Brii Biosciences

Breakthrough innovation & insight

Brii Biosciences Limited

腾盛博药生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2137

2023 Interim Report

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CORPORATE PROFILE

Brii Bio is a commercial-stage biotechnology company developing therapies to address major public health challenges where there is high unmet medical needs, limited choice and significant social stigma. Founded in 2018, our journey began with the aim of harnessing the potential of breakthrough innovation and invaluable patient insights to broaden patients' choice and access.

The Company is developing a broad pipeline of therapeutic candidates with a focus on infectious diseases and central nervous system diseases. We are leading clinical development for a functional cure in broad hepatitis B patient populations in China and a potential first-of-its-kind treatment for postpartum depression and major depressive disorder in the U.S. In addition, we are accelerating our next stage of corporate growth by preparing to bring a clinically differentiated prophylactic vaccine to prevent hepatitis B infections to susceptible adult populations in Asia Pacific regions.

This multifaceted approach is underpinned by both in-house discovery efforts and strategic collaborations with world-renowned partners, allowing us to create differentiated treatment options that cater to diverse patients' needs. The foundation of our approach lies in the application of novel chemistry and extended-release formulations, as well as the development of combination therapies that take into account the intricate nature of complex diseases.

HBV is of exceptional concern in China, which is the largest HBV market in the world where 87 million people are infected and 200 million people are susceptible. The Company is committed to ending hepatitis B from prevention to cure, with a promising pipeline established through strategic in-licensing partnerships with Vir Biotechnology, Inc. and VBI Vaccines Inc., which includes a clinically differentiated prophylactic vaccine, as well as a pipeline of assets in development to achieve high rates of functional cure for broad HBV patients. Novel combination treatments directed at specific subpopulations of HBV patients may lead to a higher functional cure rate across all HBV patient groups with potential to improve treatment decision and adoption. Inspired by evolving data and scientific insight carried by our visionary leadership team, we are exploring an expansive set of potential combination treatment options, improving the probability of achieving a high rate of HBV functional cure.

For our U.S. team, we mainly focus on CNS therapeutic area, aiming at redefining treatment for PPD and MDD by improving patients' choice. The Company is developing a novel $GABA_A$ receptor PAM as a first-of-its-kind long-acting formulation to be delivered as a single treatment for PPD and MDD. Patients' insights have shown that a single treatment option for people with PPD or MDD would be transformational for patients as it reduces the burden of psychiatric follow-up, dramatically improves access, adherence and convenience, and reduces the impact of social stigma compared to current therapies. Leveraging patients' insights, the Company is working to expand the PPD and MDD treatment landscape for patients with the option of a one-time injection therapy.

The Company is collaborating closely with key advocacy groups in the U.S. to ensure it is working to meet the needs of patients with a broad range of unique perspectives and experiences that can vary greatly across race, nationality, ethnicity, religion and socioeconomic status.

The Company also holds global rights of a novel polymyxin for the treatment of multi-drug resistant and extensive drug resistant gram-negative bacterial infections and Greater China rights to non-tuberculous mycobacterial lung disease, with an initial focus on treatment-refractory *Mycobacterium avium* complex, which are all under clinical development by its partners. Furthermore, The Company is exploring partnership opportunities for the future development of its internally discovered HIV candidates in the U.S. All these conditions have significant needs for new and innovative treatment options.

Apart from the pipeline development, we continue to facilitate our patient-centric approach and strengthen our relationships with patients, their caregivers, and patient advocacy groups. We continue to foster partnerships with key maternal health advocacy groups in the U.S. through active engagement and sponsorship of various events. These activities and industry acknowledgments have furthered our commitment to ensuring patients' voices are heard and understood throughout the discovery and development process, from R&D to commercialization. At the core of our culture are unwavering values – placing patients at the forefront, cultivating trust, maintaining integrity, and ensuring quality in all our endeavors.

Spanning key healthcare markets, Brii Bio operates in Raleigh-Durham, the San Francisco Bay Area, Beijing, and Shanghai. As a dynamic multinational company, we have forged robust teams in China and the U.S., fostering collaboration and synergy to drive our collective mission forward. Through our resolute dedication to our mission and values, we are shaping the landscape in the industry, spearheading patient-centric innovation and striving to bridge critical gaps in patient treatment and prevention. As we continue to evolve, our commitment to making a meaningful impact remains the same, driving us to create transformative change and contribute to the improvement of global health outcomes.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Zhi HONG (*Chairman and Chief Executive Officer*)
Dr. Ankang LI

Non-executive Director
Mr. Robert Taylor NELSEN

Independent non-executive Directors
Dr. Martin J MURPHY JR
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI
Mr. Gregg Huber ALTON
Dr. Taiyin YANG

AUDIT AND RISK COMMITTEE

Ms. Grace Hui TANG *(Co-Chairlady)*
Dr. Taiyin YANG *(Co-Chairlady)*
Mr. Yiu Wa Alec TSUI

