAQ: BNTX), in May 2020), since October 2015.

Dr. Kamen received his bachelor's degree of arts in biophysics from Amherst College in the United States in 1965 and his Ph.D. in biochemistry and molecular biology from the Harvard University Graduate School of Arts and Sciences in the United States in 1970. He has also been a member of the European Molecular Biology Organization since 1976.

Dr. Xiaoping Ye, Ph.D. (葉小平), aged 60, is an independent non-executive Director. Dr. Ye is a member of Audit Committee and Nomination Committee and the chairman of Remuneration Committee. Dr. Ye joined the Group in December 2020.

Dr. Ye is the chairman of the board and actual controller of Hangzhou Tigermed Consulting Co., Ltd. (SZSE: 300347/HKEX: 3347) ("**Hangzhou Tigermed**").

Dr. Ye received his Ph.D. in immunology from Oxford University in April 2001, has nearly thirty years of experience in pharmaceutical industry. Dr. Ye serves successively as the chairman of the board and a director of Hangzhou Tigermed, where he is responsible for the overall strategic of the Group, as well as the supervision of the company's business management. Dr. Ye is also the chairman of the Strategy Development Committee of Hangzhou Tigermed.

From March 1999 to March 2005, Dr. Ye is the Director of Medical Registration Department at Roche Pharmaceutical Co., LTD in Shanghai.

Dr. Ye has served as a director of Dian Diagnostics (SZSE: 300244) since March 2020.

Mr. Ka Chi Yau (邱家賜), aged 66, is an independent non-executive Director. Mr. Yau is the chairman of Audit Committee and a member of the Remuneration Committee. Mr. Yau joined the Group in June 2021.

Mr. Yau holds a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Yau has over 30 years of professional accounting services experience including 20 years in serving PRC-based enterprises. He had worked for Ernst & Young in its Hong Kong, Toronto and Beijing offices, with a primary focus in providing professional services in accounting and audit, initial public offering, and corporate restructuring, before retiring in September 2015. During the tenure with Ernst & Young, Mr. Yau was appointed, among others, as the professional practice director of Greater China and the assurance leader for China North Region. Mr. Yau served as a non-executive director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (HKEX: 2319) between October 2016 and December 2021, BetterLife Holding Limited (百得利控股有限公司) (HKEX: 6909) between December 2016 and October 2023, Yihai International Holding Limited (頤海國際控股有限公司) (HKEX: 1579) between June 2016 and March 2024, and China Power International Development Limited (中國電力國際發展有限公司) (HKEX: 2380) since December 2016. These four companies are all listed on the main board of the Hong Kong Stock Exchange.

Dr. Albert R. Collinson, Ph.D., aged 65, is an independent non-executive Director. He has over 30 years of experience in the pharmaceutical and biotechnology industries. Dr. Collinson has been the president and chief executive officer at Theracos, Inc. from July 2009 to July 2023, a pharmaceutical research and development company focusing on mid- to late-stage assets for the treatment of human diseases including type-2 diabetes. Prior to joining the Group, Dr. Collinson founded and served as president and chief executive officer of Opsonic Therapeutics from 2009 to June 2014, a privately held biotechnology company engaged in the development of the next generation of antibody therapeutics. Dr. Collinson also served as the chief business officer of Rib-X Pharmaceuticals from 2004 to 2009, the senior vice president of business development at Phylos, Inc. from 2000 to 2004, and the vice president of global research & development licensing at BASF Pharma from 1998 to 2000. Dr. Collinson began his career as a scientist at ImmunoGen, Inc..

Dr. Collinson received his Ph.D. in Biochemistry from Brandeis University in 1987 and his bachelor's degree in science in Biology (General) from the University of Rhode Island in 1980. Dr. Collinson was a post-doctoral fellow at the Dana Farber Cancer Institute and Harvard Medical School.

SENIOR MANAGEMENT

Dr. Jingsong Wang, M.D., Ph.D. (王勁松), aged 59, is an executive Director, the chief executive officer of our Company and chairman of the Board. For further details, see "Executive Directors" above.

Dr. Yiping Rong, Ph.D. (戎一平), aged 46, is an executive Director and the chief scientific officer of our Company. For further details, see "Executive Directors" above.

Mr. Weihao Xu (徐偉豪), aged 41, is the president of Harbour BioMed US and chief business officer of our Company. Mr. Xu joined the Group in December 2021.

Mr. Xu has more than sixteen years of experience in global biotechnology industry, equity investment and financial management. Mr. Xu held executive roles in several companies listed in the United States and global investment companies. Prior to joining our Company, Mr. Xu served as the chief financial officer at Alphamab Oncology (HKEX: 9966) and CASI Pharmaceuticals Inc. (NASDAQ: CASI). He also served as the chief financial officer and director for 111, Inc. (NASDAQ: YI). In the area of investment, Mr. Xu served as a Portfolio Manager in Matthews International and worked in several other international funds.

Mr. Xu received a master's degree in finance and accounting from Columbia Business School.

Dr. Xiaolu Tao, Ph.D. (陶曉路), aged 49, is our senior vice president and head of Translational Development of our Company. Dr. Tao joined the Group in July 2020.

Prior to joining the Group, Dr. Tao served as Associate Vice President at Cstone Pharmaceuticals from 2018 till 2020. She also served as Executive Director at Simcere Pharmaceutical Groups from 2016 to 2018, establishing and heading Drug metabolism and pharmacokinetics (DMPK) and Clinical Pharmacology department for these two companies. Before starting her career in China, Dr. Tao worked in the U.S. at Akros Pharma Inc., Bristol-Myers Squibb and Novartis in the area of clinical pharmacology and pharmacometrics as Senior Scientist and subsequently. She had successfully supported IND as well as BLA/NDA filings in the U.S., Europe and China for multiple programs. Dr. Tao currently is one of the The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) M12 Experts working on globally harmonized Drug-Drug interaction guideline.

Dr. Tao received her Ph.D. from Temple University School of Pharmacy, and obtained both bachelor of science and masters of science degree from China Pharmaceutical University.

The Board is pleased to present its Directors' Report for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in two business segments. Harbour Therapeutics is focus in the discovery and development of differentiated antibody therapeutics in oncology and immunology disease areas in clinical stage, while Nona Biosciences is focus in collaboration on multiple modalities of therapies in these disease areas. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Record of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company will be set out in the "Environmental, Social and Governance Report" which will be published on the same day with this report.

RESULTS

The Group's profit for the year ended 31 December 2023 and the Group's financial position at that date are set out in the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 and the business outlook of the Group are set out in the section headed "Management Discussion and Analysis" on pages 18 to 39 of this annual report.

KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 December 2023 are set out in the section headed "Financial Highlights" on page 8 of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the Group's purchases from its largest supplier accounted for 12.5% (2022: 6.8%) of its total purchases, and the purchases from the five largest suppliers in aggregate accounted for 30.6% (2022: 19.9%) of its total purchases.

For the year ended 31 December 2023, the Group's sales to its largest customer accounted for 57.3% (2022: 60.7%) of the Group's revenue, and the sales to the five largest customers in aggregate accounted for 96.2% (2022: 95.6%) of its total revenue.

None of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) has any interest in the Group's five largest customers and suppliers.

SUBSIDIARIES

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company did not have any distributable reserves.

BANK LOANS AND BORROWINGS

Particulars of bank loans and borrowings of the Company and the Group as at 31 December 2023 are set out in note 26 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share schemes as set out in the section headed "Equity Incentive Plans" below, the Group has not entered into any equity-linked agreements, nor there were any equity-linked agreements subsisted during the year ended 31 December 2023.

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial positions, results of operations, businesses and prospects shall be subject to a number of risks and uncertainties. The Group's key risk exposures are summarised as follows:

(i) Risks related to our reliance on third parties;

(ii) Risks related to our financial positions and need for additional capital;

(iii) Risks related to clinical development of our drug candidates;

(iv) Risks related to obtaining regulatory approval for our drug candidates;

(v) Risks related to commercialization of our drug candidates;

(vi) Risks related to our intellectual property rights;

(vii) Risks related to our industry, business and operations; and

(viii) Risks related to doing business in China.

RISKS RELATED TO OUR RELIANCE ON THIRD PARTIES

- As we rely on third parties (such as CROs and CMOs) to conduct our pre-clinical studies and clinical trials, we may have limited control over the manufacturing and clinical development of our drug candidates. In addition, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

- We expect to rely on third parties to manufacture our drug candidate supplies, and we intend to rely on third parties for the manufacturing process of our drug candidates, if approved. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

- We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize the benefits of such alliances or licensing arrangements.

RISKS RELATED TO OUR FINANCIAL POSITIONS AND NEED FOR ADDITIONAL CAPITAL

- We have incurred net losses in previous years and may incur further net losses in the future should we be unable to maintain profitability. Investors are at risk of losing substantially all of their investments in our Shares.

- We have recorded net operating cash outflows during the Reporting Period.

- We have a large balance of intangible assets and we may incur significant impairment charges which could materially impact our financial positions.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause prospective investors to substantially lose all of their investments in our business.

- We may need to obtain additional financing to fund our operations. If we fail to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.

- Raising additional capital may cause dilution to the interests to the Shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Details of the Group's financial risk management are set out in note 37 to the consolidated financial statements.

RISKS RELATED TO CLINICAL DEVELOPMENT OF OUR DRUG CANDIDATES

- Our approach to developing and identifying our antibodies using our antibody platforms is novel and unproven and may not result in marketable products.

- We were established in 2016 and our business, including most of our drug candidates, is in early stages of development. It may require a long time before we commercialize a drug candidate, if ever. If we are unable to advance our drug candidates to clinical development, obtain regulatory approval and ultimately commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

- We may not be successful in our efforts to use and expand our technology platforms to build a pipeline of drug candidates.

- If we encounter delays or difficulties in enrolling patients in our clinical trials, our clinical development progress could be delayed or otherwise adversely affected.

- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

RISKS RELATED TO OBTAINING REGULATORY APPROVAL FOR OUR DRUG CANDIDATES

- All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated.

- The regulatory approval processes of the NMPA, the U.S. FDA and other comparable regulatory authorities are time-consuming and may evolve over time. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

- The absence of patent linkage, patent term extension and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China.

- Our drug candidates may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval.

- If we are unable to obtain the NMPA approval for our drug candidates to be eligible for an expedited registration pathway as innovative or breakthrough treatment drug candidates, the time and cost we incur to obtain regulatory approvals may increase.

- Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

RISKS RELATED TO COMMERCIALIZATION OF OUR DRUG CANDIDATES

- Our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

- We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.

- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

- The manufacture of biologics is a complex process which requires significant expertise and capital investment. If we encounter problems in manufacturing our future products, our business could suffer.

- We have no experience in launching and marketing drug candidates. We may not be able to effectively build and manage our sales network, or benefit from third-party collaborators' sales networks.

- Even if we are able to commercialize any approved drug candidates, reimbursement may be limited or unavailable in certain market segments for our drug candidates, and we may be subject to unfavorable pricing regulations, which could harm our business.

- Current and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our drug candidates and affect the prices we may obtain.

- As we out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad, we may be exposed to specific risks of conducting our business and operations in international markets.

- If safety, efficacy, or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

- Illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

- Lack of third-party combination drugs may materially and adversely affect demand for our drugs.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY RIGHTS

- If we are unable to obtain and maintain patent and other intellectual property protection for our drug candidates or technology platforms, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us. Our ability to successfully commercialize any product or technology may be adversely affected.

- Changes in either patent laws or in interpretations of patent laws may diminish the value of our intellectual property.

- We may from time to time be involved in lawsuits to protect or enforce our patents or defend against patent infringements by third parties, which could be expensive, time consuming and unsuccessful.

- We enjoy only limited geographical protection with respect to certain patents and may not be able to protect our intellectual property rights throughout the world, including in the PRC.

- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies. Our patent protection could be reduced or eliminated for non-compliance with these requirements.

- Our owned and in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to modify or cease the development, manufacture and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.

- Claims that our drug candidates or the sale or use of our future products infringe, misappropriate or otherwise violate the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

- Issued patents covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court.

- Intellectual property litigation may lead to unfavorable publicity which may harm our reputation and cause the market price of our Shares to decline. Any unfavorable outcome from such litigation could limit our research and development activities and/or our ability to commercialize our drug candidates.

- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may also be subject to claims that our employees, consultants, or advisers have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

- We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

- If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.

- Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

- If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our competitive position may be adversely affected.

- Terms of our future patents may not be sufficient to effectively protect our drug candidates and business.

RISKS RELATED TO OUR INDUSTRY, BUSINESS AND OPERATIONS

- We face competition from entities that have developed or may develop technology platforms for the treatment of the diseases that we may target. If these entities develop technology platforms more rapidly than we do, or if their technology platforms are more effective, our ability to develop and successfully commercialize our technology platforms may be adversely affected.

- Our future success depends on our ability to attract, retain and motivate senior management and qualified scientific employees.

- We will need to increase the size and capabilities of our organization, and we may experience difficulties in managing our growth.

- The data and information that we gather in our research and development process could be inaccurate or incomplete, which could harm our business, reputation, financial condition and results of operations.

- We may be subject to liability lawsuits arising from our clinical trials.

- We have limited insurance coverage. Any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

- Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

- Our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

- If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute the value of your investment in our Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

- If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

- Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.

- If we or our CROs or other contractors or consultants fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

- If we face allegations of non-compliance with laws and encounter sanctions, our reputation, revenues and liquidity may suffer. Our drug candidates and future drugs could be subject to restrictions or withdrawal from the market.

- Our internal computer systems, or those used by our CROs or other contractors or consultants, may fail or suffer security breaches.

- Product liability claims or lawsuits could cause us to incur substantial liabilities.

- Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products and services, could limit their use or adoption, and could otherwise negatively affect our operating results and business.

- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

- Any harm to our brand recognition and reputation may materially and adversely affect our business, results of operations and prospects.

- Negative publicity with respect to us, our management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business, results of operations and prospects.

- We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

RISKS RELATED TO DOING BUSINESS IN CHINA

- The biotechnology industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our drugs.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.
- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.
- We may be restricted from transferring our scientific data abroad.
- Changes in U.S. and international policies, particularly with regard to China, may adversely impact our business and operating results.
- If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.
- Failure to renew our current leases could materially and adversely affect our business.
- All of our leasehold interests in leased properties in the PRC have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.
- Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.
- Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.
- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

- Any failure to comply with PRC regulations regarding our share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

- PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.

- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our Global Offering to make loans to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

- We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributable to a PRC establishment of a non-PRC company.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could be material in the future.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's business is principally to discover and develop differentiated antibody therapeutics in immunology and oncology disease areas, which in general does not have any material impact on the environment. The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. The "Environmental, Social and Governance Report" containing further details of the Group's environmental policies and performance will be published on the same day of this report.

DIRECTORS

The Directors in office during the year ended 31 December 2023 and up to Latest Practicable Date were:

Executive Directors: Dr. Jingsong Wang (chairman of the Board, chief executive officer of the Company), and Dr. Yiping Rong.

Non-executive Directors: Mr. Yu Min Qiu (resigned on 13 July 2023), Mr. Junfeng Wang (resigned on 13 July 2023), and Ms. Weiwei Chen.

Independent non-executive Directors: Dr. Robert Irwin Kamen, Dr. Xiaoping Ye, Mr. Ka Chi Yau, and Dr. Albert R. Collinson (appointed on 13 July 2023).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 40 to 45 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

EXECUTIVE DIRECTORS

Dr. Jingsong Wang has entered into a service contract with the Company on 23 November 2020 and renew the appointment letter with the Company on 31 December 2023; and Mr. Yiping Rong has entered into a service contract with the Company on 5 May 2022. The term of appointment is (i) three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner, or (ii) three years from the date of appointment (as the case maybe) (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any director's fees in their capacities as executive Directors under their respective service contracts.

NON-EXECUTIVE DIRECTORS

Each of Mr. Junfeng Wang and Mr. Yu Min Qiu has entered into an appointment letter with the Company on 23 November 2020 and tendered his resignation as a non-executive Director, with effect from 13 July 2023, due to their respective other business engagements which require more of their time and dedication. Ms. Weiwei Chen has entered into an appointment letter with the Company on 9 June 2021. The term of appointment is three years from the date of appointment (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Under her appointment letter, Ms. Weiwei Chen is entitled to receive an annual fee of US$50,000 for her position as a non-executive Director. Mr. Junfeng Wang and Mr. Yu Min Qiu were not entitled to receive any remuneration and benefits in their capacities as non-executive Directors under their respective appointment letters.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of Dr. Robert Irwin Kamen and Dr Xiaoping Ye entered into an appointment letter with the Company on 23 November 2020 and renewed the appointment letter with the Company on 1 December 2023. Mr. Ka Chi Yau entered into an appointment letter with the Company on 9 June 2021. Dr. Albert R. Collinson entered into an appointment letter with the Company on 13 July 2023. The term of appointment is (i) three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner, or (ii) three years from the date of the appointment (as the case maybe) (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The annual director's fees payable to the independent non-executive Directors under their respective appointment letters is US$50,000.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract unexpired with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for those transactions disclosed in note 34 to the consolidated financial statements, no Director nor any entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries, its parent company or fellow subsidiaries was a party during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2023.

EMPLOYEES, DIVERSITY AND REMUNERATION POLICY

As of 31 December 2023, the Group had an aggregate of 177 full-time and part-time employees. The Company has established the Remuneration Committee for reviewing the Group's remuneration policy and the emolument of all of the Directors and senior management of the Group taking into consideration the Group's operating results, individual performance of each of the Directors and senior management and comparable market practices.

WORKFORCE DIVERSITY

The Company is committed to building a diverse workforce at all levels, without discrimination of any kind, to serve a diverse range of customers globally and to operate in a variety of environments. The Company makes employment decisions based on the principle of equal employment opportunity. As of 31 December 2023, the gender ratio of the workforce is shown as the following chart:

	Workforce	Senior Management
Male	66	3
Female	111	1
Total	177	4

The total gender diversity of the Group is balanced, at 62.7%, representing 111 females out of 177 employees (including senior management). The Group has a strong focus on promoting gender diversity in the workforce, having set an overall gender diversity target of over 50% female representation across the organisation. To support the achievement of these targets, specific initiatives have included a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. In addition, to support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours.

REMUNERATION POLICIES

The Company has also adopted the Pre-IPO Equity Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme to incentivize eligible employees, details of which are set out in the section headed "Equity Incentive Plans" below.

