



Cutia Therapeutics

科笛集团

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2487

Interim Report

2023



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Zhang Lele (張樂樂)
Mr. Huang Yuqing (黃雨青)

NON-EXECUTIVE DIRECTORS

Dr. Chen Lian Yong (陳連勇) (*Chairman*)
Dr. Xie Qin (謝沁)
Dr. Huang Xiao (黃瀟)
Ms. Yang Yunxia (楊雲霞)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Ming Kit (鍾明杰)
Mr. Tao Tak Yan Dennis (陶德仁)
Mr. Ye Xiaoxiang (葉曉翔)

AUDIT COMMITTEE

Mr. Chung Ming Kit (鍾明杰) (*Chairman*)
Mr. Ye Xiaoxiang (葉曉翔)
Mr. Tao Tak Yan Dennis (陶德仁)

REMUNERATION COMMITTEE

Mr. Ye Xiaoxiang (葉曉翔) (*Chairman*)
Dr. Chen Lian Yong (陳連勇)
Mr. Chung Ming Kit (鍾明杰)

NOMINATION COMMITTEE

Dr. Chen Lian Yong (陳連勇) (*Chairman*)
Mr. Tao Tak Yan Dennis (陶德仁)
Mr. Chung Ming Kit (鍾明杰)

COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷) (*ACG, HKACG*)

AUTHORISED REPRESENTATIVES

Ms. Zhang Lele (張樂樂)
Ms. Chan Sze Ting (陳詩婷) (*ACG, HKACG*)

AUDITOR

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

HONG KONG LEGAL ADVISER

Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

PRC LEGAL ADVISER

CM Law Firm
Room 2805, Plaza 66 Tower 2
1366 West Nanjing Rd
Shanghai
PRC

COMPLIANCE ADVISER

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

20/F, Huanzhi Building
436 Heng Feng Road
Jingan District
Shanghai, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

Shanghai Pudong Development Bank
Zhangjiang Technology Branch
No. 56, Boyun Road
Zhangjiang Hi-Tech Park
Pudong New District
Shanghai, China

China Merchants Bank
Wuxi New District Branch
1-102 Huirong Plaza
Xinwu District
Wuxi City
Jiangsu Province, China

STOCK CODE

02487

COMPANY WEBSITE

www.cutiatx.com

HIGHLIGHTS

BUSINESS HIGHLIGHTS

As at the date of this report, we have made significant progress in advancing our product pipeline as well as business operations:

- **Commercialization:** During the “618 campaign”, our scalp diseases and care products recorded GMV exceeding RMB9.4 million, representing a growth of 4,348.0% year-over-year. Sales volume of **CUP-MNDE (Bailleul® minoxidil spray)** was ranked Top 1 on Tmall and JD platforms in the category of cross-border minoxidil single SKU. We have also launched certain scalp diseases and care products in Mainland China to complement our current scalp diseases and care product candidates under development.
- **CU-40102 (topical finasteride spray):** We are currently conducting a registrational Phase III clinical trial for CU-40102 for androgenetic alopecia in Mainland China. The registrational Phase III clinical trial has completed database lock in May 2023 and reached primary endpoint in September 2023.
- **CU-40101 (topical small molecule thyroid hormone receptor agonist liniment):** All enrolled patients have completed the Phase I dose escalation trial for CU-40101 in Mainland China in July 2023 and the clinical trial has completed database lock in August 2023. This clinical trial is to evaluate the safety and tolerability of CU-40101 as a therapeutic agent in promoting hair growth in patients with androgenetic alopecia.
- **CU-10201 (topical 4% minocycline foam):** We are currently conducting a registrational Phase III clinical trial for CU-10201 in Mainland China to evaluate the therapeutic potential of CU-10201 for the treatment of moderate to severe acne vulgaris. We completed the primary endpoint read-out for the Phase III clinical trial in February 2023. Results of the Phase III clinical trial data analysis in Mainland China have shown that CU-10201 has a significant efficacy and a favorable safety profile in the treatment of acne, with a reduction in the common side effects of oral minocycline. CU-10201 has been granted priority review designation by the CDE in August 2023.
- **CU-30101 (localized topical lidocaine and tetracaine cream):** We initiated a Phase III clinical trial for CU-30101 in Mainland China in April 2023. All enrolled patients have completed the clinical trial in August 2023.
- **Manufacturing facilities:** The construction of our commercial-scale GMP manufacturing facilities with three drug product production lines in Jiangsu province was completed in February 2023 and has commenced operation. The three production lines cover cream, ointment, aerosol, and foam products with an annual production capacity of approximately a total of five million doses.

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately RMB33.6 million, or approximately 5,119.3%, from approximately RMB0.7 million for the six months ended 30 June 2022 to approximately RMB34.3 million for the six months ended 30 June 2023.
- The Group’s total cash and cash equivalents, time deposits over three months and financial assets at fair value through profit or loss amounted to approximately RMB1,399.0 million.

CORPORATE PROFILE

OVERVIEW

Founded in 2019, we are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. We had built a broad portfolio of nine products and product candidates, targeting the four main sectors of the broader dermatology treatment and care market, namely localized adipose accumulation management medication, scalp diseases and care, skin diseases and care and topical anesthesia. We are developing five clinical-stage and four pre-clinical stage drug candidates. We also distributed two commercialized products developed by overseas collaboration partners and marketed several products in Mainland China.

We are one of the few players in the broader dermatology treatment and care market in Mainland China equipped with fully integrated capabilities. We have applied a customer-centric approach to bolster our product candidates and expand our integrated capabilities to the entire broader dermatology treatment and care industry value chain. Our platform spans from the early phase of identifying demands, developing core technologies, managing clinical trials and product registrations, to the manufacturing and marketing of products.

Our proprietary CATAME® technology platform improves drugs to achieve topical or transdermal delivery by developing micron and nano-sized particulates, as well as evaluating formulation quality and stability, and performing cutaneous pharmacokinetic analysis. Our platform also helps design the most suitable product formats that are key to specific and successful drug delivery. Through this platform, we have built a competitive product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

PRODUCT PIPELINE

The following chart summarizes the development stage of our product candidates as of the date of this report:

Therapeutic Areas	Candidate	Active Ingredients & Formulation	Indication	OTC / Prescription Drugs	Commercial Rights	Source	Pre-Clinical	IND	Phase I	Phase II	Phase III	Registration	Commercialization	Upcoming Milestone	Expected Commercial Launch	NMPA Registration Classification ²
Localized Adipose Accumulation Management	CU-20401	★ Recombinant mutant collagenase	Submental adipose accumulation (Submental fat) Abdominal adipose accumulation (Abdominal fat)	Prescription drug	Asia	Acquired								Initiate Phase II in 3Q2023	2028	1
														Complete Phase I in 2024	2028	
Scalp Disease and Care	CU-40102	■ Topical finasteride spray	Androgenetic alopecia	Prescription drug	Greater China ¹	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-40101	Topical small molecule thyroid hormone receptor agonist liniment		Prescription drug	Asia	In-licensed								Obtain Phase I CSR in 4Q2023	TBD	1
	CU-40103	Topical minoxidil foam	Alopecia	OTC	Global	Self-developed								ANDA submission to NMPA in 3Q2024	2025	3
	CU-40104	Topical dutasteride agent	Androgenetic alopecia	Prescription drug	Global	Self-developed								IND application submission to NMPA in 4Q2024	TBD	2
Skin Disease and Care	CU-10201	■ Topical 4% minocycline foam	Acne vulgaris	Prescription drug	Greater China ¹	In-licensed								NDA submission to NMPA in 4Q2023	4Q2024	5.1
	CU-10101	Topical novel small molecule agent	Atopic dermatitis	Prescription drug	Greater China ¹ , Japan, South Korea and SEA	In-licensed								IND application submission to NMPA in 2Q2024	TBD	1
	CU-10401	Topical tapinarof cream	Psoriasis	Prescription drug	Greater China ¹ , Japan, South Korea and SEA	Acquired								ANDA submission to NMPA in 2026	2027	4
Topical Anesthesia	CU-30101	Localized topical lidocaine and tetracaine cream	Surface dermatologic operations	Prescription drug	Greater China ¹	Acquired								NDA submission to NMPA in 2025	2026	3

★ Denotes Core Product ■ Denotes Key Products ▨ Denotes products in registrational trials in China with pilot commercialization in Lecheng, Hainan

- Including Mainland China, Hong Kong, the Macau Special Administrative Region and Taiwan.
- For the product candidates that have not obtained IND approval, the NMPA Registration Classification is subject to the confirmation by the NMPA.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As at the date of this report, we have achieved significant advancements in both pipeline products and business operations.

Localized Adipose Accumulation Management Medication

Core Product CU-20401 (recombinant mutant collagenase)

- CU-20401 is an acquired recombinant mutant collagenase that targets obesity, overweight, or other localized adipose accumulation associated metabolic diseases. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes.
- CU-20401 is modified with reduced rate to catalyze the collagen degradation and is effective to reduce adipose accumulation with mild catalytic activity, thus reducing the adverse effects of wild-type collagenase, such as bruising and pain.
- We have completed Phase I clinical trial on human subjects for CU-20401 for submental adipose accumulation (submental fat) and are conducting another Phase I clinical trial for abdominal adipose accumulation (abdominal fat). The significance of Phase I clinical trial is that its results suggested that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation (submental fat). As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate a Phase II clinical trial of CU-20401 for submental adipose accumulation (submental fat) in the third quarter of 2023 to evaluate its efficacy profiles.

Scalp Diseases and Care

Key Product CU-40102 (topical finasteride spray)

- CU-40102 is the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in Mainland China. Finasteride can treat androgenetic alopecia in male patients by acting as a competitive and specific inhibitor of Type II 5-alpha reductase to inhibit the conversion of testosterone to DHT in the scalp.
- Unlike oral finasteride, CU-40102's topical formulation allows patients to apply the drug directly to the surface of the scalp, thereby maintaining a high concentration at the affected site while reducing the side effects commonly associated with oral formulations. As a topical formulation, CU-40102 reduces systemic absorption of finasteride and avoids exposure of other areas of the skin to finasteride.
- We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for CU-40102 in Mainland China. The registrational Phase III clinical trial has completed database lock in May 2023 and reached primary endpoint in September 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in Mainland China in 2024.

