
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business—Business Strategy” for a detailed description of our future plans.

USE OF PROCEEDS

The primary reason for our Listing is to raise funding for the research and development and commercialization of our key research and development programs. We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,614.4 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$9.65 per Share, which is the mid-point of the indicative Offer Price range stated in this Prospectus. If the Offer Price is set at HK\$10.20 per Share, which is the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$94.7 million. If the Offer Price is set at HK\$9.10 per Share, which is the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$94.7 million.

Assuming an Offer Price at the mid-point of the indicative Offer Price range, we currently intend to apply these net proceeds for the following purposes:

- approximately 75%, or HK\$1,210.8 million, will be allocated to our key drug development programs as follows:
 - approximately 50%, or HK\$807.2 million, will be used for the research and development and commercialization of KN046, our Core Product, including:
 - 40% of our net proceeds, or HK\$645.8 million, will be used for the ongoing and planned clinical trials of, and preparation of registration filings for, KN046, of which approximately 80% will be allocated to our activities in China and 20% to our activities in the United States. Our current clinical development plan includes but is not limited to (i) the phase II clinical trials we initiated for NSCLC (which we may expand into a global trial), TNBC and ESCC in May 2019; (ii) a phase Ib clinical trial for NPC in the third quarter of 2019, and for UC, melanoma and SCLC in the first quarter of 2020; and (iii) a phase II clinical trial for pancreatic cancer in the first quarter of 2020. See “Business” for details. We may also initiate further clinical trials with standard of care comparator arms (such as chemotherapy and/or PD-(L)1 inhibitors) for major indications that show promising efficacy results in proof-of-concept and other clinical trials. We plan to allocate approximately 15% to 30% of the proceeds allocated to the clinical development of KN046 to such trials. It should be noted that we adopt an adaptive clinical development strategy and may adjust our strategy for different indications as deemed fit as we continue to advance various clinical trials. Therefore, the amount of proceeds allocated to each indication or clinical trial is subject to change;
 - 10% of our net proceeds, or HK\$161.4 million, will be used for the launch and, subject to regulatory approval, commercialization of KN046. The initiatives we plan to take primarily include recruiting commercialization personnel and establishing sales channels, mainly in the one year before the expected launch of KN046;

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- approximately 20%, or HK\$322.9 million, will be used for the research and development and commercialization of KN026, including:
 - 16% of our net proceeds, or HK\$258.3 million, will be used for the ongoing and planned clinical trials of, and preparation of registration filings for, KN026, of which approximately 70% will be allocated to our activities in China and 30% to our activities in the United States. Our current clinical development plan includes but is not limited to indications for breast cancer, GC/GEJ, urothelial cancer and ovarian cancer, as well as the combination therapy of KN026 with KN046. Based on our current clinical development plan, we expect to allocate approximately 10% to 20% of the proceeds allocated to the clinical development of KN026 to the combination therapy of KN026 with KN046, which we expect to commence clinical trial in the third quarter of 2020 and submit a BLA to the NMPA in the fourth quarter of 2022. For details, see “Business.” It should be noted that we adopt an adaptive clinical development strategy and may adjust our strategy for different indications as deemed fit as we continue to advance various clinical trials. Therefore, the amount of proceeds allocated to each indication or clinical trial is subject to change;
 - 4% of our net proceeds, or HK\$64.6 million, for the launch and, subject to regulatory approval, commercialization of KN026 (including the combination therapy of KN026 with KN046), which primarily includes recruiting commercialization personnel and establishing sales channels;
- approximately 5%, or HK\$80.7 million, will be used for the research and development of KN019, as further described in the “Business” section of this Prospectus;
- approximately 15%, or HK\$242.2 million, will be used for the construction of our new manufacturing and research and development facilities in Suzhou. Our new manufacturing facilities are expected to have a capacity of over 30,000L; and
- approximately 10%, or HK\$161.4 million, will be used for our early-stage pipeline and our working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this Prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$1,863.7 million, assuming an Offer Price of HK\$9.65 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.