REMUNERATION COMMITTEE

Dr. Martin J MURPHY JR *(Chairman)*
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI

NOMINATION COMMITTEE

Mr. Gregg Huber ALTON *(Chairman)*
Dr. Zhi HONG
Dr. Martin J MURPHY JR

STRATEGY COMMITTEE

Dr. Ankang LI *(Chairman)*
Mr. Robert Taylor NELSEN
Mr. Gregg Huber ALTON
Dr. Taiyin YANG

JOINT COMPANY SECRETARIES

Dr. Ankang LI
Ms. Wing Tsz Wendy HO

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. Ankang LI
Ms. Wing Tsz Wendy HO

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman KY1 – 1104
Cayman Islands

CORPORATE HEADQUARTERS

3rd Floor, Building 7
Zhongguancun Dongsheng
International Science Park
No. 1 North Yongtaizhuang Road
Haidian District, Beijing 100192
China

WeWork One City Center
Suite 05-110, 110 N Corcoran St
Durham, NC 27701
United States of America

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

LEGAL ADVISERS

As to Hong Kong laws:
O'Melveny & Myers

As to PRC laws:
Global Law Office, Shanghai

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP

HONG KONG SHARE REGISTRAR

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of Beijing
Bank of China (Hong Kong)
China Merchants Bank
First Citizens Bank

COMPANY WEBSITE

www.briibio.com

STOCK CODE

2137

LISTING DATE

July 13, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Since our inception, our mission has been to tackle major public health challenges with breakthrough scientific innovation driven by critical patient insight. Our senior executives' exceptional leadership skills and industry experience empower extensive execution across our broad therapeutic development strategy. Leveraging our unique business model, which combines internal discovery and strategic in-licensing, we are actively advancing our clinical programs. Our cross-border organic operations are one of our competitive advantages and position us for accelerated commercialization opportunities. With our presence in both China and U.S., we can utilize our respective strengths to accelerate the discovery, development and delivery of innovative medicines that have the potential to improve the health of patients around the world.

United in collaborative operations and a shared goal, our strategic program emphasis in China centers on our HBV functional curative therapy program as this is the area where we see opportunity to contribute significant and meaningful therapeutic impact for patients in the region and globally. The importance of our HBV assets was fortified by recent data presented by our partners Vir and VBI from multiple clinical studies for the treatment and prevention of chronic HBV infection at the EASL Congress 2023. The data presented further support the continued clinical evaluation of our assets, VIR-2218 (BRII-835) and (BRII-877), for which we in-licensed rights in Greater China, as a potential best-in-class functional cure for chronic HBV infection.

Looking at HBV prevention, despite national hepatitis B immunization programs for newborns in China and many other Asia Pacific countries, there remains an overlooked but persistent need for hepatitis B prophylactic vaccination among low coverage, high-risk adult populations. In these regions, there are over 200 million people ranging in age from 19 to 64 without anti-HBs protection, constituting a large HBV susceptible population. Meanwhile, portions of vaccinated individuals may fail to mount antibody levels and vaccine immunity may wane over time in patient populations with low level responses. There remains a heightened and unmet need to enhance vaccination in susceptible adults. The adoption of appropriate immunization strategies for susceptible adults will be an effective means to further prevent HBV infection and its consequences.

Leveraging our robust HBV assets and recent licensing, we are well-equipped to address HBV disease burdens from prevention to cure, positioning ourselves as a leading player in the pursuit of ending hepatitis B. Our pipeline of in-licensed HBV assets, including BRII-179 and PreHevbri®, fortify our position. In July 2023, we extended our rights to include a global development and commercialization license for BRII-179 and we acquired the rights to develop and commercialize the novel HBV prophylactic vaccine PreHevbri® in Greater China and certain other Asia Pacific regions. PreHevbri® has already been approved for commercial use in multiple countries, supporting our near-term regulatory approval and commercialization efforts in China and other Asia Pacific regions.

In addition to HBV, we are actively advancing other promising programs. Our internally discovered CNS programs for the treatment of PPD/MDD are progressing well, with BRII-296 showing potential as a first-of-its-kind single-injection treatment option for PPD and MDD in the U.S. We are exploring expansion of indications for this candidate and have initiated a first-in-human Phase 1 trial with BRII-297 for anxiety and depressive disorders.

Furthermore, recognizing the widespread incidence of HIV around the word, we discovered and began developing a long-acting, once-weekly single tablet regimen for HIV patients with an initial focus in the U.S. We are seeking partnership opportunities for continued development of this long-acting treatment with our internally developed candidate BRII-732, as well as BRII-753, as a long-acting subcutaneous injection therapy with the goal to extend the dosing schedule to once monthly, once quarterly or once semi-annually.

