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ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9966)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the "**Board**") of directors (the "**Directors**") of Alphamab Oncology (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2022 (the "**Reporting Period**"), together with the comparative figures for the same period of 2021.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**53,569**	–
Cost of sales	**(14,820)**	–
Gross profit	**38,749**	–
Other income	**21,686**	22,503
Other gains and losses	**63,628**	(13,552)
Research and development ("**R&D**") expenses	**(216,399)**	(231,947)
Administrative expenses	**(44,097)**	(38,131)
Finance costs	**(10,876)**	(6,237)
Loss before taxation	**(147,309)**	(267,364)
Income tax expense	**–**	–
Loss for the period	**(147,309)**	(267,364)
Other comprehensive income (expense) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**(9)**	454
Total comprehensive expense for the period	**(147,318)**	(266,910)

	As of June 30, 2022 ***RMB'000*** **(unaudited)**	As of December 31, 2021 *RMB'000* (audited)
Non-current assets	**593,883**	588,542
Current assets	**1,867,814**	2,116,549
Non-current liabilities	**209,353**	197,542
Current liabilities	**523,912**	637,260
Net assets	**1,728,432**	1,870,289

BUSINESS HIGHLIGHTS

During the Reporting Period, we have continually achieved significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

KN046

- On February 9, 2022, the first patient was successfully dosed in a multi-center, randomized, double-blind and placebo-controlled phase III clinical trial of KN046 to evaluate the efficacy and safety of KN046 in combination with nab-paclitaxel/gemcitabine versus placebo in combination with nab-paclitaxel/gemcitabine, in the treatment of locally advanced unresectable or metastatic pancreatic ductal adenocarcinoma ("**PDAC**") without systemic treatment.

- On February 9, 2022, the Company received an investigational new drug ("**IND**") approval of KN046 from the National Medical Products Administration of China (國家藥品監督管理局) ("**NMPA**") for initiating a phase II clinical trial to evaluate the efficacy, safety and tolerability of KN046 in combination with Inlyta® (axitinib) in the treatment of advanced non-small cell lung cancer ("**NSCLC**").

- On February 22, 2022, the Company received an IND approval of KN046 from the NMPA for initiating a phase I/II clinical trial of KN046 in combination with MAX-40279, a multi-target tyrosine kinase inhibitor independently developed by Guangzhou MaxiNovel Pharmaceuticals Co., Ltd. (廣州再極醫藥科技有限公司) for the treatment of advanced or metastatic solid tumors.

- In March 2022, we completed the first interim analysis on a phase III clinical trial of KN046 in combination with the platinum-based chemotherapy to evaluate the efficacy and safety of KN046 for the treatment of advanced unresectable or metastatic squamous NSCLC ("**sq NSCLC**"), which reached the prespecified progression-free survival ("**PFS**") endpoint and indicated promising efficacy of KN046.

- We achieved good efficacy and acceptable safety results in a phase II clinical trial of KN046 monotherapy as the second-line or above treatment of unresectable locally advanced or metastatic PDAC. Such research results were presented at the 2022 annual meeting of American Society of Clinical Oncology (the "**2022 ASCO Annual Meeting**") in June 2022.

- We achieved further updates in obtaining the efficacy and safety results in an open-label, single-arm, multi-center phase II clinical trial of KN046 in combination with Lenvatinib, a kinase inhibitor used to treat certain types of cancer, in patients with unresectable or metastatic hepatocellular carcinoma ("**HCC**"). Such research results were presented at the 2022 ASCO Annual Meeting in June 2022.

- A phase III pivotal clinical trial design of KN046 in combination with nab-paclitaxel/ gemcitabine for the treatment of advanced pancreatic cancer, was presented at the 2022 ASCO Annual Meeting in June 2022.

- A phase II study design of KN046 in patients with thymic carcinoma who failed immune checkpoint inhibitors, was presented at the 2022 ASCO Annual Meeting in June 2022.

- As of June 29, 2022, 110 patients were successfully dosed in a phase III clinical trial of KN046 in combination with nab-paclitaxel and gemcitabine as first-line treatment for patients with unresectable locally or metastatic PDAC.

KN046 has completed phase I clinical trials in Australia and has simultaneously been under a phase II clinical trial in the United States (the "**U.S.**"). Currently, four pivotal clinical trials of KN046 in China have been launched, including two pivotal clinical trials in NSCLC, one pivotal phase III clinical trial in PDAC and one pivotal trial in thymic carcinoma. There are approximately 20 clinical trials at different stages in China, the U.S. and Australia, covering more than 10 types of tumors including NSCLC, PDAC, triple-negative breast cancer, HCC, esophageal squamous cell carcinoma and thymic carcinoma, the results of which have demonstrated a preliminary profile of good safety and promising efficacy of KN046.

KN026

- On January 4, 2022, the Company received an IND approval from the NMPA for a randomized and multicenter phase II/III clinical trial of KN026, which aimed at evaluating the efficacy and safety of KN026 combined with chemotherapy in patients with human epidermal growth factor receptor 2 ("**HER2**")-positive gastric cancer ("**GC**") (including gastroesophageal junction cancer ("**GEJ**")) who have failed first-line treatment.

- In January 2022, the patients' enrollment of the phase II clinical trial of KN026 combined with KN046 in the treatment of HER2-positive solid tumors, was successfully completed.

- In February 2022, data from a phase I clinical study of KN026 for the treatment of HER2-positive metastatic breast cancer ("**mBC**") were published in *Clinical Cancer Research,* a journal published by the American Association for Cancer Research ("**AACR**").

- We achieved preliminary safety and efficacy results of a phase II clinical trial of KN026 in combination with KN046 for the treatment of locally advanced unresectable or metastatic HER2-positive solid cancer (other than breast cancer and GC). Such results were presented at the 2022 AACR annual meeting from April 8, 2022 to April 13, 2022.

- In April 2022, the first patient was successfully dosed in a phase II/III pivotal clinical trial of KN026 combined with chemotherapy for the treatment of HER2-positive GC (including GEJ) in patients who have failed first-line treatment.

- In May 2022, the first patient was successfully dosed in a multi-center and open-label phase II clinical trial of KN026, which aims to evaluate the efficacy, safety and tolerability of KN026 in combination with Ibrance® (palbociclib), which is developed by Pfizer Inc. (NYSE: PFE) ("**Pfizer**"), and fulvestrant, in the treatment of locally advanced unresectable or metastatic HER2-positive breast cancer in patients who have experienced disease progression after treatment of Trastuzumab (a monoclonal antibody used to treat breast cancer and gastric cancer) and Taxanes (a class of diterpene alkaloids with antineoplastic activity).