No Director has waived or agreed to waive any remuneration, and no remunerations were paid by the Group to any Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions and other pensions which are required by local laws are made by the Group for its employees in accordance with the relevant regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labour dispute during the Reporting Period.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, the senior management and the five highest paid individuals are set out in note 10 and note 11 to the consolidated financial statements.

CHANGES IN INFORMATION OF DIRECTORS

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last interim report of the Company up to the Latest Practicable Date.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in the Listing Rules, to be notified to the Company and the Stock Exchange are set out below:

INTEREST IN THE COMPANY

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company[2]
Dr. Jingsong Wang[3]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	60,334,400 (L)	7.85%
Dr. Jingsong Wang[4]	Beneficial interest	7,205,000 (L)	0.94%
Dr. Robert Irwin Kamen[5]	Beneficial interest	4,128,040 (L)	0.54%
Dr. Yiping Rong[6]	Beneficial interest	2,244,000 (L)	0.2%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 768,428,910 Shares in issue as of 31 December 2023 and rounded off to two decimal places.

(3) As of 31 December 2023, Dr. Wang's interests in the Shares were held by HARBOURBIO LLC the membership interests of which were in turned held in three trusts of which he is the settlor. South Dakota Trust Company LLC (acting on the instructions of Dr. Wang) is the trustee of two of the trusts which together own 99.96% equity interest in HARBOURBIO LLC.

(4) Dr. Wang has been granted 5,628,000 options pursuant to the Post-IPO Share Option Scheme and 1,127,000 restricted shares pursuant to Post-IPO Share Award Scheme which are held on his behalf by Kastle Limited.

(5) Dr. Kamen holds 2,625,960 shares in his personal capacity, and the other 1,502,080 shares are restricted shares granted to Dr Kamen pursuant to the Pre-IPO Equity Plan being held on his behalf by Shuxin Biotech Limited ("**Shuxin**").

(6) Dr Rong has been granted 2,099,000 options pursuant to the Post-IPO Share Option Scheme and 145,000 restricted shares pursuant to Post-IPO Share Award Scheme which are held on his behalf by Kastle Limited.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at any time during the year ended 31 December 2023, there were no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

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

As at 31 December 2023, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company[2]
Golden Link Investment Limited[3]	Beneficial interest	93,561,360 (L)	12.18%
Advantech Master Investment Limited[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital L.P.[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital Partners Ltd.[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Advantech Capital Holdings Ltd.[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
Pang Kee Chan Hebert[3]	Interest in controlled corporations	93,561,360 (L)	12.18%
LC Healthcare Fund I, L.P.[4]	Beneficial interest	68,601,000 (L)	8.93%
LC Healthcare Fund I GP, L.P[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
LC Fund GP Limited[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
Union Season Holdings Limited[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
Legend Capital Co., Ltd[4]	Interest in controlled corporations	68,601,000 (L)	8.93%
HARBOURBIO LLC[5]	Beneficial interest	60,334,400 (L)	7.85%
South Dakota Trust Company LLC	Trustee	60,334,400 (L)	7.85%

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The letter "S" denotes the person's short position in the Shares.

(2) The calculation is based on the total number of 768,428,910 Share in issue as of 31 December 2023 and rounded off two decimal places.

(3) Golden Link Investment Limited is a wholly-owned subsidiary of Advantech Master Investment Limited, which is in turn a wholly-owned subsidiary of Advantech Capital L.P. ("**Advantech Capital**"). The general partner of Advantech Capital is Advantech Capital Partners Ltd., which is wholly-owned by Advantech Capital Holdings Ltd., which is in turn wholly-owned by Mr. Pang Kee Chan Hebert. Therefore, under the SFO, Advantech Master Investment Limited, Advantech Capital, Advantech Capital Partners Ltd., Advantech Capital Holdings Ltd. and Mr. Pang are deemed to be interested in the 2,339,034 Shares held by Golden Link Investment Limited.

(4) Legend Capital Co., Ltd is deemed to be interested in the equity interests held by LC Healthcare Fund I, L.P., due to the fact that it is the sole shareholder of Union Season Holdings Limited, which is the sole shareholder of LC Fund GP Limited, which in turn is the general partner of LC Healthcare Fund I GP, L.P, which in turn is the general partner of LC Healthcare Fund I, L.P.. Legend Capital Co., Ltd is ultimately controlled by each of Zhu Linan, Chen Hao and Wang Nengguang. Therefore, under the SFO, LC Healthcare Fund I GP, L.P, LC Fund GP Limited, Union Season Holdings Limited and Legend Capital Co., Ltd are deemed to be interested in the 68,601,000 Shares held by LC Healthcare Fund I, L.P..

(5) HARBOURBIO LLC is a company incorporated in the State of South Dakota in the U.S. and is wholly owned and controlled by Dr. Jingsong Wang.

(6) Dr. Wang has been granted 5,628,000 options pursuant to the Post-IPO Share Option Scheme and 1,127,000 restricted shares pursuant to Post-IPO Share Award Scheme which are held on his behalf by Kastle Limited.

Save as disclosed above, as of 31 December 2023, the Directors are not aware of any other person who have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company or any other member of the Group.

EQUITY INCENTIVE PLANS

The Company has three existing share schemes, namely the Pre-IPO Equity Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme, which were all adopted before the effective date of the new Chapter 17 of the Listing Rules on 1 January 2023. The Company has complied and will comply with the new Chapter 17 to the extent required by the transitional arrangements for the existing share schemes.

40,494,000 new Shares, representing approximately 5.27% of the weighted average of issued share capital of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Further details and relevant breakdowns of each of the share schemes of the Company are set out below:

1. PRE-IPO EQUITY PLAN

The Pre-IPO Equity Plan was approved and adopted pursuant to the written resolution of the sole shareholder of the Company dated 11 November 2016 and amended on 26 October 2017, 6 August 2018, 19 September 2019 and 24 June 2020.

Purpose

The purposes of the Pre-IPO Equity Plan are:

(a) to attract and retain the best available personnel for positions of substantial responsibility;

(b) to provide incentives that align the interests of employees, Directors and Consultants with those of the Company's shareholders; and

(c) to promote the success of the Company's business.

The Pre-IPO Equity Plan permits the grant of incentive stock options, non-statutory stock options (together with the incentive stock options, the "**Pre-IPO Options**"), stock appreciation rights, restricted stock (the "**RS**") and restricted stock units (the "**RSU**", together with the Pre-IPO Options, stock appreciation rights and RS, the "**Pre-IPO Award**").

Incentive stock options may be granted only to employees (as defined in the Pre-IPO Equity Plan), while non-statutory stock options, stock appreciation rights, RS and RSU may be granted to employees, directors or consultants.

Maximum number of Shares available for grant

The maximum aggregate number of Shares that are available for all Pre-IPO Awards is 132,499,240 Shares. During the term of the Pre-IPO Awards, the Company shall at all times reserve and keep available such number of Shares as will be sufficient to satisfy such Pre-IPO Awards. The Shares may be authorized but unissued Shares, reacquired Shares or a combination thereof.

As of January 1, 2023, 10,689,120 Shares were available for grant under the Pre-IPO Equity Plan. During the Reporting Period, 0 and 342,720 Shares were granted to eligible participants pursuant to the Post-IPO Equity Plan and lapsed/cancelled, respectively. It follows that, as of December 31, 2023, 11,031,840 Shares (including awards lapsed/cancelled during the Reporting Period) were available for grant under the Pre-IPO Equity Plan.

Maximum entitlement of each participant

There is no maximum entitlement of each participant.

Exercise period

The period during which a Pre-IPO Option may be exercised will be determined by the scheme administrator at the time such Pre-IPO Option is granted, provided that no Pre-IPO Option may be exercised after the expiration of its term.

Vesting period

The vesting criteria and conditions, and the vesting period are specified in the award agreement. Details of the vesting period of individual grants are stated in the table below.

Consideration and purchase price

Pursuant to the Pre-IPO Equity Plan, there is no amount payable on application or acceptance of the Pre-IPO Award and no purchase price for grant of Pre-IPO Awards.

Exercise price

The exercise price for Pre-IPO Option will be determined by the scheme administrator, but will be no less than 100% of the fair market value per Share on the date of grant. In addition, in the case of an incentive stock option granted to an employee who, at the time the incentive stock option is granted, owns (or, pursuant to Section 424(d) of the U.S. Internal Revenue Code of 1986, as amended, is deemed to own) stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any affiliate, the exercise price will be no less than 110% of the fair market value per Share on the date of grant.

Remaining life of the Pre-IPO Equity Plan

The Pre-IPO Equity Plan has a term of ten years commencing from 11 November 2016. The Scheme is administrated by the Board and the trustee of the Pre-IPO Equity Plan.

For details of the Pre-IPO Equity Plan, please refer to the prospectus of the Company.

Unvested RS and RSU granted under the Pre-IPO Equity Plan

Details of the unvested RS granted under the Pre-IPO Equity Plan (to be satisfied by existing Shares) are as follows:

Name	Date of grant	Vesting period	Purchase price	Unvested RS as of 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested RS as of 31 December 2023	Closing price of Shares immediately before the date of grant during the Reporting Period	Fair value of RS on the date of grant during the Reporting Period[1]	Weighted average closing price of Shares immediately before the date of vesting during the Reporting Period
Directors												
–	–	–	–	–	–	–	–	–	–	–	–	–
Other grantees in aggregate	31 July 2020 & 12 October 2021	(a) 30% shall be vested on the first anniversary of the Grant Date; (b) 30% shall be vested on the second anniversary of the Grant Date; and (c) 40% shall be vested on the third anniversary of the Grant Date.	Nil	3,867,904	Nil	3,833,344	34,560	0	0	N/A	N/A	HK$1.76
Total				3,867,904	Nil	3,833,344	34,560	0	0			

Note:

1. The fair value of RS are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements and based on the closing price on the date of grant.

Details of the unvested RSUs granted under the Pre-IPO Equity Plan (to be satisfied by existing Shares) are as follows:

Name	Date of grant	Vesting period	Purchase price	Unvested RSU as of 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested RSU as of 31 December 2023	Closing price of Shares immediately before the date of grant during the Reporting Period	Fair value of RSU on the date of grant during the Reporting Period[1]	Weighted average closing price of Shares immediately before date of vesting during the Reporting Period
Directors												
–	–	–	–	–	–	–	–	–	–	–	–	–
Five highest paid individuals during the Reporting Period in aggregate	7 November 2022	(a) 30% shall vest on 1 December 2022; (b) 30% shall vest on 1 December 2023; (c) 40% shall vest on 1 December 2024;	Nil	5,320,000	Nil	2,280,000	0	0	3,040,000	N/A	N/A	HK$1.64
Other grantees in aggregate	31 July 2020 and 10 December 2022	For one participant, (a) 30% shall vest on 1 March 2023; (b) 30% shall vest on 1 March 2024; and (c) the remaining 40% shall vest on 1 March 2025. For another one, (a) 60% shall vest on 10 January 2023; (b) 40% shall vest on 10 December 2023; For others, (a) 30% shall vest on 10 December 2021; (b) 30% shall vest on 10 December 2022; (c) 40% shall vest on 10 December 2023;	Nil	3,406,560	Nil	2,886,944	308,160	0	211,456	N/A	N/A	HK$1.91
Total	–	–		8,726,560	Nil	5,166,944	308,160	0	3,251,456			

2. POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was conditionally adopted pursuant to the written resolutions of the Shareholders passed on 23 November 2020.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Eligible participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options.

Maximum number of Shares available for grant

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company is 76,789,116, being no more than 10% of the Shares in issue on the Listing Date.

As at 1 January 2023, 67,697,116 Shares were available for grant under the Post-IPO Share Option Scheme. During the Reporting Period, 39,967,000 and 10,865,050 Shares were granted to eligible participants pursuant to the Post-IPO Share Option Scheme and lapsed/cancelled, respectively. Therefore, as at 31 December 2023, the total number of Shares available for grant under the Post-IPO Share Option Scheme was 38,595,166 Shares. As at the Latest Practicable Date, 30,287,166 new Shares (representing approximately 3.93% of the number of the issued share capital of the Company) were available for issue under the Post-IPO Share Option Scheme.

Maximum entitlement of a selected participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12 month period shall not exceed 1% of the total number of Shares in issue.

Consideration

A consideration of HK$1.00 is payable within 20 business days from the date of grant of an option.

Exercise period

An option may, subject to the rules of the Post-IPO Share Option Scheme and the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as our Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Vesting period

The vesting criteria and conditions, and the vesting period are specified in the offer letter. Details of the vesting period of individual grants are stated in the table below.

Exercise price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Remaining life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which no further options shall be offered or granted).

Details of the outstanding options granted under the Post-IPO Share Option Scheme (to be satisfied by new Shares) are as follows:

Name	Role	Date of Grant	Vesting Period	Exercise price	Outstanding options as of 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding options as of 31 December 2023	Closing price of Shares immediately before the date of grant during the Reporting Period	Fair value of options at the date of grant during the period[4]	Weighted average closing price of the Share immediately before the date of exercise during the Reporting Period	Performance targets for grant of options during the Reporting Period
Directors														
Dr. Jingsong Wang	Executive Director, chief executive officer and chairman of the Board	27 July 2022	(i) 25% shall vest on 31 March 2023; (ii) 25% shall vest on 31 March 2024; (iii) 25% shall vest on 31 March 2025; and (iv) 25% shall vest on 31 March 2026	HK$6.20	3,381,000	Nil	0	0	0	3,381,000	N/A	N/A	N/A	N/A
		18 April 2023	(i) 20% shall vest on 18 April 2023; (ii) 20% shall vest on 18 April 2024; (iii) 20% shall vest on 18 April 2025; and (iv) 40% shall vest on 18 April 2026	HK$2.41	N/A	2,247,000	0	0	0	2,247,000	HK$2.26	HK$11,865,010.00	N/A	See Note 2
Dr. Yiping Rong	Executive Director	27 July 2022	(i) 25% shall vest on 31 March 2023; (ii) 25% shall vest on 31 March 2024; (iii) 25%shall vest on 31 March 2025; and (iv) 25% shall vest from 31 March 2026	HK$6.20	435,000	Nil	0	0	0	435,000	N/A	N/A	N/A	N/A
		18 April 2023	(i) 20% shall vest on 18 April 2023; (ii) 20% shall vest on 18 April 2024; (iii) 20% shall vest on 18 April 2025; and (iv) 40% shall vest on 18 April 2026	HK$2.41	N/A	1,664,000	0	0	*0	1,664,000	HK$2.26	HK$1,381,120.00	N/A	See Note 2
Other grantees in category														
Employee Participants[2]		27 July 2022	See Note 4	HK$5.65& HK$6.20[5]	5,159,750	Nil	0	0	2,854,250	2,305,500	N/A	N/A	N/A	N/A
		18 April 2023	See Note 6	See Note 5	N/A	36,056,000	0	0	8,010,800	28,045,200	HK$2.26	HK$29,271,640.00	N/A	See Note 2 and Note 6
Total					8,975,750	39,967,000	0	0	10,865,050	38,077,700				

Notes:

1. The fair value of options granted are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The assumptions including the expected volatility, the exercise multiple, the risk-free rate, the dividend yield and the fair value of the ordinary shares. For expected volatility, we have made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested share options. The risk-free rate for periods within the contractual life of the share options is based on the market yield of Hong Kong Government Bonds in effect at the time of grant. The dividend yield is based on the expected dividend policy over the contractual life of the share options.

2. Each vesting of the abovementioned options will be subject to the results of the individual performance appraisal of each grantee. The Group will conduct performance appraisal on each grantee before each vesting, and the performance appraisal criteria (such as financial benchmarks or business/operative milestones, etc) shall be determined by the Board. The said options will only vest if the grantee obtains over a certain score at his/her performance appraisal. Based on the above vesting schedule, subject to the satisfaction of the individual performance appraisal, 20% of the options shall vest immediately after the grant.

3. Employee Participants other than Dr. Jingsong Wang and Dr. Yiping Rong as disclosed above, on individual basis.

4. For one participant: (a) 25% shall vest on 31 March 2022; (b) 25% shall vest on 31 March 2023; (c) 25% shall vest on 31 March 2024; and (d) the remaining 25% shall vest on 31 March 2025. For another one: (a) 25% shall vest on 11 April 2023; (b) 25% shall vest on 11 April 2024; (c) 25% shall vest on 11 April 2025; and (d) the remaining 25% shall vest on 11 April 2026. For others: (a) 25% shall vest on 31 March 2023; (b) 25% shall vest on 31 March 2024; (c) 25% shall vest on 31 March 2025; and (d) the remaining 25% shall vest on 31 March 2026.

5. the exercise price of the options granted is HK$2.41 per Share, save for the 1,284,000 options granted to 5 non-connected employees whose exercise price is HK$6.20 per Share.

6. Among the 36,056,000 options, 1,284,000 options granted to 5 non-connected employees, (i) 25% of which shall vest on 18 April 2024; (ii) 25% of which shall vest on 18 April 2025; (iii) 25% of which shall vest on 18 April 2026; and (iv) the remaining 25% shall vest on 18 April 2027. There is no performance targets attached to these 1,284,000 options.

   Save for the 1,284,000 options as stated above, subject to the satisfaction of the performance targets as stated in Note 2, the remaining options (i) 20% of which shall vest on 18 April 2023; (ii) 20% of which shall vest on 18 April 2024; (iii) 20% of which shall vest on 18 April 2025; and (iv) the remaining 40% shall vest on 18 April 2026. The performance targets for these options are set out in note 2 above.

7. The options have a term of 10 years from the date of grant.

8. The exercise period of the options granted under the Post-IPO Share Option Scheme shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the Post-IPO Share Option Scheme and the share option award agreement signed by the grantee.

3. POST-IPO SHARE AWARD SCHEME

The Post-IPO Share Award Scheme conditionally adopted by resolutions passed in the meeting of our Shareholders dated 23 November 2020.

Purpose

The purposes of the Post-IPO Share Award Scheme are to align the interests of Eligible Persons' with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

Eligible Person

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award (the "**Post-IPO Award**"). An Post-IPO Award gives a selected participant a conditional right, when the Post-IPO Awards vest, to obtain the Shares underlying the Post-IPO Awards (the "**Award Shares**") or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Post-IPO Award in Shares, the cash equivalent from the sale of the Award Shares.

Maximum number of Award Shares (which can be satisfied by new Shares or existing Shares) available for grant

The aggregate number of Award Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 38,394,558 Shares (representing approximately 5% of the total issued Shares immediately after completion of the Global Offering) without Shareholders' approval, subject to an annual limit of 1% of the total number of issued Shares at the relevant time.