CU-40101 (topical small molecule thyroid hormone receptor agonist liniment)

- CU-40101 contains a potent small molecule thyroid hormone receptor agonist that binds to thyroid receptor in hair follicle cells and induces hair growth. CU-40101 is to be applied to the scalp directly, reducing systemic exposure and the associated adverse effects. CU-40101 is differentiated from currently available androgenetic alopecia treatment in its mechanism of action and the potential to be used in both male and female patients.
- We are currently conducting a Phase I dose escalation trial in Mainland China to evaluate the safety and tolerability of CU-40101 as an alternative therapeutic agent in promoting hair growth in patients with androgenetic alopecia. All enrolled patients have completed the Phase I clinical trial of CU-40101 in July 2023 and the clinical trial has completed database lock in August 2023. We expect to complete primary endpoint read-out for the Phase I clinical trial in the fourth quarter of 2023.

CU-40103 (topical minoxidil foam)

- CU-40103 is a self-developed topical minoxidil foam for the treatment of alopecia. CU-40103 is expected to adopt a differentiated elegant foam formulation and become an alternative addition to the existing minoxidil tinctures and liniments in the market. It features a much less greasy texture that enables better user experience. We are currently conducting the pre-clinical study of CU-40103 and plan to submit an ANDA for alopecia to the NMPA in the third quarter of 2024.

CU-40104 (topical dutasteride agent)

- CU-40104 is a self-developed topical dutasteride to treat androgenetic alopecia. CU-40104's topical formulation is being developed for direct dutasteride application to the site of action on the scalp. The topical formulation is expected to reduce systemic exposure and side effects as compared with oral dutasteride and is expected to be approved for the treatment of androgenetic alopecia. We are currently conducting the pre-clinical study of CU-40104 and plan to submit an IND application to the NMPA in the fourth quarter of 2024.

Skin Diseases and Care

Key Product CU-10201 (topical 4% minocycline foam)

- CU-10201 is the first and only topical minocycline approved for acne vulgaris treatment globally and the only topical minocycline under clinical development in China. Minocycline is a tetracycline antibiotic used to treat a number of bacterial infections and acne vulgaris. Minocycline blocks amino acid from getting into ribosome such that the formation of peptide chains of bacteria is inhibited.
- Compared to other major anti-acne antibiotics and conventional oral drugs, topical minocycline foam has lower systemic drug exposure, fewer side effects, lower rate of drug resistance, and likely higher patient compliance.
- We are currently conducting a registrational Phase III clinical trial for CU-10201 in Mainland China to evaluate the therapeutic potential of CU-10201 for the treatment of moderate to severe acne vulgaris. We completed the primary endpoint read-out for the Phase III clinical trial in February 2023. Results of Phase III clinical trial data analysis in Mainland China show that CU-10201 has a significant efficacy and a favorable safety profile in the treatment of acne, with a reduction in the common side effects of oral minocycline. CU-10201 has been granted priority review designation by the CDE in August 2023. We expect to submit the NDA to the NMPA in the fourth quarter of 2023 and obtain regulatory approval for commercialization in Mainland China in 2024.

CU-10101 (topical novel small molecule agent)

- CU-10101 is a non-hormonal, small molecule drug targeting atopic dermatitis. The non-hormonal properties of CU-10101 may reduce the side effects and restrictions associated with corticosteroids and it features a topical formulation that can reach the affected areas directly. We are currently conducting the pre-clinical study of CU-10101 and plan to submit an IND application to the NMPA in the second quarter of 2024.

CU-10401 (topical tapinarof cream)

- CU-10401 is a generic tapinarof cream targeting psoriasis currently being developed in pre-clinical stage. Tapinarof is reported to bind and activate hydrocarbon receptor (AhR), decrease pro-inflammatory cytokines, and regulate skin barrier protein expression to promote skin barrier normalization. We are currently conducting the pre-clinical study of CU-10401 and plan to submit an ANDA to the NMPA in 2026.

Topical Anesthesia

CU-30101 (localized topical lidocaine and tetracaine cream)

- CU-30101 is a localized lidocaine and tetracaine compound topical anesthesia cream. The formulation of lidocaine and tetracaine combination in CU-30101 may produce rapid and long-lasting anesthetic effects due to its ingredients' pharmacokinetic properties.
- Lidocaine diffuses more rapidly, and more extensively than tetracaine, whereas tetracaine, a long-acting amino acid ester, is more lipophilic than lidocaine and can be concentrated in the topical stratum corneum. Systemic absorption of the anesthetic component ingredients is also limited from the topical cream formulation.
- We received the NMPA's IND approval for CU-30101 in November 2022 and initiated the Phase III clinical trial in Mainland China in April 2023. All enrolled patients have completed the Phase III clinical trial in August 2023. We plan to submit the NDA to the NMPA in 2025.

Warning: There is no assurance that each of CU-20401, CU-40102, CU-40101, CU-40103, CU-40104, CU-10201, CU-10101, CU-10401 and CU-30101 will ultimately be successfully developed and marketed by the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Commercialization

We have adopted a well-tailored commercialization strategy to penetrate the broader dermatology treatment and care market in Mainland China. Online marketing has always been one of our strategic priorities. We have a dedicated marketing team with strong market insights focusing on the development of marketing campaigns on various e-commerce platforms and social media platforms such as Tmall, JD, Bilibili, Douyin, Zhihu and Xiaohongshu. Driven by our deep expertise in sales and marketing, and close collaboration with e-commerce platforms, we achieved encouraging results during the Reporting Period.

During the "618 campaign", our scalp diseases and care products recorded GMV exceeding RMB9.4 million, representing a growth of 4,348.0% year-over-year. The sales volume of our product CUP-MNDE (Bailleul® minoxidil spray) ranked Top 1 on Tmall and JD platforms in the category of cross-border minoxidil single SKU.

As of the date of this report, our commercialized scalp diseases and care products include CUP-MNDE (Bailleul® minoxidil spray), CUP-SFJH (ESTHECIN® hair growth serum) and certain scalp diseases and care products which were launched under the "HAIRGEOGRA®" brand in Mainland China during the Reporting Period to complement our current scalp diseases and care product candidates under development.

Our comprehensive commercialized product portfolio could address distinctive demands from a wide range of population groups as their needs evolve with disease progression or improvement to gain customer stickiness. Our products have features that are differentiated from other products in the market.

Manufacturing Facilities

The construction of our commercial-scale GMP manufacturing facilities with three drug product production lines in Jiangsu province was completed in February 2023 and has commenced operation. The three production lines cover topical cream, ointment, aerosol, and foam products with an annual production capacity of approximately a total of five million doses of CU-10101, CU-40103, CU-40104, CU-10401 and CU-30101. The flow and control of the entire manufacturing process are designed to be compliant with the latest GMP requirements so that our production can meet the clinical and marketing approval requirements of various drug regulatory authorities, including the NMPA, FDA and European Medicines Agency. We believe the production capacity of this factory can support our clinical trials and near-term commercialization plans for our drug candidates.

KEY EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period, some of our drug candidates have made encouraging progress. For CU-40101, all enrolled patients have completed the Phase I clinical trial in Mainland China in July 2023 and the clinical trial has completed database lock in August 2023. For CU-10201, we have been granted priority review designation by the CDE in August 2023. For CU-30101, all enrolled patients have completed the Phase III clinical trial in Mainland China in August 2023. For CU-40102, the registrational Phase III clinical trial has reached primary endpoint in September 2023. For more information, please refer to the announcements of the Company dated 18 July 2023, 10 August 2023, 23 August 2023, 28 August 2023 and 7 September 2023, respectively.

We are delighted with the advancements we have made. Our R&D, medical and regulatory affairs teams will continue to work closely together to advance the clinical development of our product portfolio to prepare for the commercialization of our pipeline products.

Furthermore, based on the results of the quarterly review of the Hang Seng Family of Indexes announced by Hang Seng Indexes Company Limited on 18 August 2023, the Company has been selected and included as a constituent stock of the following index series, with effect from 5 September 2023:

1. Hang Seng Composite Index;
2. Hang Seng Healthcare Index;
3. Hang Seng Innovative Drug Index;
4. Hang Seng SCHK Innovative Drug Index;
5. Hang Seng SCHK Pharmaceuticals & Biotechnology Index; and
6. Hang Seng SCHK Pharmaceuticals & Biotechnology (Investable) Index.

The Company has also been included in the list for Southbound Trading Link under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, with effect from 5 September 2023.

For more information, please refer to the announcements of the Company dated 18 August 2023 and 5 September 2023, respectively.

FUTURE DEVELOPMENT

We are dedicated to providing consumers and patients with safe and comprehensive dermatology treatment and care solutions. Looking forward to the second half of 2023, we will accelerate the clinical development of CU-40101, CU-20401, CU-30101 as well as other products in our pipeline.

We have also further upgraded the Group's organization structure to better integrate functions of the Group's various platforms, anticipating to efficiently covering end users' needs and improving operational efficiency. Among which, we are building a medical commercialization and marketing platform to nurture strong strategic cooperative relationships with top hospitals for better preparation for our upcoming commercialized products. We will also continue to expand our external collaboration network, strengthen our sales and marketing capabilities, and work closely with renowned physicians to conduct product demonstrations and provide training to them.

Leveraging on our CATAME® technology platform, our integrated commercialization model and the determination of the team, we believe we can seize the opportunities arising from the rapid expansion of China's sales network, provide innovative solutions for patients and generate higher returns to our Shareholders.

FINANCIAL REVIEW

Revenue

Our revenue was generated from the sale of our in-licensed and distributed scalp diseases and care products (CU-40102, CUP-MNDE and CUP-SFJH), skin diseases and care products (CU-10201), certain scalp diseases and care products and certain skin care products.

Revenue of the Group increased by 5,119.3% from RMB0.7 million for the six months ended 30 June 2022 to RMB34.3 million for the six months ended 30 June 2023, which was primarily due to an increase in sales of scalp diseases and care products, certain scalp diseases and care products and certain skin care products.