- We achieved good efficacy and manageable safety clinical results in a single-arm, open-label, multi-center phase II clinical trial of KN026 monotherapy in patients with previously treated, advanced HER2-expressing GC/GEJ. Such research results were presented at the 2022 ASCO Annual Meeting in June 2022.

KN035 (Envafolimab) (brand name: ENWEIDA，恩維達®)

- During the 2022 China Society of Clinical Oncology ("**CSCO**") Guideline Conference from April 23, 2022 to April 24, 2022, KN035 (Envafolimab) was acknowledged by the Chinese clinical oncology community and officially included in three 2022 CSCO guidelines, i.e. *CSCO Guidelines for Gastric Cancer 2022 Version (CSCO 胃癌診療指南 2022 版)*, *CSCO Guidelines for Colorectal Cancer 2022 Version (CSCO 結直腸癌診療指南 2022 版)* and *CSCO Guidelines for Clinical Application of Immune Checkpoint Inhibitors 2022 Version (CSCO 免疫檢查點抑制劑臨床應用指南 2022 版)*.

KN019

- The phase II clinical trial of KN019 for the treatment of rheumatoid arthritis ("**RA**") was completed, and the clinical data analysis is expected to be completed in the second half of 2022.

KN052

- In February 2022, the Company received an IND approval for KN052 from the NMPA for initiating a phase I clinical trial to evaluate the safety, tolerability, pharmacokinetics ("**PK**")/ pharmacodynamics ("**PD**"), and antineoplastic activity of KN052 in the treatment of advanced solid tumors, and the first patient was successfully dosed in June 2022.

JSKN003

- A phase I, multi-center, open-label, dose-escalation and first-in-human study to assess the safety and tolerability and determine the maximum tolerated dose/the recommended phase II dose (MTD/RP2D) of JSKN003 in subjects with advanced or metastatic malignant solid tumors is undergoing in Australia.

Manufacturing Facilities

- On July 6, 2020, we obtained a drug production license from Jiangsu Medical Products Administration for the phase I of our new manufacturing facilities, with a 4,000L (2x2,000L) production capacity. The equipment commissioning and trial operation of the second stage construction of phase I production lines, pilot plant and preparation workshop, were completed in the first half of 2022. The third stage construction of phase I production lines, manufacturing facilities with a 6,000L (3x2,000L) production capacity, is ongoing and expected to be put into trial operation at the end of 2022. The phase II construction is under planning and the facility is designed to house over 40,000L production capacity in total.

Other Highlights

- On January 11, 2022, the Company was awarded "The Most Valuable Pharmaceutical and Medical Company" award at the Sixth Golden Hong Kong Stocks Awards ceremony (第 6 屆金港股最具價值醫藥及醫療公司獎).

After the end of the Reporting Period and up to the date of this announcement, we have continued to make significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

- On August 8, 2022, the first patient was successfully dosed in a multi-center and open-label phase II clinical trial of KN046 to evaluate the efficacy, safety and tolerability of KN046 in combination with Inlyta® (axitinib), which is developed by Pfizer, in the first-line treatment of locally advanced or metastatic PD-L1-positive (Tumor Proportion Score ("**TPS**") ≥1%) NSCLC in patients without previous systemic treatment.

- We made progress on (i) three phase II clinical trials of KN046 in the treatment for NSCLC and (ii) a phase II clinical trial of KN026 combined with KN046 as first-line treatment for GC/GEJ, the results of which will be presented at the 2022 European Society for Medical Oncology Congress to be held in September 2022.

- In August 2022, the application of phase III clinical trial of KN026 in combination with KN046 without chemotherapy was accepted by the NMPA for the treatment of locally advanced unresectable or metastatic HER2-positive GC/GEJ.

- In August 2022, KN035 (Envafolimab) was listed as one of the Top Ten New Drugs List (Domestic) (十大新藥(國內)榜單) by the 14th Healthy China Annual Forum (第十四屆健康中國年度論壇).

- In August 2022, a new dosage of KN035 (Envafolimab), "300mg once every two weeks", was approved by the NMPA, which would improve the convenience of medication for patients.

- In August 2022, the IND application of JSKN003 was submitted to the NMPA and accepted for the treatment of solid tumors, which is also the first domestic bispecific antibody-drug conjugate applied for clinical trial.

For details of any of the foregoing, please refer to the rest of this announcement and, where applicable, the Company's prior announcements published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a leading biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecific and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe these capabilities are demonstrated by our strong R&D track record and supported by our proprietary technologies, platforms and expertise.

OUR PRODUCT PIPELINE

Our highly differentiated in-house pipeline consists of tumor monoclonal antibodies, bispecific antibodies, and antibody-drug conjugates in staggered development status, including one approved for marketing by the NMPA, three in late clinical stage, one in phase I clinical trial and one submitted IND application. The following chart summarizes our product pipeline as of the date of this announcement:

Stage	Drug Candidate	Target(s)	Platform	Commercial Rights	Key Indications	Pre-clinical	Dose escalation	Proof of concept	Pivotal	NDA
Late-stage	**KN046**	PD-L1/CTLA-4 bispecific	sdAb/ mAb	Global	1L sq NSCLC, PD-(L)1 Refractory NSCLC, Thymic carcinoma, PDAC, HCC, ESCC, TNBC				Pre-NDA	
	KN026	HER2/HER2 bispecific	CRIB	Global	HER2-positive BC, GC/GEJ					
	KN026 +KN046	Target therapy +IO combo	Biomarker driven	Global	HER2-positive solid tumors					
	KN019	B7	Fusion protein	Global	Autoimmune				Phase II completed	
On the market	**KN035**	SubQ PD-L1	sdAb/ mAb	Global Co-development	MSI-H, BTC, Sarcoma, TMB-H, MSS endometrial					already come to market
Early-stage	**KN052**	PD-L1/OX40 bispecific	CRIB	Global	Solid tumors					
	JSKN-003	HER2 ADC	BADC	Global	HER2 Solid tumors					
Pre-clinical	**JSKN-001**	Undisclosed	CRIB	Global	Solid tumors					
	JSKN-002	Undisclosed	GIMC	Global	Solid tumors					
	JSKN-004	Undisclosed	TIMC	Global	Solid tumors					
	JSKN-005	Undisclosed	CIMC	Global	Solid tumors					
	JSKN-006	Undisclosed	BIMC	Global	Solid tumors					
	JSKN-008	Novel Structural CTLA-4 mAb	sdAb/mAb	Global	Maintenance therapy for solid tumors					
	JSKN-016	Undisclosed	BADC	Global	Solid tumors					
	JSKN-018	Undisclosed	CIMC	Global	Solid tumors					