As of 1 January 2023, 31,317,558 Award Shares were available for grant under the Post-IPO Share Award Scheme. During the Reporting Period, 527,000 and 3,006,250 Award Shares were granted to Eligible Persons pursuant to the Post-IPO Share Award Scheme and lapsed/cancelled, respectively. It follows that, as at 31 December 2023, 33,796,808 Award Shares were available for grant under the Post-IPO Share Award Scheme.

Maximum number of new Shares available for issue

The total number of new Shares issued and may be issued pursuant to the Post-IPO Share Award Scheme will not exceed 38,394,558 Shares (the "**Scheme Mandate**").

As at 1 January 2023, 38,355,808 new Shares were available for issue under the Scheme Mandate. During the Reporting Period, 499,000 new Shares were issued pursuant to the Post-IPO Share Award Scheme. It follows that, as at 31 December 2023 and the Latest Practicable Date, 37,856,808 new Shares and 36,304,308 new Shares (representing approximately 4.71% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Scheme Mandate, respectively.

Maximum entitlement of an Eligible Person

Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of shares which may be granted to a single Eligible Person.

Vesting period

The vesting criteria and conditions, and the vesting period are specified in the award letter. Details of the vesting period of individual grants are stated in the table below.

Consideration and purchase price

Pursuant to the Post-IPO Share Award Scheme, there is no amount payable on application or acceptance of the Post-IPO Award and no purchase price of Shares awarded.

Remaining life of the Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme has a term of ten years commencing on the Listing Date.

Details of the unvested Award Shares granted under the Post-IPO Share Award Scheme (to be satisfied by new Shares) are as follows:

Name	Role	Date of grant	Vesting period	Purchase price	Unvested award Shares as of 1 January 2023	Granted during the Reporting Period[1]	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested award Shares as of 31 December 2023	Closing price of Shares immediately before the date of grant during the Reporting Period	Fair value of award Shares on the date of grant during the Reporting Period[1]	Weighted average closing price of Shares immediately before date of vesting during the Reporting Period	Performance targets for grant of awards during the Reporting Period
Directors														
–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Other grantees in category														
Employee Participants		27 July 2022	See Note 2	Nil	1,957,250	N/A	499,000	975,250	0	483,000	N/A	N/A	HK$2.08	N/A
		18 April 2023	(a) 25% shall vest on 18 April 2024; (b) 25% shall vest on 18 April 2025; (c) 25% shall vest on 18 April 2026; and (d) the remaining 25% shall vest on 18 April 2027	Nil	N/A	527,000	0	0	0	527,000	HK$2.26	HK$1,191,020.00	NA	Nil
Total					1,957,250	527,000	499,000	975,250	0	1,010,000				

Notes:

1. The fair value of award Shares are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements and based on the closing price on the date of grant.

2. For one participant: (a) 25% shall vest on 31 March 2022; (b) 25% shall vest on 31 March 2023; (c) 25% shall vest on 31 March 2024; and (d) the remaining 25% shall vest on 31 March 2025. For another one: participant (a) 25% shall vest on 11 April 2023; (b) 25% shall vest on 11 April 2024; (c) 25% shall vest on 11 April 2025; and (d) the remaining 25% shall vest on 11 April 2026; For others: (a) 25% shall vest on 31 March 2023; (b) 25% shall vest on 31 March 2024; (c) 25% shall vest on 31 March 2025; and (d) the remaining 25% shall vest on 31 March 2026.

Details of the unvested Award Shares granted under the Post-IPO Share Award Scheme (to be satisfied by existing Shares) are as follows:

Name	Role	Date of grant	Vesting period	Purchase price	Unvested Award Shares as of 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Award Shares as of 31 December 2023	Closing price of Shares immediately before the date of grant during the Reporting Period	Fair value of Award Shares on the date of grant during the Reporting Period	Weighted average closing price of Shares immediately before date of vesting during the Reporting Period	Performance targets for grant of awards during the Reporting Period
Directors														
Dr. Jingsong Wang	Executive Director, chief executive officer and chairman of the Board	27 July 2022	Note 2	Nil & HK$8.20	2,328,000	Nil	281,750	600,500	0	1,445,750	N/A	N/A	HK$2.08	N/A
Dr. Yiping Rong	Executive Director	27 July 2022	Note 2	Nil & HK$8.20	281,000	Nil	36,250	6,800	0	176,750	N/A	N/A	HK$2.08	N/A
Five highest paid individual during the Reporting Period in aggregate		31 December 2021	Note 3	HK$8.2	Nil	Nil	0	0	0	0	N/A	N/A	N/A	N/A
Other grantees in aggregate		31 December 2021	Note 3	HK$8.2	2,472,000	Nil	0	1,362,500	0	1,109,500	N/A	N/A	N/A	N/A
Total					5,081,000	–	318,000	2,031,000	0	2,732,000		–		

Notes:

1. The fair value of Award Shares are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was based on the closing price on the date of grant.

2. For the grant on 27 July 2022, (i) 25% shall vest from 31 March 2023; (ii) 25% shall vest from 31 March 2024; (iii) 25% shall vest from 31 March 2025; and (iv) 25% shall vest from 31 March 2026.

3. For the grant on 31 December 2021 (i) 50% of the award Shares shall be vested upon the first anniversary of the date of grant; and (ii) the remaining 50% of the award Shares shall be vested upon the occurrence of the following events (whichever is the earlier to occur): (i) the second anniversary of the date of grant, and (ii) the first Business Day falling after the first anniversary of the date of grant but before the second anniversary of the date of grant on which the closing price of the Share as quoted on the Stock Exchange is HK$12.38 or more.

OTHER INFORMATION

Reference is made to the Company's announcement dated 3 April 2024 in relation to, among others, the grant of share options under the Post-IPO Share Option Scheme. The Company clarifies that the exercise price of the options granted on 3 April 2024 and the average closing price of Shares for the five business days immediately preceding the date of grant is HK$1.362 per Share.

CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2023, the Company had no controlling shareholder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Pursuant to an ordinary resolution of the Shareholders passed at the Company's annual general meeting on 8 June 2022, the Board was granted a general mandate to repurchase Shares not exceeding 10% of the total number of issued Shares as at the date of passing of the relevant resolution granting such mandate (the "**Share Repurchase Mandate**"). During the Reporting Period, the Company exercised its powers under the Share Repurchase Mandate, which shall expire at the conclusion of the next annual general meeting of the Company, and repurchased a total of 1,750,000 Shares (the "**Share Repurchased**") on the Stock Exchange at an aggregate consideration of HK$2,744,000, all of which will be cancelled.

Particulars of the Shares Repurchased are as follows:

Trading Month	Number of Shares Repurchased	Highest Price Paid *(HK$)*	Lowest Price Paid *(HK$)*	Total Consideration Paid *(HK$)*
December	1,750,000	1.64	1.5	2,744,000

Save as disclosed above, during the Reporting Period, the Company and its subsidiaries have neither sold, purchased nor redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Act, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2023, none of the Directors or their respective associates engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group has not entered into any connected transactions (or continuing connected transactions) which are not exempt from the annual reporting requirements pursuant to Chapter 14A of the Listing Rules.

A summary of all significant transactions with related parties (the "**Related Party Transactions**") entered into by the Group during the Reporting Period is contained in note 34 to the consolidated financial statements. None of the related party transactions disclosed in note 34 to the consolidated financial statements constituted a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules as and where applicable and relevant.

CHARITABLE DONATIONS

During the Reporting Period, the Group has not made any charitable donations.

SIGNIFICANT LEGAL PROCEEDINGS AND PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Act, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

Such permitted indemnity provision has been in force for the year ended 31 December 2023. For the year ended 31 December 2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance as known to the Directors to be pending or threatened against the Company.

For the year ended 31 December 2023, the Company has arranged appropriate liability insurance to cover the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in a disclosure obligation under Rules 13.20 to 13.22 of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 81 to 99 of this annual report.

USE OF NET PROCEEDS

The Company's shares were listed on the Stock Exchange on 10 December 2020 with a total of 138,221,000 offer shares issued and the net proceeds raised during the Global Offering were approximately HK$1,656.6 million. On 10 October 2022, the Board has resolved to change the use of the remaining net proceeds allocated for the funding of HBM9161 as such product was out-licensed. For details, please refer to the announcement of the Company dated 10 October 2022. The Company has fully utilized the balance of net proceeds of the Global Offering by the end of 2023 according to the intentions previously disclosed.

Set out below is the status of use of proceeds from the Global Offering as at 31 December 2023.

Purpose	Original allocation of net proceeds (HK$ million)	Unutilised amount as at 31 December 2022	**Utilised for the year ended 31 December 2023**	**Unutilised amount as at 31 December 2023**
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of batoclimab (HBM9161), one of our Core Products	405.4	0	**0**	**0**
Funding ongoing and planned clinical trials and other related research and development activities, preparation for registration filings and potential commercial launches in Greater China of tanfanercept (HBM9036), one of our Core Products	132.5	0	**0**	**0**
Funding ongoing and planned clinical trials in Greater China and Australia, preparation for registration filings and potential commercial launches of HBM4003, our anchor asset, in Greater China, the United States and other jurisdictions	431.0	172.5	**172.5**	**0**
Funding the research and development of our other drug candidates seeking IND approvals and yet to commence clinical trials or those in pre-clinical studies	273.5	82.7	**82.7**	**0**
Funding the discovery of innovative molecules generated from our Harbour antibody platforms	198.8	43.0	**43.0**	**0**
Funding the continued improvement of our platform technologies and our pursuit of licensing and collaboration opportunities utilizing our Harbour antibody platforms	82.9	20.9	**20.9**	**0**
Working capital and other general corporate purposes	132.5	32.3	**32.3**	**0**
Total	1,656.6	351.4	**351.4**	**0**

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, were held by the public at all times as of the Latest Practicable Date.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst & Young. A resolution will be proposed by the Company in the forthcoming Annual General Meeting ("**AGM**") to re-appoint Ernst & Young as the auditor of the Company.

IMPORTANT EVENTS AFTER REPORTING DATE

There are no material events after the reporting period that may have a material impact on the Group up to the Latest Practicable Date.

On behalf of the Board
Dr. Jingsong Wang
Chairman
28 March 2024

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2023 (the "**Review Period**").

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and establishing high standards of corporate governance, which are essential in 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 adopted and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has devised its own Corporate Governance Policy which incorporates the principles and practices as set out in the CG Code. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the CG Code.

The Board is of the view that, during the Review Period, the Company has complied with all the code provisions of the CG Code, save and except for the deviation from code provision C.2.1 of the CG Code, details of which are set out below.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. Our Audit Committee would assist the Board in leading the management and overseeing the design, implementation and supervision of internal control.

During the Review Period, we regularly reviewed and enhanced our risk management and internal control system, which has been designed to manage the risks and uncertainties that could cause the Group's financial condition or business performance to differ materially from expected or historical results. Below is a summary of the risk management and internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environment protection and occupational health and safety.

- We have established standard operating programs that govern our activities, including an integrated procure-to-pay process, standardized accrual methods, and budgeting and tracking mechanisms.

- We provide our staff with staff handbooks that are revised from time to time. To enhance compliance awareness, we established a staff induction training program and we also provide regular internal and external compliance training to our staff as a part of the staff training program.

- With the help of our legal advisers, the Directors who are responsible for monitoring the Group's corporate governance also regularly review our compliance with all relevant laws and regulations.

- Our Audit Committee assists the Board in overseeing the effectiveness of the risk management of the internal control system. Our Audit Committee maintains a regular dialogue with the Company's external auditors and reviews the Company's financial statements. Our Audit Committee makes recommendations to the Directors on the appointment and removal of the external auditors and makes recommendations on financial reporting and supervision of the Group's internal control procedures. The Company has established a compliance team to review grants and sponsorships and other compliance initiatives.

- The Board evaluates the design and operational effectiveness of the Company's internal control system and no material weaknesses are revealed in the evaluation results.

- We have engaged a PRC/US law firm to regularly advise us on and keep us abreast with the PRC laws and regulations. We will continue to arrange various trainings to be provided by external advisers from time to time when necessary and/or by any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest PRC laws and regulations.

We maintained strict anti-corruption policies among all our staff, personnel and distributors. We ensure that our employees comply with the requirements, including restrictions on the purchasing and business cooperation, restrictions on the promotion of drugs for unapproved uses or patient populations and restrictions on industry-sponsored scientific and educational activities.

We also established a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the Company.

We currently do not have an internal audit function. We are committed to continuously monitoring and assessing the necessity to establish an internal audit function on an annual basis. During the Review Period, we reviewed and concluded that the current internal mechanism was adequate to enable the effectiveness of the Company's internal control and risk management systems. Furthermore, as an additional comfort, no material weakness with the Company's internal controls over financial reporting was identified during the course of audit by our external auditor.

As an ongoing monitoring and assessment process, we have taken, including but not limited to, the following consideration factors into account when reviewing and concluding if an internal audit function is required:

- Limited headcounts of the Company;
- Current clinical stage of the Company with a primary focus on research and development activities;
- Relying on CRO & CDMO over our significant business operations;
- Occasional and simple revenue sources mainly from licensing without any product sales;
- Limited, simple and straight forward expenditure items; and
- External consultants, including GxP audit to CRO/CDMO, providing ongoing guidance and advice, thereby ensuring the operations of the Company meeting the legal and regulatory-compliance requirements.

We have established procedures and internal controls for the handling and dissemination of inside information. We have reviewed the effectiveness of the risk management and internal control systems during the Review Period. We consider such procedures and internal controls as effective and adequate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors and they confirmed that they have strictly complied with the Model Code during the Review Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

RESPONSIBILITY

The Board is responsible for the overall leadership of the Group and oversees the Group's strategic decisions and monitors the business and performance, ensuring that any changes to board composition can be managed without undue disruption. The Board has delegated to the Group's senior management the authority and responsibility for the day-to-day management and operations of the Group. To oversee specific aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). The Board has delegated a number of responsibilities to the Board Committees, which are set out in their respective terms of reference.

All Directors ensure that they perform their duties in good faith, comply with applicable laws and regulations, and at all times act in the interests of the Company and its Shareholders.

As stipulated in Principle B.1 of the CG Code, the Board regularly reviews the contribution required from a Director to perform his role and responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Company has arranged for the Directors to take out appropriate liability insurance to indemnify them against liabilities arising from their corporate activities. The scope of the insurance will be reviewed annually.

COMPOSITION OF THE BOARD

Our Board currently consists of two executive Directors (namely Dr. Jingsong Wang (chief executive officer and chairman of the Board) and Dr. Yiping Rong, one non-executive Director (namely Ms. Weiwei Chen) and four independent non-executive Directors (namely Dr. Robert Irwin Kamen, Dr. Xiaoping Ye, Mr. Ka Chi Yau and Dr. Albert R. Collinson). The biographical details of the Directors are set out in the section titled "Directors and Senior Management" on pages 40 to 45 in this annual report.

During the year ended 31 December 2023, the Board has complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

Under Rule 3.10A of the Listing Rules, a listed issuer must appoint independent non-executive Directors representing at least one-third of the board. The Company currently has four independent non-executive Directors representing more than half of the Board, and hence the Company is in compliance with Rule 3.10A of the Listing Rules.

The Company has received from each of the independent non-executive Directors an annual written confirmation of independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors are independent.

None of the Directors has any personal relationships (including financial, business, family or other material/related relationships) with any other Directors and members of senior management.

All Directors, including the independent non-executive Directors, bring a variety of valuable business experience, knowledge and expertise to the Board for efficient and effective operation. The independent non-executive Directors are invited to join the Audit Committee, the Remuneration Committee and the Nomination Committee.

To the extent that the provisions of the CG Code require the Directors to disclose to the issuer the number and nature of offices held in public companies or organizations and other significant commitments and the duties and the time involved, the Directors have agreed to disclose their duties and commitments to the Company in a timely manner.

BOARD DIVERSITY POLICY

The Board has established the board diversity policy (the "**Board Diversity Policy**"), which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level. Pursuant to the Board Diversity Policy, in reviewing the suitability of a candidate to serve as a Director, the Nomination Committee will consider a number of aspects, including gender, age, cultural, educational background and professional experience. According to the policy, at least one female Director should be included as member of the Board, and members of the Board should include candidates from a diverse background, such as professionals with extensive industry experience, risk management skills and financial knowledge, so as to provide a holistic and integrated perspective and outlook to enhance corporate decision-making.

During the Review Period, the Board has reviewed and considered the implementation of the Board Diversity Policy to be effective. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors from a diverse age group with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, e-commerce, engineering, finance, law and computer science. They obtained degrees in various areas including business administration, economics, computer science and technology. Gender diversity of the Board stands at 14.3%, representing one female out of seven Directors, which has met the goal of our gender diversity.

APPOINTMENT AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed director will receive formal, comprehensive and individually tailored induction training upon his or her appointment to ensure that he or she has a proper understanding of the business and operations of the Company and is fully aware of the roles, functions, duties and responsibilities of directors under the Listing Rules and relevant statutory requirements.

The Company arranges regular seminars for the Directors from time to time to provide updates on the latest development and changes in the Listing Rules and other relevant laws and regulatory requirements. The Directors are also provided with regular updates on the performance, position and prospects of the Company to facilitate the discharge of their duties by the Board as a whole and each of the Directors.

The Company encourages the Directors to participate in continuous professional development to develop and update their knowledge and skills. During the Review Period, all the Directors participated in continuous professional development to develop and update their knowledge and skills in accordance with code provision C.1.4 of the CG Code. The Company's external lawyers also provided briefings, presentations and information to the Directors to enable each of them to have further training on the roles, functions and responsibilities of directors of listed companies. All Directors received this training. The Company's external company secretarial service organization updates and provides written training materials on the roles, functions and responsibilities of Directors from time to time and all Directors study such materials and are required to submit signed training records to the Company annually.

The training records of the Directors for the year ended 31 December 2023 are summarized as follows:

Name of Directors	**Types of Training**[Note]
Dr. Jingsong Wang	A, B
Dr. Yiping Rong	A, B
Mr. Yumin Qiu[(1)]	A, B
Mr. Junfeng Wang[(2)]	A, B
Ms. Weiwei Chen	A, B
Dr. Robert Irwin Kamen	A, B
Dr. Xiaoping Ye	A, B
Mr. Ka Chi Yau	A, B
Dr. Albert R. Collinson[(3)]	A, B

Notes:

(1) Mr. Yumin Qiu resigned as a non-executive Director and member of the Audit Committee effective on 13 July 2023.