For the MDR/XDR program, we are now solely focused on the development of BRII-693. The Company returned the exclusive rights of BRII-636 and BRII-672 in Greater China to Qpex, and received approximately US$24 million upon closing of the acquisition as a Qpex shareholder and the return of the QPX7728 product rights, with potential contingency payments depending on future milestone events in the U.S. We now hold the exclusive global development and commercialization rights for BRII-693, and we have filed a pre-IND with the NMPA of China for its development in China. BRII-693 has demonstrated antibacterial mechanism and improved safety profile, making it a potential candidate for a safe and effective polymyxin for the treatment of critically ill patients with gram-negative bacterial infections.

In light of our strategic priorities for the second half of 2023, we are dedicated to:

- Together with our partner Vir, further evaluating our combination treatment regimens under development for a higher functional cure rate for HBV infection leveraging the additional data available from several ongoing trials later this year, and planning to select a combination treatment regimen for the next stage of development in the Greater China;
- Taking steps to commercialize PreHevbri® in China and other Asia Pacific regions;
- Further advancing the clinical development of BRII-296 for the treatment of PPD/MDD, anxiety and other depressive disorders, as well as BRII-297 for the treatment of various anxiety and depressive disorders;
- Exploring external strategic partnerships for our HIV program in the U.S. for continued development of our current product candidates as part of a long-acting treatment regimen for the treatment of HIV patients;
- Expanding our pipeline through in-house discovery and additional licensing options. We are also exploring business development opportunities that expedite global regulatory approval by in-licensing therapies for use in China and out-licensing internally discovered therapeutic candidates for use in international markets; and
- Continuing to optimize our organization in China and the U.S. to deliver innovation and expected performance to support our business development and establish a global patient-centric/people strategy built on our strong cultural foundation that lives through our mission to tackle the world's biggest challenges in public health.

Pipeline Summary

We have built a broad pipeline of more than 10 innovative drug candidates that focus on infectious diseases and central nervous system diseases. Our lead programs are HBV, primarily in China, along with PPD/MDD in the U.S. Furthermore, we maintain options to in-license two additional innovative HBV programs from our licensing partners.

Our strategic product pipeline is derived from (i) utilizing our in-house R&D capabilities to discover and develop our own innovative products and (ii) establishing collaborative licensing arrangements with carefully selected partners, whereby we in-license the Greater China/global rights to their important assets and lead the clinical development in China, playing an integral role in the global development of such assets. We have extended our global rights to BRII-179 as well as BRII-693. The following table sets forth the status of our key product candidates as of the date of this report:

Indication		Program	Pre-clinical	IND	Phase 1	Phase 2	Phase 3	NDA	Commercial	Our Rights	Partners
Infectious Disease Programs											
Hepatitis B	Treatment (1)	BRII-179 (VBI-2601)								Global	VBI
		BRII-835 (VIR-2218)								Greater China*	VIR
		BRII-877 (VIR-3434) (2)								Greater China*	VIR
	Prevention	PreHevbri®(3)								APAC ex-Japan	VBI
HIV		BRII-732								Global	Internally discovered
		BRII-753								Global	Internally discovered
MDR/XDR Gram-negative Bacterial Infections		BRII-693								Global	Monash University
NTM Lung Disease		BRII-658 (Epetraborole) (4)								Greater China*	AN2Therapeutics
Central Nervous System Disease Programs											
PPD		BRII-296								Global	Internally discovered
Anxiety & Other Depressive Disorders		BRII-296								Global	Internally discovered
Anxiety & Depressive Disorders		BRII-297								Global	Internally discovered

*Greater China – Mainland China, Macau, Hong Kong and Taiwan
(1) The Phase 2 clinical trials conducted by Brii Bio:
- BRII-179 (VBI-2601) / PEG-IFN-α Combination study
- BRII-179 (VBI-2601) / BRII-835 (VIR-2218) Combination study
- BRII-835 (VIR-2218) ± PEG-IFN-α Combination study

(2) The Phase 2 clinical trials have been conducted by Vir.
(3) VBI launched PreHevbri® in the United States, Canada, European Union, European Economic Area, the United Kingdom, and Israel. Brii Bio acquired exclusive rights for APAC countries (ex-Japan) in July 2023.
(4) To this date, the development and clinical trials have been conducted by AN2.