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including single domain antibody ("**sdAb**") and engineered proteins; (ii) our in-house developed proprietary platforms including sdAb/monoclonal antibody ("**mAb**"), CRIB (charge repulsion improved bispecific antibody) platform, CRAM (charge repulsion induced antibody mixture) platform, BADC (bispecific antibody-drug conjugate) platform, BIMC (bispecific immuno modulator conjugation) platform, TIMC (tri-function immuno modulator conjugation) platform, GIMC (glyco-Immuno modulator conjugation) platform and CIMC (chemokine immune modulator conjugation) platform; and (iii) state-of-the-art manufacturing capability, to be further strengthened by new facilities with an expected capacity of over 40,000L, designed and built to meet the current Good Manufacturing Practice standards of the NMPA, the European Medicines Agency and the Food and Drug Administration of the United States (the "**FDA**").

COMMERCIALIZATION

We have commenced the commercialization of KN035 (Envafolimab) (brand name: ENWEIDA，恩維達®) since November 2021, and the upcoming new drug application ("**NDA**") for KN046 is expected to be submitted in 2023 and the one for KN026 is expected to be submitted in 2024. In the first half of 2022, we kept building our own core commercialization team in China with an initial focus on late-stage drug candidates and have continued to recruit key talents for medical affairs, governmental affairs and other related functions. The successful launch of our first commercial product has propelled us to the commercial phase of our business operations and has unleashed full power of our fully-integrated multi-function platform for the discovery, development, manufacture and commercialization of innovative drugs in a wide variety of therapeutic areas. We expect to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to leverage our evolving innovative technology platforms to develop our pipeline products and expand our commercialization team in anticipation of more product launches and more approved indications.

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

The continuing global outbreak of COVID-19 and the quarantine measures imposed by governments in the first half of 2022 have created challenges to the Group's business operations, including but not limited to the patient enrollment of clinical trials, approval of regulatory registration, procurement of raw materials and marketing activities for KN035 (Envafolimab), which also brought challenges to our development and commercial partners and clinical sites. Benefited from the strong and effective prevention and control measures by the government of the People's Republic of China ("**PRC**"), the pandemic had a limited impact on our business operations as of the date of this announcement. However, the continued uncertainty in the development of global pandemic and the emergence of different variants of COVID-19 virus may have potential negative impact on the Group's business. The Group has implemented comprehensive measures to minimize delays and disruptions to the business operations, including but not limited to implementing risk management measures, updating the standard operating procedures according to guidance issued by regulatory bodies, adjusting our research plans and status of clinical trials, providing alternative methods for safety and efficacy assessment and engaging in online meetings with our principal investigators for the clinical trials to track progress and identify any issues that may arise. The Group will continue to monitor the pandemic situation and react actively to such impact, and will also continue to explore potential opportunities to develop our core and related business, further develop our drug candidates, and to allocate substantial resources to make further progress in our R&D, product pipeline and regulatory approvals.

FINANCIAL REVIEW

Overview

We recorded total revenue of RMB53.6 million for the six months ended June 30, 2022 and recorded total cost of sales of RMB14.8 million for the corresponding period. For the six months ended June 30, 2022, the Group recorded other income of RMB21.7 million, as compared with RMB22.5 million for the six months ended June 30, 2021. We recorded other gains of RMB63.6 million for the six months ended June 30, 2022, as compared to other losses of RMB13.6 million for the six months ended June 30, 2021. Our total comprehensive expense amounted to RMB147.3 million for the six months ended June 30, 2022, as compared with RMB266.9 million for the six months ended June 30, 2021. The R&D expenses of the Group amounted to RMB216.4 million for the six months ended June 30, 2022, as compared with RMB231.9 million for the six months ended June 30, 2021. The administrative expenses amounted to RMB44.1 million for the six months ended June 30, 2022 as compared with RMB38.1 million for the six months ended June 30, 2021. The finance costs amounted to RMB10.9 million for the six months ended June 30, 2022 as compared with RMB6.2 million for the six months ended June 30, 2021.

Revenue

KN035 (Envafolimab) (brand name: ENWEIDA，恩維達®) is our first drug product that has been commercialized since the end of 2021. We recorded total revenue of RMB53.6 million for the six months ended June 30, 2022. The Group mainly generated revenue from (i) sales of pharmaceutical products; and (ii) royalty income. The following table sets forth the components of the revenue from contracts with customers for the periods presented:

	Six Months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Time of revenue recognition		
A point in time		
Sales of pharmaceutical products and royalty income	**53,464**	–
Overtime		
Co-development and commercialization income	**105**	–
	53,569	–

During the six months ended June 30, 2022, we recorded sales of pharmaceutical products and royalty income of RMB53.5 million, primarily from 3D Medicines (Sichuan) Co., Ltd. (四川思路康瑞藥業有限公司) ("**3D Medicines (Sichuan)**"). The Group and 3D Medicines entered into a licensing agreement in February 2016 for the joint development and commercialization of KN035. In December 2021, the Group began to sell KN035 in mainland China (excluding Hong Kong, Macau or Taiwan) ("**Mainland China**"). Prior to that, the Group did not sell any products and therefore did not generate revenue from sale of products. For the six months ended June 30, 2022, revenue from the sales of KN035 product to 3D Medicines (Sichuan) amounted to RMB27.2 million. Such revenue is recognized by the Group when the goods are delivered and the control of the goods has transferred. No such revenue was recorded for the six months ended June 30, 2021. For the six months ended June 30, 2022, the Group also recognized revenue of RMB25.4 million for sales-based royalty fees primarily generated from licensing KN035 intellectual property under a supplementary agreement entered into between the Group, 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司) ("**3D Medicines**") and 3D Medicines (Sichuan) in December 2021, pursuant to which the Group is entitled to receive sales-based royalty fees in exchange for the right to use a license of KN035 intellectual property granted to 3D Medicines (Sichuan). The sales-based royalty fees were agreed between the contractual parties and invoiced on quarterly basis with a normal credit term of 30 days. No such revenue was recorded for the six months ended June 30, 2021.

For the six months ended June 30, 2022, the Group recognized revenue of RMB105,000 on co-development and commercialization, primarily due to the recognition of a non-refundable upfront payment of RMB10.0 million under our collaboration with 3D Medicines upon the commencement of commercialization of KN035 in November 2021. No such revenue was recorded for the six months ended June 30, 2021.