(2) Mr. Junfeng Wang resigned as a non-executive Director effective on 13 July 2023.

(3) Dr. Albert R. Collinson was appointed as an independent non-executive Director effective on 13 July 2023.

Types of Training:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications (such as the Stock Exchange's letters to authorized representatives of listed issuers)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Companies listed on the Stock Exchange are expected to comply with such requirement, but may choose to deviate from such requirement. Currently, the Company does not have a separate chairman and chief executive officer and Dr. Jingsong Wang currently performs both roles.

Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Dr. Jingsong Wang has entered into a service contract with the Company on 23 November 2020 and renew the appointment letter with the Company on 31 December 2023; and Mr. Yiping Rong has entered into a service contract with the Company on 5 May 2022. The term of appointment is (i) three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner, or (ii) three years from the date of appointment (as the case maybe) (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Ms. Weiwei Chen has entered into an appointment letter with the Company on 9 June 2021. The term of appointment is three years from the date of appointment (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Each of Dr. Robert Irwin Kamen and Dr Xiaoping Ye entered into an appointment letter with the Company on 23 November 2020 and renewed the appointment letter with the Company on 1 December 2023. Mr. Ka Chi Yau entered into an appointment letter with the Company on 9 June 2021. Dr. Albert R. Collinson entered into an appointment letter with the Company on 13 July 2023. The term of appointment is (i) three years from 30 November 2020 or until the third annual general meeting of the Company after the Listing Date, whichever is sooner, or (ii) three years from the date of the appointment (as the case maybe) (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

Pursuant to the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The procedures and processes for the appointment, re-election and removal of the Directors are set out in the Articles of Association.

The Nomination Committee is responsible for reviewing the composition of the Board and monitoring the appointment, re-election and succession plan of the Directors.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Company adopts the practice of holding regular Board meetings at least four times a year and approximately once every quarter, involving active participation, either in person or through electronic means of communication, of a majority of Directors. The Company gives not less than 14 days' notice of all regularly scheduled Board meetings to give all Directors an opportunity to attend the regular meetings and to put relevant matters on the agenda. For other Board and committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are sent to the Directors or committee members at least three days prior to the meeting to ensure that they have sufficient time to review the documents and prepare adequately for the meeting. When a Director or committee member is unable to attend a meeting, he or she will be informed of the matters to be discussed and will have an opportunity to express his or her views to the Chairman prior to the meeting. Minutes of the meetings are kept by the company secretary of the Company and copies will be sent to all Directors for reference and records.

Minutes of the Board and committee meetings record in sufficient detail of the matters considered and decisions reached by the Board and the respective committee, including any questions from the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comment within a reasonable time after the date of the meeting. The Directors have the right to inspect the minutes of the Board meetings.

Code provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Review Period, the Board has held seven meetings and held one general meeting.

The Board will make arrangements for holding at least four regular Board meetings and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors once a year.

The attendance record of each of the Directors at such meetings are set out in the following table

	Attendance/Eligible Attendance	
Director	**Board meeting**	**General meeting**
Dr. Jingsong Wang	7/7	1/1
Dr. Yiping Rong	7/7	1/1
Mr. Yumin Qiu[(1)]	4/4	1/1
Mr. Junfeng Wang[(2)]	4/4	1/1
Ms. Weiwei Chen	7/7	1/1
Dr. Robert Irwin Kamen	7/7	1/1
Dr. Xiaoping Ye	7/7	1/1
Mr. Ka Chi Yau	7/7	1/1
Dr. Albert R. Collinson[(3)]	3/3	N/A

Notes:

(1) Mr. Yumin Qiu resigned as a non-executive Director and member of the Audit Committee effective on 13 July 2023.

(2) Mr. Junfeng Wang resigned as a non-executive Director effective on 13 July 2023.

(3) Dr. Albert R. Collinson was appointed as an independent non-executive Director effective on 13 July 2023.

During the Review Period, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors.

AUTHORIZATION BY THE BOARD

The Board reserves the right of decision making on all major issues of the Company, including: approving and monitoring all policy matters, overall strategy and budget, internal control and risk management systems, material transactions (especially those with potential conflicts of interest), financial information, appointment of directors and other material financial and operational matters. Directors may seek independent professional advice at the Company's expense when they perform their duties and the Company encourages the Directors to seek independent advice from the Company's senior management.

Responsibility for the day-to-day management, administration and operations of the Group has been delegated to the senior management. The delegated functions and responsibilities are regularly reviewed by the Board. Management shall obtain the Board's approval before entering into any material transactions.

CORPORATE GOVERNANCE FUNCTIONS

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

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The Board has performed the above duties during the Review Period.

The Board is aware that corporate governance is a shared responsibility of all Directors, including:

- To develop, review and implement the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- To develop, review and monitor the implementation of shareholders' communication policy to ensure its effectiveness, and to make recommendations to the Board when appropriate to help strengthen the relationship between the Company and its shareholders.

During the year ended 31 December 2023, the Company has updated the compliance manual on disclosable transactions and inside information in accordance with the Listing Rules as a guide for employees to report undisclosed inside information to the Company to ensure consistent and timely disclosure and to meet the Company's continuous disclosure obligations.

BOARD COMMITTEE

NOMINATION COMMITTEE

For the year ended 31 December 2023, the Nomination Committee consists of three members, namely Dr. Jingsong Wang (executive Director), Dr. Robert Irwin Kamen (independent non-executive Director) and Dr. Xiaoping Ye (independent non-executive Director). Dr. Jingsong Wang is the chairman of the Nomination Committee.

The major duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board, and to make recommendations for any proposed change;
- To identify suitable candidates to be appointed as directors;
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee will evaluate the candidates or incumbent candidates based on criteria such as integrity, experience, skills and ability to commit time and effort to perform their duties and responsibilities. The recommendation of the Nomination Committee will then be put to the Board for decision and its written terms of reference is available on the websites of the Stock Exchange and the Company.

During the Review Period, one Nomination Committee meeting was held.

Director	Attendance/ Eligible Attendance
Dr. Jingsong Wang *(Chairman)*	1/1
Dr. Robert Irwin Kamen	1/1
Dr. Xiaoping Ye	1/1

BOARD'S NOMINATION POLICY FOR THE NOMINATION OF DIRECTORS

The Company has adopted a nomination policy for the election of directors (the "**Board's Nomination Policy**"), details of which are as follows:

Nomination criteria

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Nomination Committee will take into account the following factors:

- Age, skills, experience, professional and educational qualifications, background and other personal qualities of the candidate;
- Effect on the Board members' composition and diversity;
- Potential/actual conflicts of interest that may arise if the candidate is selected, and independence of the candidate;

– Commitment of the candidate to devote sufficient time to effectively carry out his/her duties;

– In the case of a proposed re-appointment of an independent non-executive Director, the number of years he/she has already served the Company; and

– Other factors considered to be relevant by the Nomination Committee on a case by case basis.

NOMINATION PROCEDURES

The nomination procedures are as follows:

The Nomination Committee shall consider the suitability of such person and assess the independence of the proposed independent non-executive Director in accordance with the Listing Rules, the Board's Diversity Policy and the Board's Nomination Policy;

The Nomination Committee shall make recommendations to the Board;

The Board shall consider the people recommended by the Nomination Committee in accordance with the Listing Rules (including the CG Code in Appendix C1 to the Listing Rules), the Board's Nomination Policy and the Board's Diversity Policy;

When filling a vacancy and appointing a new director, the Board confirms the person appointed as a director and the new director is subject to re-election by the shareholders of the Company at the next annual general meeting in accordance with the Articles of Association;

Upon retirement of a retiring Director, the Board shall recommend the retiring Directors for re-election at the annual general meeting pursuant to the recommendation of the Nomination Committee. The appointment of the retiring Directors is subject to the approval of the Shareholders at the annual general meeting; and

The Board reserves the right of final decision on all matters relating to the selection and appointment of Directors.

REMUNERATION COMMITTEE

As at 31 December 2023, the Remuneration Committee consists of three members, namely Dr. Jingsong Wang (executive Director), Dr. Xiaoping Ye (independent non-executive Director) and Mr. Ka Chi Yau (independent non-executive Director), Dr. Xiaoping Ye is the chairman of the Remuneration Committee.

The major duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management; reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; making recommendations to the Board on specific remuneration packages for all executive Directors and senior management; and reviewing and/or approving matters relating to the Company's share schemes under Chapter 17 of the Listing Rules. The written terms of reference of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

During the Review Period, the Remuneration Committee has reviewed and approved the following material matters in relation to its existing share schemes:

- the Board has resolved to grant a total of 39,967,000 share options under the Post-IPO Share Option Scheme on 18 April 2023 to 175 grantees, among which 173 are non-connected employees and two are Directors (being 2,247,000 and 1,664,000 options were granted to Mr. Jingsong Wang and Mr. Yiping Rong, respectively); and

- Among the above grant, vesting of the 38,683,000 options will be subject to the results of the individual performance appraisal of each grantee. The Group will conduct performance appraisal on each grantee before each vesting, and the performance appraisal criteria (such as financial benchmarks or business/operative milestones, etc) shall be determined by the Board. The said options will only vest if the grantee obtains over a certain score at his/her performance appraisal. Based on the vesting schedule, subject to the satisfaction of the individual performance appraisal, 20% of the options shall vest immediately after the grant. There are no restrictions under the Post-IPO Share Option Scheme in respect of a vesting period of less than 12 months. These grants shall vest in batches with a total vesting period (i.e. the period between the date of grant and the last vesting date) of more than 12 months. Given that the vesting of the said options is also subject to the satisfaction of the performance appraisals, the Remuneration Committee is of the view that such arrangement aligns with the purpose of the Post-IPO Share Option Scheme as it incentivizes and encourages them to work towards enhancing the value of the Company and its Shares.

For details of the above grant of share options, please refer to the announcement of the Company dated 18 April 2023.

Directors' remuneration policy

The Remuneration Committee is also responsible for establishing a transparent process for developing such remuneration policy and structure to ensure that no Director or any of his/her associates is involved in determining his/her own remuneration. The remuneration of Directors comprises an annual directors' fee and may also be entitled to options and/or awards under the rules of the share option scheme or share award scheme adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration Committee with reference to individual and Company performance as well as market practice and market conditions.

During the Review Period, one Remuneration Committee meeting was held.

Director	Attendance/ Eligible Attendance
Dr. Xiaoping Ye *(Chairman)*	1/1
Dr. Jingsong Wang	1/1
Mr. Ka Chi Yau	1/1

During the Review Period, the Remuneration Committee met once to review and make recommendations to the Board on the remuneration policy and packages and other related matters.

Remuneration by band of the 4 members of the senior management of the Company for the year ended 31 December 2023 are set out below.

Annual Remuneration	Number of Individual(s)
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	2
HK$3,000,001 to HK$3,500,000	0
HK$3,500,001 to HK$4,000,000	0
Above HK$4,000,001	1
	4

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules. As at 31 December 2023, the Audit Committee consists of three members, namely Ms. Weiwei Chen (non-executive Director), Dr. Xiaoping Ye (independent non-executive Director) and Mr. Ka Chi Yau (independent non-executive Director). Mr. Ka Chi Yau is the chairman of the Audit Committee and has appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The major duties of the Audit Committee include the following:

- To review the financial statements and reports before submission to the Board and to consider any significant or unusual items raised by the internal audit department or the external auditors;

- To review the relationship with the external auditor with reference to the work performed by the auditor, its fees and terms of engagement, and to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and

- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control system and related programs, including the adequacy of the Company's resources, staff qualifications and experience, training programs and budget for the accounting and financial reporting function.

During the Review Period, three Audit Committee meetings were held.

Director	Attendance/ Eligible Attendance
Mr. Ka Chi Yau *(Chairman)*	3/3
Mr. Yumin Qiu[(1)]	2/2
Dr. Xiaoping Ye	3/3
Ms. Weiwei Chen[(2)]	1/1

Notes:

(1) Mr. Yumin Qiu resigned as a non-executive Director and member of the Audit Committee effective on 13 July 2023.

(2) Ms. Weiwei Chen was appointed as a member of the Audit Committee effective on 13 July 2023.

Subsequent to 31 December 2023, the Audit Committee held a meeting to review the financial reporting system, compliance process, risk management and internal control system and its process and reappointed external auditor.

The Audit Committee also reviewed the final results for the financial year, and the audit report prepared by the external auditors on the accounting matters and significant findings arising from the audit process. The Company has made appropriate arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, risk management and other matters of the internal control system, and its written terms of reference is available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS

The Directors are fully aware of their responsibilities in relation to the preparation of the financial statements for the year ended 31 December 2023 and give a true and fair view of the affairs of the Company and the Group and of the results and cash flows of the Group.

Our senior management has provided related explanation and information to the Board as is necessary to make an informed assessment of the Company's financial statements, which is subject to the Board's approval. The Company provides quarterly updates on the Company's performance, position and prospects to all members of the Board.

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

The statement of the Company's auditors regarding their reporting responsibilities on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 102 to 106 of this Annual Report.

JOINT COMPANY SECRETARIES

Mr. Richard Yu Fu had been the joint company secretary up to his resignation on 19 October 2023 and Mr. Wing Yat Christopher Lui, senior manager of Tricor Services Limited, an external service provider, remained as the company secretary of the Company thereafter.

Up until his resignation, Mr. Richard Yu Fu had been designated as the primary contact person at the Company which would work and communicate with Mr. Wing Yat Christopher Lui on the Company's corporate governance and secretarial and administrative matters. Since 19 October 2023, the primary contact person at the Company is Ms. Yifan Gao, the Director of Investors Relations & Business Intelligence of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

For the year ended 31 December 2023, Mr. Lui has undertaken not less than 15 hours of relevant professional training to update his skills and knowledge, thus in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

The audit fees paid by the Group to the auditor in respect of audit and non-audit services for the year ended 31 December 2023 were approximately US$0.46 million and nil, respectively.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

SHAREHOLDERS' COMMUNICATION POLICY

The Company believes that effective communication with shareholders is essential to improve investor relations and understanding of the Group's business, performance and strategy. The Company also recognizes the importance of timely and non-selective disclosures that will enable shareholders and investors to make informed investment decisions.

The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The annual general meeting provides an opportunity for shareholders to communicate directly with the Directors. The chairman of the Board will attend the annual general meeting to answer questions from Shareholders. The Company's external auditors will also attend the annual general meeting to answer questions about the audit, the preparation and content of the auditor's report, accounting policies and auditor independence.

In order to facilitate effective communication, the Company has adopted a shareholder communication policy aimed at establishing mutual relationship and communication between the Company and its Shareholders via maintaining a website at www.harbourbiomed.com. The Company will post updates relating to its business operations and development, financial information, corporate governance practices and other information on its website for public access. Further, the Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations.

The Company has reviewed and considered the implementation of the Shareholders' communication policy to be effective during the Review Period.

SHAREHOLDERS' RIGHTS

In order to protect the interests and rights of shareholders, each matter will be proposed at a general meeting by way of individual resolution, including the election of individual directors.

All resolutions proposed at the AGM will be voted on by way of poll in accordance with the Listing Rules and the poll results will be published on the Company's website and the website of the Stock Exchange in due course after each AGM.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**"). Pursuant to the Dividend Policy, it is expected that, subject to compliance with applicable laws and regulations, the Company will declare dividends, which will be announced after the publication of the interim results announcement and the annual results announcement respectively. The dividend will be declared and paid in Hong Kong dollars.

In accordance with the Dividend Policy, the Board shall consider the following factors before declaring or recommending dividends:

- the Company's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- other factors that the Board may consider relevant.

The payment of dividend by the Company is also subject to applicable laws and regulations, including the Cayman Islands laws and the Articles of Association. The Board will review this Dividend Policy from time to time and does not guarantee that any particular amount of dividend will be paid for any specified period.

BOARD INDEPENDENCE

The Company recognizes that Board independence is key to good corporate governance. As part of the established governance framework, the Group has adopted Board independence mechanism (the "**Mechanism**"), which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

According to the Mechanism, the Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their Directors' duties at the Company's expense. Independent professional advice shall include legal advice and advice of accountants and other professional financial advisers on matters of law, accounting, tax and other regulatory matters.

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the company secretary to start the Mechanism, providing background and details of the relevant incidents and/or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the company secretary who will then contact the Company's professional advisers (including legal advisers, accountants, independent auditor, internal control adviser) or other independent professional parties to obtain such independent professional advice within a reasonable period of time. Any advice obtained through the Mechanism shall be duly documented and made available to other members of the Board.

Despite having obtained any information or advice from the chairperson of the Board and/or any independent professional advisers through the Mechanism, the Directors are expected to exercise independent judgement in forming their decisions.

During the Review Period, the Board has reviewed and considered the implementation of the Mechanism to be effective.

CONVENING EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Proposals may be put forward by Shareholders for consideration at general meetings in accordance with the Articles of Association. Pursuant to Article 12.3 of the Articles of Association, general meetings shall also be convened on the written requisition of any two or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company. The procedures for nominating a person for election as a Director are available on the Company's website and the website of the Stock Exchange.

MAKING ENQUIRIES TO THE BOARD

Shareholders who wish to make enquiries about the Company to the Board may send their enquiries to the Company's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong (email address: ir@harbourbiomed.com).

AMENDMENT TO CONSTITUTIONAL DOCUMENTS

During the Review Period, no changes were made to the memorandum and articles of association of the Company.