Cost of Sales

Our cost of sales primarily consisted of purchase costs and logistics costs related to our scalp diseases and care products, skin diseases and care products and certain skin care products. For the six months ended 30 June 2023, we recorded cost of sales of RMB13.1 million, representing an increase of RMB12.9 million from RMB0.2 million for the six months ended 30 June 2022, primarily due to an increase in the sales of our products for the six months ended 30 June 2023.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less our cost of sales. Gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB21.3 million for the six months ended 30 June 2023, representing an increase of 4,593.2% from RMB0.5 million for the six months ended 30 June 2022. Our gross profit margin decreased from 68.8% for the six months ended 30 June 2022 to 61.9% for the corresponding period of 2023. The decrease in gross profit margin was primarily due to an increase in the discount promotion activities on e-commerce platforms.

Other Income and Gains

Our other income primarily consisted of interest income and government grants. The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for operating activities. Our interest income comprises (i) bank interest income; (ii) deemed interest income from loans to employees and related parties and (iii) imputed interest income on rental and other deposits. Other income of the Group increased by 493.2% from RMB3.6 million for the six months ended 30 June 2022 to RMB21.5 million for the six months ended 30 June 2023, which was primarily due to (i) the government grants received from the PRC local government authorities to support certain operating activities; and (ii) an increase in the bank interest income in connection with the increase of our cash and cash equivalents and time deposits over three months.

Our gains primarily consisted of net foreign exchange gains in connection with our cash and cash equivalents and time deposits over three months denominated in the U.S. dollars, as a result of the appreciation of the U.S. dollar against RMB and fair value gains on financial assets at FVTPL. Other gains of the Group decreased by 41.0% from RMB54.8 million for the six months ended 30 June 2022 to RMB32.3 million for the six months ended 30 June 2023, which was primarily due to the decrease of the foreign exchange gains resulting from the decrease of our cash and cash equivalents and time deposits over three months denominated in the U.S. dollars.

Research and Development Costs

Our research and development costs consisted of staff costs, share-based payment expenses, acquisition/licensing-in expenses, third-party contracting costs, depreciation and amortization and others. During the six months ended 30 June 2023, we recorded research and development costs of RMB90.1 million, representing an increase of approximately 8.0% as compared to RMB83.5 million for the corresponding period of 2022, primarily due to (i) an increase in the number of our research and development personnel in line with the progress of the development of our product candidates, and (ii) an increase in share-based payment expenses from new grants under the Pre-IPO Equity Incentive Plan in November 2022.

Set out below are the components of research and development costs for the periods indicated:

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Staff costs	23,668	16,031
Share-based payment expenses	22,536	20,973
Acquisition/licensing-in expenses	943	12,644
Third-party contracting costs	26,641	27,076
Depreciation and amortization	11,930	5,094
Others	4,421	1,646
Total	90,139	83,464

Administrative Expenses

Our administrative expenses consisted of staff costs, share-based payment expenses, consulting fees, depreciation and amortization and others.

Administrative expenses of the Group increased by 113.7% from RMB41.1 million for the six months ended 30 June 2022 to RMB87.9 million for the six months ended 30 June 2023, which was primarily due to an increase in our total headcount of administrative staff in line with our business expansion and the increase in the share-based payment expenses resulted from the new grant of Pre-IPO Equity Incentive Plan in November 2022.

Set out below are the components of administrative expenses for the periods indicated:

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Staff costs	24,596	18,230
Share-based payment expenses	39,849	16,902
Consulting fees	4,380	1,889
Depreciation and amortization	8,089	2,202
Others	11,020	1,924
Total	87,934	41,147

Selling and Distribution Expenses

Our selling and distribution expenses consisted of staff costs, share-based payments expenses, marketing expenses and others. Our selling and distribution expenses increased by 871.1% from RMB6.0 million for the six months ended 30 June 2022 to RMB58.0 million for the six months ended 30 June 2023, primarily due to the increase in staff costs and marketing expenses from the expansion in online marketing activities on e-commerce and social media platforms to further drive online direct sales.

Finance Costs

The Group's finance costs mainly include interests on bank loans and lease liabilities. Finance costs of the Group increased by 182.2% from RMB0.6 million for the six months ended 30 June 2022 to RMB1.7 million for the six months ended 30 June 2023, which was primarily due to the increase of interest on lease liabilities as a result of the increase of new lease contracts and the increase of interest on bank loans in relation to the bank loans of RMB69.4 million obtained by the Group to finance the daily operation during the Reporting Period.

Listing Expenses

Listing expenses of the Group increased by 400.4% from RMB4.7 million for the six months ended 30 June 2022 to RMB23.3 million for the six months ended 30 June 2023 in line with the progress of the global offering.

Income Tax Expenses

Our income tax expense for the six months ended 30 June 2023 was nil (six months ended 30 June 2022: nil).

Fair Value Losses on Convertible Redeemable Preferred Shares

Our fair value losses on convertible redeemable preferred shares increased from RMB174.7 million for the six months ended 30 June 2022 to RMB1,454.3 million for the corresponding period of 2023. This increase was primarily due to the increase in our Company's valuation and it is expected that no such fair value losses will be incurred in the future as all convertible redeemable preferred shares were automatically converted into ordinary shares upon the completion of the global offering on 12 June 2023.

Loss for the Period

As a result of the above factors, for the six months ended 30 June 2023, our loss was RMB1,640.3 million, representing an increase of RMB1,388.7 million from RMB251.6 million for the six months ended 30 June 2022.

Liquidity and Financial Resources

Our primary uses of cash are to fund (i) R&D activities of our product candidates; and (ii) our daily operation and commercial promotion activities. We financed our operations primarily through equity financing, bank borrowings and cash generated from sale of our in-licensed and distributed scalp diseases and care products (CU-40102, CUP-MNDE and CUP-SFJH), skin diseases and care products (CU-10201), certain scalp diseases and care products and certain skin care products. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

As of 30 June 2023, the Group's cash and cash equivalents were mainly dominated in RMB, USD and HKD. The Group's total cash and cash equivalents amounted to approximately RMB693.6 million, representing an increase of approximately 48.9% as compared to approximately RMB465.9 million as of 31 December 2022. Such increase was primarily due to the proceeds from the global offering.

As of 30 June 2023, the Group's time deposits over three months amounted to approximately RMB243.8 million, representing a decrease of approximately 57.0% as compared to approximately RMB567.1 million as of 31 December 2022. Such decrease was primarily due to the maturity of our time deposits.

As of 30 June 2023, the Group's financial assets at fair value through profit or loss amounted to approximately RMB461.6 million, representing an increase of approximately 961.2% as compared to approximately RMB43.5 million as of 31 December 2022. We believe that making such investments is in the best interest of the Company and conducive to enhancing the utilization efficiency of capital and increasing income from idle funds of the Company without causing any adverse impact on the operation and liquidity of the Company.

As of 30 June 2023, current assets of the Group amounted to approximately RMB1,480.0 million, including cash and cash equivalents of approximately RMB693.6 million. Current liabilities of the Group amounted to approximately RMB131.3 million, including interest-bearing bank borrowings of approximately RMB69.4 million.

Indebtedness

The following table sets forth the breakdown of our lease liabilities, interest-bearing bank borrowings and convertible redeemable preferred shares as of the dates indicated:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Lease liabilities	48,820	54,128
Interest-bearing bank borrowings	69,416	–
Convertible redeemable preferred shares	–	2,570,021

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guaranteed or other contingent liabilities as of 30 June 2023.

The interest-bearing bank borrowings are denominated in RMB and carried at fixed interest rates.

Gearing Ratio

As of 30 June 2023, the gearing ratio, calculated by dividing total liabilities by total assets and multiplied by 100%, decreased to approximately 9.6%, as compared with approximately 186.1% as of 31 December 2022, the decrease is due to the automatic conversion of all convertible redeemable preferred shares into ordinary shares upon the global offering on 12 June 2023.

Significant Investments, Material Acquisitions and Disposal

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

Capital Commitments

As of 30 June 2023, we had capital commitment of RMB7.0 million for the contracts in relation to acquisition of property, plant and equipment and other intangible assets (as of 31 December 2022: RMB6.5 million).

Future Plans for Material Investments or Capital Assets

As of 30 June 2023, the Group had no concrete plans for material capital expenditure, investments or capital assets. The Company will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

As of 30 June 2023, we did not have any material contingent liabilities, guarantees or any litigation against us (as of 31 December 2022: nil).

Pledge of Assets

As of 30 June 2023, the Group has not pledged or charged any assets (as of 31 December 2022: nil).

Foreign Exchange Exposure

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. We are exposed to foreign currency risk mainly from cash and cash equivalents dominated in USD and HKD and time deposits over three months dominated in USD. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and the U.S. dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars and the U.S. dollars, has been based on rates set by the People's Bank of China. The Group primarily limits our exposure to foreign currency risk by closely monitoring the foreign exchange market. During the six months ended 30 June 2023, the Group did not enter into any currency hedging transactions.

Use of Proceeds

The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the global offering of approximately HK\$392.7 million (equivalent to approximately RMB356.8 million).

Our Shares were listed on the Stock Exchange on the Listing Date. As of the date of this report, the net proceeds had not yet been applied to any purpose. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intends to use the net proceeds (adjusted on a pro-rata basis according to the actual amount of net proceeds) for the following purposes:

	Approximately % of total net proceeds	Planned use of actual net proceeds (HK\$' million)	Utilized amounts as of 30 June 2023 (HK\$' million)	Unutilized amount as of 30 June 2023 (HK\$' million)	Expected timeline for unutilised amount
For our Core Product CU-20401	45%	176.7	–	176.7	by the end of 2028
The continuing research and development activities of our Key Products, CU-40102 and CU-10201, including the planned clinical trials and the preparation of registration filings	22%	86.4	–	86.4	by the end of 2025
Continuing R&D activities of the other candidates in our pipeline, including the planned clinical trials and the preparation of registration filings	18%	70.7	–	70.7	by the end of 2028
For technology development and business development for pipeline expansion	10.0%	39.3	–	39.3	by the end of 2028
Working capital and other general corporate purposes	5.0%	19.6	–	19.6	by the end of 2025
Total	100%	392.7	–	392.7	

The Company intends to use the proceeds in the same manners and proportions as stated in the Prospectus. It is expected that all remaining unutilised net proceeds will be fully utilised by the end of 2028. The expected timing of the utilisation of the remaining proceeds is based on the Group's view that such timing will vary depending on current and future developments in market conditions.

Employees and Remuneration

As of 30 June 2023, the Group had a total of 236 employees. The total remuneration cost of the Group for the six months ended 30 June 2023 was RMB134.4 million, as compared to RMB75.8 million for the six months ended 30 June 2022, primarily due to an increase in headcount. The following table sets forth the total number of employees by function as of 30 June 2023:

Function	Number	Percentage of total
R&D	43	18.2%
Manufacturing and Quality Control	48	20.3%
Medical and Regulatory Affairs	37	15.7%
Sales, Marketing and Administration	108	45.8%
Total	236	100.0%

We provide training and development programs to our employees from time-to-time to ensure their awareness of and compliance with our various policies and procedures.

The remuneration of the employees of our Group comprises salaries, bonuses, employees' provident fund, share-based payment, and social security contributions and other welfare payments. In accordance with applicable laws and regulations, we 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 the Group's employees.

We have also adopted the Pre-IPO Equity Incentive Plan and the Post-IPO Equity Incentive Plan to provide incentives for our employees. Further details in respect of the Pre-IPO Equity Incentive Plan and the Post-IPO Equity Incentive Plan are set out in the section headed "Equity Incentive Plans" in this report.

OTHER INFORMATION

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

As at 30 June 2023, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Underlying Shares of the Pre-IPO Equity Incentive Plan

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Zhang Lele	Beneficial owner	27,524,275	9.05
Huang Yuqing	Beneficial owner	4,750,000	1.56

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
6 Dimensions Capital, L.P. ^(Note 3)	Beneficial owner	61,771,710	20.32
6 Dimensions Capital GP, LLC ^(Note 3)	Interest in controlled corporation	65,022,855	21.39
Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)) ^(Note 1)	Beneficial owner	60,516,000	19.90
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) ("Tongyu Investment") ^(Note 1)	Interest in controlled corporation	60,516,000	19.90
Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)) ^(Note 1)	Beneficial owner	25,935,425	8.53
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) ("Fuyan VC") ^(Note 1)	Interest in controlled corporation	25,935,425	8.53
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) ("Yunchang Investment") ^(Note 1)	Interest in controlled corporation	86,451,425	28.43
Mr. Chen Ziqing ^(Note 1)	Interest in controlled corporation	86,451,425	28.43
Aurora Cutis Limited ^(Note 2)	Beneficial owner	54,019,020	17.77
Futu Trustee Limited ^(Note 2)	Interest in controlled corporation	54,019,020	17.77
YF Dermatology Limited ^(Note 4)	Beneficial owner	40,000,000	13.16
Yunfeng Fund III, L.P. ("Yunfeng LP") ^(Note 4)	Interest in controlled corporation	40,000,000	13.16
Yunfeng Investment III, Ltd. ("Yunfeng GP") ^(Note 4)	Interest in controlled corporation	40,000,000	13.16
Yunfeng Capital Limited ("Yunfeng Capital") ^(Note 4)	Interest in controlled corporation	40,000,000	13.16
Mr. Ma Yun ^(Note 4)	Interest in controlled corporation	40,000,000	13.16

Name of Shareholder	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Yu Feng ^(Note 4)	Interest in controlled corporation	40,000,000	13.16
SCC Growth V 2020-C, L.P. ("Sequoia Capital China Growth") ^(Note 5)	Beneficial owner	34,285,715	11.28
SC China Growth V Management, L.P. ("SCC Growth V") ^(Note 5)	Interest in controlled corporation	34,285,715	11.28
SC China Holding Limited ("SC China") ^(Note 5)	Interest in controlled corporation	34,285,715	11.28
SCC Growth V Holdco Q, Ltd ^(Note 5)	Interest in controlled corporation	34,285,715	11.28
SNP China Enterprises Limited ^(Note 5)	Interest in controlled corporation	34,285,715	11.28
Sequoia Capital China Growth Fund V, L.P. ^(Note 5)	Interest in controlled corporation	34,285,715	11.28
Mr. Neil Nanpeng Shen ^(Note 5)	Interest in controlled corporation	34,285,715	11.28
Fidelity Funds ^(Note 6)	Beneficial owner	16,749,245	5.51
FIL Limited ^(Note 6)	Interest in controlled corporation	22,728,995	7.48
Pandanus Partners L.P. ^(Note 6)	Interest in controlled corporation	22,728,995	7.48
Pandanus Associates Inc. ^(Note 6)	Interest in controlled corporation	22,728,995	7.48

Notes:

1. Suzhou 6 Dimensions is a limited partnership whose general partner is Tongyu Investment. As such, under the SFO, Tongyu Investment is deemed to be interested in the Shares held by Suzhou 6 Dimensions.

Suzhou Frontline II is a limited partnership whose general partner is Fuyan VC. As such, under the SFO, Fuyan VC is deemed to be interested in the Shares held by Suzhou Frontline II.

Tongyu Investment and Fuyan VC are limited partnerships whose general partner is Yunchang Investment, which is wholly-owned by Mr. Chen Ziqing. As such, under the SFO, each of Yunchang Investment and Mr. Chen Ziqing is deemed to be interested in the Shares held by Suzhou 6 Dimensions and Suzhou Frontline II.

2. Upon exercise of the options and delivery of the share awards granted under the Pre-IPO Equity Incentive Plan, a total of 54,019,020 Shares under the options and share awards granted under the Pre-IPO Equity Incentive Plan will be issued to Aurora Cutis Limited, a company incorporated in BVI and wholly owned by Futu Trustee Limited (the "Trustee"), the trustee of Aurora Cutis Employee Trust (the "Trust"), the trust set up by the Company to facilitate the administration of the Pre-IPO Equity Incentive Plan. Pursuant to the trust deed of the Trust, all options and share awards will be held by Aurora Cutis Limited and administered under the Trust by the Trustee, solely for the benefit of the identified grantees under the Pre-IPO Equity Incentive Plan. By virtue of the SFO, Futu Trustee Limited is deemed to be interested in the options and share awards held by Aurora Cutis Limited.

3. 6 Dimensions LP and 6 Dimensions Affiliates are limited partnerships whose general partner is 6 Dimensions Capital GP, LLC. As such, under the SFO, 6 Dimensions Capital GP, LLC is deemed to be interested in Shares held by 6 Dimensions LP and 6 Dimensions Affiliates.
4. YF Dermatology Limited is a private company controlled by Yunfeng LP, whose general partner is Yunfeng GP. Yunfeng GP is solely managed by Yunfeng Capital, which in turn is controlled by Mr. Yu Feng and Mr. Ma Yun as to 60% and 40%, respectively. As such, under the SFO, each of Yunfeng LP, Yunfeng GP, Yunfeng Capital, Mr. Yu Feng and Mr. Ma Yun is deemed to be interested in the Shares held by YF Dermatology Limited.
5. The general partner of Sequoia Capital China Growth is SCC Growth V whose general partner is SC China. SC China is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. As such, under the SFO, each of SCC Growth V, SC China, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is deemed to be interested in the Shares held by Sequoia Capital China Growth.
6. Fidelity China Special Situations PLC, Fidelity Investment Funds and Fidelity Funds, are advised or sub-advised by FIL Investment Management (Hong Kong) Limited, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. As such, under the SFO, each of FIL Investment Management (Hong Kong) Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc is deemed to be interested in Shares held by Fidelity China Special Situations PLC, Fidelity Funds and Fidelity Investment Funds.

Save as disclosed above, as at 30 June 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities from the Listing Date to 30 June 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As of the date of this report, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, each of them has confirmed that he/she has complied with the Model Code from the Listing Date to 30 June 2023. 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.

EQUITY INCENTIVE PLANS

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of Shares of the Company for the six months ended 30 June 2023 is 0% as no option or award was granted under all schemes of the Company during the six months ended 30 June 2023.

The following is a summary of the principle terms of the Pre-IPO Equity Incentive Plan, which was adopted by the Company and took effect on 23 August 2019.

1. Pre-IPO Equity Incentive Plan

(a) *Purpose*

The purpose of the Pre-IPO Equity Incentive Plan is to promote the success of the Company and the interests of its Shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's Shareholders generally.

(b) *Eligibility*

An officer (whether or not a director) or employee of the Company or any of its affiliates, any member of the Board or any director of one of the Company's affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Company or one of its affiliates.

(c) *Maximum number of Shares*

Under the Pre-IPO Equity Incentive Plan, the maximum number of Shares that may be delivered pursuant to options and share awards (the "**Awards**") granted under the Pre-IPO Equity Incentive Plan will not exceed the limit as duly approved by the shareholders of the Company from time to time. The maximum number of Shares the Company is authorized to issue is 70,685,670 Shares upon the completion of Share Subdivision as defined in the Prospectus under the Pre-IPO Equity Incentive Plan.

(d) *Administration*

The Pre-IPO Equity Incentive Plan shall be administered, and all Awards under the Pre-IPO Equity Incentive Plan shall be authorized, by the administrator. The "administrator" means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of the Pre-IPO Equity Incentive Plan. The administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company or any of its affiliates or to third parties.

Aurora Cutis Limited is a company incorporated in BVI and wholly owned by Futu Trustee Limited (the “Trustee”), the trustee of Aurora Cutis Employee Trust (the “Trust”), the trust set up by the Company to facilitate the administration of the Pre-IPO Equity Incentive Plan. Pursuant to the trust deed of the Trust, options and share awards with 54,019,020 underlying Shares will be held by Aurora Cutis Limited and administered under the Trust by the Trustee, solely for the benefit of the identified grantees under the Pre-IPO Equity Incentive Plan. Pursuant to agreements between the Grantees and/or Awardees and the Company, 15,819,255 Shares will be held by the Grantees and/or Awardees directly upon the exercise of options and/or delivery of share awards.

(e) *Awards*

The Pre-IPO Equity Incentive Plan is divided into two separate equity programs: (1) the option and share appreciation rights (the “SAR”) grant program under which eligible persons may, at the discretion of the administrator, be granted options and/or SARs, and (2) the share award program under which eligible persons may, at the discretion of the administrator, be awarded restricted or unrestricted Shares or restricted share units.

Options and SAR

(a) *Award agreement and general*

Each option or SAR shall be evidenced by an award agreement (the “Award Agreement”) in the form approved by the administrator. The Award Agreement evidencing an option or SAR shall contain the terms established by the administrator for that Award and any other terms, provisions, or restrictions that the administrator may impose on the option or SAR or any Shares subject to the option or SAR. The administrator may require that the recipient of an option or SAR promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the administrator may require that the spouse of any married recipient of an option or SAR also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the administrator may require in connection with the grant of the Award.

(b) *Price*

The administrator will determine the purchase price per share of the Shares covered by each option (the “exercise price” of the option) at the time of the grant of the option, which exercise price will be set forth in the applicable Award Agreement, with the following factors.

- (i) the par value of Share;
- (ii) subject to clause (iii) below, 100% of the fair market value of a Share on the date of grant; or
- (iii) in the case of an option granted to a participant, possessing more than 10% of the total combined voting power of all classes of shares of the Company, 110% of the Fair market value of a Share on the date of grant.

The administrator will determine the base price per share of the Shares covered by each SAR at the time of the grant of the SAR, which base price will be set forth in the applicable Award Agreement and will not be less than 100% of the fair market value of a Share on the date of grant of the SAR.

(c) Vesting, term and exercise

An option or SAR may be exercised only to the extent that it is vested and exercisable. The administrator will determine the vesting and/or exercisability provisions of each option or SAR (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set forth in the applicable Award Agreement. Unless the administrator otherwise expressly provides, once exercisable an option or SAR will remain exercisable until the expiration or earlier termination of the option or SAR.

Each option and SAR shall expire not more than 10 years after its date of grant. Any exercisable option or SAR will be deemed to be exercised when (a) the applicable exercise procedures in the related Award Agreement have been satisfied (or, in the absence of any such procedures in the related Award Agreement, the Company has received written notice of such exercise from the participant), and (b) in the case of an option, the Company has received any required payment, and (c) in the case of an option or SAR, the Company has received any written statement.

(d) Termination of employment

Unless otherwise provided in the applicable Award Agreement, if a participant's employment by or service to the Company or any of its affiliates is terminated by such entity for cause, the participant's option or SAR will terminate on the participant's severance date, whether or not the option or SAR is then vested and/or exercisable.

Share Award Program

(a) General

Each share award shall be evidenced by an Award Agreement in the form approved by the administrator. The Award Agreement evidencing a share award shall contain the terms established by the administrator for that share award, as well as any other terms, provisions, or restrictions that the administrator may impose on the share award (including, but not limited to, the number of Shares subject to such share award); in each case subject to the applicable provisions and limitations of this Plan. The administrator may require that the recipient of a share award promptly execute and return to the Company his or her Award Agreement evidencing the share award. In addition, the administrator may require that the spouse of any married recipient of a share award also promptly execute and return to the Company the Award Agreement evidencing the share award granted to the recipient or such other spousal consent form that the administrator may require in connection with the grant of the share award.

(b) Price

The administrator will determine the purchase price per share of the Shares covered by each share awards at the time of grant of the Award. In no case will such purchase price be less than the par value of the Shares.

(c) *Vesting, settlement and term*

The restrictions imposed on the Shares subject to a restricted share award and the vesting conditions applicable to each restricted share unit award (which may in each case be based on performance criteria, passage of time or other factors or any combination thereof) will be set forth in the applicable Award Agreement. Unless otherwise set forth in an Award Agreement, a restricted share unit award may, in the discretion of the administrator, be settled in Shares or cash (or a combination thereof).

Any payment of cash or delivery of shares in payment for a share award, if applicable, may be delayed until a future date if specifically authorized by the administrator in writing and by the participant.

Below is a list of the grantees of the outstanding options who are (i) Directors, (ii) senior management (other than connected persons), (iii) consultants and (iv) other employees, of the Company under the Pre-IPO Equity Incentive Plan.

As at 1 January 2023, no share option was available for grant under the Pre-IPO Equity Incentive Plan. In connection with the listing of the Shares on the Stock Exchange on 12 June 2023, the Board has approved that upon listing, the Company will not grant any additional share options under the Pre-IPO Equity Incentive Plan. Accordingly, no share option was available for grant under the Pre-IPO Equity Incentive Plan as of the Listing Date and 30 June 2023, respectively. As at 30 June 2023, pursuant to the Pre-IPO Equity Incentive Plan, the Company had granted to directors, senior management, consultants and employees of the Group outstanding options to subscribe for 33,424,310 Shares, representing approximately 11.0% of the total issued share capital of the Company as at 30 June 2023 and as at the date of this report.

Name and category of participant	Date of grant	Exercise Price	Fair value per share as of grant date	As of the Listing Date	Number of options			As of 30 June 2023	Vesting Period	Exercise Period
					Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period			
Directors										
Ms. Zhang Lele	23 August 2019	USD0.06	USD0.26918	10,285,715	-	-	-	10,285,715	5 years ⁽¹⁾	10 years from the vesting commencement date
	26 February 2021	USD0.396	USD0.62362	6,988,325	-	-	-	6,988,325	5 years ⁽¹⁾	10 years from the vesting commencement date
	19 October 2022	USD0.06	USD1.19946	202,195	-	-	-	202,195	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Mr. Huang Yuqing	19 October 2022	USD0.396	USD0.93300	49,965	-	-	-	49,965	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
	10 July 2021	USD0.06	USD0.95794	592,010	-	-	-	592,010	5 years ⁽¹⁾	10 years from the vesting commencement date
	10 July 2021	USD0.396	USD0.70828	1,711,195	-	-	-	1,711,195	5 years ⁽¹⁾	10 years from the vesting commencement date
	28 February 2022	USD0.06	USD1.29184	27,970	-	-	-	27,970	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date

Name and category of participant	Date of grant	Exercise Price	Fair value per share as of grant date	As of the Listing Date	Number of options			As of 30 June 2023	Vesting Period	Exercise Period
					Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period			
Senior Management (Except for Ms. Zhang Lele and Mr. Huang Yuqing)										
Mr. Zhu Qi	28 February 2020	USD0.06	USD0.26918	1,714,285	-	-	-	1,714,285	5 years ⁽¹⁾	10 years from the vesting commencement date
	26 February 2021	USD0.396	USD0.62362	385,715	-	-	-	385,715	5 years ⁽¹⁾	10 years from the vesting commencement date
	28 February 2022	USD0.06	USD1.29184	29,320	-	-	-	29,320	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Mr. Lei Lei	24 April 2020	USD0.06	USD0.26934	450,000	-	-	-	450,000	5 years ⁽¹⁾	10 years from the vesting commencement date
	26 February 2021	USD0.396	USD0.62782	500,000	-	-	-	500,000	5 years ⁽¹⁾	10 years from the vesting commencement date
	28 February 2022	USD0.06	USD1.29184	20,220	-	-	-	20,220	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Ms. Zhang Chunna	28 February 2020	USD0.06	USD0.26970	1,028,570	-	-	-	1,028,570	5 years ⁽¹⁾	10 years from the vesting commencement date
	26 February 2021	USD0.396	USD0.62782	271,430	-	-	-	271,430	5 years ⁽¹⁾	10 years from the vesting commencement date
	28 February 2022	USD0.06	USD1.29184	22,915	-	-	-	22,915	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Ms. Xu Jingxin	15 September 2020	USD0.06	USD0.87714	308,570	-	-	-	308,570	5 years ⁽¹⁾	10 years from the vesting commencement date
	26 February 2021	USD0.396	USD0.64578	191,430	-	-	-	191,430	5 years ⁽¹⁾	10 years from the vesting commencement date
	28 February 2022	USD0.06	USD1.29184	17,525	-	-	-	17,525	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Mr. Wu Jiaru	28 February 2020	USD0.06	USD0.26918	642,855	-	-	-	642,855	5 years ⁽¹⁾	10 years from the vesting commencement date
	26 February 2021	USD0.396	USD0.62362	307,145	-	-	-	307,145	5 years ⁽¹⁾	10 years from the vesting commencement date
	28 February 2022	USD0.06	USD1.29184	16,850	-	-	-	16,850	5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Consultants										
Dr. Steven Brian Landau MD	23 August 2019	nil	USD0.04040	1,097,145	-	-	-	1,097,145	Vested at the date of grant	10 years from the vesting commencement date
Dr. Zhang Jie	28 February 2020	USD0.06	USD0.26892	857,145	-	-	-	857,145	5 years ⁽¹⁾	10 years from the vesting commencement date
Ms. Zhang Jingyuan	15 September 2020	USD0.06	USD0.87690	34,285	-	-	-	34,285	5 years ⁽¹⁾	10 years from the vesting commencement date
Other employees	From 28 February 2020 to 19 October 2022	USD0.06 to USD0.396	USD0.26888- USD1.29184	5,671,530	-	-	-	5,671,530	5 years or 5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾	10 years from the vesting commencement date
Total				33,424,310	-	-	-	33,424,310		

Notes:

- (1) The Grantees will vest in twenty percent of the option on the one year anniversary of the vesting commencement date and an additional one sixtieth of the option upon each successive monthly anniversary (or if there is no corresponding day, on the last day of such month) for the next 48 months following such one-year anniversary, subject generally to the Grantees continuing to be an employee of the Company through each such date (the “**Time-Based Vesting**”).
- (2) Subject to the fulfilment of the Time-Based Vesting set forth above, the Option only become vested on each Time-Based Vesting Date, subject to the Grantee’s continued employment with the Company through the applicable Time-Based Vesting Date and the achievement of the applicable performance target for the applicable fiscal year of the Company ending immediately prior to the applicable Time-Based Vesting Date (the “Performance-Based Vesting”, each such fiscal year, a “Fiscal Year”, and each such performance target, a “**Performance Target**”). Each Performance Target shall be decided by the Company annually, initially the Performance Target shall be the Grantee has received at least three points in the Performance Target annual review.

Below is a list of the grantees of the outstanding share awards who are (i) connected persons, (ii) senior management (other than connected persons), and (iii) other employees (who are all current employees but not Directors, members of senior management, consultants or connected persons of the Company) under the Pre-IPO Equity Incentive Plan.