In August 2021, we entered into a licensing agreement with JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司) ("**JMT-Bio**"), a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1093), to develop and commercialize KN026 for the treatment of breast cancer and GC in Mainland China. For the six months ended June 30, 2022, no revenue was recorded for the provision of goods and consumables for R&D projects, primarily because no performance obligation on providing goods and consumables for R&D projects to JMT-Bio during clinical stage arose during the Reporting Period. Such revenue is recognized at a point in time when control of the goods has been delivered and acknowledged by JMT-Bio. No such revenue was recorded for the six months ended June 30, 2021.

Cost of Sales

The Group's cost of sales primarily consisted of cost of direct labor, manufacturing cost and raw material and manufacturing overhead related to the production of the product sold. For the six months ended June 30, 2022, the Group recorded cost of sales of RMB14.8 million primarily attributable to cost of pharmaceutical products production, while no such cost was recorded for the six months ended June 30, 2021.

Other Income

The Group's other income primarily consisted of interest income, government grants income and other miscellaneous income.

For the six months ended June 30, 2022, the Group's other income decreased by RMB0.8 million to RMB21.7 million, as compared to RMB22.5 million for the six months ended June 30, 2021. Our interest income increased from RMB13.5 million for the six months ended June 30, 2021 to RMB15.9 million for the six months ended June 30, 2022, primarily due to increase in RMB time deposit with higher interest rate than USD time deposit. Our government grants income mainly included subsidies from the PRC local government in support of oncology drug development, which decreased from RMB6.7 million for the six months ended June 30, 2021 to RMB5.7 million for the six months ended June 30, 2022 primarily because our existing projects were still pending for completion of local government inspection.

Other Gains and Losses

The Group's other gains and losses primarily consists of net exchange gains or losses in relation to the impact of foreign currency translation and gains or losses on derivative financial instruments.

For the six months ended June 30, 2022, we recorded RMB63.6 million of other gains, as compared to RMB13.6 million of other losses for the six months ended June 30, 2021, and the increase was mainly due to unrealized net foreign exchange adjustment as a result of the strengthening of certain major currency, in particular, the U.S. dollar, against the RMB.

R&D Expenses

The Group's R&D expenses primarily comprises (i) outsourcing service fees related to services provided by contract research organizations, contract manufacturing organizations, clinical trial sites, consultants and other service providers during the R&D of our pipeline products; (ii) staff costs for our R&D staff, including salary, bonus and share option incentives; (iii) raw materials costs in relation to the R&D of our drug candidates; (iv) office rental costs, utilities and depreciation and amortization; and (v) other miscellaneous expenses, which primarily include expenses for patent application registration services and logistics expenses of drug samples for clinical trials.

For the six months ended June 30, 2022, our R&D expenses decreased by RMB15.5 million to RMB216.4 million, as compared to RMB231.9 million for the six months ended June 30, 2021, primarily because some pre-existing projects came into late stages, and some newly initiated projects were still at start-up initial stages, both of which incurred less R&D expenses. The following table sets forth the breakdown of our R&D expenses by nature for the periods indicated.

	For the six months ended June 30,			
	2022		2021	
	(RMB in thousands, except percentages)			
Outsourcing service fees	**81,789**	**37.8%**	128,041	55.2%
Staff costs	**66,546**	**30.8%**	40,745	17.6%
Raw material costs	**30,120**	**13.9%**	29,847	12.9%
Office rental costs, utilities, and depreciation and amortization	**22,639**	**10.4%**	20,469	8.8%
Others	**15,305**	**7.1%**	12,845	5.5%
Total	**216,399**	**100.0%**	231,947	100.0%

Administrative Expenses

The Group's administrative expenses primarily comprises staff costs for our administrative staff, including salary, bonus and share option incentives.

Our administrative expenses increased by RMB6.0 million to RMB44.1 million for the six months ended June 30, 2022, from RMB38.1 million for the six months ended June 30, 2021, primarily due to the increase in (i) the number of our administrative staff, (ii) staff salaries, and (iii) operation expenses of our R&D center in Shanghai.

Finance Costs

The Group's finance costs primarily comprises interest expenses on (i) bank borrowings, (ii) contract liabilities, and (iii) lease liabilities related to our leases of office premises, R&D facilities and manufacturing facility.

Our finance costs increased to RMB10.9 million for the six months ended June 30, 2022, as compared to RMB6.2 million for the six months ended June 30, 2021, primarily due to an increase in the amount of borrowings utilized for the second and third stage construction of our phase I production lines.

Income Tax Expenses

We had unused tax losses of RMB2,233.8 million available for set off against future profits as of June 30, 2022, compared to unused tax losses of RMB1,475.8 million for the six months ended June 30, 2021. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams.

For the six months ended June 30, 2022 and the six months ended June 30, 2021, the Group did not incur any income tax expenses.

Loss for the Reporting Period

As a result of the above factors, the loss of the Group decreased by RMB120.1 million to RMB147.3 million for the six months ended June 30, 2022 from RMB267.4 million for the six months ended June 30, 2021.

Property, Plant and Equipment

Property, plant and equipment primarily consisted of our new manufacturing facilities, R&D center and office premises.

Our property, plant and equipment increased by RMB53.0 million to RMB528.1 million as of June 30, 2022, as compared to RMB475.1 million as of December 31, 2021, primarily because of the new R&D center and manufacturing equipment for further progress of the second and third stage construction of our phase I constructing project.

Right-of-use Assets

Under International Financial Reporting Standard ("**IFRS**") 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter.

Our right-of-use assets decreased by RMB7.4 million to RMB48.0 million as of June 30, 2022, compared to RMB55.4 million as of December 31, 2021, primarily due to the normal amortization of right-of-use assets.

Inventories

The Group's inventories consisted of raw materials and other consumables, work in progress and finished goods used in the R&D of our drug candidates and the commercialization of KN035.

Our inventories increased by RMB17.7 million to RMB75.6 million as of June 30, 2022, as compared to RMB57.9 million as of December 31, 2021, primarily due to the increase in raw materials and other consumables for our R&D activities and the commercialization of KN035.

Trade Receivables

The Group's trade receivables primarily consisted of trade receivables with contracts with customers.

Our trade receivables as of June 30, 2022 amounted to RMB14.8 million as compared to RMB7.6 million as of December 31, 2021, primarily due to the increase in royalty income during the second quarter of this year.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments primarily consisted of (i) other receivables, deposits and prepayments mainly related to prepayments made in connection with our purchase of raw materials and payments to contract research organizations and other third parties for services relating to our clinical trials; (ii) deposits and interest receivables mainly related to our time deposits; and (iii) value-added tax ("**VAT**") recoverable in connection with the procurement of raw materials, third-party services for our R&D activities, machinery and equipment for our new manufacturing facilities, which can offset the VAT to be incurred upon commercialization.