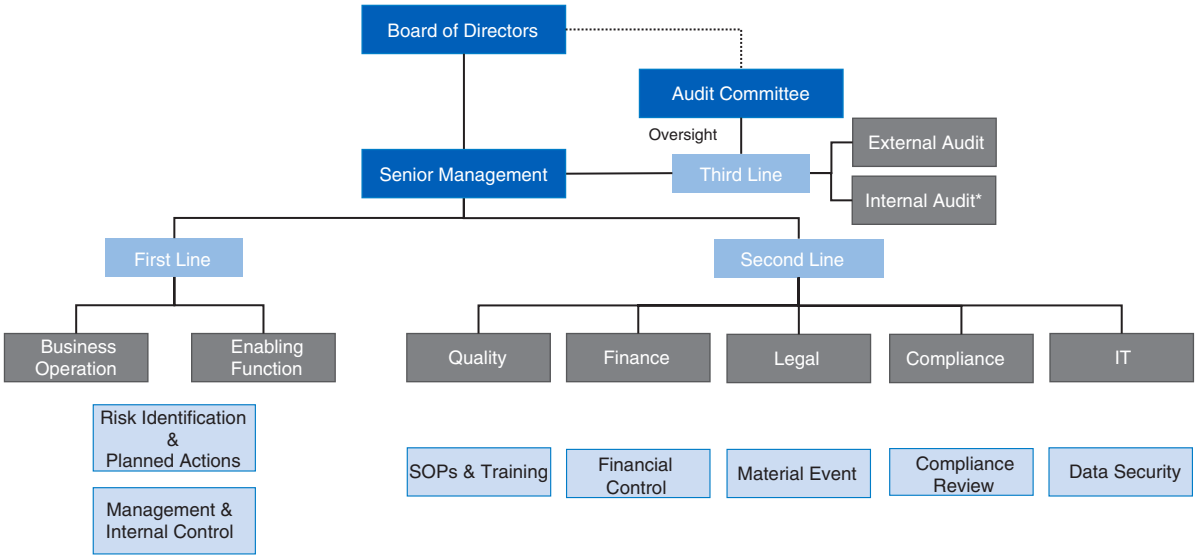
Risk Management Report

RISK MANAGEMENT CONCEPT

In pursuit of sustainable steady business growth, the Board acknowledges that the Group must maintain robust risk management to support the efficient portfolio development. The Board regards risk management as a proactive measure for creating efficiencies and promotes its responsibilities. The management and all staff members as well as its entire business system are fully engaged in the risk management mechanism including regular identification, assessment, effective control, escalation if needed and report.

RISK MANAGEMENT FRAMEWORK

The Group has established a risk management framework with "three lines of defence":



1st line of defence: Business Functions – During the course of business activities, each of the functional departments and business units, as well as personnel holding the respective business position, shall be the first responsible unit for handling matters within their terms of reference for risk identification and management.

2nd line of defence: Supervision and support for risk management – The functional departments, including the departments responsible for the functions of legal affairs, compliance, IT, and finance/HR, shall assist the front-line business departments to assume joint responsibilities for overseeing, inspecting and evaluating those works relating to the implementation of risk management.

3rd line of defence: Independent assurance – The Audit Committee under the Board shall be responsible for overseeing and reviewing the results of the risk management and external audit report.

* For the Internal Audit function, please refer to page 82 in the report.

During the Review Period, we regularly reviewed and enhanced our risk management and internal control system, which has been designed to manage the risks and uncertainties that could cause the Group's financial condition or business performance to differ materially from expected or historical results. We regularly review the various nodes of internal control to ensure that there are no material weaknesses in internal control and report the results to the Audit Committee and the Board of Directors. If a material weakness is identified, the Company will hold a high-level management meeting to develop an internal control plan and report the results of implementation to the Audit Committee and the Board of Directors. During the Review Period, we reviewed and concluded that the current internal mechanism was adequate to enable the effectiveness of the Company's internal control and risk management systems. Furthermore, as an additional comfort, no material weakness with the Company's internal controls over financial reporting was identified during the course of audit by our external auditor.

RISK MANAGEMENT IDENTIFICATION AND RESPONSE MEASURES

Pursuant to the risk assessment at the beginning of 2024, the major risks of the Group in the next 12 months, which have been aligned with the ESG materiality issues of the company, are as below:

(i) We believe the uncertainty in global monetary and fiscal policy is a major risk related to the trade environment impact, which may cause dramatic volatility in the supply chain price system and capital market system and we plan to pay our attention on market changes and restructure a more flexible strategy on the development of global immune-oncology therapy and continuous overseeing on the annual budget as well.

(ii) Our future success depends on our ability to attract, retain and motivate senior management and qualified scientific employees. To improve our products development capability and achieve our sustainability objective on the development of human resources, we will make all efforts on people retention, establish the career success plan and enhance recruitment system.

(iii) The regulatory approval processes of the China NMPA, the U.S. FDA and other comparable regulatory authorities may evolve over time. We believe that this factor may contribute to the uncertainty of our products development. To improve our products development capability and products & service quality, we will build a comprehensive guidance on global clinical development and enhance the data review and quality works for BLA purpose.

(iv) Our business could be harmed with insufficient quantities of investigational product or failure at acceptable quality levels or prices during our clinical study activities. This factor spurs us to pay more attention on our products & service quality and we will enhance monitoring and management to ensure the quality & quantities of clinical supplies.

Independent Auditor's Report

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Quarry Bay, Hong Kong

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To the shareholders of HBM Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HBM Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 107 to 201, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of an indefinite-life intangible asset	
The carrying value of the indefinite-life intangible asset (technology licencing agreement) in the consolidated financial statements amounted to USD7,600,000 as at 31 December 2023. In accordance with IFRSs, the Group is required to perform an impairment test for the indefinite-life intangible asset at least on an annual basis. The impairment test is based on the recoverable amount of the individual asset which is determined based on fair value less costs of disposal. The impairment testing process is complex and involves significant management judgements and estimates. The disclosures about the impairment of the indefinite-life intangible asset are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 17 *Intangible assets* to the financial statements.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by management, in particular, discount rate, royalty rate and growth rate beyond the budget period used in the valuation method based on the cash flow forecast of the asset. We paid attention to the forecast used with respect to future revenues and operating results by comparing the forecasts with the business development plan of the indefinite-life intangible asset. We also evaluated the objectivity, competence and capability of the external valuer engaged by management. We also focused on the adequacy of the related disclosures in the consolidated financial statements.
Cut-off of research and development costs	
For the year ended 31 December 2023, the Group incurred research and development costs amounting to USD45,081,000. A large portion of the research and development costs was clinical trial expenses and service fees paid to contract research organisations ("CROs"). The research and development activities with these CROs are documented in detailed agreements and are typically performed over an extended period. Allocation of these costs to the appropriate reporting period based on the progress of the research and development projects requires estimations. The disclosures about the accounting policies of research and development cost are included in note 2.4 *Material accounting policies* and note 3 *Significant accounting judgements and estimates* to the financial statements.	We reviewed the key terms set out in the agreements with the CROs. We evaluated the progress of the research and development projects by inquiring of project managers, reviewing supporting documents, obtaining confirmations from the CROs and checking subsequent billings and payments, on a sample basis, in order to determine the completeness, cut-off and nature of the research and development costs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 USD'000	2022 USD'000
REVENUE	5	**89,502**	40,659
Cost of sales		**(2,034)**	(130)
Gross profit		**87,468**	40,529
Other income and gains	5	**6,589**	4,768
Selling expense		**(1,062)**	–
Administrative expenses		**(19,498)**	(27,274)
Research and development costs		**(45,081)**	(135,143)
Other expenses	6	**(1,359)**	(17,913)
Impairment losses on financial assets, net	7	**(503)**	–
Finance costs	8	**(3,872)**	(1,987)
PROFIT/(LOSS) BEFORE TAX	9	**22,682**	(137,020)
Income tax credit/(expense)	12	**81**	(248)
PROFIT/(LOSS) FOR THE YEAR		**22,763**	(137,268)
Attributable to:			
Owners of the parent		**22,797**	(137,222)
Non-controlling interests		**(34)**	(46)
		22,763	(137,268)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (USD)	14	**0.03**	(0.19)
Diluted (USD)	14	**0.03**	(0.19)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 USD'000	2022 USD'000
PROFIT/(LOSS) FOR THE YEAR	**22,763**	(137,268)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**778**	1,845
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**778**	1,845
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**23,541**	(135,423)
Attributable to:		
Owners of the parent	**23,575**	(135,377)
Non-controlling interests	**(34)**	(46)
	23,541	(135,423)

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 USD'000	31 December 2022 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,324**	5,290
Right-of-use assets	16	**1,555**	2,667
Intangible assets	17	**7,678**	8,168
Prepayments, other receivables and other assets	20	**–**	629
Other financial assets	21	**5,747**	6,357
Total non-current assets		**18,304**	23,111
CURRENT ASSETS			
Inventories	18	**–**	1,044
Trade receivables	19	**52,323**	7,118
Prepayments, other receivables and other assets	20	**16,876**	28,482
Restricted bank balances	22	**653**	663
Cash and cash equivalents	22	**140,324**	171,705
Total current assets		**210,176**	209,012
CURRENT LIABILITIES			
Trade payables	23	**15,363**	22,029
Other payables and accruals	24	**10,087**	9,139
Contract liabilities	25	**1,246**	1,470
Interest-bearing bank borrowings	26	**36,560**	41,107
Lease liabilities	16	**874**	1,299
Total current liabilities		**64,130**	75,044
NET CURRENT ASSETS		**146,046**	133,968
TOTAL ASSETS LESS CURRENT LIABILITIES		**164,350**	157,079

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 USD'000	31 December 2022 USD'000
NON-CURRENT LIABILITIES			
Contract liabilities	25	**14,079**	13,860
Interest-bearing bank borrowings	26	**27,847**	47,085
Lease liabilities	16	**731**	1,438
Deferred tax liabilities	27	**2,064**	2,195
Total non-current liabilities		**44,721**	64,578
Net assets		**119,629**	92,501
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**19**	19
Treasury shares	28	**(9,223)**	(8,869)
Reserves	29	**129,192**	101,676
		119,988	92,826
Non-controlling interests		**(359)**	(325)
Total equity		**119,629**	92,501

Jingsong Wang
Director

Yiping Rong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital USD'000	Treasury shares USD'000	Share premium* USD'000	Capital reserve* USD'000	Exchange fluctuation reserve* USD'000	Accumulated losses* USD'000	Sub-total USD'000	Non-controlling interests USD'000	Total USD'000
At 1 January 2023	19	(8,869)	826,960	7,823	994	(734,101)	92,826	(325)	92,501
Profit for the year	–	–	–	–	–	22,797	22,797	(34)	22,763
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	778	–	778	–	778
Total comprehensive income/(loss) for the year	–	–	–	–	778	22,797	23,575	(34)	23,541
Share-based payments (note 30)	–	–	–	3,941	–	–	3,941	–	3,941
Equity-settled share award arrangements (note 30)	–	(354)	–	–	–	–	(354)	–	(354)
At 31 December 2023	19	(9,223)	826,960	11,764	1,772	(711,304)	119,988	(359)	119,629

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital USD'000	Treasury shares USD'000	Share premium* USD'000	Capital reserve* USD'000	Exchange fluctuation reserve* USD'000	Accumulated losses* USD'000	Sub-total USD'000	Non-controlling interests USD'000	Total USD'000
At 1 January 2022	19	(8,116)	821,737	7,283	(851)	(596,879)	223,193	(279)	222,914
Loss for the year	–	–	–	–	–	(137,222)	(137,222)	(46)	(137,268)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	1,845	–	1,845	–	1,845
Total comprehensive loss for the year	–	–	–	–	1,845	(137,222)	(135,377)	(46)	(135,423)
Share-based payments (note 30)	–	–	5,223	540	–	–	5,763	–	5,763
Equity-settled share award arrangements (note 30)	–	(753)	–	–	–	–	(753)	–	(753)
At 31 December 2022	19	(8,869)	826,960	7,823	994	(734,101)	92,826	(325)	92,501

* These reserve accounts comprise the consolidated reserves of USD129,192,000 (2022: USD101,676,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 USD'000	2022 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**22,682**	(137,020)
Adjustments for:			
Finance costs	8	**3,872**	1,987
Foreign exchange losses, net	6	**850**	5,376
Bank interest income	5	**(5,624)**	(2,866)
Loss on disposal of property, plant and equipment	6	**3**	12,537
Gain on disposal of right-of-use assets	9	**(20)**	(183)
Loss/(gain) on fair value change of other financial assets	5/6	**506**	(1,039)
Share-based payment expenses	9	**3,941**	5,763
Provision for impairment of:			
Other receivables	7	**503**	–
Depreciation of property, plant and equipment	15	**2,799**	4,821
Depreciation of right-of-use assets	16	**1,281**	2,596
Amortisation of intangible assets	17	**551**	618
		31,344	(107,410)
Decrease/(increase) in inventories		**1,044**	(1,044)
Increase in trade receivables		**(45,196)**	(7,091)
Increase in restricted bank balances	22	**–**	(663)
(Increase)/decrease in prepayments, other receivables and other assets		**(2,805)**	11,466
Decrease in trade payables		**(6,927)**	(5,091)
(Decrease)/increase in contract liabilities		**(5)**	13,735
Increase/(decrease) in other payables and accruals		**3,473**	(3,866)
Cash used in operations		**(19,072)**	(99,964)
Income tax paid		**(50)**	–
Net cash flows used in operating activities		**(19,122)**	(99,964)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 USD'000	2022 USD'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**5,624**	2,866
Purchases of property, plant and equipment		**(2,397)**	(17,916)
Purchases of intangible assets		**(83)**	(522)
Disposal of property, plant and equipment		**14,943**	3,162
Decrease in time deposits with original maturity of more than three months but less than one year when acquired, net		**10,000**	150,000
Net cash flows generated from investing activities		**28,087**	137,590
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**11,426**	77,491
Interest paid		**(3,635)**	(2,077)
Equity-settled share option arrangements	30	**(354)**	(753)
Principal portion of lease liabilities	16	**(1,279)**	(2,469)
Interest portion of lease liabilities	16	**(90)**	(265)
Repayment of bank loans		**(35,211)**	(1,352)
Net cash flows (used in)/generated from financing activities		**(29,143)**	70,575
Net (decrease)/increase in cash and cash equivalents		**(20,178)**	108,201
Cash and cash equivalents at beginning of year		**161,705**	56,304
Effect of foreign exchange rate changes, net		**(1,203)**	(2,800)
Cash and cash equivalents at end of year		**140,324**	161,705

	Notes	**2023 USD'000**	2022 USD'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	22	**140,324**	171,705
Time deposits with original maturity of more than three months but less than one year when acquired	22	**–**	(10,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**140,324**	161,705

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 20 July 2016. The registered office address of the Company is P.O. Box 472, 2nd Floor, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were engaged in the business of developing innovative therapeutics in the fields of immuno-oncology and immunology diseases.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Harbour BioMed Holdings Limited	British Virgin Islands 8 June 2016	–	100%	–	Investment holding
Harbour BioMed Therapeutics Limited	People's Republic of China ("PRC")/ Hong Kong 19 July 2016	USD1	–	100%	Investment holding
Harbour BioMed (Shanghai) Co., Ltd.* (和鉑醫藥(上海)有限責任公司)	PRC/Chinese Mainland 26 December 2016	USD80,000,000	–	100%	Research and development of innovative therapeutics
Nona Biosciences (Suzhou) Co., Ltd. * (諾納生物(蘇州)有限公司, former name: Harbour BioMed (Suzhou) Co., Ltd.)	PRC/Chinese Mainland 11 September 2018	USD90,000,000	–	100%	Research and development of innovative therapeutics
B7 Therapeutics Inc. (former name: Harbour BioMed US, Inc.)	United States 11 January 2019	USD0.1	–	100%	Clinical trial

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Harbour Antibodies HCAb BV	Netherlands 17 September 2013	EUR1	–	100%	Development of biologic agents
Harbour Antibodies US, Inc.	United States 29 January 2016	USD1	–	100%	Research and development of innovative therapeutics
Harbour BioMed Zhiyuan Medical (Beijing) Co., Ltd.* (和鉑志遠醫藥(北京)有限公司)	PRC/Chinese Mainland 2 September 2020	RMB60,000,000	–	100%	Sale of medical products
Harbour BioMed Technology development (Shanghai) Co., Ltd.*(和鉑(上海)科技發展有限公司)	PRC/Chinese Mainland 8 January 2021	USD20,000,000	–	100%	Research and development of innovative therapeutics
Nona Bioscienences US, Inc. ("Nona US")	United States 11 August 2022	USD1	–	100%	Development of biotechnology

* The English names of the companies represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for other financial assets which have been measured at fair value. These financial statements are presented in United States dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ACCOUNTING POLICIES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have contracts within the scope of IFRS 17, the new standard had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(c) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(d) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The Group has applied the amendments retrospectively, as the Group did not recognise deferred tax arising from a single transaction due to continuous losses, the amendments did not have any impact on the financial position and performance of the Group.

(e) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. ACCOUNTING POLICIES *(Continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Plant and machinery	20.00% to 33.33%
Electronic equipment	20.00% to 33.33%
Furniture and fixtures	20.00% to 33.33%
Leasehold improvements	The shorter of remaining lease terms and estimated useful lives

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	2 years
Backlog	4 years
Technology licencing agreement	Indefinite

The useful lives of software are assessed by the Group considering different purposes and usage of the software, and the authorised period for use. Backlog is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 4 years. Technology licencing agreement is assessed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows.

Research and development costs

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms. Right-of-use assets are subject to impairment.

(b) Lease liabilities

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 10-90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities (Continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

The Group recognises revenue from the following major sources:

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Molecule licence fee

The Group provides licences of its developed molecules for further development and commercialisation in identified fields to customers and revenue is recognised when the customers obtain rights to use the underlying molecules.

(b) Technology licence fee

The Group provides licences of its patented technology (the "Harbour Technology") to customers so that customers can use the Group's transgenic mouse platforms (the "Harbour Mice") for the purpose of generating antibodies and commercialisation of antibodies and antibody products in identified fields. The consideration for the licence comprises upfront fees, annual fees, and variable elements (including but not limited to per-mouse fees, development milestone payments and sales-based royalties). The upfront fees and annual fees are recognised as revenue throughout the licence period when customers obtain rights to access the Harbour Technology. Per-mouse fees and development milestone payments are included in the transaction price and recognised as revenue throughout the licence period when it is highly probable that there will not be a subsequent reversal of a significant amount of revenue. Sales-based royalties are not included in the transaction price until customers make the sales. Upfront fees received by the Group are initially recognised as a contract liability.

(c) Research service fee

The Group earns revenues by providing research services to a customer. Upfront payments received by the Group are initially recognised as a contract liability. Service revenue is recognised at a point in time when the agreed research results are delivered to and accepted by the customer. For certain type of contracts, services are delivered to the customers based on the process towards completion of the performance obligation as the Group's performance does not create an asset with an alternative future use and the contract terms specify that the Group has an enforceable right to payment for the performance completed to date. Therefore, revenue generated from such contracts is recognised over time based on the stage of completion of the contracts.

Other income

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates a share award plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 30 to the financial statements.

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Share-based payments (Continued)

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

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

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

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension scheme

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in USD, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

The functional currencies of certain subsidiaries are currencies other than USD. As at the end of the reporting period, the assets and liabilities of these entities are translated into USD at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into USD at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into USD at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

When determining whether a licence granted to a customer provides the customer with rights to use, or access, the Group's intellectual property, the following criteria are considered: (a) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights; (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities identified in (a); and (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur. When all criteria are met, the licence granted provides the customer with rights to access the Group's intellectual property. Management judgements are required based on the terms of the contracts and the nature of the intellectual property to consider whether continuous activities, that do not transfer a good or service, will be undertaken by the Group to significantly affect the intellectual property.