BUSINESS REVIEW

During the Reporting Period, we rapidly advanced our product pipeline and business operations. Specifically, in addition to progressing clinical trials, we greatly enhanced our HBV portfolio. Based on increasingly compelling study data, we expanded our collaborations to include global development and commercialization rights for BRII-179. We also acquired commercialization rights in Greater China and Asia Pacific markets for PreHevbri®, a clinically differentiated 3-antigen adult HBV prophylactic vaccine. These empower our HBV portfolio to address disease burdens from prevention to cure. In addition, we secured exclusive global rights for BRII-693 for the treatment of MDR/XDR gram-negative bacterial infections. Our primary achievements as of the date of this report along with our planned next steps and upcoming milestones include:

Our Drug Candidates

HBV Functional Cure Program (Licensed from VBI and Vir, China team core project)

As one of our leading clinical development programs, we are building a broad pipeline of novel HBV therapeutic candidates in order to improve the probability of achieving a high rate of functional cure for HBV patients. Each of our HBV candidates has a unique therapeutic modality with proven clinical benefit targeting this chronic infection, which allows the Company to explore an expansive set of potential combination treatment options for various patient subgroups. We hold exclusive global rights to develop and commercialize BRII-179 (VBI-2601), and exclusive rights in Greater China to develop and commercialize BRII-835 (VIR-2218) and BRII-877 (VIR-3434).

In July 2023, we expanded our HBV portfolio in collaboration with VBI. Under the terms of the agreements, we have extended our exclusive license to worldwide markets for BRII-179 (VBI-2601) and acquired exclusive rights to develop and commercialize PreHevbri® in Greater China and certain other Asia Pacific countries including Australia, Indonesia, Malaysia, New Zealand, Philippines, Singapore, South Korea, Thailand and Vietnam, among others.

BRII-179 (VBI-2601) in Combination with BRII-835 (VIR-2218) (Study conducted by Brii Bio)

BRII-179 (VBI-2601) is a novel recombinant protein-based HBV immunotherapeutic candidate that expresses the Pre-S1, Pre-S2 and S HBV surface antigens, and is designed to induce enhanced B-cell and T-cell immunity.

BRII-835 (VIR-2218) is a N-Acetylgalactosamine (GalNAc)-conjugated siRNA targeting all HBV viral RNAs that has shown to block viral transcription, reduce viral proteins and alleviate immune suppression.

Our BRII-179 (VBI-2601) and BRII-835 (VIR-2218) combination therapy may represent a novel HBV functional cure regimen. It encompasses dual mechanisms of action, removing immunosuppressive viral antigens by siRNA gene silencing followed by stimulating and restoring the host HBV specific immunity with an immunotherapeutic vaccine.

Clinical Development Milestones and Achievements as at the Date of This Report

- In February 2023, interim results were presented in an oral session at the APASL 2023 meeting indicating that combination therapy with BRII-835 (VIR-2218) and BRII-179 (VBI-2601) was safe and well-tolerated, induced stronger anti-HBsAg antibody responses and led to improved HBsAg-specific T-cell responses, when compared with BRII-835 (VIR-2218) or BRII-179 (VBI-2601) alone. The data presented at APASL showed that 50 participants in all cohorts achieved HBsAg reduction at the end of treatment with a mean decrease of -1.7 to -1.8 $\log_{10}$ IU/mL. In addition, two participants in combination cohorts achieved maximum reductions in HBsAg at or below the lower limit of quantification by Week 40, along with robust HBsAg-specific antibody and T-cell responses.

Next Achievements and Upcoming Readouts

- Additional data from the Phase 2 study of BRII-179 (VBI-2601)/BRII-835 (VIR-2218) combination is expected in the second half of 2023.

BRII-179 (VBI-2601) in Combination with PEG-IFN-α (Study conducted by Brii Bio)

The study of BRII-179 (VBI-2601) and PEG-IFN-α combination therapy will assess BRII-179 (VBI-2601) as an add-on therapy to the standard-of-care, NRTI and PEG-IFN-α therapy, in non-cirrhotic chronic HBV patients.

Clinical Development Milestones and Achievements as at the Date of This Report

- In July 2023, we extended our license with VBI to include worldwide development and commercialization rights for BRII-179 (VBI-2601).
- In December 2022, we completed patient enrollment of approximately 120 patients in part one of a Phase 2 combination trial evaluating the addition of BRII-179 (VBI-2601) in chronic HBV patients already receiving PEG-IFN-α and NRTI treatment.

- In September 2023, we announced topline cohort level unblinded Week 24 and Week 36 data from an interim analysis. The data demonstrated that in the intent to treat analysis at Week 24 (the EoT), 26.3% (15 patients) treated with BRII-179/PEG-IFN-α achieved HBsAg loss compared to 19.3% (11 patients) with placebo/PEG-IFN-α; at Week 36 (12 weeks follow-up), 24.6% (14 patients) treated with BRII-179/PEG-IFN-α had HBsAg loss, compared to 14.0% (8 patients) with placebo/PEG-IFN-α. In the per protocol analysis at Week 24, 32.6% (15 patients) treated with BRII-179/PEG-IFNα achieved HBsAg loss compared to 21.6% (11 patients) with placebo/PEG-IFN-α; at Week 36, 31.8% (14 patients) and 14.9% (7 patients) had HBsAg loss, respectively. In addition, 9 out of 15 patients in the cohort treated with BRII-179/PEG-IFN-α achieved HBsAg seroconversion at the EoT (Week 24), versus 1 out of 11 in the cohort treated with PEG-IFN-α alone. The cohort level unblinded 24 weeks safety data showed BRII-179/PEG-IFN-α treatment was generally safe and tolerated, with adverse events similar to those associated with PEG-IFN-α treatment or BRII-179 as previously reported.

Next Achievements and Upcoming Readouts

- Additional data from the Phase 2 combination trial are expected in the first half of 2024.

VIR-2218 (BRII-835) in Combination with PEG-IFN-α

Clinical Development Milestones and Achievements as at the Date of This Report

- In June 2023, Vir presented follow-up data at the European Association for the Study of the Liver Congress™ 2023 from its Phase 2 trial of combination 24 or 48 weeks of VIR-2218 (BRII-835) on top of a course of up to 48 weeks of PEG-IFN-α in which 16% (5/31) of participants demonstrated sustained HBsAg loss 24 weeks after end of treatment.
- Four participants with anti-HBs titers greater than 500 mIU/mL at the end of treatment achieved a sustained HBsAg loss at 24 weeks after the end of treatment suggesting the potential use of anti-HBs titers as an on-treatment biomarker of off-treatment sustained response.
- In August 2023, first patient has been dosed for an additional Phase 2 randomized and active-controlled study of BRII-835 (VIR-2218) in combination with PEG-IFN-α following regulatory approvals from multiple regulatory authorities in APAC including the NMPA of China.

Next Achievements and Upcoming Readouts

- We are actively working on advancing the study of BRII-835 (VIR-2218) in combination with PEG-IFN-α in APAC region and will include patients in the study who were previously exposed to BRII-179 with documented anti-HBsAg responses.

VIR-2218 (BRII-835) in Combination with BRII-877 (VIR-3434) (MARCH Study conducted by Vir)

BRII-877 (VIR-3434) is an investigational subcutaneously administered HBV-neutralizing monoclonal antibody designed to block entry of all 10 genotypes of HBV into hepatocytes and to reduce the level of virions and subviral particles in the blood. BRII-877 (VIR-3434), which incorporates Xencor's Xtend™ and other Fc technologies, has been engineered to potentially function as a T cell vaccine against HBV in infected patients, as well as to have an extended half-life.

Clinical Development Milestones and Achievements as at the Date of This Report

- In June 2023, Vir presented clinical study results at the EASL Congress™ 2023. Data from Part A of Vir's Phase 2 MARCH trial evaluating short treatment duration of combinations of VIR-2218 (BRII-835) and VIR-3434 (BRII-877) in chronic HBV participants demonstrated a 2.7-3.1 $\log_{10}$ IU/mL decline in HBsAg levels and 90% of participants achieved HBsAg reduction below 10 IU/mL at the end of treatment.
    - The majority of participants met the criteria for discontinuing NRTI therapy because they achieved all of the following: HBsAg less than 100 IU/mL and at or greater than 1 $\log_{10}$ IU/mL reduction from baseline HBsAg level; HBV DNA below the LLOQ; HBeAg-negative and ALT at or less than twice the upper limit of normal. 67% (4/6) of those participants remained off NRTI therapy as of the last available follow up.
    - Combination treatment with VIR-2218 (BRII-835) and VIR-3434 (BRII-877) was generally well tolerated and associated primarily with mild adverse events. All treatment-related adverse events were Grade 1, with no study discontinuations.
- Vir also presented a poster at EASL Congress™ 2023 that highlighted the single dose pharmacokinetics of VIR-3434 (BRII-877) from a Phase 1 clinical trial in patients with chronic HBV infection, with data supporting continued evaluation of VIR-3434 (BRII-877).
    - The highest and most durable free VIR-3434 (BRII-877) exposure was observed with the 300 mg dose, regardless of baseline HBsAg level. Other doses evaluated include 6 mg, 18 mg and 75 mg.
    - VIR-3434 (BRII-877) has a shorter terminal half-life and was cleared faster in participants with higher baseline HBsAg.
- In August 2023, we received an IND approval from the CDE of NMPA of China for a Phase 1 study of BRII-877 (VIR-3434).

Next Achievements and Upcoming Readouts

- Initial data evaluating VIR-2218 (BRII-835) and VIR-3434 (BRII-877) with or without PEG-IFN-α are expected in the second half of 2023 from Part B of Vir's ongoing Phase 2 MARCH trial.
- A Phase 1 clinical study of BRII-877 (VIR-3434) conducted by Brii Bio is expected to start by the end of 2023.

PreHevbri®

PreHevbri® is a clinically differentiated and the only approved 3-antigen adult HBV prophylactic vaccine on the market. It is currently approved for adult use under the brand name PreHevbrio® in the United States and Canada, under the brand name PreHevbri® in the European Union, European Economic Area, United Kingdom, and under the brand name Sci-B-Vac® in Israel. In pivotal Phase 3 clinical studies, PROTECT and CONSTANT, and subsequent investigator-initiated follow-up studies, PreHevbri® showed higher rates of and long-lasting seroprotection across all subjects aged 18 or above, and 5 to 8 times higher antibody titers, compared to Engerix-B, a single-antigen HBV vaccine. Moreover, an integrated safety analysis of both studies demonstrated that it is well tolerated with no unexpected reactogenicity observed.

Clinical Development Milestones and Achievements as at the Date of This Report

- In July 2023, Brii Bio entered into a definitive license agreement with VBI to acquire exclusive rights to develop and commercialize PreHevbri® in Greater China and certain other Asia Pacific countries including Australia, Indonesia, Malaysia, New Zealand, Philippines, Singapore, South Korea, Thailand and Vietnam, among others.
- In June 2023, VBI presented follow-up data in a subset of participants from the pivotal Phase 3 study, PROTECT, up to 3.5 years after completion of immunization with PreHevbrio®, a prophylactic 3-antigen HBV vaccine to determine magnitude and duration of immune response. PreHevbrio is a virus-like particle vaccine that consists of the same recombinant HBV surface antigens, Pre-S1, Pre-S2 and S, as are expressed in BRII-179 (VBI-2601).
    - At all measured timepoints, participants immunized with PreHevbrio had significantly higher ($P<0.0001$) mean HBsAg antibody titers as compared to those who were immunized with Engerix-B®.
    - The data highlight that PreHevbrio induced T-cell responses against Pre-S1 and Pre-S2 proteins that correlated with high anti-HBs titers.
    - At 3.5 years follow up, the mean anti-HBs titers in participants vaccinated with PreHevbrio were 5.1x higher than those vaccinated with Engerix-B (1,287 vs. 254 mIU/mL) suggesting that T-cell responses to PreHevbrio may contribute to long lasting and strong humoral immune responses and greater durability compared with Engerix-B.

Next Achievements and Upcoming Readouts

- The Company is actively working towards the market launch of PreHevbri® in APAC markets, prioritizing regions or countries where additional trials may not be required. Market authorization application has been filed in Hong Kong.

Postpartum Depression and Major Depressive Disorders Program (Internally discovered, U.S. team core project)

Leveraging patient insights, we are developing BRII-296 and BRII-297 to expand treatment options for patients with psychiatric disorders who are often underserved and overlooked across the industry. Utilizing applied drug formulation know-how to develop long-acting therapies, we are focused on improving drug administration convenience and patient compliance to ensure potential treatment success.

BRII-296 is our novel, long-acting and single injection therapeutic candidate under development for the treatment of PPD/MDD. It acts as a gamma-aminobutyric acid A receptor positive allosteric modulator and is designed to provide a rapid, profound and sustained reduction in depressive symptoms of PPD/MDD with the potential to lead to greater adherence, convenience and fewer side effects compared to the current standard of care.

Clinical Development Milestones and Achievements as at the Date of This Report

- We have agreed with the U.S. FDA on the protocol for a Phase 2 POC study of BRII-296 in PPD.

Next Achievements and Upcoming Readouts

- We plan to start a Phase 2 study of BRII-296 in PPD investigating the first-of-its-kind, long acting, single treatment option in the third quarter of 2023.
- We are actively working to expand the clinical indications for BRII-296 and plan to initiate additional studies in the U.S. in 2024.

BRII-297 is a new chemical entity discovered internally and under development as a long-acting injectable treatment of various anxiety and depressive disorders.

Clinical Development Milestones and Achievements as at the Date of This Report

- In June 2023, we announced that we had dosed the first subject in a first-in-human Phase 1 clinical trial in Australia for BRII-297. The study is underway and aims to evaluate the safety, tolerability and pharmacokinetics of BRII-297 in healthy volunteers.

HIV Program (Internally discovered)

The Company is seeking partnership opportunities to further develop its once-weekly, long-acting combination treatment of its oral single-tablet regimen of BRII-732, for the treatment of HIV. We are also seeking to develop partnership opportunities for a novel low volume, subcutaneous injection therapy, BRII-753, with potential to dose monthly, quarterly, or twice yearly as a combination treatment for HIV patients. Both compounds demonstrate considerable promise to serve as a key component for long-acting HIV treatment regimens that will offer more discreet and convenient options for patients living with HIV, and as monotherapy for Pre-Exposure Prophylaxis.

BRII-732 is a proprietary prodrug NCE that, upon oral administration, is rapidly metabolized into EFdA and is under evaluation as a potential HIV treatment or prevention option. BRII-732 is a NRTTI, acting as both a chain terminator and translocation inhibitor of HIV.

Clinical Development Milestones and Achievements as at the Date of This Report

- In the second quarter of 2023, Brii Bio initiated patient dosing in its Phase 1 study to investigate a lower oral dose of once-weekly BRII-732. This comes after the successful lifting of the U.S. FDA's previous clinical hold on clinical studies involving islatravir in December 2022.

Next Achievements and Upcoming Readouts

- We are exploring external partnership opportunities to continue developing BRII-732 as part of a potential oral, once-weekly, long-acting combination treatment option for HIV patients.

BRII-753 is a NCE currently in the preclinical stage of development. It has been internally discovered and is being developed as a long-acting injection for subcutaneous injection with potential for dosing monthly to every six months. BRII-753 can be used in a combination therapy for HIV treatment and as monotherapy for Pre-exposure Prophylaxis. The Company is currently pursuing partnership opportunities for further development of BRII-753.

MDR/XDR Gram-negative Bacteria Infections Program

BRII-693 is a novel synthetic lipopeptide in development for the treatment of MDR/XDR gram-negative bacterial infections. Based on a combination of increased in vitro and in vivo potency, and an improved safety profile compared with currently available polymyxins, BRII-693 has the potential to be an important addition to the arsenal of hospital-administered intravenous antibiotics for the treatment of critically ill patients with gram-negative bacterial infections. BRII-693 has a highly differentiated safety and efficacy profile to address the most difficult-to-treat infections due to *Acinetobacter baumannii* and *Pseudomonas aeruginosa*, including infections due to MDR/XDR isolates resistant to carbapenem antibiotics.

In June 2023, the Company secured the global rights to develop and commercialize BRII-693, which was associated with Qpex's acquisition by Shionogi and the Company's determination to prioritize and focus on the development of BRII-693 given its advanced microbiological and clinical profile.

The U.S. FDA has designated BRII-693 to be a QIDP, which provides incentives for the development of this agent in the U.S., including priority review and eligibility for the U.S. FDA's Fast Track Designation; there is also the potential for extension of regulatory and market exclusivity in the U.S.

Clinical Development Milestones and Achievements as at the Date of This Report

- In June 2023, we expanded our existing rights to develop and commercialize BRII-693 in Greater China to exclusive global rights.
- In April 2023, we submitted a pre-IND to the NMPA of China for the development of BRII-693 in China.

Next Achievements and Upcoming Readouts

- We are actively working on the future global development plan of BRII-693 and the IND application in China is also on track.

NTM Lung Disease Program (Licensed from AN2)

Brii Bio's strategic partner, AN2, is developing epetraborole (BRII-658) as a once-daily oral treatment for patients with chronic NTM lung disease, with an initial focus on treatment-refractory *Mycobacterium avium complex* lung disease. It is a boron-containing, small molecule inhibitor of mycobacterial leucyl-tRNA synthetase, or LeuRS, an enzyme involved in protein synthesis. We hold a license to develop, manufacture, and commercialize epetraborole (BRII-658) in the Greater China.

Clinical Development Milestones and Achievements as at the Date of This Report

- Our partner, AN2, is currently enrolling patients in its Phase 2/3 pivotal trial evaluating once-daily, oral epetraborole (BRII-658) for treatment-refractory MAC lung disease at over 100 sites across the U.S. Japan, South Korea and Australia.
- AN2 completed enrollment in the Phase 2 part of the Phase 2/3 pivotal trial and commenced Phase 3 trial in September 2023 and expects to announce topline data from the Phase 2 part of the study in summer 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ANY OF THE ABOVE PRE-CLINICAL STAGE OR CLINICAL STAGE DRUG CANDIDATES SUCCESSFULLY.

Other Corporate Developments

- In July 2023, Dr. David Margolis was appointed as Chief Medical Officer, replacing Dr. Li Yan who departed from the Company to pursue other interests. Dr. Margolis has served as Brii Bio's Head of Infectious Diseases Therapy Area for nearly three years and will continue to fulfill his existing responsibilities in addition to his new role as Chief Medical Officer.
- We continued to foster partnerships with key maternal health advocacy groups to address patients' needs and preferences in the U.S., including sponsoring the 2023 Maternal Mental Health Forum, the 5th annual Black Maternal Mental Health Week, the 2023 Climb Out of the Darkness event, and the Mind the Gap strategic action plan by Postpartum Support International at the 36th Annual PSI Conference.

Research & Development

We are a biotech company primarily engaged in pharmaceutical R&D activities. We believe that R&D is fundamental to shaping our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry.

Patients' needs play an integral role in determining which diseases we target. Currently, our portfolio aims to find more viable solutions to prevalent diseases that impact a growing number of people with infectious diseases and mental illnesses. We intentionally target diseases where we have clear insights into patients' needs or preferences.