Our other receivables, deposits and prepayments decreased by RMB33.7 million to RMB70.2 million as of June 30, 2022, as compared to RMB103.9 million as of December 31, 2021, primarily due to a large amount of VAT recovered from the government.

Derivative Financial Instruments

We recorded RMB0.3 million of derivative financial instruments (liability) as of June 30, 2022, as compared to RMB5.6 million of derivative financial instruments (asset) as of December 31, 2021, primarily because we entered into several foreign exchange forward contracts with banks in order to manage our foreign currency exposure in relation to U.S. dollars against RMB and did not elect to adopt hedge accounting for those contracts.

Cash and Cash Equivalents and Time Deposits with Original Maturity Over Three Months

Our cash and cash equivalents mainly comprise of (i) cash at banks and on hand; and (ii) time deposits within original maturity less than three months.

Our cash and cash equivalents increased from RMB803.3 million as of December 31, 2021 to RMB977.4 million as of June 30, 2022, while our time deposits with original maturity over three months decreased from RMB1,128.2 million as of December 31, 2021 to RMB637.5 million as of June 30, 2022, primarily because a majority of our time deposits with original maturity over three months turned into deposits with original maturity less than three months as matured over time.

Financial Assets Measured at Fair Value through Profit or Loss ("FVTPL")

The Group's financial assets measured at FVTPL mainly represent RMB-denominated wealth management products we purchased from commercial banks in the PRC.

Our financial assets measured at FVTPL increased significantly from RMB54.0 million as of December 31, 2021 to RMB94.0 million as of June 30, 2022, primarily due to the purchase of non-principal-guaranteed low-risk wealth management products as our financial investments.

We believe that we can make better use of our cash by utilizing wealth management products to enhance our income without interfering our business operations or capital expenditures. We make investment decisions based on our estimated capital requirements for the next three months and our annual budget, taking into account the duration, expected returns and risks of the wealth management product. We generally limit purchases to low-risk, short-term products from reputable commercial banks. Our finance department is responsible for the purchase of wealth management products, which is reviewed by our senior management team. In the future, we intend to continue taking a disciplined approach regarding purchasing low-risk wealth management products with a short maturity period based on our operational needs.

Trade and Other Payables

The Group's trade and other payables primarily consisted of payables for the construction of our new facilities and the procurement of equipment and machinery for our new facilities. Our trade and other payables also included accrued R&D expenses and staff costs, which largely relate to our clinical studies.

Our trade and other payables increased from RMB150.0 million as of December 31, 2021 to RMB169.5 million as of June 30, 2022, primarily due to the increase in the clinical trial fee payable to the clinical trial sites and the increase in purchasing property, plant and equipment.

Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司) ("**Suzhou Alphamab**"), decreased from RMB17.0 million as of December 31, 2021 to RMB5.5 million as of June 30, 2022. Our amounts due to Suzhou Alphamab as of June 30, 2022 primarily represented the technology development service fees payable to Suzhou Alphamab.

Lease Liabilities

The Group's lease liabilities are in relation to properties we leased for our manufacturing and R&D activities and our office premises. We recognize lease liabilities with respect to all lease agreements in which we are the lessee, except for short term leases and leases of low value assets. For these leases, we generally recognize the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at present value that are not paid at the commencement date of the lease and subsequently adjusted by interest accretion and lease payments.

Our lease liabilities decreased from RMB33.5 million as of December 31, 2021 to RMB27.3 million as of June 30, 2022, primarily due to the payments of rent made on time for a half-year.

Contract Liabilities

We recorded contract liabilities of RMB28.5 million and RMB28.9 million as of December 31, 2021 and June 30, 2022, respectively. Our contract liabilities represented the upfront payment of RMB12.9 million from 3D Medicines that we recognized for co-development and commercialization of KN035 and the upfront payment of RMB16.0 million from JMT-Bio in relation to our performance obligation of providing goods and consumables for R&D projects in relation to KN026. Such amounts are our adjustment for the effects of the time value of money at a discount rate of 4.35% per annum and 3.70% per annum, respectively, taking into consideration of the credit characteristics of the Group. We own the right to manufacture and supply KN035 and KN026 to 3D Medicines (Sichuan) and JMT-Bio, respectively. As this accrual increases the amount of the contract liabilities during the period of development of KN035, it increases the amount of revenue to be recognized as the Group commences the manufacturing of the product and the transfer of control of goods to our customers for commercialization of KN035. As this accrual increases the amount of the contract liabilities during the period of development of KN026, it increases the amount of revenue to be recognized as the Group satisfies the performance obligation of providing goods and consumables for R&D projects to JMT-Bio.

Liquidity and Source of Funding

Our primary uses of cash were to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from the global offering, pre-IPO financing and bank borrowings at reasonable market rates. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt through reputable commercial banks. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As of June 30, 2022, there was a balance of unutilized net proceeds from the global offering, pre-IPO financing and bank borrowings. For details on the net proceeds from the global offering, please refer to the section headed "Use of Net Proceeds from the Global Offering" in this announcement. The Company believes that it has sufficient funds to satisfy its working capital and capital expenditure needs for the second half of 2022.

Bank Borrowings

As of June 30, 2022, our bank borrowings amounted to RMB498.8 million with effective interest rates of 3.60% to 3.75%. As of June 30, 2022, our bank borrowings were secured by property, plant and equipment of RMB239.9 million and land use rights in our right-of-use assets of RMB21.4 million.

Key Financial Ratios

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

	As of June 30, 2022	As of December 31, 2021
Current ratio[(1)]	**3.57**	3.32
Quick ratio[(2)]	**3.42**	3.23
Gearing ratio[(3)]	**(0.28)**	(0.11)

Notes:

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

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. For the avoidance of doubt, ratio in brackets represents negative number.

Material Investments

The Group did not make any material investments during the six months ended June 30, 2022. In addition, there was no plan of the Group for material investments or additions of material capital assets as of June 30, 2022.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures for the six months ended June 30, 2022.

Pledge of Assets

As of June 30, 2022, the Group had a total RMB239.9 million of property, plant and equipment and RMB21.4 million of land use rights pledged to secure its loans and banking facilities.

Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Foreign Exchange Exposure

During the six months ended June 30, 2022, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of June 30, 2022, a significant amount of the Group's bank balances and cash was mainly denominated in U.S. dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances and cash, other receivables, trade and other payables, and other financial liabilities denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of June 30, 2022.

Employees and Remuneration

As of June 30, 2022, the Group had 493 employees. The total remuneration cost incurred by the Group for the six months ended June 30, 2022 was RMB86.7 million, as compared to RMB62.7 million for the six months ended June 30, 2021.

The remuneration package of our employees includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted Pre-IPO Share Option Plans, Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Company prospectus dated December 2, 2019 (the "**Prospectus**"), the Company's circular dated April 22, 2020, the Company's announcement dated March 23, 2021 and the Company's 2021 annual report for further details.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the six months ended June 30, 2022 RMB' 000 (unaudited)	2021 RMB' 000 (unaudited)
Revenue	3	**53,569**	–
Cost of Sales		**(14,820)**	–
Gross profit		**38,749**	–
Other income	4	**21,686**	22,503
Other gains and losses	5	**63,628**	(13,552)
R&D expenses	7	**(216,399)**	(231,947)
Administrative expenses		**(44,097)**	(38,131)
Finance costs	6	**(10,876)**	(6,237)
Loss before taxation		**(147,309)**	(267,364)
Income tax expense	8	**–**	–
Loss for the period	9	**(147,309)**	(267,364)
Other comprehensive income (expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(9)**	454
Total comprehensive expense for the period		**(147,318)**	(266,910)
Loss per share in RMB	11		
– Basic		**(0.16)**	(0.29)
– Diluted		**(0.16)**	(0.29)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**June 30, 2022** ***RMB' 000*** **(unaudited)**	December 31, 2021 *RMB' 000* (audited)
Non-current assets			
Property, plant and equipment	*12*	**528,131**	475,142
Right-of-use assets	*12*	**48,030**	55,381
Deposits paid for acquisition of property, plant and equipment		**15,916**	13,998
Other receivables, deposits and prepayments	*14*	**1,806**	44,021
		593,883	588,542
Current assets			
Inventories		**75,620**	57,908
Trade receivables	*13*	**14,840**	7,606
Other receivables, deposits and prepayments	*14*	**68,436**	59,921
Financial assets at FVTPL		**94,010**	54,010
Derivative financial instruments		**–**	5,630
Time deposits with original maturity over three months		**637,541**	1,128,168
Cash and cash equivalents		**977,367**	803,306
		1,867,814	2,116,549
Current liabilities			
Trade and other payables	*15*	**169,492**	150,024
Amount due to a related company		**5,491**	17,047
Lease liabilities – current portion		**14,012**	13,824
Contract liabilities – current portion		**6,571**	4,383
Bank borrowings – current portion	*16*	**325,090**	449,990
Derivative financial instruments		**264**	–
Deferred income		**2,992**	1,992
		523,912	637,260
Net current assets		**1,343,902**	1,479,289
Total assets less current liabilities		**1,937,785**	2,067,831

	NOTES	**June 30, 2022** ***RMB' 000*** **(unaudited)**	December 31, 2021 *RMB' 000* (audited)
Non-current liabilities			
Lease liabilities – non-current portion		**13,262**	19,630
Bank borrowings – non-current portion	*16*	**173,733**	153,826
Contract liabilities – non-current portion		**22,358**	24,086
		209,353	197,542
Net assets		**1,728,432**	1,870,289
Capital and reserves			
Share capital		**13**	13
Reserves		**1,728,419**	1,870,276
Total equity		**1,728,432**	1,870,289

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 28, 2018 under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange since December 12, 2019.

The Company is an investment holding company. The Group is principally engaged in R&D, manufacturing and commercialization of biologics of oncology.

The condensed consolidated financial statements are presented in RMB, which is the same as the functional currency of the Company.

In addition, the condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior year and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

The Group derives its revenue from contracts with customers in relation to the transfer of goods and services over time and at a point in time, as follows:

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Time of revenue recognition		
A point in time		
Sales of pharmaceutical products and royalty income *(Note)*	**53,464**	–
Overtime		
Co-development and commercialization income *(Note)*	**105**	–
	53,569	–

Note: Co-development, commercialization of KN035:

Pursuant to an agreement entered into between 3D Medicines and the Group in February 2016, the Group would jointly develop and commercialize with 3D Medicines for KN035, a drug candidate that initially developed by the Group for the treatment of adult patients with advanced solid tumors who have unresectable or metastatic advanced microsatellite instability-high (MSI-H) phenotype/mismatch-repair deficiency. In return, the Group entitles from 3D Medicines a non-refundable upfront payment of RMB10.0 million and an exclusive right to manufacture and supply of KN035 product to 3D Medicines for further commercialization to ultimate customers. The non-refundable upfront payment, which was received by the Group in April 2016, was initially recorded as contract liabilities and will be recognized as revenue (i.e. co-development and commercialization income) on the basis of direct measurements of the value of KN035 product transferred to 3D Medicines to date relative to the value of the budgeted manufacturing order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage). With the commercialization of KN035 in November 2021, the Group commenced to recognize the non-refundable upfront payment as revenue under an estimated product life of 15 years. During the six months ended June 30, 2022, the Group recognized revenue on co-development and commercialization of KN035 amounting to RMB105,000.

Concurrently, the Group recognized revenue from sales of KN035 product to 3D Medicines (Sichuan) (i.e. sales of pharmaceutical products) at point in time when control of the goods has transferred, being when the goods have been delivered to 3D Medicines (Sichuan)'s specified location. Following delivery, 3D Medicines (Sichuan) has the primary responsibility for the risks of obsolescence and loss in relation to the goods while it can request return or refund of goods only if the goods delivered do not meet the required quality standards. Full prepayments by 3D Medicines (Sichuan) are normally required before any goods delivery. The Group starts selling KN035 product in December 2021 and during the Reporting Period, revenue recognized on sales of KN035 product to 3D Medicines (Sichuan) amounting to RMB27,223,000 and to another independent third party pharmaceutical customer amounting to RMB811,000, respectively.

In December 2021, the Group entered into a supplementary agreement with 3D Medicines (Sichuan) and 3D Medicines pursuant to which the Group shall be entitled to sales-based royalty ("**Royalty**") fees in exchange for the right to use a license of KN035 intellectual property granted to 3D Medicines (Sichuan). The sales-based royalty fees are agreed in the contract based on a specified formula and invoiced on quarterly basis with a normal credit term of 30 days. During the six months ended June 30, 2022, revenue recognized on Royalty income amounting to RMB25,430,000.

Segment information

For the purposes of resources allocation and performance assessment, the executive Directors of the Company, being the chief operating decision makers, review the consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

Substantially all of the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of the operations of its external customers' geographical segment is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
3D Medicines (Sichuan) *(Note)*	**52,653**	–

Note: The revenue represents Sales of pharmaceutical products and royalty income.

4. OTHER INCOME

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Interest income	**15,882**	13,546
Government grants income *(Note)*	**5,681**	6,722
Others	**123**	2,235
	21,686	22,503

Note: Government grants income mainly includes subsidies from the PRC local government in support of oncology drug development.

5. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Exchange gains (losses), net	**67,983**	(21,316)
(Losses) gains on derivative financial instruments	**(4,352)**	7,765
Others	**(3)**	(1)
	63,628	(13,552)

6. FINANCE COSTS

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Interest expenses on:		
Bank borrowings	**13,057**	6,509
Contract liabilities	**566**	266
Lease liabilities	**585**	321
	14,208	7,096
Less: Interest capitalized in construction in progress ("**CIP**")	**(3,332)**	(859)
	10,876	6,237

Borrowing costs capitalized during the six months ended June 30, 2022 arose on the specific bank borrowings for the construction of new facilities.

7. R&D EXPENSES

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Outsourcing service fees	**81,789**	128,041
Staff costs	**66,546**	40,745
Raw material costs	**30,120**	29,847
Office rental costs, utilities, and depreciation and amortization	**22,639**	20,469
Others	**15,305**	12,845
	216,399	231,947

8. INCOME TAX EXPENSE

The Company is exempted from taxation under the laws of the Cayman Islands.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% (2021: 25%). On July 11, 2020, Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020 to compensate for 10% of the enterprise income tax.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as a small business entity are eligible for a lower corporate tax rate at 26% (2021: 26%). Alphamab (Australia) Co. Pty. Ltd. is qualified as a small business entity and is subject to a corporate tax rate of 26% (2021: 26%).

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the US Tax Cuts and Jobs Act, the US corporate income tax is charged at a rate of 21%.

No provision for income taxation has been made as the Company and its subsidiaries either had no assessable profit or incurred tax losses in all relevant places of operation for both years.

9. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Staff cost (including Directors' emoluments):		
Salaries and other allowances	**67,836**	50,432
Retirement benefits scheme contributions	**13,601**	8,217
Share-based payment expenses	**5,218**	4,065
Total staff costs	**86,655**	62,714
Auditor's remuneration	**1,202**	1,457
Cost of inventories included in R&D expenses	**30,161**	29,847
Outsourcing service fees included in R&D expenses	**81,789**	128,041
Short-term lease expenses	**165**	335
Depreciation of property, plant and equipment	**15,924**	13,585
Depreciation of right-of-use assets	**7,350**	5,793

10. DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period.

11. LOSS PER SHARE

The calculations of the basic and diluted loss per share are based on the following data:

	For the six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
	(unaudited)	(unaudited)
Loss:		
Loss for the period for the purposes of calculating basic and diluted loss per share	**(147,309)**	(267,364)
Number of shares ('000)		
Weighted average number of shares for the purposes of calculating basic and diluted loss per share	**936,088**	935,123

The calculation of basic and diluted loss per share for the six months ended June 30, 2022 and 2021, has not considered, where appropriate, the share options awarded under the pre-IPO share option scheme, the share options awarded under the post-IPO share option scheme, and the restricted shares that have not yet been vested as their inclusion would be anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended June 30, 2022, the Group had additions to construction in progress of approximately RMB68,140,000 (the six months ended June 30, 2021: RMB33,867,000 (unaudited)) and property, plant and equipment of approximately RMB772,000 (the six months ended June 30, 2021: RMB232,000 (unaudited)), respectively, which mainly consists of research and development as well as production plant and equipment.

13. TRADE RECEIVABLES

	As of June 30, 2022	As of December 31, 2021
	RMB' 000	*RMB' 000*
	(unaudited)	(audited)
Trade receivables with contracts with customers	**14,840**	7,606

The Group allows an average credit period of 30 days to its trade customers.

The following is an ageing analysis of trade receivables, representing the royalty fee income, presented based on the date when the Group obtains the unconditional rights for payment at the end of the Reporting Period.

	As of June 30, 2022	As of December 31, 2021
	RMB' 000	*RMB' 000*
	(unaudited)	(audited)
0-60 days	**14,840**	7,606

As at June 30, 2022, none of the Group's trade receivables are past due as of the end of the Reporting Period.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As of June 30, 2022 ***RMB' 000*** **(unaudited)**	As of December 31, 2021 *RMB' 000* (audited)
Deposits	**1,524**	2,007
Interest receivables	**8,772**	12,021
Prepayments	**50,734**	46,546
Other receivables	**188**	766
VAT recoverable	**9,024**	42,602
Total	**70,242**	103,942
Presented as non-current assets	**1,806**	44,021
Presented as current assets	**68,436**	59,921
	70,242	103,942

15. TRADE AND OTHER PAYABLES

	As of June 30, 2022 ***RMB' 000*** **(unaudited)**	As of December 31, 2021 *RMB' 000* (audited)
Trade payables	**12,143**	11,434
Accrued expenses		
– Outsourcing service fees	**80,695**	70,887
– Other R&D expenses	**14,144**	10,765
– Staff costs	**17,642**	21,207
– Interest payable	**516**	691
– Others	**5,737**	5,488
	118,734	109,038
Payables for acquisition of property, plant and equipment	**27,491**	21,701
Other payables	**11,124**	7,851
Total	**169,492**	150,024

The average credit period of trade payables ranged from 30 to 60 days.

The following is an aging analysis of trade payables presented based on the invoice dates at the end of Reporting Period:

	As of June 30, 2022 ***RMB' 000*** **(unaudited)**	As of December 31, 2021 *RMB' 000* (audited)
0 – 90 days	**12,135**	11,434
Over 90 days	**8**	–
	12,143	11,434

16. BANK BORROWINGS

	As of June 30, 2022 ***RMB' 000*** **(unaudited)**	As of December 31, 2021 *RMB' 000* (audited)
Secured bank borrowings – variable-rate	**198,733**	213,826
Unsecured bank borrowings – variable-rate	**300,090**	389,990
	498,823	603,816

FUTURE DEVELOPMENT

In the first half of 2022, we have continuously made steady progress in our R&D of our drug candidates, have explored strategic collaboration with our business partners, and have reached significant commercialization milestones despite the impact of COVID-19 pandemic. We, together with the global pharmaceutical industry, have sought to implement and adhere to emergency management plans, social distancing guidelines and adjusted regulatory processes, while have continued to strive to develop and produce treatments and drug candidates that benefit patients.

In recent years, China has issued or amended a series of rules and policies with respect to, among others, priority review and patent compensation, quality control, sales, data protection of drug trials to support the R&D of pharmaceutical products. In 2020, the amended Measures for Administration of Drug Registration (《藥品註冊管理辦法》), the Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Clinical Practice of Pharmaceutical Products (《藥物臨床試驗質量管理規範》), the Administrative Measures for Communication on the Research Development and Technical Evaluation of Drugs (《藥物研發與技術審評溝通交流管理辦法》) and the Registration Category of Biological Products and the Information Requirements for Declaration (《生物製品註冊分類及申報資料要求》) came into effect to streamline the R&D and production process of new drugs and the application process under the drug marketing authorization holder mechanism, as well as to provide a clear classification for therapeutic biological products. In 2021, the Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) was officially released, which aims to guide the clinical R&D activities of anti-tumor drugs to implement the R&D concept driven by clinical value and centered on the need of patients. These policies removed political barriers and sped up the R&D process for innovative new drugs, but also put forward higher innovative standards for pharmaceutical companies. The newly revised Patent Law of the People's Republic of China (《中華人民共和國專利法》), which came into effect on June 1, 2021, launches a protection term compensation system for new drugs, where a patent may be granted an extended patent term up to five years as compensation for the time taken up due to regulatory review and approval. As a result, pharmaceutical companies with strong R&D capabilities for innovative therapeutic biologics will stand out and they will have unprecedented opportunities for development. The Company believes that there will be a stronger focus on R&D of innovative therapeutic biologics and heavier investments in new biotechnology. It is believed that in the next decade, the R&D of innovative therapeutic biologics in the PRC will drive the growth of the entire pharmaceutical industry.

The Group will continue to strive for delivering world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. To accomplish this mission, we will commit to advancing clinical development of our product pipeline, including developing KN046 for various major cancer indications in addition to selected indications using a fast/first-to-market approach. We will also strategically focus on cancers with HER2 expression in our KN026 clinical development plan. In the meantime, leveraging our strong in-house R&D capabilities, we will further advance our pre-clinical programs on over 10 multi-specific immune-oncology drug candidates and will leverage our technology platforms to discover, validate and select targets and lead candidates to enrich our early-stage pipeline with a focus on immuno-oncology based bispecific and multi-specific drugs. We will also continue to optimize our manufacturing process and technologies to enhance product quality and reduce the costs. To maximize the commercial value of our assets with global rights, we will also continue to actively seek strategic collaboration opportunities for our Core Products, such as co-development, collaboration in combination development, and out-licensing.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended June 30, 2022 to the Shareholders (June 30, 2021: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on March 28, 2018 as an exempted company with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on December 12, 2019.

Compliance with the Corporate Governance Code

The Company strives to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

During the six months ended June 30, 2022, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code except for the deviation from code provision C.2.1 of the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Xu currently serves as the chairman of the Board and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. Xu continues to serve as both the chairman of the Board and the chief executive officer of the Company.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices.

Full details of the Company's corporate governance practices will be set out in the forthcoming Company's annual report for the year ending December 31, 2022.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2022.

The Company's relevant employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the six months ended June 30, 2022.

The Company has also established a policy on inside information to comply with its obligations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended June 30, 2022.

Audit Committee

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2022 have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants and by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

Use of Net Proceeds from the Global Offering

The Company's Shares were listed on the Stock Exchange on December 12, 2019. The net proceeds from the global offering amounted to approximately HK$2,042.5 million. As of June 30, 2022, approximately HK$865.0 million of the net proceeds of the global offering had been utilized as follows:

	Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus		**Proceeds from the global offering utilized as of June 30, 2022**		**Amounts not yet utilized as of June 30, 2022**	
	HK$ million	***Percentage***	***HK$ million***	***Percentage***	***HK$ million***	***Percentage***
Key drug development programs						
the R&D and commercialization of KN046						
• the ongoing and planned clinical trials of, and preparation of registration filings for, KN046	817.0	40.0%	349.4	40.4%	467.6	39.7%
• the launch and, subject to regulatory approval, commercialization of KN046	204.3	10.0%	87.4	10.1%	116.9	9.9%
Subtotal	**1,021.3**	**50.0%**	**436.8**	**50.5%**	**584.5**	**49.6%**
the R&D and commercialization of KN026						
• the ongoing and planned clinical trials of, and preparation of registration filings for, KN026	326.8	16.0%	94.5	10.9%	232.3	19.7%
• the launch and, subject to regulatory approval, commercialization of KN026	81.7	4.0%	23.6	2.7%	58.1	4.9%
Subtotal	**408.5**	**20.0%**	**118.1**	**13.6%**	**290.4**	**24.6%**
the R&D of KN019	102.1	5.0%	21.1	2.4%	81.0	6.9%
Subtotal	**1,531.9**	**75.0%**	**576.0**	**66.5%**	**955.9**	**81.1%**
The construction of our new manufacturing and R&D facilities in Suzhou	**306.4**	**15.0%**	**224.8**	**26.0%**	**81.5**	**7.0%**
The early-stage pipeline and our working capital and general corporate purposes	**204.3**	**10.0%**	**64.1**	**7.5%**	**140.1**	**11.9%**
Total	**2,042.5**	**100.0%**	**865.0**	**100.0%**	**1,177.5**	**100.0%**

The Company expects that approximately HK$1,000.0 million to HK$1,200.0 million, accounting for approximately 50.0% to 62.0% of the net proceeds of the global offering, will be utilized by end of 2022 and plans to utilize the balance of net proceeds of the global offering by the end of 2023. The expected timeline for utilizing the net proceeds from the global offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Subsequent Events

Save as disclosed in the section headed "Management Discussion and Analysis – Business Review – Events after the Reporting Period", no important events affecting the Company occurred since the Reporting Period and up to the date of this announcement.

Principal Risks and Uncertainties

Our business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed "Risk Factors" of the Prospectus.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.alphamabonc.com**).

The interim report for the six months ended June 30, 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By Order of the Board
Alphamab Oncology
Dr. XU Ting
Chairman and Executive Director

Hong Kong, August 31, 2022

As at the date of this announcement, the Board comprises Dr. XU Ting as the Chairman and Executive Director and Ms. LIU Yang as Executive Director, Mr. XU Zhan Kevin as Non-executive Director, and Dr. GUO Zijian, Mr. WEI Kevin Cheng and Mr. WU Dong as Independent Non-executive Directors.