The Group also makes judgements to determine the method used in estimating the variable consideration and whether the amount of variable consideration is constrained. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration, since reaching the requirements of a milestone or other variable consideration is an either-or situation. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Indefinite life intangible asset is tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset or valuation techniques such as the relief from the royalty method. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as the growth rate, the gross margin and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of non-financial assets are set out in notes 15, 16 and 17 to the financial statements.

Cut-off of research and development costs

The Group relies on contract research organizations, clinical site management operators, and clinical trial centres (collectively referred as "Outsourced Service Providers") to conduct, supervise, and monitor the Group's ongoing clinical trials. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed and milestone achieved.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was USD5,747,000 (2022: USD6,357,000). Further details are included in note 21 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Share-based payments arrangements

The Group has granted share awards to its employees and other qualifying participants as mentioned in note 30, The directors have adopted the binomial option pricing model to determine the total fair value of the options granted, which is to be expensed over the respective vesting periods. Significant judgment on parameters, such as risk-free interest rate, dividend yield and expected volatility, is required to be made by the directors in applying the option pricing model.

Provision for expected credit losses on other receivables

Impairment loss on other receivables represent management's best estimate of losses incurred in other receivables at the reporting date under ECL models. Management assesses whether the credit risk of other receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECLs. The Group is required to exercise judgement in making assumptions and estimates when calculating impairment losses on other receivables, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from other receivables and historical loss experience on the basis of the relevant observable data that reflects current economic conditions. The realisable values of collateral have been taken into account when individually and collectively assessing the ECL for trade receivables.

The measurement of the ECLs involves significant management judgments and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows in stage 3.

Allowance for inventories

Management reviews the net realisable values of inventories at the end of the reporting period based on the estimated selling prices in the ordinary course of business less the estimated selling expenses and related taxes to determine the allowance for inventories. Management may take reference to the available price in the open market or the most recent/subsequent selling price if the open market information is not available. These estimates could change significantly as a result of change in market demand of products or technical innovation and impact the expectation of net realisable value and allowance for inventories required.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development of innovative therapeutics in the fields of immuno-oncology and immunology diseases. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2023	2022
	USD'000	USD'000
United States	**78,430**	7,084
Chinese Mainland	**10,598**	8,557
Europe	**278**	24,851
Others	**196**	167
Total revenue	**89,502**	40,659

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023	2022
	USD'000	USD'000
Europe	**8,157**	8,207
Chinese Mainland	**3,276**	7,142
United States	**1,124**	1,405
Total non-current assets	**12,557**	16,754

Except for the intangible asset information which is based on the countries of the respective subsidiaries owning the assets, the non-current asset information above is based on the locations of the assets and excludes financial instruments.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	USD'000	USD'000
Customer A	**51,332**	–
Customer B	**25,000**	–
Customer C	**–**	24,663
Customer D	**712**	6,281
Customer E	**–**	6,000
Total	**77,044**	36,944

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	USD'000	USD'000
Types of goods or services		
– Molecule licence fee	**85,572**	38,437
– Research service fee	**3,169**	818
– Technology licence fee	**761**	1,404
Total	**89,502**	40,659

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	USD'000	USD'000
Timing of revenue recognition		
At a point in time		
– Molecule licence fee	**85,572**	38,437
– Research service fee	**860**	500
Over time		
– Research service fee	**2,309**	318
– Technology licence fee	**761**	1,404
Total	**89,502**	40,659

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	USD'000	USD'000
Technology licence fee	**451**	565
Total	**451**	565

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Molecule licence fee

The performance obligation is satisfied at a point in time as the customers obtain rights to use of the underlying licences and payment is generally due within 10 business days from the date of billing.

Technology licence fee

The performance obligation is satisfied over time throughout the licence period as the customers are granted rights to access the know-hows which the Group has exclusive rights to use. Upfront payment is generally due within 10 days after the effective date of contract, whereas other payment is generally due within 30 to 45 days from the date of billing.

Research service fee

The performance obligation is satisfied at a point in time when research results are delivered to and accepted by the customer. For certain type of the contracts, the performance obligation is satisfied over the service period based on the stage of completion of the contract. The payment is generally due within 30 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	USD'000	USD'000
Amounts expected to be recognised as revenue:		
– Within one year	**909**	683
– After one year	**40**	278
Total	**949**	961

The above remaining performance obligations mainly relate to the contracts of licences and research service fee. The amounts expected to be recognised after one year relate to performance obligations that will be satisfied in the coming years. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) *Performance obligations (Continued)*

Research service fee (Continued)

An analysis of other income and gains is as follows:

	2023 USD'000	2022 USD'000
Other income and gains		
– Interest income	**5,624**	2,866
– Government grants recognised*	**840**	561
– Gains on fair value change of other financial assets	**–**	1,039
– Others	**125**	302
Total other income and gains	**6,589**	4,768

* Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions relating to these government grants.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2023 USD'000	2022 USD'000
Foreign exchange losses, net	**850**	5,376
Loss on fair value change of other financial assets	**506**	–
Loss on disposals of property, plant and equipment	**3**	12,537
Total	**1,359**	17,913

7. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

	2023 USD'000	2022 USD'000
Provided for		
Impairment of other receivables	**503**	–

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 USD'000	2022 USD'000
Interest on bank borrowings	**3,017**	1,722
Interest on contract liabilities	**765**	–
Interest on lease liabilities	**90**	265
Total	**3,872**	1,987

9. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2023 USD'000	2022 USD'000
Cost of sales (excluding employee benefit expense)		**987**	130
Depreciation of property, plant and equipment	15	**2,799**	4,821
Depreciation of right-of-use assets	16	**1,281**	2,596
Amortisation of intangible assets	17	**551**	618
Loss on disposals of property, plant and equipment		**3**	12,537
Gain on disposals of right-of-use assets	16	**(20)**	(183)
Employee benefit expense (including directors' remuneration):			
– Wages and salaries		**21,292**	32,769
– Pension scheme contributions*		**1,116**	2,186
– Share-based payment expenses		**3,941**	5,763
Auditors' remuneration		**464**	484
Lease expenses arising from short-term leases	16	**41**	23
Foreign exchange losses, net	6	**850**	5,376

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

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2023 **USD'000**	2022 USD'000
Fees	**221**	170
Other emoluments:		
Salaries, allowances and benefits in kind	**1,266**	1,304
Share-based payment expenses	**864**	925
Pension scheme contributions	**53**	52
Subtotal	**2,183**	2,281
Total	**2,404**	2,451

During the year, certain directors were granted restricted shares and share award in respect of their services to the Group, under the share award plan of the Company, further details of which are included in note 30 to the financial statements. The fair values of such restricted shares, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the grant date and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2023 **USD'000**	2022 USD'000
Dr. Robert Irwin Kamen	**50**	50
Dr. Xiaoping Ye	**50**	50
Mr. Ka Chi Yau	**50**	50
Mr. Albert R. Collinson (appointed in July 2023)	**21**	–
Total	**171**	150

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors *(Continued)*

The share-based payment expense of Dr. Robert Irwin Kamen during the year was USD51,000 (2022: USD146,000).

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

(b) Executive directors, non-executive directors and the chief executive

		Other emoluments			
2023	Fees USD'000	Salaries, allowances and benefits in kind USD'000	Pension scheme contributions USD'000	Share-based payment expenses USD'000	Total USD'000
Executive directors:					
Mr. Jingsong Wang*	–	885	43	657	1,585
Dr. Yiping Rong	–	381	10	156	547
Non-executive directors:					
Mr. Yumin Qiu** (resigned from July 2023)	–	–	–	–	–
Mr. Junfeng Wang** (resigned from July 2023)	–	–	–	–	–
Ms. Weiwei Chen	50	–	–	–	50
Total	50	1,266	53	813	2,182

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

		Other emoluments			
2022	Fees USD'000	Salaries, allowances and benefits in kind USD'000	Pension scheme contributions USD'000	Share-based payment expenses USD'000	Total USD'000
Executive directors:					
Mr. Jingsong Wang*	–	781	39	696	1,516
Dr. Yiping Rong (appointed in May 2022)	–	334	9	83	426
Mr. Xiaoxiang Chen (resigned from May 2022)	–	189	4	–	193
Non-executive directors:					
Mr. Yumin Qiu**	–	–	–	–	–
Mr. Junfeng Wang**	–	–	–	–	–
Ms. Weiwei Chen	20	–	–	–	20
Total	20	1,304	52	779	2,155

* Mr. Jingsong Wang is also the chief executive of the Company, and his remuneration disclosed above included the services rendered by him as the chief executive.

** Mr. Yumin Qiu and Mr. Junfeng Wang waived or agreed to waive their remuneration in 2022 and 2023.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: one director), respectively, details of whose remuneration are set out in note 10 above. Details of the remaining three (2022: four) highest paid employees who are neither a director nor chief executive of the Croup are as follows:

	2023	2022
	USD'000	USD'000
Salaries, allowances and benefits in kind	**1,245**	1,666
Share-based payment expenses	**674**	883
Pension scheme contributions	**65**	79
Total	**1,984**	2,628

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

	Number of employees	
	2023	2022
HK$3,000,001 to HK$3,500,001	**2**	–
HK$4,000,001 to HK$4,500,001	**–**	2
HK$6,000,001 to HK$6,500,000	**–**	2
HK$8,500,001 to HK$9,000,000	**1**	–
Total	**3**	4

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2022: Nil).

12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless such profits are taxable at the half-rate of 8.25% (2022: 8.25%) that may apply for the first HK$2,000,000 (2022: HK$2,000,000) of the assessable profits.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Chinese Mainland are subject to corporate income tax ("CIT") at a rate of 25% (2022: 25%) on the taxable income, except the subsidiary, Harbour BioMed (Shanghai) Co., Ltd., which was certified as a High and New Technology Enterprise in 2020 and renewed the certificate in December 2023 and was entitled to a preferential CIT rate of 15% (2022: 15%), Nona Biosciences (Suzhou) Co., Ltd., which was certified as a High and New Technology Enterprise in 2021 and was entitled to a preferential CIT rate of 15% (2022: 15%).

Netherlands

The subsidiaries which operate in the Netherlands are subject to profits tax at a rate of 19% (2022: 15%) for the first EUR200,000 (2022: EUR395,000) of taxable income, and the excess amount is subject to corporate income tax at a rate of 25.8% (2022: 25.8%) during the year.

12. INCOME TAX *(Continued)*

United States

The subsidiaries which operate in the US are subject to federal income tax at a rate of 21% (2022: 21%) and the Massachusetts state income tax at a rate of 8% (2022: 8%) on the taxable income.

The major components of income tax (credit)/expense of the Group are as follows:

	2023	2022
	USD'000	USD'000
Current income tax	**50**	–
Deferred income tax (note 27)	**(131)**	248
Total tax (credit)/expense for the year	**(81)**	248

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate applicable in Chinese Mainland to the tax expense at the effective tax rate is as follows:

	2023	2022
	USD'000	USD'000
Profit/(Loss) before tax	**22,682**	(137,020)
Tax at a tax rate of 25%	**5,671**	(34,255)
Effect of different tax rates enacted by local authorities	**(3,270)**	10,707
Tax losses not recognised	**2,619**	24,015
Expenses not deductible for tax purposes	**2,622**	9,443
Tax losses utilised from previous periods	**(1,730)**	–
Income not subject to tax	**(808)**	(261)
Additional deductible allowance for qualified research and development costs	**(5,185)**	(9,401)
Tax expense at the Group's effective tax rate	**(81)**	248

13. DIVIDENDS

No dividend has been paid or declared by the Company and its subsidiaries during the year (2022: Nil).

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amounts is based on the earnings/(loss) attributable to the owners of the parent and the weighted average number of ordinary shares in issue excluding the treasury shares during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2023 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Group incurred loss for the year ended 31 December 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share.

	2023	2022
Earnings/(loss)		
Earnings/(loss) attributable to owners of the parent (USD'000)	**22,797**	(137,222)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**733,944,377**	729,435,207
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	**8,585,633**	–
Option/Share Award*	**–**	–
Total	**742,530,010**	729,435,207
Basic earnings/(loss) per share (USD per share)	**0.03**	(0.19)
Diluted earnings/(loss) per share (USD per share)	**0.03**	(0.19)

* The option/share award were not assumed to be exercised because they were antidilutive in the period.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery USD'000	Electronic equipment USD'000	Furniture and fixtures USD'000	Leasehold improvements USD'000	Construction in process USD'000	Total USD'000
31 December 2023						
Cost						
As at 1 January 2023	**14,520**	**765**	**231**	**4,678**	**–**	**20,194**
Additions	**898**	**8**	**–**	**57**	**–**	**963**
Disposals	**(134)**	**(140)**	**–**	**–**	**–**	**(274)**
Exchange differences	**(206)**	**(13)**	**(3)**	**(78)**	**–**	**(300)**
As at 31 December 2023	**15,078**	**620**	**228**	**4,657**	**–**	**20,583**
Accumulated depreciation						
As at 1 January 2023	**(9,786)**	**(515)**	**(183)**	**(4,420)**	**–**	**(14,904)**
Charge for the year	**(2,507)**	**(122)**	**(33)**	**(137)**	**–**	**(2,799)**
Disposals	**131**	**97**	**–**	**–**	**–**	**228**
Exchange differences	**132**	**8**	**3**	**73**	**–**	**216**
As at 31 December 2023	**(12,030)**	**(532)**	**(213)**	**(4,484)**	**–**	**(17,259)**
Net carrying amount						
As at 31 December 2023	**3,048**	**88**	**15**	**173**	**–**	**3,324**
As at 31 December 2022	4,734	250	48	258	–	5,290
31 December 2022						
Cost						
As at 1 January 2022	16,399	814	360	6,071	841	24,485
Additions	1,515	117	11	96	25,982	27,721
Disposals	(2,110)	(98)	(17)	(1,003)	(26,775)	(30,003)
Exchange differences	(1,284)	(68)	(123)	(486)	(48)	(2,009)
As at 31 December 2022	14,520	765	231	4,678	–	20,194
Accumulated depreciation						
As at 1 January 2022	(7,905)	(435)	(153)	(4,203)	–	(12,696)
Charge for the year	(2,922)	(190)	(149)	(1,560)	–	(4,821)
Disposals	338	70	5	970	–	1,383
Exchange differences	703	40	114	373	–	1,230
As at 31 December 2022	(9,786)	(515)	(183)	(4,420)	–	(14,904)
Net carrying amount						
As at 31 December 2022	4,734	250	48	258	–	5,290
As at 31 December 2021	8,494	379	207	1,868	841	11,789

As at 31 December 2023, there were no pledged property, plant and equipment (2022: Nil).

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases certain buildings for its office and laboratory use. The movements in right-of-use assets and lease liabilities during the year are as follows:

	2023	2022
	USD'000	USD'000
Right-of-use assets		
Carrying amount at 1 January	**2,667**	7,287
Additions	**745**	194
Depreciation charge	**(1,281)**	(2,596)
Exchange differences	**(25)**	(391)
Termination	**(551)**	(1,827)
Carrying amount at 31 December	**1,555**	2,667

	2023	2022
	USD'000	USD'000
Lease liabilities		
Carrying amount at 1 January	**2,737**	7,420
New leases	**745**	194
Interest during the year	**90**	265
Payments	**(1,369)**	(2,734)
Exchange differences	**(27)**	(398)
Termination	**(571)**	(2,010)
Carrying amount at 31 December	**1,605**	2,737
Analysed into:		
Current portion	**874**	1,299
Non-current portion	**731**	1,438

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

The amounts recognised in profit or loss in relation to leases are as follows:

	2023	2022
	USD'000	USD'000
Depreciation charge of right-of-use assets	**1,281**	2,596
Interest on lease liabilities	**90**	265
Expense relating to short-term leases	**41**	23
Total amount recognised in profit or loss	**1,412**	2,884

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023	2022
	USD'000	USD'000
Within operating activities	**41**	23
Within financing activities	**1,369**	2,734
Total	**1,410**	2,757

17. INTANGIBLE ASSETS

	Software USD'000	Backlog USD'000	Technology licencing agreement USD'000	Total USD'000
31 December 2023				
Cost				
As at 1 January 2023	**1,572**	**1,728**	**7,600**	**10,900**
Additions	**69**	**–**	**–**	**69**
Exchange differences	**(27)**	**–**	**–**	**(27)**
As at 31 December 2023	**1,614**	**1,728**	**7,600**	**10,942**
Amortisation				
As at 1 January 2023	**(1,004)**	**(1,728)**	**–**	**(2,732)**
Charge for the year	**(551)**	**–**	**–**	**(551)**
Exchange differences	**19**	**–**	**–**	**19**
As at 31 December 2023	**(1,536)**	**(1,728)**	**–**	**(3,264)**
Net carrying amount				
As at 31 December 2023	**78**	**–**	**7,600**	**7,678**
31 December 2022				
Cost				
As at 1 January 2022	1334	1,728	7,600	10,662
Additions	361	–	–	361
Exchange differences	(123)	–	–	(123)
As at 31 December 2022	1,572	1,728	7,600	10,900
Amortisation				
As at 1 January 2022	(442)	(1,728)	–	(2,170)
Charge for the year	(618)	–	–	(618)
Exchange differences	56	–	–	56
As at 31 December 2022	(1,004)	(1,728)	–	(2,732)
Net carrying amount				
As at 31 December 2022	568	–	7,600	8,168

17. INTANGIBLE ASSETS *(Continued)*

Technology licencing agreement was recognised from the Group's acquisition of Harbour Antibodies BV and its subsidiaries ("HA Group") in 2016 (the "2016 Acquisition") for HA Group's licence agreement with the licensors, who exclusively licenced the Harbour Technology to HA Group to research, develop, manufacture, market, supply, keep or otherwise exploit antibodies in all fields of use and to sublicense the Harbour Technology, which the licensors will further develop together with the characteristic of the Harbour Mice through providing research consultancy services to Harbour Antibodies BV.

Impairment testing of technology licencing agreement

As the technology licencing agreement between HA Group and the licensors has no expiration date and HA Group had a long-term cooperation history with the licensors for further development of the Harbour Technology, the Group expects the technology licencing agreement with the licensors to have an indefinite useful life. Management tests the technology licencing agreement with indefinite useful life for impairment annually by comparing its carrying amount with its recoverable amount.