As at 1 January 2023, no share award was available for grant under the Pre-IPO Equity Incentive Plan. In connection with the listing of the Shares on the Stock Exchange on 12 June 2023, the Board has approved that upon listing, the Company will not grant any additional share awards under the Pre-IPO Equity Incentive Plan. Accordingly, no share award was available for grant under the Pre-IPO Equity Incentive Plan as of the Listing Date and 30 June 2023, respectively. As at 30 June 2023, pursuant to the Pre-IPO Equity Incentive Plan, the Company had granted to directors, senior management and employees of the Group outstanding share awards to subscribe for 36,329,405 Shares, representing approximately 11.9% of the total issued share capital of the Company as at 30 June 2023 and as at the date of this report.

Name and category of participant	Date of grant	Fair value per share as of grant date	As of the Listing Date	Number of awards			As of 30 June 2023	Vesting Period
				Vested ⁽³⁾ during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
Directors								
Ms. Zhang Lele	19 October 2022	USD1.25838	9,248,075	-	-	-	9,248,075	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	750,000	-	-	-	750,000	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Mr. Huang Yuqing	28 February 2022	USD1.35096	1,580,100	-	-	-	1,580,100	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	838,725	-	-	-	838,725	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾

Name and category of participant	Date of grant	Fair value per share as of grant date	As of the Listing Date	Number of awards			As of 30 June 2023	Vesting Period
				Vested ⁽³⁾ during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
Senior Management (Except for Ms. Zhang Lele and Mr. Huang Yuqing)								
Mr. Zhu Qi	28 February 2022	USD1.35096	1,970,450	-	-	-	1,970,450	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	650,230	-	-	-	650,230	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Mr. Lei Lei	28 February 2022	USD1.35096	1,857,205	-	-	-	1,857,205	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	422,575	-	-	-	422,575	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Ms. Zhang Chunna	28 February 2022	USD1.35096	1,881,500	-	-	-	1,881,500	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	45,585	-	-	-	45,585	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Ms. Xu Jingxin	28 February 2022	USD1.35096	1,932,915	-	-	-	1,932,915	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	799,560	-	-	-	799,560	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Mr. Wu Jiaru	28 February 2022	USD1.35096	1,389,340	-	-	-	1,389,340	4 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
	20 November 2022	USD1.25840	393,810	-	-	-	393,810	4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Other employees	From 1 December 2021 to 20 November 2022	USD1.25838- USD1.35096	12,624,765	-	-	55,430	12,569,335	4 years and Performance-Based Vesting or 4.5 years and Performance-Based Vesting ⁽¹⁾⁽²⁾
Total			36,384,835	-	-	55,430	36,329,405	

Notes:

- (1) 25% of the restricted shares units (the “RSUs”) shall vest on the one year anniversary (or for share awards granted in November 2022, one and a half years anniversary) of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year anniversary, subject generally to the Awardees continuing to be an employee of the Company through each such date.
- (2) Subject to the fulfilment of the Time-Based Vesting set forth above, the Share Awards only become vested on each Time-Based Vesting Date, subject to the Grantee’s continued employment with the Company through the applicable Time-Based Vesting Date and the achievement of the applicable performance target for the applicable fiscal year of the Company ending immediately prior to the applicable Time-Based Vesting Date (the “Performance-Based Vesting”, each such fiscal year, a “Fiscal Year”, and each such performance target, a “Performance Target”). Each Performance Target shall be decided by the Company annually, initially the Performance Target shall be the Grantee has received at least three points in the Performance Target annual review.
- (3) according to the Pre-IPO Equity Incentive Plan, upon vesting of the share awards, the participants are required to pay the stipulated purchase price before the Company issues certificates evidencing the Shares awarded pursuant to the share awards. The consideration paid upon delivery of each Share underlying the share awards is USD0.00002.

2. Post-IPO Equity Incentive Plan

The Post-IPO Equity Incentive Plan was conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolution of our then shareholders on 30 May 2023.

(a) *Purpose*

The purpose of the Post-IPO Equity Incentive Plan is to incentivize and reward the Eligible Participants (as defined below) for their contribution to the Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) *Eligible Participants*

The Board (which expression shall, for the purpose of this paragraph, include the Board or a duly authorized committee thereof) may, at its absolute discretion, offer to grant an option or a share award to subscribe for such number of Shares as the Board may determine to (a) an employee (whether full time or part-time) or a director of our Company or any of its subsidiaries (the “**Eligible Employee(s)**”) and (b) a consultant who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group (“**Service Provider(s)**”, together with the Eligible Employees referred as the “**Eligible Participant(s)**”).

For the avoidance of doubt, Service Providers shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and any professional service providers such as auditors or valuers.

The eligibility of any Eligible Employees shall be determined by the Board from time to time on the basis of the Board’s opinion as to, among others, the participant’s individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group and the actual or potential contribution to the development and growth of the Group.

The eligibility of any Service Providers shall be determined by the Board from time to time on the basis of the Board's opinion as to, among others, their contribution to the development and growth of the Group, the prevailing market practice and industry standard, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Service Providers has established with the Group, and the amount of support, assistance, guidance, advice, efforts and contributions the Service Providers has exerted and given towards the success of the Group, and/or whether the person is regarded as a valuable consultant of the Group, taking into account the knowledge, experience, qualification, expertise and reputation of the Service Providers or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group and his/her strategic value).

(c) *Maximum number of Shares*

- (i) Subject to paragraphs (iv) and (v) below, the total number of Shares which may be issued upon exercise of all options and share awards to be granted under the Post-IPO Equity Incentive Plan shall not in aggregate exceed 10% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange (the "**Plan Mandate Limit**"), being 30,402,446 Shares (excluding any Shares which may be issued upon the exercise of the Over-allotment Option). Options and share awards lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan will not be counted for the purpose of calculating the Plan Mandate Limit.
- (ii) Subject to paragraph (i) above, within the Plan Mandate Limit, the total number of Shares which may be issued upon exercise of all options and share awards to be granted to Service Providers shall not exceed 1% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 3,040,244 Shares (the "**Service Providers Sublimit**").
- (iii) Subject to paragraph (iv) below, the Plan Mandate Limit and the Service Providers Sublimit may be refreshed at any time after three years from the date of Shareholders' approval for the last refreshment (or the date on which the Post-IPO Equity Incentive Plan is adopted, as the case may be) by approval of the Shareholders in general meeting provided that (1) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and (2) our Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules. The requirements under (1) and (2) of this paragraph do not apply if the refreshment is made immediately after an issue of securities by our Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the plan mandate (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the plan mandate immediately before the issue of securities, rounded to the nearest whole Share.
- (iv) The total number of Shares which may be issued upon exercise of all options and share awards to be granted under the Post-IPO Equity Incentive Plan and any other plans of our Company under the plan mandate as refreshed must not exceed 10% of the relevant class of Shares in issue as at the date of approval of the refreshed plan mandate.

(v) Without prejudice to paragraph (iv) above, our Company may seek separate Shareholders' approval in a general meeting to grant options and/or share awards beyond the Plan Mandate Limit to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options and/or share awards to be granted, the purpose of granting options and/or share awards to the specified participants with an explanation as to how the terms of the options and/or share awards will serve such purpose and all other information required under the Listing Rules.

(d) *Maximum entitlement of a grantee*

Where any grant of options or share awards to a participant would result in the Shares issued and to be issued upon exercise of all options and/or share awards granted and to be granted to such participant (excluding any options and share awards lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options and/or share awards to be granted to such participant must be fixed before Shareholders' approval.

(e) *Subscription price*

The amount payable for each Share to be subscribed for under an option (the "**Subscription Price**") in the event of the option being exercised shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, which shall be not less than the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The amount payable for each Share to be subscribed for under a share award (the "**Purchase Price**") shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, based on considerations such as the prevailing closing price of the Shares, the purpose of the share award and the contribution of the Eligible Participant.

(f) *Duration*

The Post-IPO Equity Incentive Plan shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Equity Incentive Plan becomes unconditional, after which period no further options or share awards will be granted by the provisions of the Post-IPO Equity Incentive Plan, but the provisions of the Post-IPO Equity Incentive Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options or share awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Equity Incentive Plan.

No options or share awards had been granted or agreed to be granted under the Post-IPO Equity Incentive Plan since the Listing Date and up to the date of this report. Options and share awards to subscribe for 30,402,446 Shares remained available for grant as at both the Listing Date and 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and has complied with all applicable code provisions from the Listing Date to 30 June 2023.

CHANGE IN INFORMATION OF DIRECTORS

As at the date of this report, there was no change in the information of the Directors or chief executive of the Company since the date of the Prospectus which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Board has established the Audit Committee which comprises Mr. Chung Ming Kit (chairman), Mr. Tao Tak Yan Dennis and Mr. Ye Xiaoxiang, who are all our independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the management of the Company, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

SCOPE OF WORK OF ERNST & YOUNG

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2023 has been reviewed by Ernst & Young, the independent auditor of the Company, 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.

