ALPHAMAB ONCOLOGY

康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9966)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of Alphamab Oncology (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2023 (the "**Reporting Period**"), together with the comparative figures for the same period of 2022.

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

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**136,465**	53,569
Cost of sales	**(33,165)**	(14,820)
Gross profit	**103,300**	38,749
Other income	**42,979**	21,686
Other gains and losses	**48,751**	63,628
Research and development ("**R&D**") expenses	**(194,681)**	(216,399)
Administrative expenses	**(33,244)**	(44,097)
Finance costs	**(6,967)**	(10,876)
Loss before taxation	**(39,862)**	(147,309)
Income tax expense	**–**	–
Loss for the period	**(39,862)**	(147,309)
Other comprehensive expense for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**(572)**	(9)
Total comprehensive expense for the period	**(40,434)**	(147,318)

	As of June 30, 2023 ***RMB'000*** **(unaudited)**	As of December 31, 2022 *RMB'000* (audited)
Non-current assets	**605,652**	623,001
Current assets	**1,722,737**	1,494,530
Non-current liabilities	**220,273**	174,947
Current liabilities	**261,296**	384,912
Net assets	**1,846,820**	1,557,672

BUSINESS HIGHLIGHTS

Since January 1, 2023, being the beginning of the Reporting Period and up to the date of this announcement, we have been making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

PIPELINE PRODUCTS

- In February 2023, the Company entered into a strategic collaboration with Stemirna Therapeutics Co., Ltd. (斯微(上海)生物科技股份有限公司) pursuant to which the Company will explore combination therapy of KN052 with personalized messenger RNA (mRNA) tumor vaccine SWP1001 in certain types of solid tumor.

- In March 2023, the first patient was successfully dosed in a phase Ia/Ib clinical trial of JSKN003 conducted in the People's Republic of China ("**China**" or the "**PRC**"). For details, please refer to the Company's announcement dated March 15, 2023. This phase Ia/Ib clinical trial of JSKN003 was further approved by the ethical committee of its leading clinical site to be adjusted as a phase I/II clinical trial in May 2023.

- In March 2023, the pre-clinical research results of KN052 were accepted as Late-Breaking Research and were presented as poster at the 2023 annual meeting of American Association for Cancer Research in April 2023. The pre-clinical data of KN052 demonstrated its acceptable pharmacokinetic and safety profile and that its antitumor activity is significantly stronger than that of the two single-target control antibodies used alone and in combination.

- In May 2023, the phase III clinical trial of KN046 in combination with the platinum-based chemotherapy in patients with advanced unresectable or metastatic squamous non-small cell lung cancer ("**NSCLC**") was recommended by the independent data monitoring committee to continue the study and collect further follow-up overall survival ("**OS**") data till final OS analysis.

- In May 2023, the investigational new drug ("**IND**") approval for a phase III clinical trial of KN026 in combination with docetaxel (albumin binding) in the first-line treatment for human epidermal growth factor receptor 2 ("**HER2**")-positive recurrent or metastatic breast cancer ("**BC**") was granted by the National Medical Products Administration of China (國家藥品監督管理局) (the "**NMPA**").

- We achieved favorable efficacy and safety profile in a phase II clinical trial of KN026 in combination of KN046 in the treatment of locally advanced unresectable or metastatic HER2-positive solid tumors other than BC or gastric cancer ("**GC**")/gastroesophageal junction cancer ("**GEJ**"). Such results were presented at the 2023 annual meeting of American Society of Clinical Oncology in June 2023. For details, please refer to the Company's announcement dated June 6, 2023.

- We achieved good safety, tolerance and promising anti-tumor efficacy results in a phase I clinical trial of KN046 in the treatment of patients with advanced solid tumors, especially in nasopharyngeal carcinoma patients. Such results were published online in *Journal for ImmunoTherapy of Cancer*, the official journal of the Society for Immunotherapy of Cancer, in June 2023.

- In June 2023, the positive results of a six-month independent data monitoring committee review for the ongoing ENVASARC phase II pivotal clinical trial of KN035 (Envafolimab Injectable) were released by one of our collaboration partners, TRACON Pharmaceuticals, Inc., the shares of which are listed on the Nasdaq Global Select Market (ticker symbol: TCON). The results demonstrated a double-digit overall response rate and good tolerability.

- We achieved promising efficacy and favorable safety results in a phase II clinical trial of KN046 monotherapy in the treatment of advanced NSCLC. Such results were published in *European Journal of Cancer*, the official journal of the European Organization for Research and Treatment of Cancer and the European Society of Breast Cancer Specialists, in July 2023.

- In July 2023, the first patient was successfully dosed in a phase III clinical trial of KN026 in combination of HB1801, a kind of docetaxel for injection (albumin binding), versus trastuzumab combined with pertuzumab and docetaxel as the first-line treatment for HER2-positive recurrent or metastatic BC. For details, please refer to the Company's announcement dated July 28, 2023.

- The following six different research updates of KN046 and KN026 will be presented at the 2023 congress of European Society for Medical Oncology, which will take place in October 2023:

  – Preliminary efficacy and safety of KN046 in patients with metastatic NSCLC who previously treated with immune checkpoint inhibitor(s);

  – Updated results of the efficacy and safety of KN046 in patients with metastatic NSCLC who failed prior epidermal growth factor receptor tyrosine kinase inhibitor(s);

- The preliminary data from a single-arm, open-label, multi-center, phase II clinical trial: KN046 combined with axitinib as the first-line treatment for NSCLC;

- KN046 in patients with thymic carcinoma: a prospective, single-arm, multi-center, phase II study;

- Two-year follow-up data on the efficacy and safety of KN026 combined with docetaxel as the first-line treatment for HER2-positive recurrent/metastatic BC; and

- KN026 in combination with docetaxel as neoadjuvant treatment for HER2-positive early or locally advanced BC: a single-arm, multi-center, phase II study.