The recoverable amount of the technology licencing agreement is determined based on the fair value less costs of disposal, and the fair value of the technology licencing agreement is determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 14-year period, and the growth rate used to extrapolate the cash flows beyond the 14-year period is 2% (2022: 3%), which is close to the long-term inflation rate. Management believes that using a 14-year forecast period is appropriate because it generally takes longer for a biotechnology company to use the technologies to generate therapeutics and develop them into products to reach perpetual growth mode when the market of such products is developing with substantial growth potential. Hence, financial budget covering a 14-year period is more feasible and reflects a more accurate value. The fair value measurement hierarchy of the technology licencing agreement was Level 3. Other key assumptions to the valuation model used are as follows:

	2023	2022
Discount rate	**16.0%**	16.0%
Royalty rate	**6.0%**	6.0%

Discount rate – The discount rate used are before tax and reflect specific risks relating to the technology licencing agreement.

Royalty rate – The basis used to determine the value assigned to royalty rate is the market royalty rate where the technology licencing agreement located, taking into account the profitability of the Group and other qualitative factors.

18. INVENTORIES

	2023 USD'000	2022 USD'000
Raw materials	–	1,044

There were no inventories pledged as at 31 December 2023.

19. TRADE RECEIVABLES

	2023 USD'000	2022 USD'000
Within 6 months	**52,323**	7,118
	52,323	7,118
Less: Impairment allowance	–	–
Net carrying amount	**52,323**	7,118

The Group's trading terms with its customers are based on the payment schedule of the contracts with normal credit terms of 10 to 45 days from the day of billing.

The ageing of trade receivables as at the end of the reporting period, based on the date of invoice or the date of the service rendered, is less than three months and the expected credit loss is minimal.

Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 USD'000	2022 USD'000
Other receivables	**9,075**	16,349
Prepayments (i)	**3,524**	7,277
Loans provided to an associate	**2,824**	2,872
Value-added tax recoverable	**1,553**	1,813
Deposits	**401**	800
	17,377	29,111
Less: Impairment allowance on Other receivables	**501**	–
Total	**16,876**	29,111
Less: Non-current portion Prepayments (i)	**–**	629
Current portion	**16,876**	28,482

(i) Prepayments primarily consist of prepayments made in connection with the purchase of reagents and research and development related devices and services and other prepaid expenses.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand.

Movements in the provision for impairment of other receivables are as follows:

	2023 USD'000	2022 USD'000
At beginning of year	**–**	–
Impairment losses, net (note 7)	**503**	–
Exchange differences	**(2)**	–
At end of year	**501**	–

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

21. OTHER FINANCIAL ASSETS

	2023		2022	
	Categories	**Carrying amount USD'000**	Categories	Carrying amount USD '000
Assets:				
Debt instruments (including hybrid contracts):				
Unlisted equity investments	**FVPL**	**5,747**	FVPL	6,357
Total		**5,747**		6,357

FVPL: Financial assets or financial liabilities at fair value through profit or loss

The unlisted equity investments represent the Group's equity interests in unlisted PRC companies.

On 10 June 2021, the Group subscribed 590,625 shares of Shanghai NK Cells Technology Limited ("NK") and held 15.7895% interests in NK. The consideration of the subscription was RMB32,660,000 (equivalent to USD5.1 million) in the form of cash and RMB3,400,000 (equivalent to USD0.5 million) in the form of technology sublicensing agreements.

The investment in NK is redeemable ordinary shares with preferential rights. The Group has the right to require and demand to redeem from the investee all of the shares held by the Group at a guaranteed predetermined fixed amount upon redemption events. The investment is accounted for as a debt instrument and is measured as a financial asset at fair value through profit or loss.

As at 31 December 2023, the interests of the Group held in NK was diluted to 11.75% when NK issued certain series A+ redeemable shares to an investor.

22. CASH AND CASH EQUIVALENTS

	2023 USD'000	2022 USD'000
Cash and cash balances	**140,977**	162,368
Time deposits with original maturity of more than three months but less than one year when acquired	**–**	10,000
Subtotal		
Less:	**140,977**	172,368
Restricted bank balances (a)	**653**	663
Cash and cash equivalents	**140,324**	171,705
Denominated in:		
USD	**103,778**	98,447
RMB	**35,143**	71,735
Others	**1,403**	1,523
	140,324	171,705

(a) As at 31 December 2023, cash in bank amounting to USD653,000 (31 December 2022: USD663,000) was restricted.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Chinese Mainland is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An analysis of the trade payables as at the end of each year, based on the invoice date, is as follows:

	2023 USD'000	2022 USD'000
Within 1 month	**14,864**	19,978
1-3 months	**256**	1,171
3-6 months	**234**	826
6-12 months	**9**	54
Total	**15,363**	22,029

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 3 months.

24. OTHER PAYABLES AND ACCRUALS

	2023 USD'000	2022 USD'000
Other accrued expenses	**3,746**	3,542
Payroll and welfare	**3,357**	726
Other payables	**2,371**	4,398
Other tax payables	**613**	473
Total	**10,087**	9,139

Other payables are non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

25. CONTRACT LIABILITIES

	31 December 2023 USD'000	31 December 2022 USD'000	1 January 2022 USD'000
Amounts received in advance for molecule licence fee	**14,209**	13,723	314
Amounts received in advance for the technology licence fee	**610**	790	1,124
Amounts received in advance for research service fee	**506**	817	157
Total	**15,325**	15,330	1,595
Less: Non-current portion	**14,079**	13,860	363
Current portion	**1,246**	1,470	1,232

26. INTEREST-BEARING BANK BORROWINGS

	2023 USD'000	2022 USD'000
Bank borrowings – unsecured	**64,407**	88,192
Analysed into:		
On demand or within one year	**36,560**	41,107
More than one year, but not exceeding five years	**27,847**	47,085
Total	**64,407**	88,192
Current	**36,560**	41,107
Non-current	**27,847**	47,085

As at 31 December 2023, the Group's banking facilities amounted to RMB1,110,000,000 (31 December 2022: RMB850,000,000), of which RMB456,174,000 (31 December 2022: RMB614,222,000) had been utilised.

The bank borrowings carry interest at rates ranging from 3.45% to 4.65% (2022: 3.45% to 4.65%) per annum.

The directors estimate that the carrying amounts of the Group's current and non-current borrowings approximate to their fair values.

27. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries and investments USD'000
31 December 2023	
As at 1 January 2023	**2,195**
Deferred tax credited to the consolidated statement of profit or loss during the year (note 12)	**(131)**
As at 31 December 2023	**2,064**
31 December 2022	
As at 1 January 2022	1,947
Deferred tax charged to the consolidated statement of profit or loss during the year (note 12)	248
As at 31 December 2022	2,195

Deferred tax assets have not been recognised in respect of the following items:

	2023 USD'000	2022 USD'000
Tax losses	**387,590**	381,720
Deductible temporary differences	**1,536**	–
	389,126	381,720

27. DEFERRED TAX *(Continued)*

The following table shows the tax losses information based on the locations of subsidiaries:

	2023 USD'000	2022 USD'000
Chinese Mainland (tax losses expire in one to ten years)	**349,554**	353,744
United States (tax losses with no expiration)	**21,294**	15,246
Netherlands (tax losses with no expiration)	**16,742**	12,730
	387,590	381,720

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL AND TREASURY SHARES

Issued and fully paid

	31 December 2023	
	Number of shares in issue	**Share capital USD'000**
Ordinary shares of USD0.000025 each*	**768,428,910**	**19**
Restricted shares of USD0.000025 each**	**–**	**–**
	768,428,910	**19**

	31 December 2022	
	Number of shares in issue	Share capital USD'000
Ordinary shares of USD0.000025 each*	764,382,070	19
Restricted shares of USD0.000025 each**	3,547,840	–
	767,929,910	19

* This includes treasury shares as set out in the table below.

** Amount less than USD1,000

28. SHARE CAPITAL AND TREASURY SHARES *(Continued)*

Movements in the share capital and treasury shares were as follows:

	Number of shares in issue				
	Ordinary shares	Treasury shares	Restricted shares	Total	Share capital USD'000
At 31 December 2021 and 1 January 2022	727,364,560	22,602,520	17,924,080	767,891,160	19
Ordinary share issued (note 30)	38,750	–	–	38,750	–
Grant of restricted shares (note 30)	–	–	–	–	–
Restricted shares vested (note 30)	6,216,960	–	(6,216,960)	–	–
Forfeiture of restricted shares	–	8,159,280	(8,159,280)	–	–
Repurchase of ordinary shares (note 30)	(1,468,000)	1,468,000	–	–	–
At 31 December 2022 and 1 January 2023	732,152,270	32,229,800	3,547,840	767,929,910	19
Ordinary share issued (note 30)	**499,000**	**–**	**–**	**499,000**	**–**
Restricted shares vested (note 30)	**3,513,280**	**–**	**(3,513,280)**	**–**	**–**
Forfeiture of restricted shares	**–**	**34,560**	**(34,560)**	**–**	**–**
Repurchase of ordinary shares (note 30)	**(1,750,000)**	**1,750,000**	**–**	**–**	**–**
At 31 December 2023	**734,414,550**	**34,014,360**	**–**	**768,428,910**	**19**

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

Capital reserve

The capital reserve represents the share-based payment granted to employees of the Group. The amount previously recognised in capital reserve will transfer to share premium when the equity-settled awards are exercised or expire. For the restricted shares units, the Group has elected to continue to present in capital reserve.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record the exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not USD.

30. SHARE-BASED PAYMENTS

2016 Equity Incentive Plan

On 11 November 2016, the Company adopted the 2016 Equity Incentive Plan (the "2016 Plan") for the purpose of providing incentives and rewards to eligible participants who have contributed or will contribute to the Group. Under the 2016 Plan, the Company initially reserved an aggregate of 1,500,000 ordinary shares of par value of USD0.001 each for issuance.

On 11 November 2016, the Company issued and granted an aggregate of 1,263,200 restricted shares to its founders and certain employees.

The vesting schedule pursuant to the grant agreements is as follows:

1) On 7 December 2016 (the "Vesting Commencement Date 1"), 10% of the total number of restricted shares granted shall vest.

2) So long as a grantee's continuous status as a service provider has not yet terminated, 22.5% of the total number of restricted shares granted shall vest on the first anniversary of the Vesting Commencement Date 1.

3) So long as a grantee's continuous status as a service provider has not yet terminated, the remaining 67.5% of the total number of restricted shares granted hereunder shall vest monthly in equal instalments over the next three consecutive years from the first anniversary of the Vesting Commencement Date 1.

30. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

The Company was incorporated on 20 July 2016. On the grant date of the restricted shares, the Company had not started business operations and only had issued one ordinary share with par value of USD0.001. The fair value of the restricted shares at that date approximates to the par value, which is minimal.

For the year ended on 31 December 2019, one founder and two other employees resigned from the Group and the 44,625 unvested restricted shares granted to them were forfeited.

On 31 July 2020, the Company granted 1,742,862 restricted shares and 243,878 restricted share units to the Group's employees, directors and consultants under the 2016 Plan. The fair value of the restricted shares and restricted share units on the grant date was US$22.06 per share/per unit. Among the 1,742,862 restricted shares:

(a) all the restrictions with respect to 425,734 shares are removed on the grant date;

(b) 1,257,024 shares are subject to the vesting schedule as follows:

    1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the grant date;

    2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the grant date; and

    3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the grant date;

(c) 22,552 shares are subject to the vesting schedule as follows:

    1) restrictions with respect to 7,552 restricted shares shall be removed on the grant date;

    2) restrictions with respect to 4,500 restricted shares shall be removed on the first anniversary of the grant date;

    3) restrictions with respect to 4,500 restricted shares shall be removed on the second anniversary of the grant date; and

    4) restrictions with respect to 6,000 restricted shares shall be removed on the third anniversary of the grant date;

    and

30. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

(d) 37,552 shares are subject to the vesting schedule as follows:

1) restrictions with respect to 7,552 restricted shares shall be removed on the grant date;

2) restrictions with respect to 9,000 restricted shares shall be removed on the first anniversary of the grant date;

3) restrictions with respect to 9,000 restricted shares shall be removed on the second anniversary of the grant date; and

4) restrictions with respect to 12,000 restricted shares shall be removed on the third anniversary of the grant date.

The vesting schedule of the 243,878 restricted share units granted on 31 July 2020 is as follows:

1) 30% of shares subject to the restricted shares units shall vest on the first anniversary of the date on which the shares of the Company are first listed on any internationally recognised stock exchange (including but not limited to The Stock Exchange of Hong Kong Limited, The New York Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange) (the "Vesting Commencement Date 2");

2) 30% of shares subject to the restricted shares units shall vest on the second anniversary of the Vesting Commencement Date 2; and

3) 40% of shares subject to the restricted shares units shall vest on the third anniversary of the Vesting Commencement Date 2.

For the above restricted shares and restricted share units granted, the employees, directors and consultants shall remain as service providers during the vesting periods.

On 20 October 2020, the Company granted 25,585 restricted shares and 7,536 restricted share units to the Group's ex-employees. On 25 December 2020, the Company granted 21,600 (after share subdivision) restricted share units to an ex-employee. On 15 June 2021, the Company granted 1,728,000 (after share subdivision) restricted shares to an ex-director. The fair values of the restricted shares and restricted share units granted on 20 October and 25 December 2020 and 15 June 2021 were US$60.23 (before share subdivision), US$1.29 and US$1.18 per share/per unit, respectively. The restricted shares and restricted share units granted to the ex-employees are compensations for their past services provided to the Group and were fully vested on the date of grant.

30. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

On 20 July 2021, the Company granted 7,600,000 (after share subdivision) restricted shares to a Group's employee under the 2016 Plan, the vesting schedule is as follows:

1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the grant date;

2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the grant date; and

3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the grant date;

On 12 October 2021, the Company granted 3,800,000 (after share subdivision) restricted shares to a Group's employee under the 2016 Plan, the vesting schedule is as follows:

1) restrictions with respect to 30% of the restricted shares shall be removed on the first anniversary of the employees on board date;

2) restrictions with respect to 30% of the restricted shares shall be removed on the second anniversary of the employees on board date; and

3) restrictions with respect to 40% of the restricted shares shall be removed on the third anniversary of the employees on board date;

On 7 November 2022, the Company granted 7,600,000 (after share subdivision) restricted share units to a Group's employee under the 2016 Plan, the vesting schedule is as follows:

1) restrictions with respect to 30% of the restricted share units shall be removed on 1 December 2022;

2) restrictions with respect to 30% of the restricted share units shall be removed on 1 December 2023; and

3) restrictions with respect to 40% of the restricted share units shall be removed on 1 December 2024;

30. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

On 10 December 2022, the Company granted a total of 1,510,400 (after share subdivision) restricted share units to two certain eligible persons under the 2016 Plan, of which 1,208,320 restricted shares will be vested in part in 2023, the remaining of 302,080 restricted shares will be vested is as follows:

1) restrictions with respect to 30% of the restricted share units shall be removed on 1 March 2023;

2) restrictions with respect to 30% of the restricted share units shall be removed on 1 March 2024; and

3) restrictions with respect to 40% of the restricted share units shall be removed on 1 March 2025;

The fair values of the restricted shares and restricted share units granted on 20 July 2021, 12 October 2021, 7 November 2022, and 10 December 2022 were determined by the stock price on the date of grant.

For the year ended on 31 December 2023, 16 employees resigned from the Group and 34,560 unvested restricted shares (after share subdivision) and 308,160 unvested restricted share units (after share subdivision) granted to them were forfeited (2022: 44 employees resigned from the Group and 8,159,280 unvested restricted shares (after share subdivision) and 2,531,160 unvested restricted share units (after share subdivision) granted to them were forfeited).

The following table illustrates the number of the outstanding restricted shares and restricted share units under the 2016 Plan during the year:

	2023	2022
Restricted shares:		
At the beginning of the year	**3,547,840**	17,924,080
Vested during the year	**(3,513,280)**	(6,216,960)
Forfeited during the year	**(34,560)**	(8,159,280)
At the end of the year	**–**	3,547,840

30. SHARE-BASED PAYMENTS *(Continued)*

2016 Equity Incentive Plan *(Continued)*

	2023	2022
Restricted share units:		
At the beginning of the year	**8,726,560**	6,037,320
Granted during the year	**–**	9,110,400
Forfeited during the year	**(308,160)**	(2,531,160)
Vested during the year	**(5,166,944)**	(3,890,000)
At the end of the year	**3,251,456**	8,726,560

The Group recognised share-based payment expenses of USD1,180,000 in 2023 (2022: USD3,637,000) in relation to the restricted shares and restricted share units under the 2016 Plan.

2020 Post-IPO Share Award Scheme

On 23 November 2020, the Company adopted a share award scheme by a resolution passed by its shareholders ("2020 Post-IPO Share Award Scheme") for the purpose of providing incentives and rewards ("Award Shares") to eligible participants within the Group who contribute to the success of the Group's operation. The 2020 Post-IPO Share Award Scheme became effective for the period of 10 years commencing on 10 December 2020. The maximum number of the Company's shares in respect of which options may be granted pursuant to the 2020 Post-IPO Share Award Scheme is 38,394,558 shares, representing approximately 5% of the total issued shares immediately after the Company's listing on the Stock Exchange.

Pursuant to the rules of the share award scheme, the Company has set up the trust for the purposes of administering the share award scheme and holding the Award Shares before vested and the expiry of the effective trust period. The Company can (i) remit payment to the trust from time to time for the purchase of the Award Shares under the trust deed agreement; (ii) instruct its broker to purchase existing shares in the Company from the market, settle payments and costs and deliver the same to the trustee to hold on trust for the eligible employees; and (iii) allot and issue new shares of the Company to the trustee to hold on trust for the eligible employees.

During this year, the Company repurchased its own ordinary shares of 1,750,000 (2022: 1,468,000) on the Stock Exchange through the trustee at an aggregate consideration of HK$2,744,000 (2022: HK$5,892,000), approximately equivalent to USD354,300 (2022: USD753,000), to grant these shares to any eligible employees in the future.

30. SHARE-BASED PAYMENTS *(Continued)*

2020 Post-IPO Share Award Scheme *(Continued)*

On 31 December 2021, the Company granted 7,686,000 share awards to the Group's eligible person under the 2020 Post-IPO Share Award Scheme. The vesting schedule is as follows:

1) 50% of awards shall be vested on the first anniversary of the grant date;

2) The remaining 50% of awards shall be vested upon the occurrence of the following events (whichever is the earlier to occur):

   (i) the second anniversary of the grant date, and

   (ii) the first business day falling after the first anniversary of the grant date but before the second anniversary of the grant date on which the closing price of the share as quoted on the Stock Exchange is HK$12.38 or more.