On Behalf of the Board
Cutia Therapeutics
Zhang Lele
Chief Executive Officer and Executive Director

Hong Kong, 29 August 2023

INDEPENDENT REVIEW REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the board of directors of Cutia Therapeutics
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 34 to 53, which comprises the condensed consolidated statement of financial position of Cutia Therapeutics (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other 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 Hong Kong Institute of Certified Public Accountants. 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

29 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	34,343	658
Cost of sales		(13,083)	(205)
Gross profit		21,260	453
Other income and gains	4	53,844	58,446
Selling and distribution expenses		(58,032)	(5,976)
Research and development costs		(90,139)	(83,464)
Administrative expenses		(87,934)	(41,147)
Fair value losses on convertible redeemable referred shares		(1,454,280)	(174,652)
Finance costs	6	(1,716)	(608)
Listing expenses		(23,342)	(4,665)
LOSS BEFORE TAX	5	(1,640,339)	(251,613)
Income tax expense	7	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,640,339)	(251,613)
Attributable to:			
Owners of the parent		(1,640,339)	(251,613)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	9	(15.84)	(3.14)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	173,031	179,398
Right-of-use assets		44,245	49,610
Other intangible assets		8,029	597
Amounts due from related parties	18	36,522	36,554
Prepayments, other receivables and other assets	11	46,975	35,221
Total non-current assets		308,802	301,380
CURRENT ASSETS			
Inventories		20,944	19,996
Trade receivables	12	4,048	98
Prepayments, other receivables and other assets	11	54,821	47,584
Amounts due from related parties	18	1,272	1,240
Financial assets at fair value through profit or loss ("FVTPL")	13	461,599	43,496
Time deposits over three months		243,795	567,145
Cash and cash equivalents		693,557	465,866
Total current assets		1,480,036	1,145,425
CURRENT LIABILITIES			
Trade and other payables	14	53,797	68,572
Lease liabilities		7,735	8,830
Deferred income		400	—
Interest-bearing bank borrowings	15	69,416	—
Total current liabilities		131,348	77,402
NET CURRENT ASSETS		1,348,688	1,068,023
TOTAL ASSETS LESS CURRENT LIABILITIES		1,657,490	1,369,403

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		41,085	45,298
Deferred income		–	400
Convertible redeemable preferred shares		–	2,570,021
Total non-current liabilities		41,085	2,615,719
Net assets/(liabilities)		1,616,405	(1,246,316)
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	43	11
Reserves/(deficits)		1,616,362	(1,246,327)
Total equity/(deficits)		1,616,405	(1,246,316)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Ordinary share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total equity/ (deficits) RMB'000
At 1 January 2023 (audited)	11	259,156	161,474	(680,845)	(986,112)	(1,246,316)
Loss and total comprehensive loss for the period (unaudited)	-	-	-	-	(1,640,339)	(1,640,339)
Recognition of share-based payment expenses (unaudited)	-	-	72,687	-	-	72,687
Shares issued upon initial public offering (note 16) (unaudited)	3	406,068	-	-	-	406,071
Conversion of convertible redeemable preferred shares to ordinary shares upon initial public offering (note 16) (unaudited)	29	4,024,273	-	-	-	4,024,302
At 30 June 2023 (unaudited)	43	4,689,497	234,161	(680,845)	(2,626,451)	1,616,405

	Ordinary share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total deficits RMB'000
At 1 January 2022 (audited)	11	259,156	61,445	(680,845)	(430,276)	(790,509)
Loss and total comprehensive loss for the period (unaudited)	-	-	-	-	(251,613)	(251,613)
Recognition of share-based payment expenses (unaudited)	-	-	38,592	-	-	38,592
At 30 June 2022 (unaudited)	11	259,156	100,037	(680,845)	(681,889)	(1,003,530)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,640,339)	(251,613)
Adjustments for:			
Interest income	4	(12,865)	(3,206)
Finance costs	6	1,716	608
Depreciation of property, plant and equipment	5	14,975	4,494
Depreciation of right-of-use assets	5	5,003	2,944
Amortisation of other intangible assets	5	472	93
Gain on termination of a lease contract	4	(37)	–
Fair value gains on financial assets at FVTPL	4	(4,622)	(1,731)
Fair value losses on convertible redeemable preferred shares	5	1,454,280	174,652
Net foreign exchange gains	4	(27,680)	(53,090)
Share-based payment expenses	5	72,687	38,592
		(136,410)	(88,257)
(Increase)/decrease in prepayments, other receivables and other assets		(23,880)	542
Decrease/(increase) in amounts due from related parties		610	(3,544)
Increase in inventories		(948)	(10,181)
Increase in trade receivables		(3,950)	(104)
(Decrease)/increase in trade and other payables		(818)	4,002
Net cash flows used in operating activities		(165,396)	(97,542)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		18,662	2,250
Purchases of items of property, plant and equipment		(32,915)	(58,691)
Purchases of items of other intangible assets		(2,883)	–
Advances of loans to related parties		–	(6,394)
Advances of loans to employees		–	(3,314)
Placement of time deposits		(161,462)	(468,461)
Withdrawal of time deposits		499,023	779,040
Placement of financial assets at FVTPL		(478,409)	(222,904)
Withdrawal of financial assets at FVTPL		64,928	409,931
Net cash flows (used in)/from investing activities		(93,056)	431,457

Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	422,524	–
Interest of bank borrowings paid	(429)	–
Proceeds from bank borrowings	69,400	–
Payment for rental deposits	(405)	(904)
Lease payments	(6,121)	(2,276)
Issue costs paid	(5,690)	(530)
Net cash flows from/(used in) financing activities	479,279	(3,710)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	465,866	203,130
Effect of foreign exchange rate changes, net	6,864	42,362
CASH AND CASH EQUIVALENTS AT END OF PERIOD	693,557	575,697

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

1.1 Corporate information

Cutia Therapeutics (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2019, and its shares are listed on The Stock Exchange of Hong Kong Limited on 12 June 2023. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

1.2 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required for a complete set of financial statements prepared in accordance with the International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s consolidated financial statements for each of the years ended 31 December 2021 and 2022 as set out in the accountants’ report (the “Accountants’ Report”) included in the prospectus of the Company dated on 31 May 2023.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. 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 Accountants’ Report, except for the adoption of the following new and revised IFRSs for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with no financial effect recognised as an adjustment to the balance of accumulated losses or other component of equity as at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset amounting to RMB6,137,000 (unaudited) for all deductible temporary differences associated with lease liabilities and tax losses (provided that sufficient taxable profit is available), and (ii) a deferred tax liability amounting to RMB6,137,000 (unaudited) for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

The adoption of amendments to IAS 12 did not have any impact on the financial position or performance of the Group for the six months ended 30 June 2023 and 2022.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

During the reporting period, all of the Group's revenue was derived from customers located in the People's Republic of China ("PRC") and nearly all of the Group's non-current assets were located in the Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operation Segments*.

Information about major customers

Revenue derived from sales to customers, which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2023 and 2022, is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Customer A	–	139
Customer B	13,344	–

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of products – at a point in time	34,343	658

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Government grants*	7,855	–
Bank interest income	12,057	2,844
Imputed interest income on rental and other deposits	84	–
Deemed interest income from loans to employees	114	56
Deemed interest income from the loans to related parties (note 18)	610	306
Others	785	419
	21,505	3,625
Gains		
Foreign exchange gains, net	27,680	53,090
Gain on termination of a lease contract	37	–
Fair value gains on financial assets at FVTPL	4,622	1,731
	32,339	54,821
	53,844	58,446

* The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled conditions relating to these government grants.

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold	9,449	185
Cost of inventories recognised as expense (included in research and development costs)	1,020	743
Research and development costs	90,139	83,464
Depreciation of property, plant and equipment	14,975	4,494
Depreciation of right-of-use assets	5,003	2,944
Amortisation of other intangible assets	472	93
Gain on termination of a lease contract	(37)	–
Government grants	(7,855)	–
Fair value gains on financial assets at FVTPL	(4,622)	(1,731)
Listing expenses	23,342	4,665
Fair value losses on convertible redeemable preferred shares	1,454,280	174,652
Foreign exchange differences, net	(27,680)	(53,090)
Staff costs (including directors' emoluments):		
– Salaries, bonuses, allowances and benefits in kind	57,523	34,769
– Pension scheme contributions	4,233	2,473
– Share-based payment expenses	72,687	38,592
	134,443	75,834
Auditors' remuneration	1,393	64
Lease payments not included in the measurement of lease liabilities	114	35

6. FINANCE COSTS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank borrowings	503	–
Interest on lease liabilities	1,213	608
	1,716	608

7. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from income tax.

No Hong Kong profits tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profits tax during the periods presented in the interim condensed consolidated financial information.

No PRC Enterprise Income tax was provided for as there was no estimated assessable profit of the Group's PRC subsidiaries during the periods presented in the interim condensed consolidated financial information.

Deferred taxation had not been fully recognised on the unused tax losses and deductible temporary differences since it is not probable that the taxable profits will be available against which the tax losses and deductible temporary differences can be utilised in the foreseeable future.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (during the six months ended 30 June 2022: nil).

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

The calculation of the basic loss per share amounts for the six months ended 30 June 2023 and 2022 is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue after taking into account the retrospective adjustments on the assumption that the Share Subdivision as disclosed in note 16 had been in effect on 1 January 2022.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the impact of convertible redeemable preferred shares, over-allocation option, share options and restricted share units had an anti-dilutive effect on the basic loss per share amounts presented.

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent for the purpose of calculating basic and diluted loss per share (RMB'000)	(1,640,339)	(251,613)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	103,557,292	80,045,710
Loss per share (basic and diluted) (RMB per share)	(15.84)	(3.14)

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with costs of RMB13,220,000 (unaudited) (for the six months ended 30 June 2022: RMB47,520,000 (unaudited)).

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current:		
Loans to employees	5,105	4,991
Deemed prepaid remuneration to employees	2,186	2,307
Rental and other deposits	7,445	3,538
Value-added tax recoverable	19,885	12,747
Prepayments for purchase of items of other intangible assets	88	497
Prepayments for purchase of items of property, plant and equipment	12,266	11,141
	46,975	35,221
Current:		
Rental deposits	814	593
Deemed prepaid remuneration to employees	251	244
Prepayments	42,981	37,756
Other receivables	3,510	58
Value-added tax recoverable	7,265	2,725
Deferred issue costs	-	6,208
	54,821	47,584

12. TRADE RECEIVABLES

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	4,048	98

13. FINANCIAL ASSETS AT FVTPL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial products	461,599	43,496

The financial assets measured at FVTPL represented financial products with no predetermined return which are principal protected investments. The financial products are with expected yield rates, depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. Hence their contractual cash flows do not qualify for solely payments of principal and interest. The expected yield rates ranged from 1.5% to 4.5% per annum as at 30 June 2023 (31 December 2022: 2.86%~3.05% per annum).

14. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	239	–
Accrued expenses for research and development services	2,676	6,021
Payables for purchase of items of property, plant and equipment	9,606	28,176
Other payables	8,251	2,943
Salary and bonus payables	11,596	11,859
Other taxes payable	921	960
Accrued listing expenses	20,508	18,613
	53,797	68,572

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	239	–

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2023			31 December 2022		
	Effective interest rate (%)	Maturity	Amount RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	Amount RMB'000 (Audited)
Current:						
Bank loans	One-year					
– unsecured	LPR	2024	69,416	–	–	–

16. SHARE CAPITAL

Issued and fully paid

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Issued and fully paid:		
304,024,465 ordinary shares of USD0.00002 each (31 December 2022: 16,009,142 ordinary shares of USD0.0001 each)	43	11

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 December 2022 and 31 December 2022 (audited)	16,009,142	11
Share Subdivision (note a) (unaudited)	64,036,568	–
Conversion of convertible redeemable preferred shares to ordinary shares upon initial public offering (note b) (unaudited)	202,696,955	29
Issue of shares upon initial public offering (note c) (unaudited)	21,281,800	3
At 30 June 2023 (unaudited)	304,024,465	43

Notes:

- a Pursuant to the shareholders' resolution dated on 30 May 2023, the authorised share capital of the Company with a par value of USD0.0001 each was subdivided into 5 shares with a par value of USD0.00002 each (the "Share Subdivision"), such that immediately following the Share Subdivision, the authorised share capital of the Company is USD50,000 divided into 2,500,000,000 shares, consisting of (i) 2,297,303,045 ordinary shares, (ii) 71,428,570 series A preferred shares, (iii) 102,857,140 series B preferred shares, and (iv) 28,411,245 series C preferred shares, of a par value of USD0.00002 each.
- b All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis by the re-designation upon the successful initial public offering on 12 June 2023. As a result, the financial liabilities for convertible redeemable preferred shares were derecognised and recorded as share capital of RMB29,000 (unaudited) and share premium of RMB4,024,273,000 (unaudited).
- c In connection with the Company's Hong Kong Public Offering and the International Offering on 12 June 2023, 21,281,800 ordinary shares of USD0.00002 each were issued and allotted at an offer price of HKD21.85 per share for a total gross consideration of HKD465,007,000 (unaudited) (equivalent to RMB422,524,000 (unaudited)).

17. COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting periods.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for: Acquisition of property, plant and equipment, and other intangible assets	6,951	6,456

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the reporting periods

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loans to (note)		
Ms. Zhang Lele	–	–
Mr. Wu Jiaru*	–	958
Mr. Zhu Qi*	–	1,409
Ms. Zhang Chunna*	–	1,337
Dr. Lei Lei*	–	1,317
Ms. Xu Jingxin*	–	1,373
	–	6,394
Deemed prepaid remuneration to (note)		
Ms. Zhang Lele	–	–
Mr. Wu Jiaru*	–	577
Mr. Zhu Qi*	–	848
Ms. Zhang Chunna*	–	805
Dr. Lei Lei*	–	793
Ms. Xu Jingxin*	–	827
	–	3,850
	–	10,244
Deemed interest income from loans to key management (note)		
Ms. Zhang Lele	391	189
Mr. Wu Jiaru*	32	17
Mr. Zhu Qi*	64	41
Ms. Zhang Chunna*	49	27
Dr. Lei Lei*	38	17
Ms. Xu Jingxin*	36	15
	610	306

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Amounts due from related parties:		
Loans to related parties – non-trade in nature and non-current (note):		
Ms. Zhang Lele	16,480	16,089
Mr. Wu Jiaru*	1,398	1,366
Mr. Zhu Qi*	2,710	2,646
Ms. Zhang Chunna*	2,093	2,044
Dr. Lei Lei*	1,634	1,596
Ms. Xu Jingxin*	1,576	1,540
	25,891	25,281
Deemed prepaid remuneration to related parties – trade in nature (note)		
Ms. Zhang Lele	7,494	7,885
Mr. Wu Jiaru*	652	684
Mr. Zhu Qi*	1,187	1,251
Ms. Zhang Chunna*	964	1,013
Dr. Lei Lei*	805	843
Ms. Xu Jingxin*	801	837
	11,903	12,513
	37,794	37,794
Analysed into:		
Current portion	1,272	1,240
Non-current portion	36,522	36,554

* Those persons are key management personnel of the Company. Mr. Zhu Qi is the chief medical officer. Dr. Lei Lei is the senior vice president of research and development department. Ms. Zhang Chunna is the senior vice president of regulatory affairs department. Ms. Xu Jingxin is the senior vice president of manufacturing and quality control department. Mr. Wu Jiaru is the senior vice president of finance and integrated management department.

The maturity dates of the loans borrowed by Ms. Zhang Lele in 2021 and 2022 are 1 September 2029 and 20 November 2032, respectively. The maturity dates of the loans borrowed by key management personnel fall between 5 August 2029 and 28 February 2032.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties: (Continued)

The maximum amounts of the non-trade related receivables due from the director during the reporting periods:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Amount due from a related party		
Ms. Zhang Lele	16,480	7,898

Note: The Group provided an eight-year unsecured and non-interest-bearing loans of RMB11,127,000 and a ten-year unsecured and non-interest-bearing loans of RMB12,847,000 to Ms. Zhang Lele in December 2021 and December 2022, respectively. Meanwhile, the Group also provided unsecured and non-interest-bearing loans of RMB3,576,000 and RMB10,244,000 to other key management personnel of the Group in December 2021 and March 2022, respectively, with terms ranging from 7.5 years to 10 years. On initial recognition, the receivable was measured at fair value, which in this case was equal to the cash consideration given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amount and its fair value on initial recognition date was treated as deemed prepaid remuneration to Ms. Zhang Lele and other key management personnel and was amortised through the expected loan terms.

The Group has assessed the expected loss rate for amounts due from related parties by considering the financial position and credit history of these related parties and assessed that the expected credit loss is minimal.

(c) Other transactions with a related party

On 7 August 2020, the Group entered into a lease agreement with Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. ("Shanghai Huazhou") which is controlled by Suzhou Frontline BioVentures Venture Capital Fund II L.P., the shareholder of the Group, pursuant to which, the Group had additions to right-of use assets of RMB2,470,000 and additions to lease liabilities of RMB2,470,000.

On 11 May 2021, the Group entered into another lease agreement with Shanghai Huazhou, pursuant to which, the Group had additions to right-of use assets of RMB104,000 and additions to lease liabilities of RMB104,000.

As at 30 June 2023 and 31 December 2022, the amounts of lease liabilities are nil (unaudited) and RMB409,000(audited), respectively.

During the six months ended 2023 and 2022, the amounts of interest expense on lease liabilities are RMB3,000(unaudited) and RMB10,000(unaudited), respectively.

The contracts between the Group and Shanghai Huazhou were terminated on 3 March 2023, resulting in the gains on termination of lease contracts of RMB37,000 (unaudited).

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, bonuses, allowances and benefits in kind	12,783	8,246
Pension scheme contributions	199	180
Share based payment expenses	48,418	25,333
	61,400	33,759

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), interest-bearing bank borrowings, financial liabilities included in trade and other payables and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. 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 directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets and amounts due from related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent financial products. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. Further details are set out in note 13 to interim condensed consolidated financial information.

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including discounted cash flow method and back-solve method, and is within Level 3 fair value measurement.

19. 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:

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	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)	
Financial products	–	461,599	–	461,599

As at 31 December 2022

	Fair value measurement using			Total RMB'000 (Audited)
	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)	
Financial products	–	43,496	–	43,496

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2023.

As at 31 December 2022

	Fair value measurement using			Total RMB'000 (Audited)
	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)	
Convertible redeemable preferred shares	–	–	2,570,021	2,570,021

During the 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 both financial assets and financial liabilities (for the six months ended 30 June 2022: nil).

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 29 August 2023.

DEFINITIONS

“ANDA”	abbreviated new drug application
“androgenetic alopecia”	a common form of hair loss in both men and women
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of our Company
“CDE”	Center for Drug Evaluation of the NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA to review applications for clinical trials and drug marketing authorization
“China”, “Mainland China”, or “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires, excluding Taiwan, the Macao Special Administrative Region and Hong Kong
“clinical trial”	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
“Company”	Cutia Therapeutics (科笛集團), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 15 May 2019
“Core Product”	has the meaning ascribed to it under Chapter 18A of the Listing Rules; for the purpose of this report, our Core Product refers to CU-20401
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“CSR”	Clinical study report
“dermatology”	the branch of medicine that deals with the diagnosis and treatment of skin related disorders
“DHT”	dihydrotestosterone, a male sex hormone which is the active form of testosterone, formed from testosterone in bodily tissue
“Director(s)”	the director(s) of the Company
“FDA”	Food and Drug Administration of the United States
“GMP”	good manufacturing practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products
“GMV”	gross merchandise value
“Group”, “our Group”, “our”, “we”, or “us”	our Company and our subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“IND”	investigational new drug, an application in the drug review process required by an regulatory authority to decide whether a new drug is permitted to initiate clinical trials; also known as clinical trial application, or CTA, in China
“indication”	a valid reason to use a specific test, drug, device, procedure or surgery
“Key Product”	for the purpose of this report, our Key Products refer to CU-40102 and CU-10201
“Listing Date”	12 June 2023
“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
“mechanism of action”	the specific biochemical interaction through which a drug substance produces its pharmacological effect
“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, a process required by an regulatory authority to approve a new drug for sale and marketing
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局)
“OTC”	over-the-counter, a kind of drug that may be sold over the counter upon receiving the competent authority’s approval at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
“Phase I clinical trial”	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its efficacy
“Phase II clinical trial”	a study in which a drug is administered to a limited patient population to preliminarily evaluate the efficacy of the product for specific targeted diseases, to identify possible adverse effects and safety risks, and to determine optimal dosage
“Phase III clinical trial”	a study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
“PK”	pharmacokinetics, the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
“Post-IPO Equity Incentive Plan”	the equity incentive plan adopted by the Company on 30 May 2023

“pre-clinical study”	a study testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
“Pre-IPO Equity Incentive Plan”	the equity incentive plan adopted by the Company that took effect on 23 August 2019
“prescription drug”	a drug which may only be prescribed by qualified medical practitioners
“primary endpoint”	a main or most important outcome at the end of a study to determine whether a new drug or treatment worked
“Prospectus”	the prospectus issued by the Company dated 31 May 2023
“registrational clinical trial”	a clinical trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
“Reporting Period”	the six months ended 30 June 2023
“RMB”	the lawful currency of the PRC
“Shareholders”	holder(s) of the Shares
“Shares”	ordinary share(s) with nominal value of US\$0.00002 each in the share capital of the Company
“SKU”	stock keeping unit
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“United States”, “US” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“USD”, “US\$” or “U.S. dollars”	the lawful currency of the United States