OTHER HIGHLIGHTS

- On July 6, 2020, we obtained a drug production license from Jiangsu Medical Products Administration (江蘇省藥品監督管理局) for our manufacturing facilities, with a 4,000L (2x2,000L) production capacity. The construction of our pilot plant and preparation workshop was completed in the first half of 2022, and we obtained another drug production license from Jiangsu Medical Products Administration on December 3, 2022. Since March 2023, we have put our manufacturing facilities with a 6,000L (3x2,000L) capacity, the expansion of which have been completed, into commissioning and in June 2023, we completed the validation of major equipment and systems, which is expected to be put in use for the investigational product manufacturing in the second half of 2023. The phase II construction is under planning and the facility is designed to house over 40,000L production capacity in total.

- On February 3, 2023, the Company, Rubymab Ltd. (the "**Top-up Vendor**") and Jefferies Hong Kong Limited (the "**Placing Agent**") entered into a placing and subscription agreement (the "**Placing and Subscription Agreement**"), pursuant to which, (i) the Top-up Vendor agreed to sell, and the Placing Agent agreed, as agent of the Top-up Vendor, to procure, on a best effort basis, purchasers to purchase 25,000,000 Placing Shares held by the Top-up Vendor (the "**Vendor Placing**") at a price of HK$15.22 per Placing Share; and (ii) the Top-up Vendor conditionally agreed to subscribe for (the "**Subscription**"), and the Company conditionally agreed to issue, 25,000,000 Subscription Shares at the Subscription Price, which is equivalent to the Placing Price. Completion of the Vendor Placing and the Subscription took place on February 7, 2023 and February 9, 2023, respectively. The Company received total net proceeds of approximately HK$376.2 million from the Subscription, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses. For details, please refer to the Company's announcements dated February 3, 2023 and February 9, 2023.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

PRODUCT PIPELINE

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

Drug Candidate	Indications	Combination Therapies	IND	Proof of Concept	Pivotal	NDA
KN046 (PD-L1/CTLA-4 bispecific antibody)	1L sq NSCLC	+ chemotherapy				Pre-NDA
	1L pancreatic cancer	+ chemotherapy				
	≥2L thymic carcinoma(1)	monotherapy			China and U.S.	
	1L HCC	+ Lenvatinib				
	1L NSCLC	+ axitinib				
	PD-(L)1 refractory NSCLC	+ axitinib				
	1L TNBC	+ nab-paclitaxel				
	1L ESCC	+ chemotherapy				
KN026 (HER2/HER2 bispecific antibody)	1L BC	+ nab-docetaxel				
	≥ 2L GC/GEJ	+ chemotherapy				
	1L GC/GEJ	+ KN046				
	Neoadjuvant BC	+ docetaxel				
	Late-line colorectal cancer	+ KN046				
KN035 (SubQ PD-L1)	≥2L MSI-H/dMMR advanced solid tumors	monotherapy				already come to market in China in November 2021
	≥2L soft tissue sarcoma	monotherapy				Global
	1L biliary track cancer	+ chemotherapy				
JSKN003 (HER2 biparatopic ADC)	HER2-expressing solid tumors	monotherapy			China and Australia	
KN052 (PD-L1/ OX40 bispecific antibody)	Solid tumors	monotherapy				

Note:

(1) Our Company has put on hold further clinical development for thymic carcinoma indications of KN046 taking into account the difficulties in enrolling eligible patients for clinical trials.* Given that there are relatively limited cases for this specific indication, we consider that, even if we no longer proceed with the development for this indication, there will be no material impact to the development of KN046 and/or the overall product pipeline of the Company. We will inform the shareholders of the Company (the "**Shareholders**") if there is any further update in this regard.

* Thymic tumors are rare in China and the United States (the "**U.S.**"). According to the American Cancer Society, they occur at a rate of only 1.5 cases for every million people each year in the United States; According to *Clinical Diagnosis and Treatment Guidelines for Thymic Epithelial Tumors in China (2021 Edition)*, they occur at rate of only 4.09 cases for every million people each year in China, and thymic carcinoma only accounts for approximately 15% of the incidence rate of thymic tumors.

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

COMMERCIALIZATION

We have commenced the commercialization of KN035 (Envafolimab Injectable) (brand name: ENWEIDA, 恩維達®) since November 2021. The new drug application ("**NDA**") for KN046 is expected to be submitted in 2024 and the one for KN026 is expected to be submitted in 2025. The successful launch of our first commercial product has propelled us to the commercial phase of our business operations and has unleashed full power of our fully-integrated multi-function platform for the discovery, development, manufacture and commercialization of innovative drugs. Our commercialization team expects to cover major provinces and municipalities in China in the future, especially the ones with relatively well-developed economies and high level of discretionary income. We intend to continue to leverage our evolving innovative technology platforms to develop our pipeline products and expand our commercialization team in anticipation of more product launches and more approved indications.

The Company cannot guarantee that it will be able to successfully develop, or ultimately market our core products, namely, KN046 and KN026. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

FINANCIAL REVIEW

Overview

We recorded total revenue of RMB136.5 million for the six months ended June 30, 2023 (for the six months ended June 30, 2022: RMB53.6 million) and recorded total cost of sales of RMB33.2 million for the corresponding period (for the six months ended June 30, 2022: RMB14.8 million). For the six months ended June 30, 2023, the Group recorded other income of RMB43.0 million, as compared with RMB21.7 million for the six months ended June 30, 2022. We recorded other gains of RMB48.8 million for the six months ended June 30, 2023, as compared to other gains of RMB63.6 million for the six months ended June 30, 2022. Our total comprehensive expense amounted to RMB40.4 million for the six months ended June 30, 2023, as compared with RMB147.3 million for the six months ended June 30, 2022. The R&D expenses of the Group amounted to RMB194.7 million for the six months ended June 30, 2023, as compared with RMB216.4 million for the six months ended June 30, 2022. The administrative expenses amounted to RMB33.2 million for the six months ended June 30, 2023 as compared with RMB44.1 million for the six months ended June 30, 2022. The finance costs amounted to RMB7.0 million for the six months ended June 30, 2023 as compared with RMB10.9 million for the six months ended June 30, 2022.

Revenue

We recorded total revenue of RMB136.5 million for the six months ended June 30, 2023. The Group mainly generated revenue from (i) sales of pharmaceutical products and royalty income; (ii) provision of goods and consumables for R&D projects; and (iii) license fee income. The following table sets forth the components of the revenue from contracts with customers for the periods presented:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Time of revenue recognition		
A point in time		
Sales of pharmaceutical products and royalty income	**117,015**	53,464
Provision of goods and consumables for R&D projects	**11,939**	–
License fee income	**7,202**	–
	136,156	53,464
Overtime		
Co-development and commercialization income	**309**	105
	136,465	53,569

For the six months ended June 30, 2023, we recorded sales of pharmaceutical products and royalty income of RMB117.0 million from 3D Medicines (Sichuan) Co., Ltd. (四川思路康瑞藥業有限公司) ("**3D Medicines (Sichuan)**"), as compared with RMB53.5 million for the six months ended June 30, 2022 primarily from 3D Medicines (Sichuan). The Group and 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司) ("**3D Medicines**") entered into a licensing agreement in February 2016 for the joint development and commercialization of KN035. For the six months ended June 30, 2023, revenue from the sales of KN035 product to 3D Medicines (Sichuan) amounted to RMB71.5 million, as compared with RMB27.2 million for the six months ended June 30, 2022. Such revenue is recognized by the Group when the goods are delivered and the control of the goods has been transferred.

For the six months ended June 30, 2023, the Group also recognized revenue of RMB45.5 million (for the six months ended June 30, 2022: RMB25.4 million) for sales-based royalty fees generated from licensing KN035 intellectual property under a supplementary agreement entered into between the Group, 3D Medicines and 3D Medicines (Sichuan) in December 2021, pursuant to which the Group is entitled to receive sales-based royalty fees in exchange for the right to use a license of KN035 intellectual property granted to 3D Medicines (Sichuan). The sales-based royalty fees were agreed between the contractual parties and invoiced on quarterly basis with a normal credit term of 30 days.

For the six months ended June 30, 2023, the Group recognized revenue of RMB309,000 on co-development and commercialization of KN035 (for the six months ended June 30, 2022: RMB105,000), primarily representing the recognition of revenue amortization from a non-refundable upfront payment of RMB10.0 million under our collaboration with 3D Medicines upon the commencement of commercialization of KN035 in November 2021.

In August 2021, we entered into a licensing agreement with Shanghai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司) ("**JMT-Bio**") to develop and commercialize KN026 in mainland China (excluding Hong Kong, Macau and Taiwan) ("**Mainland China**") for the treatment of BC and GC. For the six months ended June 30, 2023, the Group recorded revenue of RMB0.9 million (for the six months ended June 30, 2022: nil), for the provision of goods and consumables for R&D projects to JMT-Bio. Such revenue is recognized at a point in time when control of the goods has been delivered and acknowledged by JMT-Bio. For the six months ended June 30, 2023, we also recognized revenue of RMB7.2 million (for the six months ended June 30, 2022: nil) representing the license fee income from JMT-Bio in connection with the sub project R&D results delivery under the licensing agreement with JMT-Bio.

Besides providing goods and consumables to JMT-Bio, we provide goods and consumables for various organizations to conduct clinical trials as well. Such revenue is recognized when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. For the six months ended June 30, 2023, we recorded revenue of RMB11.0 million (for the six months ended June 30, 2022: nil) for the provision of goods and consumables for KN035.

Cost of Sales

The Group's cost of sales primarily consisted of cost of direct labor, manufacturing cost and raw material and manufacturing overhead related to the production of the product sold. For the six months ended June 30, 2023, the Group recorded cost of sales of RMB33.2 million (for the six months ended June 30, 2022: RMB14.8 million) primarily attributable to cost to sales of pharmaceutical products of RMB30.7 million (for the six months ended June 30, 2022: RMB14.6 million), and cost to provision of goods and consumables for R&D projects of RMB2.5 million (for the six months ended June 30, 2022: RMB0.2 million). The increase in the Group's costs of sales for the six months ended June 30, 2023 was generally in line with the growth of the Group's revenue in the same period.

Other Income

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

For the six months ended June 30, 2023, the Group's other income increased by RMB21.3 million to RMB43.0 million, as compared to RMB21.7 million for the six months ended June 30, 2022. Our interest income increased from RMB15.9 million for the six months ended June 30, 2022 to RMB37.7 million for the six months ended June 30, 2023, primarily due to a continuous increase in the benchmark rate of United States dollars (the "**U.S. dollars**"), resulting in a much higher interest rate than RMB deposits during the same period. Our government grants income decreased from RMB5.7 million for the six months ended June 30, 2022 to RMB5.2 million for the six months ended June 30, 2023.

Other Gains and Losses

The Group's other gains and losses primarily consisted of net exchange gains and losses.

For the six months ended June 30, 2023, we recorded RMB48.8 million of other gains, compared to RMB63.6 million of other gains for the six months ended June 30, 2022, and the change was mainly due to the changes in balance after utilization of certain major currency, in particular, the U.S. dollar and relevant exchange rate.

R&D Expenses

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

For the six months ended June 30, 2023, our R&D expenses decreased by RMB21.7 million to RMB194.7 million, compared to RMB216.4 million for the six months ended June 30, 2022, primarily because some pre-existing projects came into late stages, and some newly initiated projects were still at start-up initial stages, both of which incurred less R&D expenses. The following table sets forth the breakdown of our R&D expenses by nature for the periods indicated.

	For the six months ended June 30,			
	2023		2022	
	(RMB in thousands, except percentages)			
	(unaudited)		(unaudited)	
Outsourcing service fees	**64,156**	**33.0%**	81,789	37.8%
Staff costs	**66,961**	**34.4%**	66,546	30.8%
Raw material costs	**23,924**	**12.3%**	30,120	13.9%
Office rental costs, utilities, and depreciation and amortization	**30,905**	**15.9%**	22,639	10.4%
Others	**8,735**	**4.4%**	15,305	7.1%
Total	**194,681**	**100.0%**	216,399	100.0%

Administrative Expenses

The Group's administrative expenses primarily comprised staff costs for our administrative staff, including salary, bonus and equity incentives.

Our administrative expenses decreased by RMB10.9 million to RMB33.2 million for the six months ended June 30, 2023, from RMB44.1 million for the six months ended June 30, 2022, primarily due to the decrease in the administrative expenses of our Shanghai R&D center.

Finance Costs

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

Our finance costs decreased to RMB7.0 million for the six months ended June 30, 2023, as compared to RMB10.9 million for the six months ended June 30, 2022, primarily due to the decreases in (i) the amount of working capital borrowings and (ii) the interest rate of borrowings.

Income Tax Expenses

We had unused tax losses of RMB2,990.4 million available for set off against future profits as of June 30, 2023, compared to unused tax losses of RMB2,233.8 million for the six months ended June 30, 2022. No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams.

For the six months ended June 30, 2023 and 2022, the Group did not incur any income tax expenses.

Loss for the Reporting Period

As a result of the above factors, the loss of the Group decreased by RMB107.4 million to RMB39.9 million for the six months ended June 30, 2023 from RMB147.3 million for the six months ended June 30, 2022.

Property, Plant and Equipment

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

Our property, plant and equipment decreased by RMB7.9 million to RMB571.1 million as of June 30, 2023, compared to RMB579.0 million as of December 31, 2022, primarily due to their ordinary depreciation.

Right-of-use Assets

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

Our right-of-use assets decreased by RMB7.1 million to RMB33.6 million as of June 30, 2023, compared to RMB40.7 million as of December 31, 2022, primarily due to the ordinary amortization of right-of-use assets.

Inventories

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

Our inventories decreased by RMB1.7 million to RMB62.9 million as of June 30, 2023, which remained stable compared to RMB64.6 million as of December 31, 2022.

Trade Receivables

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

Our trade receivables as of June 30, 2023 amounted to RMB23.6 million as compared to RMB15.5 million as of December 31, 2022, primarily due to the increase in the royalty income during the second quarter of 2023.

Other Receivables, Deposits and Prepayments

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

Our other receivables, deposits and prepayments decreased by RMB10.4 million to RMB55.6 million as of June 30, 2023, compared to RMB66.0 million as of December 31, 2022, primarily due to the recognition of prepayment invoices for clinical trials and construction projects.

Derivative Financial Instruments

We recorded nil of derivative financial instruments as of June 30, 2023 (as of December 31, 2022: nil).

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

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

Our cash and cash equivalents increased from RMB1,069.2 million as of December 31, 2022 to RMB1,136.3 million as of June 30, 2023, while our time deposits with original maturity over three months significantly increased from RMB247.9 million as of December 31, 2022 to RMB445.3 million as of June 30, 2023, primarily because we received proceeds from the Subscription in February 2023.

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

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

We have nil of financial assets measured at FVTPL for the six months ended June 30, 2023 as compared with RMB33.3 million as of December 31, 2022, primarily because the Group reduced the holdings of non-principal-guaranteed low-risk wealth management products which expired during the six months ended June 30, 2023.

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

Trade and Other Payables

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

Our trade and other payables decreased from RMB177.2 million as of December 31, 2022 to RMB162.8 million as of June 30, 2023, primarily due to the decrease in (i) the amount of accrued expenses and (ii) payables for the construction of new facilities and the procurement of equipment and machinery for those new facilities.

Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司) ("**Suzhou Alphamab**"), decreased from RMB4.5 million as of December 31, 2022 to RMB4.3 million as of June 30, 2023, primarily representing the process development service fees payable to Suzhou Alphamab.

Lease Liabilities

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

Our lease liabilities decreased from RMB20.4 million as of December 31, 2022 to RMB13.6 million as of June 30, 2023, primarily due to the timely payment of rents.

Contract Liabilities

We recorded contract liabilities of RMB27.5 million and RMB26.8 million as of December 31, 2022 and June 30, 2023, respectively. Our contract liabilities represented the upfront payment of RMB12.9 million from 3D Medicines that we recognized for co-development and commercialization of KN035 and the upfront payment of RMB13.9 million from JMT-Bio in relation to our performance obligation of providing goods and consumables for R&D projects in relation to KN026. Such amounts are our adjustment for the effects of the time value of money at a discount rate of 4.35% per annum and 3.70% per annum, respectively, taking into consideration of the credit characteristics of the Group. We own the right to manufacture and supply KN035 to 3D Medicines (Sichuan) and KN026 to JMT-Bio, respectively. As this accrual increases the amount of the contract liabilities during the period of development of KN035, it increases the amount of revenue to be recognized as the Group commences the manufacturing of the product and the transfer of control of goods to our customers for commercialization of KN035. As this accrual increases the amount of the contract liabilities during the period of development of KN026, it increases the amount of revenue to be recognized as the Group satisfies the performance obligation of providing goods and consumables for R&D projects to JMT-Bio.

Liquidity and Source of Funding

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

As of June 30, 2023, there was a balance of unutilized net proceeds from the Global Offering, Vendor Placing, pre-IPO financing and bank borrowings. For details on the net proceeds from the Global Offering, please refer to the section headed "Use of Net Proceeds from the Global Offering" in this interim results announcement. For details on the net proceeds from the Vendor Placing, please refer to the interim report of the Company to be published in September 2023. The Company believes that it has sufficient funds to satisfy our working capital and capital expenditure requirements for the second half of 2023.

Borrowings

As of June 30, 2023, our bank borrowings of RMB270.0 million (as of December 31, 2022: RMB325.0 million), had effective interest rates of 2.70% to 2.87%. As of June 30, 2023, our secured bank borrowings were secured by property, plant and equipment of RMB244.5 million and land use rights in our right-of-use assets of RMB20.9 million.

Key Financial Ratios

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

	As of June 30, 2023	As of December 31, 2022
Current ratio[(1)]	**6.59**	3.88
Quick ratio[(2)]	**6.35**	3.71
Gearing ratio[(3)]	**(0.47)**	(0.48)

Notes:

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

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

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

Material Investments

The Group did not make any material investments during the six months ended June 30, 2023. In addition, there is no plan of the Group for material investments or additions of material capital assets as of the date of this announcement.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures in the six months ended June 30, 2023.

Pledge of Assets

As of June 30, 2023, the Group had a total RMB244.5 million of property, plant and equipment and RMB20.9 million of land use rights pledged to secure its loans and banking facilities.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Foreign Exchange Exposure

During the six months ended June 30, 2023, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of June 30, 2023, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances and cash, other receivables, trade and other payables, and other financial liabilities denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of June 30, 2023.

Employees and Remuneration

As of June 30, 2023, the Group had 437 employees (as of June 30, 2022: 493 employees). The total remuneration cost incurred by the Group for the six months ended June 30, 2023 was RMB85.3 million, as compared to RMB86.7 million for the six months ended June 30, 2022.

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

The Company also has adopted Pre-IPO Share Option Plans, Post-IPO Share Option Scheme and Post-IPO Restricted Share Award Scheme to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Company's prospectus dated December 2, 2019 (the "**Prospectus**"), the Company's circular dated April 22, 2020, the Company's announcements dated March 23, 2021, and October 25, 2021 and the Company's 2022 annual report for further details.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	**136,465**	53,569
Cost of Sales		**(33,165)**	(14,820)
Gross profit		**103,300**	38,749
Other income	4	**42,979**	21,686
Other gains and losses	5	**48,751**	63,628
R&D expenses	7	**(194,681)**	(216,399)
Administrative expenses		**(33,244)**	(44,097)
Finance costs	6	**(6,967)**	(10,876)
Loss before taxation		**(39,862)**	(147,309)
Income tax expense	8	**–**	–
Loss for the period	9	**(39,862)**	(147,309)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(572)**	(9)
Total comprehensive expense for the period		**(40,434)**	(147,318)
Loss per share in RMB			
– Basic	11	**(0.04)**	(0.16)
– Diluted		**(0.04)**	(0.16)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**June 30, 2023** ***RMB'000*** **(unaudited)**	December 31, 2022 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	*12*	**571,072**	579,008
Right-of-use assets		**33,604**	40,735
Deposits paid for acquisition of property, plant and equipment		**39**	1,328
Other receivables, deposits and prepayments	*14*	**937**	1,930
		605,652	623,001
Current assets			
Inventories		**62,933**	64,636
Trade receivables	*13*	**23,555**	15,490
Other receivables, deposits and prepayments	*14*	**54,657**	64,027
Financial assets at FVTPL		**–**	33,330
Time deposits with original maturity over three months		**445,290**	247,858
Cash and cash equivalents		**1,136,302**	1,069,189
		1,722,737	1,494,530
Current liabilities			
Trade and other payables	*15*	**162,837**	177,214
Amount due to a related company		**4,325**	4,515
Lease liabilities – current portion		**11,238**	15,113
Contract liabilities – current portion		**8,912**	7,854
Bank borrowings – current portion	*16*	**70,000**	175,000
Deferred income		**3,984**	5,216
		261,296	384,912
Net current assets		**1,461,441**	1,109,618
Total assets less current liabilities		**2,067,093**	1,732,619

	NOTES	**June 30, 2023** ***RMB'000*** **(unaudited)**	December 31, 2022 *RMB'000* (audited)
Non-current liabilities			
Lease liabilities – non-current portion		**2,349**	5,279
Contract liabilities – non-current portion		**17,924**	19,668
Bank borrowings – non-current portion	*16*	**200,000**	150,000
		220,273	174,947
Net assets		**1,846,820**	1,557,672
Capital and reserves			
Share capital		**13**	13
Reserves		**1,846,807**	1,557,659
Total equity		**1,846,820**	1,557,672

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules[2]

Notes:

1. Effective for annual periods beginning on or after January 1, 2023.

2. Effective for annual periods beginning on or after January 1, 2023 (except for IAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments).

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Time of revenue recognition		
A point in time		
Sales of pharmaceutical products and royalty income *(Note i)*	**117,015**	53,464
Provision of goods and consumables for R&D projects *(Note ii & iii)*	**11,939**	–
License fee income *(Note ii)*	**7,202**	–
	136,156	53,464
Overtime		
Co-development and commercialization income *(Note i)*	**309**	105
	136,465	53,569

Note:

(i) Co-development, commercialization of KN035:

Pursuant to an agreement entered into between 3D Medicines and the Group in February 2016, the Group would jointly develop and commercialize with 3D Medicines for KN035, a drug candidate that initially developed by the Group for the treatment of adult patients with advanced solid tumors who have unresectable or metastatic advanced microsatellite instability-high (MSI-H) phenotype/mismatch-repair deficiency. In return, the Group entitles from 3D Medicines a non-refundable upfront payment of RMB10.0 million and an exclusive right to manufacture and supply of KN035 product to 3D Medicines for further commercialization to ultimate customers. The non-refundable upfront payment, which was received by the Group in April 2016, was initially recorded as contract liabilities and will be recognized as revenue (i.e. co-development and commercialization income) on the basis of direct measurements of the value of KN035 product transferred to 3D Medicines to date relative to the value of the budgeted manufacturing order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage). With the commercialization of KN035 in November 2021, the Group commenced to recognize the non-refundable upfront payment as revenue under an estimated product life of 15 years. During the six months ended June 30, 2023, the Group recognized revenue on co-development and commercialization of KN035 amounting to RMB309,000 (the six months ended June 30, 2022: RMB105,000 (unaudited)).

Concurrently, the Group recognized revenue from sales of KN035 product to 3D Medicines (Sichuan) (i.e. sales of pharmaceutical products) at point in time when control of the goods has transferred, being when the goods have been delivered to 3D Medicines (Sichuan)'s specified location. Following delivery, 3D Medicines (Sichuan) has the primary responsibility for the risks of obsolescence and loss in relation to the goods while it can request return or refund of goods only if the goods delivered do not meet the required quality standards. Full prepayments by 3D Medicines (Sichuan) are normally required before any goods delivery. During the six months ended June 30, 2023, revenue recognized on sales of KN035 product to 3D Medicines (Sichuan) amounting to RMB71,471,000. (the six months ended June 30, 2022: to 3D Medicines (Sichuan) amounting to RMB27,223,000 (unaudited) and to another independent third party pharmaceutical customer amounting to RMB811,000 (unaudited), respectively).

In December 2021, the Group entered into a supplementary agreement with 3D Medicines (Sichuan) and 3D Medicines pursuant to which the Group shall be entitled to sales-based royalty fees in exchange for the right to use a license of KN035 intellectual property granted to 3D Medicines (Sichuan). The sales-based royalty fees are agreed in the contract based on a specified formula and invoiced on quarterly basis with a normal credit term of 30 days. During the six months ended June 30, 2023, revenue recognized on royalty income amounting to RMB45,544,000 (the six months ended June 30, 2022: RMB25,430,000 (unaudited)).

(ii) Out licensing KN026:

In August 2021, the Group entered into an agreement with JMT-Bio, an independent third party, pursuant to which the Group granted to JMT-Bio an exclusive right of R&D and further commercialisation of KN026, a drug candidate that was initially developed by the Group for the treatment of HER2-positive BC and GC/GEJ, in Mainland China.

The considerations for the agreement comprise a fixed element (a non-refundable upfront payment of RMB150.0 million), two variable elements (i.e. progress-dependent milestones totaling RMB850.0 million and sales-based tiered royalties which are linked to the success of the R&D) and sub project R&D result delivery which is determined on cost-plus basis.

The Group determined that the consideration for the non-refundable upfront payment relates to two performance obligations: (1) the grant of a right to use the license and (2) provision of goods and consumables for R&D projects to JMT-Bio during clinical trial stage. The Group allocates the total transaction price of the non-refundable upfront payment into these two performance obligations based on their estimated stand-alone selling prices.

For the grant of a right to use the license, revenue is recognized at a point in time when the Group has transferred the license to JMT-Bio and JMT-Bio has the practical ability to use the license. During the year ended December 31, 2021, the Group recognized revenue of RMB132,787,000 in relation to the grant of a right to use the license, and the remaining fixed transaction price of RMB17,213,000 is allocated to the performance obligation of providing goods and consumables for R&D projects as stated below.

For provision of goods and consumables for R&D projects to JMT-Bio during clinical trial stage, revenue is recognized at a point in time when control of the goods has been transferred, being when the goods have been delivered and acknowledged by JMT-Bio. During the six months ended June 30, 2023, the Group recognized revenue of RMB922,000 (the six months ended June 30, 2022: nil) in relation to the performance obligation of providing goods and consumables for R&D projects to JMT-Bio (see note (iii) below). In addition, the Group considers the non-refundable upfront payment of RMB17,213,000 contains a significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money at a discount rate of 3.70% per annum taking into consideration the credit characteristics of the party receiving financing in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN026, it increases the amount of revenue to be recognized as the Group satisfies this performance obligation.

In connection with the sub project R&D result delivery under the licensing arrangement with JMT-Bio, during the six months ended June 30, 2023, JMT-Bio validated the Group's delivery of results to it and reached into agreement with the Group that the consideration for this research results is RMB7,202,000 (the six months ended June 30, 2022: N/A). The Group therefore recognized the full amount of this consideration upon the completion of JMT-Bio validation and the consideration has been fixed and determinable between these contractual parties.

(iii) Provision of goods and consumables for R&D projects

Provision of goods and consumables for R&D projects refers to goods and consumables provided for various organizations to conduct clinical trials. Revenue is recognized when control of the goods has been transferred.

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of goods and consumables for KN026	**922**	–
Provision of goods and consumables for other R&D projects	**11,017**	–
	11,939	–

Segment information

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

Geographical information

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

Information about major customers

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
3D Medicines (Sichuan) *(Note)*	**117,015**	52,653

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

4. OTHER INCOME

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**37,730**	15,882
Government grants income *(Note)*	**5,249**	5,681
Others	**–**	123
	42,979	21,686

Note: Government grants income mainly includes subsidies from the PRC local government in support of oncology drug development, out of which RMB1,232,000 (the six months ended June 30, 2022: nil) is released from deferred income upon compliance with the attached conditions and RMB4,017,000 (the six months ended June 30, 2022: RMB5,681,000 (unaudited)) is received unconditionally from the PRC local government.

5. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gains, net	**48,846**	67,983
Losses on derivative financial instruments	**–**	(4,352)
Others	**(95)**	(3)
	48,751	63,628

6. FINANCE COSTS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on:		
Bank borrowings	**6,080**	13,057
Contract liabilities	**545**	566
Lease liabilities	**342**	585
	6,967	14,208
Less: Interest capitalized in construction in progress ("**CIP**")	**–**	(3,332)
	6,967	10,876

7. R&D EXPENSES

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Outsourcing service fees	**64,156**	81,789
Staff cost	**66,961**	66,546
Raw material costs	**23,924**	30,120
Office rental costs, utilities, and depreciation and amortization	**30,905**	22,639
Others	**8,735**	15,305
	194,681	216,399

8. INCOME TAX EXPENSE

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% (2022: 25%). Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Jiangsu Province and relevant authorities on October 18, 2022 for a term of three years from 2022 to 2024, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as a small business entity are eligible for a lower corporate tax rate at 26% (2022: 26%). Alphamab (Australia) Co. Pty. Ltd. is qualified as a small business entity and is subject to a corporate tax rate of 26% (2022: 26%).

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

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

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

9. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Staff cost (including Directors' emoluments):		
Salaries and other allowances	**68,016**	67,836
Retirement benefits scheme contributions	**13,229**	13,601
Share-based payment expenses	**4,046**	5,218
Total staff costs	**85,291**	86,655
Auditor's remuneration	**1,111**	1,202
Cost of inventories included in R&D expenses	**23,924**	30,161
Outsourcing service fees included in R&D expenses	**64,156**	81,789
Short-term lease expenses	**187**	165
Depreciation of property, plant and equipment	**25,604**	15,924
Depreciation of right-of-use assets	**6,749**	7,350

10. DIVIDENDS

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

11. LOSS PER SHARE

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss:		
Loss for the period for the purposes of calculating basic and diluted loss per share	**(39,862)**	(147,309)
Number of shares ('000):		
Weighted average number of shares for the purposes of calculating basic and diluted loss per share	**957,141**	936,088

The calculation of basic and diluted loss per share for the six months ended June 30, 2023 and 2022, has not been considered, where appropriate, the share options awarded under the pre-IPO share option scheme, the share options awarded under the post-IPO share option scheme, and the restricted shares that have not yet been vested as their inclusion would be anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, the Group had additions to CIP of approximately RMB17,762,000 (the six months ended June 30, 2022: RMB68,140,000 (unaudited)) and property, plant and equipment of nil (the six months ended June 30, 2022: RMB772,000 (unaudited)), respectively, which mainly consists of R&D as well as production plant and equipment.

13. TRADE RECEIVABLES

	As of June 30, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables with contracts with customers	**23,555**	15,490

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

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

	As of June 30, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**23,555**	15,490

As at June 30, 2023, none of the Group's trade receivables are past due as at the reporting date.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As of June 30, 2023 ***RMB'000*** **(unaudited)**	As of December 31, 2022 *RMB'000* (audited)
Deposits	**1,101**	1,572
Interest receivables	**16,704**	7,515
Prepayments	**35,661**	53,536
Other receivables	**167**	125
VAT recoverable	**1,961**	3,209
	55,594	65,957
Presented as non-current assets	**937**	1,930
Presented as current assets	**54,657**	64,027
	55,594	65,957

15. TRADE AND OTHER PAYABLES

	As of June 30, 2023 ***RMB'000*** **(unaudited)**	As of December 31, 2022 *RMB'000* (audited)
Trade payables	**15,089**	7,612
Accrued expenses		
– Outsourcing service fees	**90,661**	98,741
– Other R&D expenses	**8,138**	5,499
– Staff costs	**17,527**	24,495
– Interest payable	**205**	314
– Others	**7,213**	11,811
	123,744	140,860
Payables for acquisition of property, plant and equipment	**18,392**	23,793
Other payables	**5,612**	4,949
	162,837	177,214

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

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

	As of June 30, 2023 ***RMB'000*** **(unaudited)**	As of December 31, 2022 *RMB'000* (audited)
0 to 90 days	**15,089**	7,612

16. BANK BORROWINGS

	As of June 30, 2023 ***RMB'000*** **(unaudited)**	As of December 31, 2022 *RMB'000* (audited)
Secured bank borrowings – variable-rate	**200,000**	200,000
Unsecured bank borrowings – variable-rate	**70,000**	125,000
	270,000	325,000

FUTURE DEVELOPMENT

In the first half of 2023, we have continuously made steady progress in our R&D of our drug candidates, explored strategic collaborations with our business partners, and reached significant clinical development milestones. We, together with the global pharmaceutical industry, have sought to implement and adhere to emergency management plans, social distancing guidelines and adjusted regulatory processes, while we have continued to strive to develop and produce treatments and drug candidates that benefit patients.

In recent years, China has issued or amended a series of rules and policies with respect to, among others, priority review and patent compensation, quality control, sales, data protection of drug trials to support the R&D of pharmaceutical products. In 2020, the amended Measures for Administration of Drug Registration (《藥品註冊管理辦法》), the Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Clinical Practice of Pharmaceutical Products (《藥物臨床試驗質量管理規範》), the Administrative Measures for Communication on the Research Development and Technical Evaluation of Drugs (《藥物研發與技術審評溝通交流管理辦法》) and the Registration Category of Biological Products and the Information Requirements for Declaration (《生物製品註冊分類及申報資料要求》) came into effect to streamline the R&D and production process of new drugs and the application process under the drug marketing authorization holder mechanism, as well as to provide a clear classification for therapeutic biological products. In 2021, the Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) was officially released, which aims to guide the clinical R&D activities of anti-tumor drugs to implement the R&D concept driven by clinical value and centered on the need of patients. In 2022, the Technical Guiding Principles for Clinical Research and Development of Bispecific Antibody for Anti-tumor Drugs (《雙特異性抗體抗腫瘤藥物臨床研發技術指導原則》) was officially released, which aims to guide the clinical R&D activities of bispecific antibody for anti-tumor drugs, and this Technical Guiding Principles could also be referred to for the clinical R&D activities of multi-specific antibody. In 2023, to promote the practical application of the concept of " Patient-Centered" in drug R&D, the Center for Drug Evaluation (藥品評審中心) of the NMPA published the Technical Guiding Principles for Patient-Centered Clinical Trial Design (Trial) (《以患者為中心的藥物臨床試驗設計技術指導原則(試行)》), Technical Guiding Principles for Patient-Centered Clinical Trial Implementation (Trial) (《以患者為中心的藥物臨床試驗實施技術指導原則(試行)》), and Technical Guiding Principles for Patient-Centered Benefit-Risk Assessment (Trial) (《以患者為中心的藥物獲益－風險評估技術指導原則(試行)》). These policies removed political barriers and sped up the R&D process for innovative new drugs, but also put forward higher innovative standards for pharmaceutical companies. The newly revised Patent Law of the People's Republic of China (《中華人民共和國專利法》), which came into effect on June 1, 2021, launches a protection term compensation system for new drugs, where a patent may be granted an extended patent term up to five years as compensation for the time taken up due to regulatory review and approval. As a result, pharmaceutical companies with strong R&D capabilities for innovative therapeutic biologics will stand out and they will have unprecedented opportunities for development. The Company believes that there will be a stronger focus on R&D of innovative therapeutic biologics and heavier investments in new biotechnology. It is believed that in the next decade, the R&D of innovative therapeutic biologics in the PRC will drive the growth of the entire pharmaceutical industry.

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

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended June 30, 2023 to the Shareholders (for the six months ended June 30, 2022: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Corporate Governance Code

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

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

During the six months ended June 30, 2023, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code except for the deviation from code provision C.2.1 of the Corporate Governance Code. Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Xu Ting currently serves as the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. Xu Ting continues to serve as both the Chairman and the chief executive officer of the Company.

The Company regularly reviews its compliance with Corporate Governance Codes and the Board believes that save as disclosed above, the Company was in compliance with the applicable code provisions of the Corporate Governance Code for the six months ended June 30, 2023.

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

Full details of the Company's corporate governance practices will be set out in the forthcoming Company's annual report for the year ending December 31, 2023.

Compliance with the Model Code

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

The Company's relevant employees, who are likely to be in possession of unpublished sensitive information of the Company ("**Inside Information**"), have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the Reporting Period.

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

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended June 30, 2023.

Audit Committee

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2023 have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants and by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

Use of Net Proceeds from the Global Offering

The Company's Shares were listed on the Stock Exchange on December 12, 2019. The net proceeds from the Global Offering amounted to approximately HK$2,042.5 million. As of June 30, 2023, approximately HK$1,540.6 million of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		**Proceeds from the Global Offering utilized as of June 30, 2023**		**Amounts not yet utilized as of June 30, 2023**	
	HK$ million	***Percentage***	***HK$ million***	***Percentage***	***HK$ million***	***Percentage***
Key drug development programs						
the R&D and commercialization of KN046						
• the ongoing and planned clinical trials of, and preparation of registration filings for, KN046	817.0	40.0%	664.1	43.1%	152.9	30.5%
• the launch and, subject to regulatory approval, commercialization of KN046	204.3	10.0%	166.1	10.8%	38.2	7.6%
Subtotal	**1,021.3**	**50.0%**	**830.2**	**53.9%**	**191.1**	**38.1%**
the R&D and commercialization of KN026						
• the ongoing and planned clinical trials of, and preparation of registration filings for, KN026	326.8	16.0%	173.4	11.3%	153.4	30.6%
• the launch and, subject to regulatory approval, commercialization of KN026	81.7	4.0%	43.4	2.8%	38.3	7.6%
Subtotal	**408.5**	**20.0%**	**216.8**	**14.1%**	**191.7**	**38.2%**
the R&D of KN019	102.1	5.0%	35.1	2.2%	67.0	13.3%
Subtotal	**1,531.9**	**75.0%**	**1,082.1**	**70.2%**	**449.8**	**89.6%**
The construction of our new manufacturing and R&D facilities in Suzhou	**306.4**	**15.0%**	**263.0**	**17.1%**	**43.3**	**8.6%**
The early-stage pipeline and our working capital and general corporate purposes	**204.3**	**10.0%**	**195.4**	**12.7%**	**8.8**	**1.8%**
Total	**2,042.5**	**100.0%**	**1,540.6**	**100.0%**	**502.0**	**100.0%**

The Company expects that approximately HK$500.0 million to HK$700.0 million, accounting for approximately 24.5% to 34.3% of the net proceeds of the Global Offering, will be utilized for the year ending December 31, 2023 and plans to utilize the balance of net proceeds of the Global Offering by the end of 2024. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future progress of regulatory approvals and market conditions made by the Company and subject to changes in accordance with our actual business operations and markets conditions. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Subsequent Events

Save as disclosed in the section headed "Business Highlights", no important events affecting the Company occurred subsequent to June 30, 2023 and up to the date of this announcement.

Principal Risks and Uncertainties

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in September 2023.

APPRECIATION

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

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

Hong Kong, August 23, 2023

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