The fair values of equity-settled awards granted on 31 December 2021 were estimated as at the date of grant using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020 Post-IPO Share Award Scheme
Expected dividend yield	0
Expected volatility	40%
Risk-free interest rate	1.13%
Expected life of options (year)	10
Weighted average exercise price	HK$8.22

On 27 July 2022, the Company granted 3,381,000 restricted shares units to the Group's eligible person under the 2020 Post-IPO Share Award Scheme, of which 155,000 restricted shares units will be vested in four equal batches on each of the date of grant, 31 March 2023, 2024 and 2025, and 2,126,000 restricted shares units will be vested in four equal batches on each of 31 March 2023, 2024, 2025 and 2026, and the remaining 1,100,000 restricted shares units will be vested in four equal batches on each of 11 April 2023, 2024, 2025 and 2026.

30. SHARE-BASED PAYMENTS *(Continued)*

2020 Post-IPO Share Award Scheme *(Continued)*

On 18 April 2023, the Company granted 527,000 restricted shares units to the Group's eligible person under the 2020 Post-IPO Share Award Scheme, of which 527,000 restricted shares units will be vested in four equal batches on each of 18 April 2024, 2025, 2026 and 2027.

The fair values of the restricted share units granted on 27 July 2022 and 18 April 2023 were determined by the stock price on the date of grant.

For the year ended on 31 December 2023, 7 employees (2022: 17) resigned from the Group and 126,500 unvested share awards (2022: 3,877,000 unvested share awards) and 975,250 unvested restricted share units (2022: 113,000 unvested restricted share units) granted to them under the 2020 Post-IPO Share Award Scheme were forfeited.

The following table illustrates the number of the share awards and restricted share units under the 2020 Post-IPO Share Award Scheme during the year:

	2023	2022
Share awards:		
At the beginning of the year	**1,904,500**	7,686,000
Forfeited during the year	**(126,500)**	(3,877,000)
Vested during the year	**(1,778,000)**	(1,904,500)
At the end of the year	**–**	1,904,500

	2023	2022
Restricted share units:		
At the beginning of the year	**3,229,250**	–
Granted during the year	**527,000**	3,381,000
Forfeited during the year	**(975,250)**	(113,000)
Vested during the year	**(817,000)**	(38,750)
At the end of the year	**1,964,000**	3,229,250

The Group recognised share-based payment expenses of USD666,000 in 2023 (2022: USD1,691,000) in relation to the share awards and restricted share units under the 2020 Post-IPO Share Award Scheme.

30. SHARE-BASED PAYMENTS *(Continued)*

2020 Post-IPO Share Option Scheme

On 23 November 2020, the Company adopted a Share Option Scheme by a resolution passed by its shareholders ("2020 Post-IPO Share Option Scheme") for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and Shareholders as a whole. The 2020 Post-IPO Share Option Scheme has become effective for the period of 10 years commencing on 10 December 2020. The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under any other share option scheme of the Company is 76,789,116, representing approximately 10% of the total issued Shares immediately after the Company's listing on the Stock Exchange. The shares shall be allotted and issued pursuant to the exercise of options.

On 27 July 2022, the Company granted 9,318,000 options to the Group's eligible person under the 2020 Post-IPO Share Option Scheme, of which 465,000 options units will be vested in four equal batches on each of the date of grant, 31 March 2023, 2024 and 2025, and 5,544,000 options will be vested in four equal batches on each of 31 March 2023, 2024, 2025 and 2026, and the remaining 3,309,000 options will be vested in four equal batches on each of 11 April 2023, 2024, 2025 and 2026.

The fair values of options granted on 27 July 2022 were estimated as at the date of grant using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020 Post-IPO Share Option Scheme
Expected dividend yield	0
Expected volatility	41%
Risk-free interest rate	2.53%
Expected life of options (year)	10
Weighted average exercise price	HK$5.65, HK$6.2

On 18 April 2023, the Company granted 39,967,000 options to the Group's eligible person under the 2020 Post-IPO Share Option Scheme, of which 1,284,000 options units will be vested in four equal batches on each of 18 April 2024, 2025, 2026 and 2027, and 23,209,800 options will be vested in three equal batches on each of 18 April 2023, 2024 and 2025, and the remaining 15,473,200 options will be vested on 18 April 2026.

30. SHARE-BASED PAYMENTS *(Continued)*

2020 Post-IPO Share Option Scheme *(Continued)*

The fair values of options granted on 18 April 2023 were estimated as at the date of grant using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020 Post-IPO Share Option Scheme
Expected dividend yield	**0**
Expected volatility	**49%**
Risk-free interest rate	**3.80%**
Expected life of options (year)	**10**
Weighted average exercise price	**HK$2.41, HK$6.2**

For the year ended on 31 December 2023, 40 employees (2022: 2) resigned from the Group and 10,052,950 unvested options (2022: 226,000 unvested options) granted to them under the 2020 Post-IPO Share Option Scheme were forfeited.

The following table illustrates the number of the options under the 2020 Post-IPO Share Option Scheme during the year:

	2023	2022
Options:		
At the beginning of the year	**8,975,750**	–
Granted during the year	**39,967,000**	9,318,000
Forfeited during the year	**(10,052,950)**	(226,000)
Vested during the year	**(10,009,600)**	(116,250)
At the end of the year	**28,880,200**	8,975,750

The Group recognised share-based payment expenses of USD2,095,000 in 2023 (2022: USD435,000) in relation to the options under the 2020 Post-IPO Share Option Scheme.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of USD745,000 (2022: USD194,000) and USD745,000 (2022: USD194,000), respectively, in respect of lease agreements for its office and laboratory use.

Except for the transaction above, there were no major non-cash transactions during the year.

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank borrowings USD'000	Lease liabilities USD'000
At 1 January 2023	**88,192**	**2,737**
Changes from financing cash flows	**(23,785)**	**(1,369)**
New leases	**–**	**745**
Interest during the year	**–**	**90**
Exchange differences	**–**	**(27)**
Termination	**–**	**(571)**
At 31 December 2023	**64,407**	**1,605**

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

2022

	Interest-bearing bank borrowings USD'000	Lease liabilities USD'000
At 1 January 2022	12,053	7,420
Changes from financing cash flows	76,139	(2,734)
New leases	–	194
Interest during the year	–	265
Exchange differences	–	(398)
Termination	–	(2,010)
At 31 December 2022	88,192	2,737

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 USD'000	2022 USD'000
Within operating activities	**41**	23
Within financing activities	**1,369**	2,734
Total	**1,410**	2,757

32. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2023 and 31 December 2022.

33. COMMITMENTS

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

	2023 USD'000	2022 USD'000
Contracted, but not provided for:		
Plant and machinery	**419**	3,862

34. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	2023 USD'000	2022 USD'000
Loans provided to an associate	**–**	2,872
Service provided to an associate	**580**	303
Key management personnel service fees paid by the Company		
Dr. Robert Irwin Kamen*	**30**	24
Ms. Weiwei Chen**	**–**	325
Total	**610**	3,524

* The fee was paid for the services in relation to the scientific advisory board of the Group provided by Dr. Robert Irwin Kamen.

** The fee was paid for the consultancy services in relation to the business and operation of the Group provided by Ms. Weiwei Chen.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties

The Group had the following balances with related parties:

	2023	2022
	USD'000	USD'000
Amounts due from an associate	**2,824**	2,872
Amounts due to a director		
Dr. Robert Irwin Kamen	**6**	–

(c) Compensation of key management personnel of the Group

	2023	2022
	USD'000	USD'000
Short term employee benefits	**2,558**	2,878
Contributions to the pension scheme	**83**	105
Share-based payment expenses	**1,629**	1,734
Total	**4,270**	4,717

Further details of directors' and the chief executive's remuneration are included in note 10 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

2023

Financial assets

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000	Total USD'000
Other financial assets	5,747	–	5,747
Trade receivables	–	52,323	52,323
Financial assets included in prepayments, other receivables and other assets	–	11,799	11,799
Restricted bank balances	–	653	653
Cash and cash equivalents	–	140,324	140,324
Total	5,747	205,099	210,846

Financial liabilities

	Financial liabilities at amortised cost USD'000	Total USD'000
Trade payables	15,363	15,363
Financial liabilities included in other payables and accruals	5,468	5,468
Interest-bearing bank borrowings	64,407	64,407
Lease liabilities	1,605	1,605
Total	86,843	86,843

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2022

Financial assets

	Financial assets at fair value through profit or loss USD'000	Financial assets at amortised cost USD'000	Total USD'000
Other financial assets	6,357	–	6,357
Trade receivables	–	7,118	7,118
Financial assets included in prepayments, other receivables and other assets	–	20,021	20,021
Restricted bank balances	–	663	663
Cash and cash equivalents	–	171,705	171,705
Total	6,357	199,507	205,864

Financial liabilities

	Financial liabilities at amortised cost USD'000	Total USD'000
Trade payables	22,029	22,029
Financial liabilities included in other payables and accruals	7,211	7,211
Interest-bearing bank borrowings	86,392	86,392
Lease liabilities	2,737	2,737
Total	120,169	120,169

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2023		2022	
	Carrying amount USD'000	**Fair value USD'000**	Carrying amount USD'000	Fair value USD'000
Financial assets:				
Other financial assets	**5,747**	**5,747**	6,357	6,357

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each year, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of investments in financial products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of unlisted equity investments have been estimated by the back-solve method taking into consideration from the most recent transaction price of series A+ redeemable shares. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values as at 31 December 2023.

The fair values of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximated as their carrying amounts.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) USD'000	**Significant observable inputs (Level 2) USD'000**	**Significant unobservable inputs (Level 3) USD'000**	**Total USD'000**
Financial assets:				
Other financial assets				
– Unlisted equity investments	**–**	**–**	**5,747**	**5,747**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) USD'000	Significant observable inputs (Level 2) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
Financial assets:				
Other financial assets				
– Unlisted equity investments	–	–	6,357	6,357

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Financial instruments in Level 3

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 USD'000	2022 USD'000
At 1 January	**6,357**	5,843
Total (losses)/gains recognised in the statement of profit or loss	**(610)**	514
At year end	**5,747**	6,357

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Investment in equity investment of NK	back-solve method	Risk-free interest rate	2.37%	1% increase/(decrease) in risk-free interest rate would result in increase/(decrease) in fair value by USD24,000/(USD12,000)
		Volatility	72%	1% increase/(decrease) in volatility would result in (decrease)/increase in fair value by (USD3,000)/USD3,000
		Discount of lack of marketability	28%	1% increase/(decrease) in discount of lack of marketability would result in (decrease)/increase in fair value by (USD80,000)/USD80,000

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, restricted bank balances, other financial assets, lease liabilities and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree the policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's bank balances and bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. Management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest-bearing bank balances are within a short maturity period.

The sensitivity analysis below has been determined based on the exposure to interest rates for floating interest-bearing bank borrowings at the end of the reporting period assuming the stipulated changes had taken place at the beginning of the reporting period and were held constant throughout the reporting period.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

2023

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax USD'000	Increase/ (decrease) in equity* USD'000
If interest rates increase	**100**	**(258)**	**(258)**
If interest rates decrease	**(100)**	**258**	**258**

2022

If interest rates increase	100	(238)	(238)
If interest rates decrease	(100)	238	238

* Excluding retained profits

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates.

The Group's financial assets and liabilities are subject to foreign currency risk as a result of certain bank deposits, trade and other receivables and trade and other payables denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. The Group does not enter into any hedging transactions to manage the potential fluctuations in foreign currencies.

The following table demonstrates the sensitivity at the end of each year to a reasonably possible change in the USD exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (arising from EUR and RMB denominated financial instruments) and equity (due to changes in foreign currency exchange reserve).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

2023

	Increase/ (decrease) in EUR/RMB rate %	Increase/ (decrease) in Profit/(loss) before tax USD'000	Increase/ (decrease) in equity* USD'000
If USD weakens against EUR	**5**	**(165)**	**(165)**
If USD strengthens against EUR	**(5)**	**165**	**165**
If USD weakens against RMB	**5**	**(2,752)**	**(5,548)**
If USD strengthens against RMB	**(5)**	**2,752**	**5,548**

2022

If USD weakens against EUR	5	(124)	(124)
If USD strengthens against EUR	(5)	124	124
If USD weakens against RMB	5	(371)	130
If USD strengthens against RMB	(5)	371	(130)

* Excluding retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, restricted bank balances, financial assets included in prepayments, other receivables and other assets and trade receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2023 the Group had certain concentrations of credit risk as 98% (2022: 91%) of the Group's trade receivables were due from the customers with top five balances.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Simplified approach USD'000	Total USD'000
Trade receivables	–	–	–	52,323	52,323
Financial assets included in prepayments, other receivables and other assets – Normal*	11,799	–	–	–	11,799
Restricted bank balances					
Not yet past due	653	–	–	–	653
Cash and cash equivalents					
– Not yet past due	140,324	–	–	–	140,324
Total	152,776	–	–	52,323	205,099

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 USD'000	Stage 2 USD'000	Stage 3 USD'000	Simplified approach USD'000	Total USD'000
Trade receivables	–	–	–	7,118	7,118
Financial assets included in prepayments, other receivables and other assets – Normal*	20,021	–	–	–	20,021
Restricted bank balances					
Not yet past due	663	–	–	–	663
Cash and cash equivalents					
– Not yet past due	171,705	–	–	–	171,705
Total	192,389	–	–	7,118	199,507

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is "doubtful".

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2023			
	On demand or less than 12 months USD'000	**1 to 5 years USD'000**	**More than 5 years USD'000**	**Total USD'000**
Lease liabilities	**874**	**731**	**–**	**1,605**
Interest-bearing bank borrowings	**39,103**	**28,993**	**–**	**68,096**
Trade payables	**15,363**	**–**	**–**	**15,363**
Financial liabilities in other payables and accruals	**5,468**	**–**	**–**	**5,468**
	60,808	**29,724**	**–**	**90,532**

	31 December 2022			
	On demand or less than 12 months USD'000	1 to 5 years USD'000	More than 5 years USD'000	Total USD'000
Lease liabilities	1,299	1,438	–	2,737
Interest-bearing bank borrowings	43,867	49,193	–	93,060
Trade payables	22,029	–	–	22,029
Financial liabilities in other payables and accruals	7,211	–	–	7,211
	74,406	50,631	–	125,037

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, lease liabilities, trade payables and financial liabilities included in other payables and accruals, less cash and cash equivalents and restricted bank balances. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	USD'000	USD'000
Interest-bearing bank borrowings	**64,407**	88,192
Lease liabilities	**1,605**	2,737
Trade payables	**15,363**	22,029
Financial liabilities included in other payables and accruals	**5,468**	7,211
Less: Cash and cash equivalents	**(140,324)**	(171,705)
Restricted bank balances	**(653)**	(663)
Net debt	**(54,134)**	(52,199)
Equity attributable to owners of the parent	**119,988**	92,826
Adjusted capital and net debt	**65,854**	40,627
Gearing ratio*	**N/A**	N/A

* As at 31 December 2023 and 2022, the Group's cash and cash balances exceeded the financial liabilities. As such, no gearing ratio as at 31 December 2023 and 2022 was presented.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 USD'000	2022 USD'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,110**	13,110
Total non-current assets	**13,110**	13,110
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,382**	756
Amounts due from subsidiaries	**449,063**	433,074
Cash and cash equivalents	**21,207**	38,105
Total current assets	**471,652**	471,935
CURRENT LIABILITIES		
Other payables and accruals	**190**	286
Amount due to subsidiaries	**524**	857
Total current liabilities	**714**	1,143
NET CURRENT ASSETS	**470,938**	470,792
TOTAL ASSETS LESS CURRENT LIABILITIES	**484,048**	483,902
Net assets	**484,048**	483,902
EQUITY		
Share capital	**19**	19
Treasury shares	**(9,223)**	(8,869)
Reserves	**493,252**	492,752
Total equity	**484,048**	483,902

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium USD'000	Capital reserve USD'000	Accumulated losses USD'000	Total USD'000
Balance at 1 January 2022	821,737	7,283	(337,000)	492,020
Loss for the year	–	–	(5,031)	(5,031)
Share-based payments	5,223	540	–	5,763
At 31 December 2022 and 1 January 2023	**826,960**	**7,823**	**(342,031)**	**492,752**
Loss for the year	**–**	**–**	**(3,441)**	**(3,441)**
Share-based payments	**–**	**3,941**	**–**	**3,941**
At 31 December 2023	**826,960**	**11,764**	**(345,472)**	**493,252**

39. EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period that may have a material impact on the Group's reported financial position at 31 December 2023.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

"Articles" or "Articles of Association"	the seventh amended and restated articles of association of our Company adopted with effect from 8 June 2022
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"Companies Act"	the Companies Act (Revised), Cap. 22 of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor
"China" or "the PRC"	the People's Republic of China
"China/PRC NMPA" or "NMPA"	National Medical Products Administration of the People's Republic of China
"BLA"	Biologics License Application
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	HBM Holdings Limited (和鉑醫藥控股有限公司), a company with limited liability incorporated in the Cayman Islands on 20 July 2016
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of our Company
"Dr. Wang"	Dr. Jingsong Wang, M.D., Ph.D. (王勁松), an executive Director, the chief executive officer and chairman of the Board
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Harbour Antibodies"	Harbour Antibodies B.V., a limited liability company incorporated in the Netherlands on 27 December 2006 and a direct wholly-owned subsidiary of the Company
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued and amended from time to time by the International Accounting Standards Board
"Latest Practicable Date"	April 16, 2024
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the Securities and Futures Commission of Hong Kong) of all relevant jurisdictions
"Listing Date"	10 December 2020, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Nona Biosciences"	Nona Biosciences (Suzhou) Co., Ltd, a subsidiary wholly-owned by the Company
"Nomination Committee"	the nomination committee of the Board

"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on 23 November 2020
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on 23 November 2020
"Pre-IPO Equity Plan"	the share incentive plan approved and adopted by our Company on 11 November 2016, as amended on 26 October 2017, 6 August 2018, 19 September 2019 and 24 June 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	from 1 January 2023 to 31 December 2023
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.000025 each
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"U.S. FDA"	U.S. Food and Drug Administration
"United States", "U.S." or "US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent