RemeGen
荣昌生物

榮昌生物製藥(煙台)股份有限公司
RemeGen Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 9995

2022
Interim Report

* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Weidong (王威東) *(Chairman)*
Dr. Fang Jianmin (房健民)
Dr. He Ruyi (何如意)
Mr. Lin Jian (林健)

NON-EXECUTIVE DIRECTORS

Dr. Wang Liqiang (王荔強)
Dr. Su Xiaodi (蘇曉迪)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hao Xianjing (郝先經)
Dr. Ma Lan (馬蘭)
Mr. Chen Yunjin (陳雲金)
(appointment effective from May 5, 2022)
Ms. Yu Shanshan (于珊珊)
(resignation effective from May 5, 2022)

SUPERVISORS

Mr. Ren Guangke (任廣科) *(Chairperson)*
Mr. Li Yupeng (李宇鵬)
Mr. Li Zhuanglin (李壯林)

AUDIT COMMITTEE

Mr. Hao Xianjing (郝先經) *(Chairman)*
Dr. Wang Liqiang (王荔強)
Mr. Chen Yunjin (陳雲金)
(appointment effective from May 5, 2022)
Ms. Yu Shanshan (于珊珊)
(resignation effective from May 5, 2022)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Chen Yunjin (陳雲金) *(Chairman)*
(appointment effective from May 5, 2022)
Mr. Hao Xianjing (郝先經)
Mr. Lin Jian (林健)
Ms. Yu Shanshan (于珊珊)
(resignation effective from May 5, 2022)

NOMINATION COMMITTEE

Mr. Wang Weidong (王威東) *(Chairman)*
Mr. Hao Xianjing (郝先經)
Dr. Ma Lan (馬蘭)

STRATEGY COMMITTEE

Dr. Fang Jianmin (房健民) *(Chairman)*
Mr. Wang Weidong (王威東)
Dr. He Ruyi (何如意)
Dr. Wang Liqiang (王荔強)
Dr. Su Xiaodi (蘇曉迪)
Dr. Ma Lan (馬蘭)

JOINT COMPANY SECRETARIES

Mr. Li Jia (李嘉)
Ms. Tam Pak Yu, Vivien (譚栢如)

AUTHORIZED REPRESENTATIVES

Dr. Fang Jianmin (房健民)
Ms. Tam Pak Yu, Vivien (譚栢如)

AUDITOR

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LEGAL ADVISERS

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As to PRC law:
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18th Floor, East Tower
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1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

58 Middle Beijing Road
Yantai Development Zone
Yantai Area of Shandong Pilot Free Trade Zone
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Yantai Development branch
77 Changjiang Road
Yantai Economic and Technological Development Area
Yantai, Shandong Province
PRC

Yantai Bank Development Zone branch
161 Changjiang Road
Yantai Economic and Technological Development Area
Yantai, Shandong Province
PRC

Qingdao Bank Yantai Development Zone Technological branch
108 Hengda • Haixin Garden
Yantai Economic and Technological Development Area
Yantai, Shandong Province
PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODES

Stock code of H Shares: 9995
Stock code of A Shares: 688331

COMPANY WEBSITE

www.remegen.com

FINANCIAL SUMMARY

	As at June 30, 2022 (Unaudited) RMB'000	As at December 31, 2021 (Audited) RMB'000
Total assets	**6,109,215**	4,159,209
Total liabilities	**662,611**	712,787
Total equity	**5,446,604**	3,446,422

	Six months ended June 30,	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	**348,779**	29,192
Cost of sales	**(167,505)**	(4,640)
Gross profit	**181,274**	24,552
Other income and gains	**53,676**	32,450
Selling and distribution expenses	**(149,961)**	(60,892)
Administrative expenses	**(106,919)**	(98,620)
Research and development costs	**(449,672)**	(326,604)
Impairment losses on financial assets, net	**(5,595)**	(225)
Other expenses	**(9,754)**	(12,234)
Finance costs	**(2,175)**	(2,470)
LOSS BEFORE TAX	**(489,126)**	(444,043)

MANAGEMENT DISCUSSION AND ANALYSIS

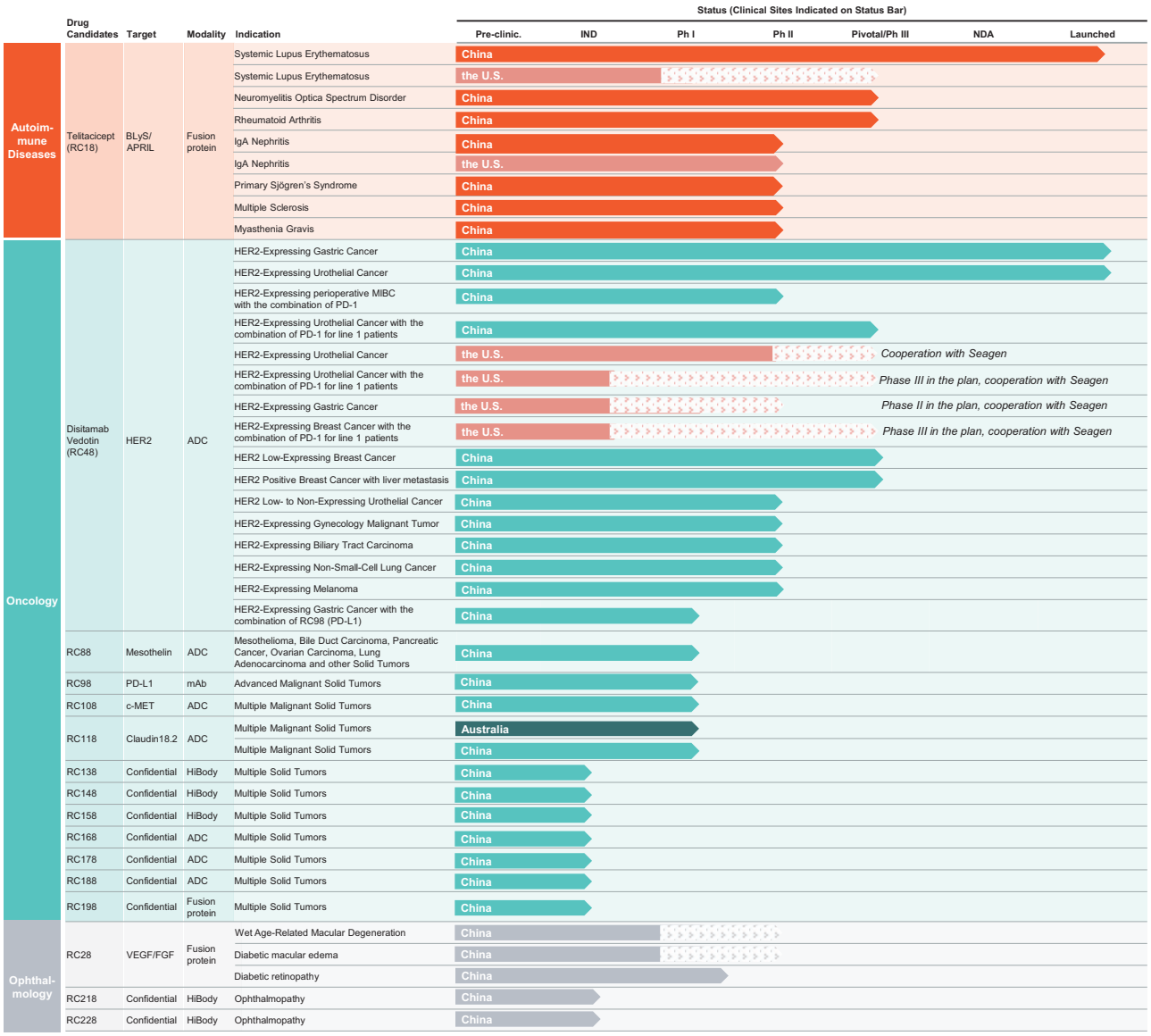
OVERVIEW

We are a fully-integrated biopharmaceutical company committed to the discovery, development and commercialization of innovative and differentiated biologics for the treatment of autoimmune, oncology and ophthalmic diseases with unmet medical needs in China and globally. Our vision is to become a leading player in the global biopharmaceutical industry. We are one of the few Chinese biotechnology enterprises that have two commercialized products. Since our inception in 2008, we have been dedicated to the research and development of biologics with novel targets, innovative design and breakthrough potential to address global unmet clinical needs. Through more than ten years of efforts, we have built fully-integrated, end-to-end therapeutics development capabilities encompassing all the key biologic drug development functionalities, including discovery, preclinical pharmacology, process and quality development, clinical development, and manufacturing in compliance with global good manufacturing practice (GMP). Leveraging our strong research and development platforms, we have discovered and developed a robust pipeline of more than ten drug candidates. Among our drug candidates, seven are in clinical development stage targeting over twenty indications. Two of our commercialization-stage drugs, telitacicept (RC18, Brand Name: 泰爱®) and disitamab vedotin (RC48, Brand Name: 爱地希®), are in clinical trials targeting fourteen indications in China and the United States.

MANAGEMENT DISCUSSION AND ANALYSIS

RICH PRODUCT PIPELINE

The following chart illustrates our pipeline and summarizes the development status of our clinical-stage drug candidates and selected IND-enabling stage candidates as of June 30, 2022:



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period and up to the date of this report, the Group has made the following significant progress:

Telitacicept (RC18)

– Telitacicept is our proprietary novel fusion protein for treating autoimmune diseases. It is constructed with the extracellular domain of the human transmembrane activator and calcium modulator and cyclophilin ligand interactor (TACI) receptor and the fragment crystallizable (Fc) domain of human immunoglobulin G (IgG). Telitacicept targets two cell-signaling molecules critical for B-lymphocyte development: B-cell lymphocyte stimulator (BLyS) and a proliferation inducing ligand (APRIL), which allows it to effectively reduce B-cell mediated autoimmune responses that are implicated in several autoimmune diseases.

– We are currently evaluating telitacicept in late-stage clinical trials in order to explore its potential to address seven autoimmune diseases, in an attempt to address the significant unmet or underserved medical needs in this therapeutic area.

  o Systemic lupus erythematosus (SLE)

    ■ *China:* On March 9, 2021, telitacicept was granted a conditional marketing approval by the NMPA for moderate-to-severe SLE with poor response to standard therapy. Based on the completed Phase IIb registrational clinical trial in China, we have initiated a Phase III confirmatory clinical trial in China in July 2019. The follow-up ended in the first half of 2022. Relevant clinical study results are expected to be available before the end of 2022.

    ■ *China:* The application for investigational new drug (IND) of telitacicept for the treatment of childhood systemic lupus erythematosus (cSLE) was approved by the Center for Drug Evaluation (CDE) of the NMPA for clinical trials in April 2022. We expect to conduct the clinical study in China.

    ■ *United States:* The U.S. Food and Drug Administration (FDA) has approved our Phase II investigational new drug (IND) application for telitacicept in August 2019. We held an end-of-Phase II clinical meeting with the FDA in January 2020 at which the FDA reviewed the drug candidate's positive data from our trials in China and discussed the design for the Phase III clinical trial. Based on this meeting, the FDA allowed us to conduct the Phase III clinical study of telitacicept for the treatment of SLE in the United States. In April 2020, the FDA granted fast track designation to telitacicept, which could expedite the review and potential approval process with the FDA. In the first half of 2022, we have initiated this global multi-center Phase III clinical study in the United States.

MANAGEMENT DISCUSSION AND ANALYSIS

- Immunoglobulin A Nephropathy (IgAN)
  - *China:* We have completed a randomized, double-blind and placebo-controlled Phase II clinical trial to evaluate the efficacy and safety of telitacicept in patients with IgAN and have obtained positive results. We have submitted an application for communication of the Phase III clinical trial protocol of telitacicept in the treatment of IgAN to the CDE in June 2022, and plan to conduct further clinical trials in China.
  - *United States:* The FDA approved a Phase II clinical trial of telitacicept in the United States for IgAN indications in December 2020, with a planned enrollment of approximately 30 patients. We have enrolled 10 patients in the United States as of June 30, 2022.
- Primary Sjögren's Syndrome (pSS): We have completed a Phase II clinical trial in China for the treatment of primary Sjögren's Syndrome and have obtained positive results. In June 2022, we have conducted a communication meeting with CDE regarding the Phase III clinical protocol of telitacicept in the treatment of pSS and plan to conduct further clinical trials in China.
- Neuromyelitis optica spectrum disorder (NMOSD): We are conducting a randomized, double-blind and placebo-controlled Phase III clinical trial to evaluate the efficacy and safety of telitacicept for the treatment of NMOSD in China. We initiated the Phase III clinical trial in September 2017 and enrolled the first patient in January 2018. We have enrolled 133 patients as of June 30, 2022.
- Rheumatoid arthritis (RA): We are conducting a multi-center, double-blind and placebo-controlled Phase III clinical trial in China. As of the end of 2021, we have completed patient enrollment and expect to complete the follow-up by the end of 2022.
- Myasthenia gravis (MG): As of June 30, 2022, we have completed a randomized and open-label Phase II clinical trial in China and have obtained positive results. We plan to conduct further relevant clinical trials in China.
- Other indications: In addition to the indications described above, we are also evaluating telitacicept for other autoimmune diseases, namely multiple sclerosis (MS). We have enrolled 6 patients in Phase II clinical trial of multiple sclerosis as of June 30, 2022.

– Leveraging our experience in developing telitacicept for SLE globally, we will continue to explore the global path of approval and commercialization for the treatment of other autoimmune diseases. We intend to prioritize indications with high unmet medical needs and sizeable addressable patient population in the global market, such as IgAN and primary Sjögren's syndrome (pSS), or indications for which telitacicept has the potential to be the first biologic therapy.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the telitacicept (RC18) (for the treatment of other indications) will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Disitamab vedotin (RC48)

– Disitamab vedotin is our leading antibody-drug conjugate (ADC) product candidate and is the first ADC in China to have received IND approval for clinical trials. Disitamab vedotin is a novel ADC independently developed by us to treat human epidermal growth factor receptor 2 (HER2) expressing (including low-expressing) solid tumors. Disitamab vedotin is currently being studied in multiple late-stage clinical trials in China across a variety of solid tumor types. In the clinical trials in China, disitamab vedotin has demonstrated promising efficacy in patients with HER2-expressing advanced or metastatic gastric cancer (GC) and urothelial cancer (UC), and has also proved its potential as treatment for HER2-expressing (including low-expressing) breast cancer (BC).

– We have been developing disitamab vedotin for a variety of HER2-expressing cancer types. Currently, we are strategically focused on clinical investigation of disitamab vedotin for GC, UC and BC in China, which suggest particularly significant unmet medical needs. We are also exploring the efficacy of disitamab vedotin in other prevalent cancer types with HER2 expression, such as non-small cell lung cancer (NSCLC), biliary tract cancer (BTC), gynecology malignant tumor and advanced melanoma.

  o GC

    ■ We were granted conditional marketing approval by the NMPA on June 9, 2021. In December of the same year, it was included in the updated National Reimbursement Drug List. Based on the completed Phase II clinical trial in China, we have initiated a Phase III confirmatory clinical trial in China in October 2020, with a planned enrollment of 351 patients. We have enrolled 87 patients in the Phase III confirmatory clinical trial as of June 30, 2022.

    ■ In addition, we are exploring the clinical possibility of disitamab vedotin in combination with RC98 (PD-L1 antibody) in the treatment of HER2-expressing locally advanced or metastatic gastric cancer (including gastroesophageal junction (GEJ) adenocarcinoma). Our application for investigational new drug (IND) related thereto was approved by the Center for Drug Evaluation (CDE) of the NMPA in April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

- UC

  - We completed a Phase II clinical trial of disitamab vedotin in patients with HER2 over-expressing (IHC 2+ or IHC 3+) UC in China. Based on the positive clinical results of this Phase II clinical trial and after communicating with the NMPA, we initiated a multi-center, single-arm and open-label Phase II registrational clinical trial. In December 2020, we received the Breakthrough Therapy Designation from the NMPA for the treatment of UC. In September 2021, we were granted fast track designation by the NMPA for the treatment of UC. In December 2021, we received marketing approval for this indication.

  - In addition, as promising efficacy of disitamab vedotin was observed in patients with lower-level expression of HER2, in June 2019, we initiated a single-center, single-arm and open-label Phase II clinical study to evaluate the efficacy and safety of disitamab vedotin for the treatment of HER2-negative (IHC 1+ or IHC 0) locally advanced or metastatic urothelial cancer. Approximately 18 patients are planned to be enrolled in this trial and patients enrollment has been finished in July 2021.

  - We are currently exploring the clinical possibility of disitamab vedotin in combination with PD-1 antibody in the treatment of HER2-expressing UC. The IND application for Phase II clinical study for disitamab vedotin in combination with toripalimab injection (brand name: 拓益®) to treat perioperative muscle-invasive bladder cancer (MIBC) was approved by the NMPA in February 2022. We are currently conducting this clinical trial in China. We have enrolled 2 patients as of June 30, 2022.

  - We are conducting a randomized, controlled and multi-center Phase III clinical trial in China to compare the efficacy of disitamab vedotin in combination with toripalimab injection (brand name: 拓益®) with gemcitabine in combination with cisplatin/carboplatin for the treatment of HER2-expressing locally advanced or metastatic urothelial cancer without previous systemic chemotherapy. 452 patients are planned to be enrolled in this trial. We have enrolled 6 patients as of June 30, 2022.

- BC:

  - On June 28, 2021, the NMPA granted the Company the Breakthrough Therapy Designation for disitamab vedotin in the treatment of patients with HER2-positive advanced breast cancer with liver metastases who had previously received trastuzumab and taxane therapy. The Company is conducting the Phase III clinical trial in China. We have enrolled 56 patients as of June 30, 2022.

  - As we have observed preliminary efficacy of disitamab vedotin in patients with low-level HER2 expression, we have initiated the Phase III clinical trial in patients with HER2 low-expressing (IHC 2+ and FISH–) BC. As of June 30, 2022, we had enrolled 212 patients.

MANAGEMENT DISCUSSION AND ANALYSIS

- NSCLC: We are conducting an open-label Phase Ib trial to evaluate disitamab vedotin as monotherapy for the treatment of HER2 over-expressing (IHC 2+ or IHC 3+) or HER2 mutant NSCLC in China. We have enrolled 37 patients as of June 30, 2022.

- BTC: We are conducting a multi-center, single-arm and open-label Phase II trial to evaluate disitamab vedotin as monotherapy in the patients with HER2 over-expressing (IHC 2+ or IHC 3+) BTC post to the failure of first-line chemotherapy in China. We have enrolled 28 patients in this trial as of June 30, 2022.

- Gynecology malignant tumor: We initiated an open, multi-cohort and multi-center Phase II basket design clinical study at the end of 2021 in China, enrolling patients with HER2-expressing gynecology malignant tumor in four cohorts including cervical cancer, ovarian epithelial cancer, fallopian tube cancer and primary peritoneal cancer, endometrial cancer and other gynecology malignant tumors to evaluate the efficacy of disitamab vedotin in treating patients with HER2-expressing gynecology malignant tumor. We have enrolled 32 patients as of June 30, 2022.

- Advanced melanoma: We initiated a single-arm, open and single-center Phase IIa clinical study in May 2022 in China to evaluate the efficacy of disitamab vedotin in the treatment of HER2-expressing advanced melanoma that has failed standard therapy, except in patients with uveal melanoma as a primary cause. We have enrolled our first patient as of June 30, 2022.

- In addition, we are exploring the clinical possibility of the combination of disitamab vedotin and RC98 (PD -L1 antibody) to treat HER2-expressing locally advanced or metastatic solid tumors. Our application for investigational new drug (IND) related thereto was approved by the Center for Drug Evaluation (CDE) of the NMPA in June 2022.

– We entered into an exclusive worldwide license agreement with Seagen Inc. ("Seagen") in August 2021 to develop and commercialize disitamab vedotin. According to the license agreement, Seagen has been granted an exclusive license to develop and commercialize disitamab vedotin in global regions excluding Asia (Japan and Singapore excluded). We received an upfront payment of USD200 million in October 2021. Under the agreement, we will receive additional milestone payments of up to USD2.4 billion thereafter and the royalties amounting to a high single-digit to mid-teens of future cumulative net sales as Seagen subsequently continues global development and commercialization of disitamab vedotin.

  - UC: Seagen has conducted an international multi-center and open-label Phase II pivotal clinical trial in the United States in the first half of 2022 to evaluate the efficacy of disitamab vedotin in the treatment of patients with HER2-expressing UC post to the failure of first-line chemotherapy.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the disitamab vedotin (RC48) (for the treatment of other indications) will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RC28

– RC28 is an innovative fusion protein targeting both vascular endothelial growth factor (VEGF) and fibroblast growth factor (FGF). We are evaluating, and plan to evaluate, RC28 in clinical studies for several ophthalmic diseases, including wet age-related macular degeneration (wAMD), diabetic macular edema (DME) and diabetic retinopathy (DR). In the Phase I clinical trial, no safety concerns were detected for up to 2.0 mg injection of RC28 in wAMD patients.

  o wAMD: Currently, we are conducting an open-label and single-arm Phase Ib dose-expansion trial to evaluate the efficacy and safety of RC28 in the treatment of the patients with wAMD. As of 31 December 2021, we have completed patient enrollment and have enrolled 37 patients in this trial.

  o DME: We are currently conducting a multi-center, randomized and active-controlled Phase II clinical trial in China. As of June 30, 2022, we had enrolled 148 patients.

  o DR: We are currently conducting a multi-center, randomized and active-controlled Phase II clinical trial in China. As of June 30, 2022, we had enrolled 44 patients.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the RC28 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

Other Clinical-stage Drug Candidates

– RC88 is a novel mesothelin-targeting ADC we developed for the treatment of solid tumors. It is currently in a Phase I clinical trial in patients with multiple advanced solid tumors, with a particular focus on pancreatic cancer, mesothelioma, bile duct carcinoma, ovarian carcinoma, gastric cancer, triple-negative breast cancer and lung adenocarcinoma. We have enrolled 49 patients as of June 30, 2022.

– RC98 is an innovative PD-L1 monoclonal antibody we developed for the treatment of solid tumors. We obtained the IND approval for RC98 from the NMPA in July 2019 and we have initiated a Phase I clinical trial in patients with multiple advanced solid tumors, including but not limited to lung cancer and urothelial cancer. We have enrolled 49 patients as of June 30, 2022.

– RC108 is our third ADC product developed in-house that has entered into clinical research stage. It is a c-Met-targeted positive advanced solid tumors. c-Met is a receptor tyrosine kinase that, after binding with its ligand hepatocyte growth factor, activates a wide range of different cellular signaling pathways, including those involved in proliferation, motility, migration and invasion. c-Met is a well-characterized oncogene that is associated with poor prognosis in many solid tumor types. We have obtained clinical trail approval for this product by the NMPA in November 2020. Currently, we have initiated the Phase I clinical trial for c-Met positive advanced solid tumors in China. We have enrolled 16 patients as of June 30, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

– RC118 is the fourth ADC product that has entered into clinical research stage, and it targets Claudin 18.2-positive locally advanced unresectable or metastatic malignant solid tumors. It is composed of a recombinant humanized anti-Claudin18.2 monoclonal antibody and monomethyl auristatin E (MMAE), a potent tubulin binder with a maximal inhibitory concentration (IC_{50}) in the subnanomolar range, as the cytotoxic payload, are conjugated to each other through a cathepsin cleavable linker, with optimized drug-antibody ratio.

  ■ *Australia:* In July 2021, we obtained the ethical approval from the Australian Human Research Ethics Committee for the Phase I clinical trial of the antibody drug conjugate (ADC) RC118. Currently, we are conducting a Phase I clinical trial in patients with Claudin18.2-positive locally advanced unresectable or metastatic malignant solid tumors in Australia. The clinical study site in Australia was officially launched in November 2021. As of June 30, 2022, we have enrolled 4 patients, and the ramp-up for the first and second dose groups had been completed, with the ramp-up for the third dose group being underway.

  ■ *China:* In September 2021, the Phase I clinical trial license for RC118 was obtained from the NMPA. We are conducting a Phase I clinical trial in patients with Claudin18.2-positive locally advanced unresectable or metastatic malignant solid tumors in China. We have enrolled 5 patients as of June 30, 2022.

– **Warning under Rule 18A.08(3) of the Listing Rules:** There is no assurance that the RC88, RC98, RC108, RC118, RC138, RC148, RC158, RC168, RC178, RC188, RC198, RC218 or RC228 will ultimately be successfully developed and marketed by the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

Commercialization of Product Mix

We have established our sales and marketing department dedicated to the commercialization of our pipeline products. According to the indications of our products, we have established two independent commercialization teams in the areas of autoimmune diseases and oncology.

As of June 30, 2022, our commercialization team for autoimmune diseases consists of 241 members with rich experience in the commercialization of autoimmune therapeutic drugs.

As the first innovative dual-target biologics for SLE treatment in the world, telitacicept was approved for marketing by the NMPA in March 2021, and entered into sales. This product was included in the updated National Reimbursement Drug List for the treatment of SLE in December 2021. In the first half of 2022, the commercialization team has covered 1,021 hospitals in 241 prefecture-level cities of 31 provincial administrative units across China. As of June 30, 2022, the commercialization team for autoimmune diseases has been admitted to 337 hospitals and 717 dual-channel pharmacies. We plan to continue to expand this team in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2022, our commercialization team for oncology diseases consists of 291 members with rich experience in the commercialization of oncology therapeutic drugs. Disitamab vedotin was approved for marketing on June 9, 2021, and entered into sales in July 2021. This product for the treatment of HER2-expressing locally advanced or metastatic gastric cancer (GC) was included in the updated National Reimbursement Drug List in December 2021. In the first half of 2022, the commercialization team has covered 887 hospitals in 185 prefecture-level cities of 29 provincial administrative units across China. As of June 30, 2022, the commercialization team for oncology diseases has been admitted to 340 hospitals. We plan to continue to expand this team in 2022.

Leveraging the expertise and industry connections of our team, and the significantly increased accessibility of two Core Products after being included in National Reimbursement Drug List, we further market the products primarily through a physician-targeted marketing strategy, and further communicate and interact directly with key opinion leaders and physicians in the respective therapeutic areas to perform well in differentiated positioning and promotion of our products. In addition, we will utilize the existing clinical data to expand the promotion in the departments with approved indications and carry out extensive promotion work in departments with other indications.

KEY EVENTS AFTER THE REPORTING PERIOD

The application for investigational new drug (IND) of the product of the Company, telitacicept, for the treatment of lupus nephritis was officially accepted by the Center for Drug Evaluation (CDE) of the NMPA in July 2022.

THE IMPACT OF COVID-19

The management of the Company expected that clinical trials in and outside mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this report, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group. Due to the outbreak of COVID-19, we have taken various measures, including but not limited to reducing face-to-face meetings by means of telephone or video conferences, avoiding unnecessary travels and trips for interviews as well as providing face masks, hand sanitizers and other sanitation supplies in offices and production sites.

FUTURE DEVELOPMENT

The Company is committed to becoming China's leading and world-class biopharmaceutical company to discover, develop, manufacture and commercialize first-in-class and best-in-class biopharmaceuticals to create clinical value, maximize shareholder benefits and provide patients with high-quality drugs to address unmet significant clinical needs worldwide in the major therapeutic areas of autoimmune diseases, oncology and ophthalmology.

Looking forward to the second half of 2022, we will continue to endeavor to commercialize telitacicept and disitamab vedotin and further actively expand the market in China. At the same time, we will continue to accelerate the applications and clinical trials for the expansion of the indications of pipeline products.

On the international front, we will further step up our efforts for expansion in the international market, and continue to quickly advance and initiate clinical studies of our Core Products in the international market. We are conducting an international multi-center phase III clinical trial of telitacicept for the treatment of SLE indications and a phase II clinical trial for the treatment of IgAN in the United States. With regards to disitamab vedotin, we will continue to work with Seagen to further support its global clinical trials.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from RMB29.2 million for the six months ended June 30, 2021 to RMB348.8 million for the six months ended June 30, 2022. The increase was mainly because following telitacicept being approved for conditional marketing by the NMPA in March 2021 and becoming commercially available and disitamab vedotin being approved for conditional marketing on June 9, 2021 and becoming commercially available in July 2021, our product sales revenue increased, and technology licensing revenue from Seagen increased.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, government grants, foreign exchange gain and wealth management income.

Our other income and gains increased from RMB32.5 million for the six months ended June 30, 2021 to RMB53.7 million for the six months ended June 30, 2022, primarily due to the increases in interest income from proceeds from A Share Offering of RMB15.0 million, foreign exchange gain of RMB5.6 million and wealth management income of RMB3.5 million, offset by the decreases in government grants realised of RMB2.6 million compared with the corresponding period of last year and other aggregate effects of RMB0.3 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly consist of employee benefits expenses and market development expenses.

Our selling and distribution expenses increased from RMB60.9 million for the six months ended June 30, 2021 to RMB150.0 million for the six months ended June 30, 2022, mainly because following telitacicept being approved for conditional marketing by the NMPA in March 2021 and becoming commercially available and disitamab vedotin being approved for conditional marketing on June 9, 2021 and becoming commercially available in July 2021, we added more sales personnel and carried out various sales activities, resulting in increases in personnel costs, market development expenses, academic promotion fees, etc.

Administrative Expenses

The Group's administrative expenses mainly consist of employee benefits expenses, consulting service expenses, general office expenses, depreciation and amortization expenses and other administrative expenses.

Our administrative expenses increased from RMB98.6 million for the six months ended June 30, 2021 to RMB106.9 million for the six months ended June 30, 2022, primarily due to an increase in general office expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

The Group's research and development expenses consist of employee benefits expenses, expenses for procuring raw materials used in the research and development, clinical trial expenses for drug candidates, testing expenses for pre-clinical programs, depreciation and amortization expenses, utilities used for research and development activities, and other research and development expenses. Our research and development expenses increased from RMB326.6 million for the six months ended June 30, 2021 to RMB449.7 million for the six months ended June 30, 2022. The following table sets forth the components of our research and development expenses for the periods indicated.

	Six months ended 30 June			
	2022		2021	
	RMB'000 (Unaudited)	**%**	RMB'000 (Unaudited)	%
Employee benefits expenses	**153,040.5**	**34.0**	99,101.2	30.3
Raw material expenses	**63,470.1**	**14.1**	68,642.0	21.0
Clinical trial expenses	**96,753.7**	**21.5**	45,935.5	14.1
Testing expenses	**44,158.6**	**9.8**	36,673.1	11.2
Depreciation and amortization expenses	**47,524.1**	**10.6**	39,821.1	12.2
Utilities	**9,167.0**	**2.0**	9,220.4	2.8
Others	**35,557.8**	**8.0**	27,211.1	8.4
Total	**449,671.8**	**100.0**	326,604.4	100.0

(i) Employee benefits expenses increased by RMB53.9 million, mainly due to an increase in the number of research and development employees and an increase in staff salary level;

(ii) Raw material expenses decreased by RMB5.2 million, mainly because chromatography column, fillers, depth filters and other reusable materials, which have higher unit prices, for RC28, RC48, RC148 and other projects were input on a one-off basis in the corresponding period of last year, leading to higher expenses for materials in such period;

(iii) Clinical trial expenses increased by RMB50.8 million, mainly due to the continuous clinical development of drug candidates;

(iv) Testing expenses increased by RMB7.5 million, mainly due to the continuous development of drug candidates;

(v) Depreciation and amortization expenses increased by RMB7.7 million, mainly due to an increase of depreciation expenses arising from the capital transfer of Block K of antibody building at the end of 2021;

(vi) Other expenses increased by RMB8.4 million, mainly due to an increase of technical service fee for contracted cooperative development of new targets during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Impairment Losses on Financial Assets

The Group's net impairment losses on financial assets mainly consist of the impairment losses in relation to other receivables and receivables. For the six months ended June 30, 2021, we provided impairment losses on financial assets of RMB0.2 million, while we provided impairment losses on financial assets of RMB5.6 million for the six months ended June 30, 2022, which was mainly because following telitacicept being approved for conditional marketing by the NMPA in March 2021 and becoming commercially available and disitamab vedotin being approved for conditional marketing on June 9, 2021 and becoming commercially available in July 2021, our provision for impairment losses increased with the increase in trade receivables for sales of products.

Other Expenses

The Group's other expenses primarily consist of (i) rental related expenses relating to the leases of our facilities to related parties; (ii) expenses incurred for sales of materials; (iii) losses from changes in foreign exchange rates; and (iv) other expenses, including our donation to charity organizations and the donation expenditure of telitacicept and disitamab vedotin. Our other expenses decreased from RMB12.2 million for the six months ended June 30, 2021 to RMB9.8 million for the six months ended June 30, 2022, mainly due to a decrease in losses from changes in foreign exchange rates of RMB5.7 million, increases in donation to charity organizations and donation expenditure of telitacicept and disitamab vedotin of RMB3.4 million, a decrease in rental related expenses relating to the leases of our facilities to related parties of RMB0.8 million and an increase in other aggregate effects of RMB0.7 million.

Finance Costs

The Group's finance costs mainly consist of interest on lease liabilities. Our financial costs decreased from RMB2.5 million for the six months ended June 30, 2021 to RMB2.2 million for the six months ended June 30, 2022.

Income Tax Expenses

For the six months ended June 30, 2021 and 2022, the Group's income tax expenses were nil.

Loss for the Period

Based on the factors described above, the Group's loss for the period increased from RMB444.0 million for the six months ended June 30, 2021 to RMB489.1 million for the six months ended June 30, 2022.

Liquidity and Financial Resources

Our primary use of cash is to fund research and development expenses. For the six months ended June 30, 2022, our net cash used in operating activities was RMB703.7 million. Our cash and cash equivalents increased from RMB1,756.8 million as of December 31, 2021 to RMB2,590.0 million as of June 30, 2022, primarily due to an increase in proceeds from A Share Offering.

Loans and Gearing Ratio

As of June 30, 2022, the Group's interest-bearing bank and other borrowings were nil.

The gearing ratio is calculated using the Group's liabilities divided by its assets. As of June 30, 2022, the Group's gearing ratio was 10.8% (December 31, 2021: 17.1%).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments, Material Acquisitions and Disposal

As at June 30, 2022, the Group held financial assets at fair value through profit or loss of RMB552.8 million, which represented the unlisted financial products purchased from the commercial banks, accounting for approximately 9.0% of total assets of the Group as at June 30, 2022.

Unit: RMB'000

Issuer	Product type	Principal business	Notes	Investment cost	Fair value as of June 30, 2022	Interest income from these products for the six months ended June 30, 2022	Realised gain for the six months ended June 30, 2022	Unrealised gain for the six months ended June 30, 2022
China Construction Bank	Wealth management product	Banking services		255,500	257,214	1,714	–	1,714
China Construction Bank	Wealth management product	Banking services		84,000	84,539	539	–	539
Qingdao Bank	Wealth management product	Banking services	(a)	139,000	–	107	107	–
Qingdao Bank	Wealth management product	Banking services		51,000	51,337	337	–	337
Qingdao Bank	Wealth management product	Banking services	(b)	47,000	–	105	105	–
Qingdao Bank	Wealth management product	Banking services		92,000	92,501	501	–	501
Qingdao Bank	Wealth management product	Banking services		47,000	47,119	119	–	119
Qingdao Bank	Wealth management product	Banking services		20,000	20,051	51	–	51
Total				735,500	552,761	3,473	212	3,261

Notes:

(a) The investment has matured as of April 29, 2022.

(b) The investment has matured as of May 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group adopts a prudent and pragmatic investment strategies over its significant investments. Investments in financial products are made for financial management purposes to maximize the returns of the Company after taking into account, among other things, the level of risk, the return on investment and the maturity period. When making investment decisions, the Company selects standard short-term financial products with relatively low risks as its investment strategy to ensure stable investment income. Before making an investment, the Group also ensures that there will be sufficient working capital to meet the funding needs of the business, operating activities and capital expenditure of the Group after making significant investments.

Save as disclosed above, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2022.

Capital Commitments

For the six months ended June 30, 2021 and 2022, the Group had capital commitments contracted for but not yet provided of RMB523.4 million and RMB415.6 million, respectively, primarily in connection with (i) contracts entered with contractors for the construction of our new manufacturing facilities; and (ii) contracts entered with suppliers for the purchase of equipment.

Pledge of Assets

As of June 30, 2022, the Group's (i) amounts of bank balances of RMB63.9 million (December 31, 2021: RMB73.6 million) were pledged for bills payable; (ii) amounts of bank balances of RMB3.4 million (December 31, 2021: RMB3.4 million) were pledged for wages of migrant workers; and (iii) amounts of bank balances of RMB0.6 million (December 31, 2021: RMB0.6 million) were pledged for an office lease.

Contingent Liabilities

As of June 30, 2022, the Group did not have any contingent liabilities.

Foreign Exchange Exposure

Our financial statements are expressed in RMB, but our assets such as certain of our cash and cash equivalents and time deposits are denominated in foreign currencies, and are exposed to foreign exchange risk. We currently do not have a foreign exchange hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Employees and Remuneration

As of June 30, 2022, the Group had a total of 2,500 employees. The total remuneration cost of the Group for the six months ended June 30, 2022 was approximately RMB335.3 million, as compared to RMB199.3 million for the six months ended June 30, 2021, primarily due to an increase in the number of employees and an increase in their salaries.

To maintain the quality, knowledge and skill levels of our workforce, the Group provides continuing education and training programs, including internal and external training, to our employees to improve their technical, professional or management skills. The Group also provides trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

We provide various incentives and benefits to our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. We have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in accordance with applicable PRC laws.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM LISTING OF H SHARES AND A SHARE OFFERING

LISTING OF H SHARES

The Company's H Shares were listed on the Stock Exchange on November 9, 2020 with a total of 88,017,500 offer shares (including the H Shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised from the Listing of H Shares (including the exercise of the over-allotment option) were approximately HK$4,444.2 million (equivalent to approximately RMB3,784.5 million). Save as disclosed in this report, there was no change in the intended use of net proceeds as previously disclosed in the Prospectus, and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes based on actual business needs.

As at June 30, 2022, approximately RMB2,979.98 million of the net proceeds of the Listing of H Shares had been utilised as follows:

	Allocation of net proceeds from Listing of H Shares (RMB million)	Utilised amount as at December 31, 2021 (RMB million)	Utilised amount during the Reporting Period (RMB million)	Utilised amount as at June 30, 2022 (RMB million)	Unutilised amount as at June 30, 2022 (RMB million)
Clinical trials of telitacicept (RC18)	567.68	242.04	49.93	**291.97**	**275.71**
Clinical trials of disitamab vedotin (RC48)	567.68	246.16	35.95	**282.11**	**285.57**
Clinical trials of RC28	189.22	105.65	15.98	**121.63**	**67.59**
Development of RC88 and RC98, as well as early-stage drug discovery and development	567.68	504.48	17.87	**522.35**	**45.33**
Construction of new manufacturing facility to expand commercial manufacturing capacity	946.13	796.54	28.05	**824.59**	**121.54**
Repayment of the borrowings from RC Pharma	567.68	485.85	–	**485.85**	**–**
General corporate and working capital purposes	378.45	450.00	1.48	**451.48**	**8.80**
Total	3,784.52	2,830.72	149.26	**2,979.98**	**804.54**

Notes:

(1) All remaining unutilised net proceeds is expected to be fully utilized by December 31, 2023. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(2) As the Company had used RMB485.85 million to fully repay the borrowings from RC Pharma, in order to enhance the efficiency and effectiveness of the use of capital and to take into account the market conditions and the Company's business needs, the Company intends to use the remaining RMB81.83 million of the proceeds from the Listing of H Shares originally used to repay the borrowings from RC Pharma for general corporate and working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

A SHARE OFFERING

As approved by the China Securities Regulatory Commission, the Company issued 54,426,301 new A Shares at the issue price of RMB48.00 per A Share and all of the then existing domestic shares and unlisted foreign shares were converted into A Shares. The A Shares were listed on the Sci-Tech Board on March 31, 2022. The gross proceeds amounted to approximately RMB2,612.4 million. After deducting issuance expenses of RMB106.5 million in accordance with the related requirements, the net proceeds amounted to approximately RMB2,505.9 million. The net proceeds raised from the A Share Offering have been used and will be used in accordance with the intended uses disclosed in the Company's A Share prospectus dated March 28, 2022.

As at June 30, 2022, approximately RMB439.8 million of the net proceeds of the A Share Offering had been utilised as follows:

	Allocation of net proceeds from A Share Offering (RMB million)	**Utilised amount as at June 30, 2022 (RMB million)**	**Unutilised amount as at June 30, 2022 (RMB million)**
Industrialization of Biologics	977.76	**112.69**	**865.07**
Research and Development of Anticancer Antibodies	430.00	**19.49**	**410.51**
Research and Development of Antibodies Targeting Autoimmune and Ophthalmic Diseases	220.00	**7.62**	**212.38**
Working Capital	878.18	**300.00**	**578.18**
Total	2,505.94	**439.80**	**2,066.14**

Note:

All remaining unutilised net proceeds is expected to be fully utilized by December 31, 2024. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

OTHER INFORMATION

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2022, the interests and short positions of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

INTERESTS IN SHARES OF THE COMPANY

Name of Director	Class of Shares	Nature of Interest	Number of Shares or underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage of shareholding[2]
Mr. Wang Weidong[3]	A Shares	Interests of controlled corporations	152,984,812 (L)	43.13%	28.11%
	A Shares	Interests held jointly with another person	39,818,320 (L)	11.23%	7.32%
	H Shares	Interests of controlled corporation	6,281,887 (L)	3.31%	1.15%
	H Shares	Interests held jointly with another person	26,000,000 (L)	13.71%	4.78%
Dr. Fang Jianmin[3]	A Shares	Beneficial owner	26,218,320 (L)	7.39%	4.82%
	A Shares	Interests of controlled corporation	13,600,000 (L)	3.83%	2.50%
	A Shares	Interests held jointly with another person	152,984,812 (L)	43.13%	28.11%
	H Shares	Interests of controlled corporation	26,000,000(L)	13.71%	4.78%
	H Shares	Interests held jointly with another person	6,281,887(L)	3.31%	1.15%
Dr. Wang Liqiang[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Mr. Lin Jian[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%

OTHER INFORMATION

Notes:

(1) The letter "L" stands for long position.

(2) The calculation is based on percentage of shareholding in a total of 544,263,003 Shares, which consists of 189,581,239 H Shares and 354,681,764 A Shares as at June 30, 2022.

(3) As at June 30, 2022, each of Yantai Rongda Venture Capital Center (Limited Partnership) (煙台榮達創業投資中心(有限合夥)) ("Rongda"), Yantai Rongqian Enterprise Management Center (Limited Partnership) (煙台榮謙企業管理中心(有限合夥)) ("Rongqian"), Yantai Rongshi Enterprise Management Center (Limited Partnership) (煙台榮實企業管理中心(有限合夥)) ("Rongshi"), Yantai Rongyi Enterprise Management Center (Limited Partnership) (煙台榮益企業管理中心(有限合夥)) ("Rongyi"), Yantai Rongjian Enterprise Management Center (Limited Partnership) (煙台榮建企業管理中心(有限合夥)) ("Rongjian") was a limited partnership established in the PRC. Each of Rongqian, Rongshi, Rongyi and Rongjian is an employee incentive platform and held 18,507,388, 9,190,203, 16,630,337 and 2,163,655 A Shares in our Company, respectively. Mr. Wang Weidong is the executive partner of each of Rongda, Rongqian, Rongshi, Rongyi and Rongjian. As such, under the SFO, Mr. Wang Weidong is deemed to be interested in the equity interests held by Rongda, Rongqian, Rongshi, Rongyi and Rongjian.

Further, as at June 30, 2022, RongChang Holding Group LTD. was a company incorporated in the British Virgin Islands. Mr. Wang Weidong was the sole director of RongChang Holding Group LTD. and RongChang Holding Group LTD. is accustomed to act in accordance with Mr. Wang Weidong's instructions. As such, under the SFO, Mr. Wang Weidong is deemed to be interested in the equity interests held by RongChang Holding Group LTD.

As at June 30, 2022, I-NOVA Limited was a company incorporated in the British Virgin Islands and was wholly-owned by Dr. Fang Jianmin. As such, under the SFO, Dr. Fang Jianmin is deemed to be interested in the equity interests held by I-NOVA Limited.

On April 16, 2020, Mr. Wang Weidong, Dr. Fang Jianmin, Mr. Lin Jian, Dr. Wang Liqiang, Mr. Wang Xudong, Mr. Deng Yong, Mr. Xiong Xiaobin, Mr. Wen Qingkai, Ms. Yang Minhua, Mr. Wei Jianliang, Rongda, RongChang Holding Group LTD. and I-NOVA Limited entered into a concert party agreement to confirm that they have acted in concert in the management, decision-making and all major decisions of our Group. As such, each of the Concert Parties are deemed to be interested in the Shares each other is interested in.

Save as disclosed above, as at June 30, 2022, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as at June 30, 2022, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director, Supervisor or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares or underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage of shareholding[2]
Yantai Rongda Venture Capital Center (Limited Partnership) (煙台榮達創業投資中心（有限合夥））[3]	A Shares	Beneficial owner	102,381,891 (L)	28.87%	18.81%
	A Shares	Interests held jointly with another person	90,421,241 (L)	25.49%	16.61%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Yantai Rongqian Enterprise Management Center Limited Partnership) (煙台榮謙企業管理中心（有限合夥））[3]	A Shares	Beneficial owner	18,507,388 (L)	5.22%	3.40%
RongChang Holding Group LTD.[3]	A Shares	Beneficial owner	4,111,338 (L)	1.16%	0.76%
	A Shares	Interests held jointly with another person	188,691,794 (L)	53.20%	34.67%
	H Shares	Interests held jointly with another person	26,000,000 (L)	13.71%	4.78%
	H Shares	Beneficial owner	6,281,887 (L)	3.31%	1.15%
I-NOVA Limited[3]	A Shares	Beneficial owner	13,600,000 (L)	3.83%	2.50%
	A Shares	Interests held jointly with another person	179,203,132 (L)	50.53%	32.93%
	H Shares	Interests held jointly with another person	6,281,887 (L)	3.31%	1.15%
	H Shares	Beneficial owner	26,000,000 (L)	13.71%	4.78%
Mr. Wang Xudong[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Mr. Deng Yong[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Mr. Xiong Xiaobin[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Mr. Wen Qingkai[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Ms. Yang Minhua[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%
Mr. Wei Jianliang[3]	A Shares	Interests held jointly with another person	192,803,132 (L)	54.36%	35.42%
	H Shares	Interests held jointly with another person	32,281,887 (L)	17.03%	5.93%

OTHER INFORMATION

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares or underlying Shares[1]	Approximate percentage in relevant class of Shares[2]	Approximate percentage of shareholding[2]
Fund for the transformation of National Science and Technology Major Project (國投(上海)科技成果轉化創業投資基金企業(有限合夥)) ("SDIC Venture")[4]	A Shares	Beneficial owner	24,732,556 (L)	6.97%	4.54%
SDIC (Shanghai) Venture Capital Management Co., Ltd. (國投(上海) 創業投資管理有限公司)[4]	A Shares	Interests of controlled corporation	24,732,556 (L)	6.97%	4.54%
SDIC Venture Capital Management Co., Ltd. (國投創業投資管理有限公司)[4]	A Shares	Interests of controlled corporation	24,732,556 (L)	6.97%	4.54%
China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司)[4][5]	A Shares	Interests of controlled corporation	30,009,213 (L)	8.46%	5.51%
State Development & Investment Corporation (國家開發投資集團有限公司)[4][5]	A Shares	Interests of controlled corporation	30,009,213 (L)	8.46%	5.51%
RC-Biology Investment Ltd.	H Shares	Beneficial owner	10,818,262 (L)	5.71%	1.99%

OTHER INFORMATION

Notes:

(1) The letter "L" stands for long position.

(2) The calculation is based on percentage of shareholding in a total of 544,263,003 Shares, which consists of 189,581,239 H Shares and 354,681,764 A Shares as at June 30, 2022.

(3) Please refer to the footnote (3) under the heading "DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above.

(4) SDIC Venture beneficially owns 24,732,556 A Shares and is a limited partnership incorporated in the PRC, whose executive partner is SDIC (Shanghai) Venture Capital Management Co., Ltd. (國投(上海)創業投資管理有限公司), a wholly-owned subsidiary of SDIC Venture Capital Management Co., Ltd. (國投創業投資管理有限公司), which is owned as to 40% by China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司).

China SDIC Gaoxin Industrial Investment Corp., Ltd. is a wholly-owned subsidiary of State Development & Investment Corporation (國家開發投資集團有限公司), a state-owned entity incorporated in the PRC.

As such, under the SFO, each of SDIC (Shanghai) Venture Capital Management Co., Ltd., SDIC Venture Capital Management Co., Ltd., China SDIC Gaoxin Industrial Investment Corp., Ltd. and State Development & Investment Corporation is deemed to be interested in the equity interests held by SDIC Venture.

(5) SDIC Chuanghe National Leading Fund of Emerging Industries VC (Limited Partnership) (國投創合國家新興產業創業投資引導基金(有限合夥)) ("SDIC Chuanghe") beneficially owns 3,769,042 A Shares and is a limited partnership incorporated in the PRC, whose executive partner is SDIC Unity Capital Co., Ltd. (國投創合基金管理有限公司).

Hangzhou Chuanghe Select Venture Capital (Limited Partnership) (杭州創合精選創業投資合夥企業(有限合夥)) ("Hangzhou Chuanghe") beneficially owns 1,507,615 A Shares and is a limited partnership incorporated in the PRC, whose executive partner is SDIC Unity (Hangzhou) Start-up Investment Management Co., Ltd. (國投創合(杭州)創業投資管理有限公司), a wholly-owned subsidiary of SDIC Unity Capital Co., Ltd.

SDIC Unity Capital Co., Ltd. is owned as to 40% by State Development and Hi-tech Investment Corp. (國投高科技投資有限公司), a wholly-owned subsidiary of China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司). Please refer to footnote (4) for shareholding information of China SDIC Gaoxin Industrial Investment Corp., Ltd.

As such, under the SFO, each of SDIC Unity Capital Co., Ltd., State Development and Hi-tech Investment Corp. and China SDIC Gaoxin Industrial Investment Corp., Ltd. is deemed to be interested in the equity interests held by SDIC Chuanghe, and each of SDIC Unity (Hangzhou) Start-up Investment Management Co., Ltd., SDIC Unity Capital Co., Ltd., State Development and Hi-tech Investment Corp. (國投高科技投資有限公司) and China SDIC Gaoxin Industrial Investment Corp., Ltd. is deemed to be interested in the equity interests held by Hangzhou Chuanghe.

Save as disclosed above, as at June 30, 2022, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

FIRST H SHARE AWARD AND TRUST SCHEME

The Company adopted the First H Share Award and Trust Scheme on March 23, 2021. The First H Share Award and Trust Scheme involves no issue of new shares or granting of option for any new securities of the Company. Thus it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

The purposes of the First H Share Award and Trust Scheme are: (i) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company; (ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and (iii) to (a) recognize the contributions of the leadership of the Company including the Directors; (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to those of the Shareholders and the Group as a whole. The Directors are of the view that the adoption of the First H Share Award and Trust Scheme will realize the aforesaid goals, and that the terms and conditions of the First H Share Award and Trust Scheme are normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Eligible participant who may participate in the First H Share Award and Trust Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director, senior management, key operating team member, employee, or, a consultant of the Group.

The maximum size of the First H Share Award and Trust Scheme shall be the maximum number of H Shares that will be acquired by the trustee through on-market transactions from time to time at the prevailing market price, and in any case being not more than 7,347,550 H Shares (the "Scheme Limit"). The Company shall not make any further grant of award which will result in the aggregate number of H Shares underlying all grants made pursuant to the First H Share Award and Trust Scheme (excluding award shares that have been forfeited in accordance with the First H Share Award and Trust Scheme) to exceed the Scheme Limit without Shareholders' approval. For details of the principle terms of the First H Share Award and Trust Scheme, please refer to the circular of the Company dated March 5, 2021.

As at June 30, 2022, a total of 1,455,000 H Shares were granted to the selected persons (representing approximately 0.27% of the total issued Shares of the Company) and of which 295,000 H Shares have been vested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended June 30, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B(1) of the Lisitng Rules, the changes in information of Directors, Supervisors and Chief Executive are set out below:

Mr. Hao Xianjing ceased to be an independent director of AVCON Information Technology Co., Ltd. (華平信息技術股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 300074).

COMPLIANCE WITH THE CG CODE

The Company has adopted the principles and code provisions as set out in the CG Code, and has complied with all applicable code provisions during the six months ended June 30, 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, each of them has confirmed that he/she has complied with the Model Code during the six months ended June 30, 2022. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

REVIEW OF INTERIM REPORT

The independent auditor of the Company, namely, Ernst & Young, has carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management and the independent auditor of the Company the accounting principles and policies adopted by the Group and financial reporting matters (including the review of the unaudited condensed consolidated interim results for the six months ended June 30, 2022) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the Reporting Period (2021: nil).

By order of the Board of
RemeGen Co., Ltd.
Mr. Wang Weidong
Chairman and Executive Director

Yantai, the PRC
August 30, 2022

INDEPENDENT REVIEW REPORT

To the board of directors of RemeGen Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 61, which comprises the condensed consolidated statement of financial position of RemeGen Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
30 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	*5*	**348,779**	29,192
Cost of sales		**(167,505)**	(4,640)
Gross profit		**181,274**	24,552
Other income and gains		**53,676**	32,450
Selling and distribution expenses		**(149,961)**	(60,892)
Administrative expenses		**(106,919)**	(98,620)
Research and development costs		**(449,672)**	(326,604)
Impairment losses on financial assets, net		**(5,595)**	(225)
Other expenses		**(9,754)**	(12,234)
Finance costs		**(2,175)**	(2,470)
LOSS BEFORE TAX	*6*	**(489,126)**	(444,043)
Income tax expense	*7*	**–**	–
LOSS FOR THE PERIOD		**(489,126)**	(444,043)
Attributable to:			
Owners of the parent		**(489,126)**	(444,043)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*9*	**(0.96)**	(0.91)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
LOSS FOR THE PERIOD	**(489,126)**	(444,043)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,496**	56
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**–**	(1,893)
Income tax effect	**–**	473
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**2,496**	(1,364)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(486,630)**	(445,407)
Attributable to:		
Owners of the parent	**(486,630)**	(445,407)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,802,536**	1,577,687
Right-of-use assets		**131,211**	148,856
Other intangible assets	*11*	**14,734**	13,143
Equity investments designated at fair value through other comprehensive income		**12,067**	12,067
Pledged deposits	*12*	**594**	564
Other non-current assets	*13*	**143,234**	106,939
Total non-current assets		**2,104,376**	1,859,256
CURRENT ASSETS			
Inventories	*14*	**362,419**	280,314
Trade and bills receivables	*15*	**130,692**	7,050
Prepayments, other receivables and other assets	*16*	**299,236**	177,091
Financial assets at fair value through profit or loss		**552,761**	–
Pledged deposits	*12*	**69,769**	78,677
Cash and cash equivalents	*12*	**2,589,962**	1,756,821
Total current assets		**4,004,839**	2,299,953
CURRENT LIABILITIES			
Trade and bills payables	*17*	**156,827**	159,259
Other payables and accruals		**362,756**	393,130
Lease liabilities		**35,357**	52,454
Deferred income		**4,090**	4,442
Other current liabilities		**5,125**	7,117
Total current liabilities		**564,155**	616,402

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NET CURRENT ASSETS		**3,440,684**	1,683,551
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,545,060**	3,542,807
NON-CURRENT LIABILITIES			
Lease liabilities		**52,705**	50,324
Deferred tax liabilities		**310**	310
Deferred income		**45,441**	45,751
Total non-current liabilities		**98,456**	96,385
Net assets		**5,446,604**	3,446,422
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**544,263**	489,837
Treasury shares		**(466,260)**	(449,170)
Reserves		**5,368,601**	3,405,755
Total equity		**5,446,604**	3,446,422

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent							
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserve RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2022 (Audited)	489,837	(449,170)	3,709,340	33,980	309	5,576	(343,450)	3,446,422
Loss for the period	–	–	–	–	–	–	(489,126)	(489,126)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	–	–	–	–	–	2,496	–	2,496
Total comprehensive income/(loss) for the period	–	–	–	–	–	2,496	(489,126)	(486,630)
Issue of A shares in initial public offering ("IPO")	54,426	–	2,451,519	–	–	–	–	2,505,945
Repurchase of H shares under First H Share Award and Trust Scheme	–	(40,923)	–	–	–	–	–	(40,923)
Vesting of awards under First H Share Award and Trust Scheme	–	23,833	(13,669)	–	–	–	–	10,164
Share-based payments	–	–	–	11,626	–	–	–	11,626
At 30 June 2022 (Unaudited)	544,263	(466,260)	6,147,190	45,606	309	8,072	(832,576)	5,446,604

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2022

	Attributable to owners of the parent							
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Other reserve RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021 (Audited)	489,837	–	3,709,340	14,690	732	(270)	(619,708)	3,594,621
Loss for the period	–	–	–	–	–	–	(444,043)	(444,043)
Other comprehensive income/(loss) for the period:								
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(1,420)	–	–	(1,420)
Exchange differences on translation of foreign operations	–	–	–	–	–	56	–	56
Total comprehensive income/(loss) for the period	–	–	–	–	(1,420)	56	(444,043)	(445,407)
Repurchase of H shares under First H Share Award and Trust Scheme	–	(219,518)	–	–	–	–	–	(219,518)
Share-based payments	–	–	–	10,104	–	–	–	10,104
At 30 June 2021 (Unaudited)	489,837	(219,518)	3,709,340	24,794	(688)	(214)	(1,063,751)	2,939,800

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(489,126)**	(444,043)
Adjustments for:			
Finance costs		**2,175**	2,470
Bank interest income		**(31,340)**	(16,367)
Gain on early termination of leases		**–**	(16)
Depreciation of property, plant and equipment	*6,10*	**56,594**	29,694
Depreciation of right-of-use assets	*6*	**30,883**	24,623
Amortisation of other intangible assets	*6,11*	**1,421**	941
Amortisation of long-term prepayments	*6*	**347**	35
Impairment of financial assets, net	*6*	**5,595**	225
Share-based payment expenses	*6*	**11,626**	10,076
Loss on disposal of items of property, plant and equipment		**472**	263
Foreign exchange differences, net		**(10,061)**	5,747
		(421,414)	(386,352)
Increase in inventories		**(82,105)**	(43,978)
Increase in trade and bills receivables		**(205,516)**	(10,290)
Increase in prepayments, other receivables and other assets		**(111,610)**	(82,955)
Decrease/(increase) in other non-current assets		**54,282**	(6,204)
Increase in trade and bills payables		**37,801**	21,766
Decrease in other payables and accruals		**(5,858)**	(20,020)
Decrease/(increase) in pledged deposits		**5,703**	(3,335)
Decrease in deferred income in respect of government grants related to income		**(5,462)**	(9,295)
Cash used in operations		**(734,179)**	(540,663)
Interest received		**30,491**	15,568
Net cash flows used in operating activities		**(703,688)**	(525,095)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(381,110)**	(298,940)
Purchase of items of other intangible assets	**(1,818)**	(2,658)
Receipts of government grants related to assets	**4,800**	10,630
Purchases of financial investments	**(735,500)**	–
Redemption of financial investments	**186,000**	–
Interest received from wealth management products	**212**	–
Decrease/(increase) in pledged deposits	**4,024**	(57,145)
Net cash flows used in investing activities	**(923,392)**	(348,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**–**	(108,000)
Proceeds from issue of A shares through IPO	**2,612,462**	–
Payment of issuance costs in relation to A share IPO	**(92,552)**	(4,583)
Repurchase of H shares under First H Share Award and Trust Scheme	**(40,923)**	(219,518)
Interest paid	**(2,175)**	(2,694)
Principal portion of lease payments	**(25,807)**	(20,962)
Net cash flows from/(used in) financing activities	**2,451,005**	(355,757)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**823,925**	(1,228,965)
Cash and cash equivalents at beginning of period	**1,756,821**	2,768,521
Effect of foreign exchange rate changes, net	**9,216**	(5,558)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,589,962**	1,533,998
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,660,325**	1,636,066
Less: pledged deposits	**(70,363)**	(102,068)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**2,589,962**	1,533,998

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE AND GROUP INFORMATION

RemeGen Co., Ltd. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 4 July 2008 as a limited liability company. On 12 May 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office of the Company is located at 58 Middle Beijing Road, Yantai Development Zone, Yantai Area of Shandong Pilot Free Trade Zone, PRC.

During the current period, the Company and its subsidiaries (the "Group") were principally engaged in the biopharmaceutical research, biopharmaceutical service, and biopharmaceutical production and sale.

Information about subsidiaries

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

Name	Place and date of registration/incorporation and place of operations	Nominal value of issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
RemeGen Biosciences, Inc. (previously known as "RC Biotechnologies, Inc.")	Delaware, United States of America ("USA") 18 April 2011	1,500 ordinary shares	100%	–	Research and development, registration and business development
Ruimeijing (Beijing) Pharmaceutical Technology Co., Ltd. (瑞美京(北京)醫藥科技有限公司)*	Beijing, PRC 14 August 2019	RMB1,000,000	100%	–	Research and development
RemeGen Hong Kong Limited	Hong Kong 26 September 2019	United States dollars ("USD") 14,000,000	100%	–	Research and development
RemeGen Medical Research (Shanghai) Co., Ltd. (榮昌生物醫藥研究(上海)有限公司)*	Shanghai, PRC 20 May 2020	RMB8,000,000	100%	–	Research and development
RemeGen Australia Pty Ltd	South Australia 3 March 2021	100 ordinary shares	–	100%	Research and development and business development

* The English names of these subsidiaries represent the best efforts made by management of the Company to translate the Chinese names as they do not have official English names registered in the PRC. These subsidiaries were registered as domestic limited liability companies under PRC law.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the revised IFRSs are described below: (continued)

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the biopharmaceutical research, biopharmaceutical service, biopharmaceutical production and sale, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	**328,668**	29,192
USA	**20,111**	–
	348,779	29,192

(b) Non-current assets

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	**2,023,805**	1,781,060
USA	**67,910**	65,499
Australia	**–**	66
	2,091,715	1,846,625

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and other non-financial assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of goods	**328,668**	29,192
Licensing revenue	**20,111**	–
	348,779	29,192

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**328,668**	29,192
USA	**20,111**	–
	348,779	29,192

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	**348,779**	29,192

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**167,505**	4,640
Research and development costs	**449,672**	326,604
Including: Employee benefit expenses	**153,043**	99,101
Depreciation of property, plant and equipment	**56,594**	29,694
Depreciation of right-of-use assets	**30,883**	24,623
Amortisation of other intangible assets	**1,421**	941
Amortisation of long-term prepayments	**347**	35
Listing expenses	**1,002**	747
Auditor's remuneration	**780**	560
Government grants	**(11,636)**	(14,244)
Expenses relating to short-term leases and leases of low-value assets	**1,422**	3,722
Employee benefit expenses	**335,309**	199,295
Foreign exchange differences	**(6,995)**	5,650
Impairment of financial assets:		
Impairment of trade receivables	**5,070**	74
Impairment of financial assets included in prepayments, other receivables and other assets	**525**	151
Bank interest income	**(31,340)**	(16,367)
Loss on disposal of items of property, plant and equipment	**472**	263
Share-based payment expenses	**11,626**	10,104

7. INCOME TAX EXPENSE

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

The subsidiary incorporated in the USA is subject to America federal and California state income tax. America federal income tax was provided at the rate of 21% and California income tax was provided at the rate of 8.84% during the six months ended 30 June 2022 on the estimated assessable profits arising in the USA.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the six months ended 30 June 2022. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

7. INCOME TAX EXPENSE (CONTINUED)

The subsidiary incorporated in South Australia is subject to South Australia profits tax at the rate of 25% when aggregated turnover is under the threshold of AUD50 million, or at the rate of 30% when aggregated turnover is over AUD50 million. No provision for South Australia profits tax has been made as the Group had no assessable profits derived from or earned in South Australia during the six months ended 30 June 2022.

No current income tax and deferred income tax were charged for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

8. DIVIDENDS

No dividend has been declared and paid by the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

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

The calculation of the basic loss per share amount is based on the loss for the reporting period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the reporting period.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(489,126)**	(444,043)

	Number of shares For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**511,374,317**	489,525,705

Diluted earnings per share equals basic earnings per share as the Company had no dilutive potential ordinary shares for the six months ended 30 June 2022 and 30 June 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

In order to attract and motivate technical talents, encourage and motivate employees who have made beneficial contributions to the Company, and continuously improve the salary incentive system, on 3 February 2021 and 23 March 2021, the Company's board of directors and shareholders' meeting reviewed and approved the First H Share Award and Trust Scheme. According to the scheme, the board of directors of the Company may from time to time in its absolute discretion, pay funds to the trustee with funds of the Company for the purchase of a specified number of H shares from the open market in accordance with the written instructions of the board of directors. The repurchased funds and purchased shares are held by RC Talent Success Limited ("HoldCo") established by the trustee for the trust. As at 30 June 2022, the Company has prepaid HoldCo HK$620 million for the repurchase of H shares. HoldCo purchased 6,066,000 H shares in the market at an average price of approximately HK$97.39 per share, with a total amount of HK$563,070,743.75 (equivalent to RMB466,509,286.16). As at 30 June 2022, 295,000 H shares of the First H Share Award and Trust Scheme have been awarded to the incentive recipients and 5,771,000 H shares are held by HoldCo.

10. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount at beginning of period	**1,577,687**	802,568
Additions	**329,115**	412,223
Adjustment	**(48,388)**	(3,104)
Depreciation	**(56,594)**	(29,694)
Disposals	**(472)**	(263)
Exchange realignment	**1,188**	(63)
Carrying amount at end of period	**1,802,536**	1,181,667

11. OTHER INTANGIBLE ASSETS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount at beginning of period	**13,143**	5,095
Additions	**3,012**	5,348
Amortisation	**(1,421)**	(941)
Carrying amount at end of period	**14,734**	9,502

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	**2,028,232**	1,205,696
Time deposits	**632,093**	630,366
	2,660,325	1,836,062
Less: Pledged for bills payable (note (a))	**(63,880)**	(73,643)
Pledged for wages of migrant workers (note (b))	**(3,403)**	(3,397)
Interest receivable recorded in pledged deposits (note (c))	**(2,486)**	(1,637)
Pledged for an office lease (note (d))	**(594)**	(564)
Cash and cash equivalents	**2,589,962**	1,756,821

Notes:

(a) As at 30 June 2022, the amounts of bank balances of RMB63,880,000 (31 December 2021: RMB73,643,000) were pledged for bills payable.

(b) As at 30 June 2022, the amounts of bank balances of RMB3,403,000 (31 December 2021: RMB3,397,000) were pledged for wages of migrant workers.

(c) As at 30 June 2022, the amounts of bank balances of RMB1,872,000 (31 December 2021: RMB1,005,000) and the amounts of time deposits of RMB614,000 (31 December 2021: RMB632,000) were interest receivable.

(d) As at 30 June 2022, the amounts of bank balances of RMB594,000 (31 December 2021: RMB564,000) were pledged for an office lease.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three 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 pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

The Group's cash and cash equivalents as at the end of the reporting period are denominated in the following currencies:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Denominated in RMB	**2,437,707**	1,505,715
Denominated in HKD	**25,039**	3,877
Denominated in USD	**125,876**	245,747
Denominated in AUD	**1,340**	1,482
	2,589,962	1,756,821

The RMB is not freely convertible into other currencies, however, under Mainland China'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.

13. OTHER NON-CURRENT ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments for property, plant and equipment	**141,099**	50,141
Value-added tax recoverable	**–**	54,678
Others	**2,135**	2,120
	143,234	106,939

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

14. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	**179,271**	174,899
Work in progress	**159,687**	97,500
Finished goods	**21,485**	7,128
Contract cost assets	**1,976**	–
Low-value consumption materials	**–**	787
	362,419	280,314

15. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	**103,809**	2,433
Impairment	**(5,191)**	(121)
Trade receivables, net	**98,618**	2,312
Bills receivable	**32,074**	4,738
	130,692	7,050

Trade receivables mainly consist of receivables of sales of goods.

For receivables of sales of goods, the Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is generally one month.

The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

15. TRADE AND BILLS RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	95,460	2,312
1 to 2 months	679	–
2 to 3 months	–	–
3 to 6 months	2,479	–
	98,618	2,312

The movements in the loss allowance for impairment of trade receivables are as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At 1 January	121	–
Impairment losses, net	5,070	74
At 30 June	5,191	74

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Value-added tax recoverable	**13,056**	27,433
A-share IPO Listing fees	**–**	18,102
Prepayments	**266,697**	124,095
Due from related parties (note 20)	**2,396**	1,675
Deposits and other receivables	**17,968**	6,142
	300,117	177,447
Impairment allowance	**(881)**	(356)
	299,236	177,091

Financial assets included in prepayments, other receivables and other assets mainly represent deposits with suppliers and other parties. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. Other receivables had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of the period. In calculating the expected credit loss rate, the Group considers the flow rate and adjusts for forward-looking macroeconomic data.

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be normal because they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The Group applies an "expected credit loss ("ECL") model" to evaluate the credit losses for other receivables. The movements in provision for impairment of other receivables are as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At 1 January	**356**	135
Impairment losses, net (note 6)	**525**	151
At 30 June	**881**	286

17. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	**116,985**	119,138
3 to 6 months	**27,085**	39,938
6 months to 1 year	**7,083**	46
Over 1 year	**5,674**	137
	156,827	159,259

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

18. SHARE CAPITAL

Shares

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid:		
544,263,003 (2021: 489,836,702) ordinary shares	**544,263**	489,837

Share capital

	Number of shares in issue	Share capital RMB'000
At 1 January 2021 and 31 December 2021 and 1 January 2022	489,836,702	489,837
Issue of shares from A-share initial public offering (note (a))	54,426,301	54,426
At 30 June 2022	544,263,003	544,263

In November 2020, the Company issued its first stock on the Hong Kong Stock Exchange and issued 76,537,000 ordinary shares at HK$52.10 per share. The raised funds were equivalent to RMB3,400,606,000. After deducting the issuance costs, the actual net funds raised were RMB3,284,244,000, including RMB76,537,000 of share capital and RMB3,207,707,000 of share premium.

Note:

(a) In connection with the Company's A-share initial public offering on the STAR Market of Shanghai Stock Exchange on 31 March 2022, 54,426,301 ordinary shares of RMB1.00 each were issued at a subscription price of RMB48.00 per share. After deducting expenses relating to the issue of shares, the share capital and share premium of the Company increased by RMB54,426,000 and RMB2,437,850,000, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	**415,573**	523,405

20. RELATED PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed elsewhere in the interim condensed consolidated financial information, the following is a summary of the significant related party transactions entered into during the ordinary course of business between the Group and its related parties.

(a) Information of related parties

	Relationships with the Group
Yantai MabPlex International Biomedical Co., Ltd. (煙台邁百瑞國際生物醫藥股份有限公司) ("MabPlex International")	(iii)
MabPlex Shanghai,Ltd. (邁百瑞生物醫藥(上海)有限公司) ("MabPlex Shanghai")	(iii)
Yantai CelluPro Biotechnology Co., Ltd. (煙台賽普生物技術有限公司) ("CelluPro Biotechnology")	(i)
Yantai Yeda International Biomedical Innovation Incubation Center Co., Ltd. (煙台業達國際生物醫藥創新孵化中心有限公司) ("Yeda International")	(i)
Rongchang Pharmaceuticals (煙台榮昌製藥股份有限公司)	(ii)
Yantai Lida Medicine Co., Ltd. (煙台立達醫藥有限公司) ("Lida Pharmaceutical")	(i)
Shanghai Kangkang Medical Technology Center (上海康康醫藥科技中心) ("Kangkang Medical")	(i)
Shanghai Kangkang Medical Technology Co., Ltd. (上海康康醫療科技有限公司) ("Kangkang")	(i)
Yantai Rongchang Biomedical Industry Technology Research Institute Co., Ltd. (煙台榮昌生物醫藥產業技術研究院有限公司) ("Rongchang Biomedical Industry")	(i)

The English names of the companies registered in the PRC represent the best efforts made by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Information of related parties (Continued)

(i) These entities were subsidiaries of Rongchang Pharmaceuticals which was majority-owned during the period by the Concert Parties as defined below.

(ii) Rongchang Pharmaceuticals held a 100% equity interest in the Company before December 2019.

Before the reorganisation of the Group in December 2019, all of the Company's paid-in capital was injected by Rongchang Pharmaceuticals. Pursuant to the Company reorganisation, the paid-in capital of the Company held by Rongchang Pharmaceuticals has been transferred to various shareholders in proportion to their respective shareholdings in Rongchang Pharmaceuticals.

Pursuant to a concert party agreement dated 16 April 2020 and entered into amongst Dr. Fang Jianmin, Mr. Wang Weidong, Mr. Lin Jian, Mr. Xiong Xiaobin, Dr. Wang Liqiang, Mr. Wang Xudong, Mr. Deng Yong, Ms. Yang Minhua, Mr. Wen Qingkai and Mr. Wei Jianliang, Yantai Rongda Venture Capital Center (Limited Partnership), RongChang Holding Group Ltd., and I-NOVA Limited (together, the "Concert Parties"), confirmed that they have acted in concert in the management, decision-making and all major decisions of the Group since 1 January 2017, and they have agreed to continue to act in concert and reach consensus on any proposal presented to the general meeting of the shareholders of the Company for voting. In the event that they fail to reach such consensus, each of the Concert Parties shall exercise their respective indirect voting rights in accordance with majority vote amongst the Concert Parties.

In the opinion of the directors, the Company was controlled by the Concert Parties during the period and up to the date of these financial statements.

(iii) These entities were controlled by the Concert Parties as defined above.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income		
MabPlex International	**779**	1,549
Purchases of materials		
CelluPro Biotechnology	**13,942**	8,614
MabPlex Shanghai	**–**	259
	13,942	8,873
Purchases of services		
Rongchang Pharmaceuticals	**18,907**	14,085
Kangkang	**9,388**	7,548
MabPlex International	**4,324**	3,374
Yeda International	**632**	578
	33,251	25,585

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period: (Continued)

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchases of equipment		
MabPlex International	**–**	3,682
MabPlex Shanghai	**–**	10,779
	–	14,461
Rental expenses		
Yeda International	**38**	32
MabPlex International	**–**	1,139
	38	1,171
Repayment of lease liabilities		
Yeda International	**17,927**	17,927
MabPlex International	**877**	–
	18,804	17,927
Interest expenses on lease liabilities		
Yeda International	**573**	1,582
MabPlex International	**65**	–
	638	1,582

Note:

During the six months ended 30 June 2022, the transactions were carried out in accordance with mutually agreed terms and conditions during the ordinary course of business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade and bills payables		
Kangkang	**1,417**	–
Prepayments, other receivables and other assets		
Yeda International	**64**	64
MabPlex International	**2,332**	1,611
	2,396	1,675
Other payables and accruals		
Rongchang Pharmaceuticals	**11,064**	11,057
Yeda International	**43**	–
	11,107	11,057
Other non-current assets		
Yeda International	**481**	738
Lease liabilities		
Yeda International	**17,228**	34,582
MabPlex International	**10,616**	–
	27,844	34,582

Note:

The Group's balances due from and due to the related companies are trade in nature, unsecured, interest-free and have no fixed terms of repayment as at the end of each period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	**873**	450
Salaries, allowances and benefits in kind	**10,315**	6,332
Performance-related bonuses	**2,449**	1,870
Pension scheme contributions	**138**	91
Share-based payment expenses	**4,975**	6,596
Total compensation paid to key management personnel	**18,750**	15,339

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of pledged deposits, cash and cash equivalents, trade and bills payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their fair values because these financial instruments are mostly short-term in nature.

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Debt investments at fair value through other comprehensive income	**32,074**	4,738	**32,074**	4,738
Financial assets at fair value through profit or loss	**552,761**	–	**552,761**	–
Equity investments designated at fair value through other comprehensive income	**12,067**	12,067	**12,067**	12,067
	596,902	16,805	**596,902**	16,805

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the chief financial officer and the audit committee. At the end of each of the reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors periodically for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms.

The fair values of bills receivable and financial products issued by the banks designated at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of reporting period:

Financial instruments	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Discounted cash flow method	Discount rate	13.82% (31 December 2021:13.82%)	Increase/(decrease) in 1% would result in a (decrease)/increase in fair value by (RMB3,281,000)/RMB4,098,000 (31 December 2021: (RMB3,281,000)/ RMB4,098,000)
		Discount for lack of marketability	28.84% (31 December 2021:28.84%)	Increase/(decrease) in 5% would result in a (decrease)/increase in fair value by (RMB848,000)/RMB848,000 (31 December 2021: (RMB848,000)/ RMB848,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

21. 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 30 June 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Debt investments at fair value through other comprehensive income	–	32,074	–	32,074
Financial assets at fair value through profit or loss	–	552,761	–	552,761
Equity investments designated at fair value through other comprehensive income	–	–	12,067	12,067
	–	584,835	12,067	596,902

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Debt investments at fair value through other comprehensive income	–	4,738	–	4,738
Equity investments designated at fair value through other comprehensive income	–	–	12,067	12,067
	–	4,738	12,067	16,805

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30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The movements in fair value measurement within Level 3 during the period are as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Equity investments designated at fair value through other comprehensive income		
At 1 January	**12,067**	12,907
Total losses recognised in other comprehensive income	**–**	(1,893)
At 30 June	**12,067**	11,014

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

22. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2022.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 30 August 2022.

DEFINITIONS AND GLOSSARY

"A Share(s)"	domestic RMB ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Sci-Tech Board
"A Share Offering"	the initial public offering of A shares of the Company on March 31, 2022
"ADC"	antibody-drug conjugates, a class of biopharmaceutical drug composed of monoclonal antibodies targeted against specific tumor cell surface antigens linked, via chemical linkers, to highly potent anti-tumor small molecule agents
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors of the Company
"CDE"	Center for Drug Evaluation, NMPA
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
"China Construction Bank"	Yantai Branch of China Construction Bank Corporation (中國建設銀行股份有限公司)
"Company"	RemeGen Co., Ltd.* (榮昌生物製藥(煙台)股份有限公司), a company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Main Board of the Stock Exchange (stock code: 9995) and the Sci-Tech Board of the Shanghai Stock Exchange (stock code: 688331), respectively
"Controlling Shareholder(s)" or "Concert Party(ies)"	has the meaning ascribed under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang Weidong (王威東), Dr. Fang Jianmin (房健民), Mr. Lin Jian (林健), Dr. Wang Liqiang (王荔強), Mr. Wang Xudong (王旭東), Mr. Deng Yong (鄧勇), Mr. Xiong Xiaobin (熊曉濱), Mr. Wen Qingkai (溫慶凱), Ms. Yang Minhua (楊敏華), Mr. Wei Jianliang (魏建良), Yantai Rongda Venture Capital Center (Limited Partnership) (煙台榮達創業投資中心(有限合夥)), RongChang Holding Group LTD. and I-NOVA Limited, and each of them, a "Controlling Shareholder" or "Concert Party"
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this report, our core products include telitacicept (RC18), disitamab vedotin (RC48) and RC28

DEFINITIONS AND GLOSSARY

"Director(s)"	the director(s) of the Company
"FDA"	the U.S. Food and Drug Administration
"FISH"	fluorescence in situ hybridization, a type of in situ hybridization (ISH) test that detects the genetic material in human cells, including specific genes or portions of genes. In the case of HER2 FISH test, fluorescent labels are used to attach to the hybrid of HER2-genes and the probes and return a score of either positive (+) or negative (-)
"First H Share Award and Trust Scheme"	the First H Share Award and Trust Scheme adopted by the Company on March 23, 2021
"GC"	gastric cancer
"Group", "we", "us" or "our"	the Company and its subsidiaries
"HER2"	human epidermal growth factor receptor 2
"H Shares"	overseas listed foreign ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IgAN"	IgA nephropathy or IgA Nephritis, an autoimmune kidney disease that occurs when immunoglobulin A (IgA) deposits build up in the kidneys, causing localized inflammation that, over time, can hamper the kidneys' ability to filter waste from the blood
"IHC"	immunohistochemistry, a test that uses a chemical dye to stain and measure specific proteins. IHC staining for HER2 status is the most widely used initial approach for evaluating HER2 as a predictor of response to anti-HER2 therapy. The HER2 IHC test gives a score of 0 to 3+ that measures the amount of HER2 proteins on the surface of cells in a tissue sample
"Listing" or "Listing of H Shares"	the listing of the H Shares of the Company on the Main Board of the Stock Exchange on November 9, 2020
"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

DEFINITIONS AND GLOSSARY

"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that binds to its receptor, PD-1, on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"Prospectus"	the prospectus issued by the Company dated October 28, 2020
"Qingdao Bank"	Technology sub-branch of Yantai Development Zone of Bank of Qingdao Co., Ltd. (青島銀行股份有限公司煙台開發區科技支行)
"Reporting Period"	the six months ended June 30, 2022
"RMB"	Renminbi, the lawful currency of China
"Sci-Tech Board"	the Science and Technology Innovation Board of the Shanghai Stock Exchange
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the A Shares and H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of the Company
"U.S." or "United States" or "USA"	the United States of America
"USD"	United States dollars, the lawful currency of the United States
"%"	percent