Our teams are geographically delineated by disease indication with different emphases in the U.S. and China to better leverage our capabilities and create additional competitive advantages. In the U.S., we are developing our CNS and HIV programs, as well as leveraging our partners' clinical data to move through clinical development more swiftly in China, or participate in late-stage global studies, where our focal programs are HBV and MDR/XDR. The rapid approval and commercialization of our COVID-19 neutralizing antibodies combination is an excellent example of how our international teams work together. While our U.S. and China teams currently have separate therapeutic areas of focus, we are united in our operations and our shared vision to deliver world-class medicines to patients.

Our R&D collaborations and in-house R&D capabilities facilitate our global sourcing of innovative therapies for China and global markets. We have built our drug candidates by leveraging our in-house R&D capabilities, collaborations and support from our strong scientific advisory board and veteran investors. Additionally, we have R&D collaborations with global pharmaceutical and biotech companies, leading CROs, CMOs, CDMOs, research institutions and other strategic partners. Our cross-border organic operations are one of our competitive advantages and we plan to extend this capability and our capacity to our organization. With the planned expansion of our depressive disorders pipeline, we may consider establishing additional laboratories that serve our international goals, such as advancing our U.S. capabilities.

Our in-house R&D capabilities are led by industry veterans who impart the Company with their large pharma experience in drug discovery all the way through commercialization. Our leaders include Chief Executive Officer Dr. Zhi Hong; Chief Medical Officer Dr. David Margolis; Head of China R&D Dr. Qing Zhu; CNS Diseases Therapy Area Head Dr. Aleksandar Skuban; and Head of Discovery Dr. Ji Ma.

With widely respected members in our Board who are well regarded in the industry, our R&D process and drug candidate selection are guided by a leading team of experts. Our diverse Board members hold exceptional industry experience across multiple scientific and corporate disciplines, including leadership at large biopharmaceutical companies, specialization in infectious diseases, and track record of successfully bringing biologic candidates through the clinical development, regulatory review and commercialization process.

By design, our multi-pronged R&D strategies entail R&D expenses that vary with the number and scale of projects each year. Our R&D expenses were RMB202.2 million for the six months ended June 30, 2023. We intend to continue to leverage our technology and R&D capabilities to broaden our life sciences research and application capabilities and product candidate portfolio.

Commercialization

In July 2023, the Company acquired exclusive rights to develop and commercialize PreHevbri® in Greater China and certain other Asia Pacific regions. Since then, we have initiated pathway mapping and have been collaborating with local regulatory authorities to expedite the market launch of PreHevbri®. Our focus is on prioritizing regions where additional trials may not be required and where we see near-term revenue opportunities. The market authorization application in Hong Kong has already been filed and we are also exploring fast-track approvals in other APAC regions.

For our pipeline drug candidates, we maintain a mix of in-licensed Greater China rights and global rights.

Most of our programs are in different stages of clinical development and we do not anticipate sales or commercialization of other drug candidates in the immediate future.

As at the date of this report, our efforts have primarily focused on building our drug candidate pipeline.

As our pipeline matures, we will further evaluate strategic commercialization for our various drug candidates.

FUTURE DEVELOPMENT

Our mission is to develop and bring transformative therapies to underserved markets, address critical public health needs and become a leader in infectious diseases and central nervous system disease solutions.

Our focus is wholly dedicated to our core development programs in HBV, primarily in China, where we are an industry frontrunner, as well as our psychiatric disorders programs, where we are accelerating our clinical development in depressive disorders treatment in the U.S.

Our strategic priorities for the second half of 2023 are to:

- Together with our partner Vir, further evaluating our combination treatment regimens under development for a higher functional cure rate for HBV infection leveraging the additional data available from several ongoing trials later this year, and plan to select a combination treatment regimen for the next stage of development in the Greater China;
- Take steps to commercialize PreHevbri® in China and other Asia Pacific regions;
- Continue to advance the clinical development of BRII-296 for the treatment of PPD/MDD, anxiety and other depressive disorders, as well as to advance BRII-297 for the treatment of various anxiety and depressive disorders;
- Explore strategic partnership for our HIV program in the U.S. for continued development of our current product candidates as a long-acting treatment regimen for the treatment of HIV patients;
- Expand our pipeline through in-house discovery and additional licensing options. Explore business development opportunities that expedite global regulatory approval by in-licensing therapies for use in China and out-licensing internally discovered therapeutic candidates for use in international markets; and
- Continue to optimize our organization in China and the U.S. to deliver innovation and expected performance to support our business development and establish a global patient-centric/people strategy built on our strong cultural foundation that lives through our mission to tackle the world's biggest challenges in public health.

Subsequent Events

Business Update related to Licensing Agreements

In July 2023, Brii Bio entered into license agreements with VBI, expanding the Company's collaboration in the HBV field. The newly formed license agreements with VBI signify a substantial expansion in the fight against hepatitis B infection and empower Brii Bio's robust HBV portfolio to address disease burdens from prevention to cure.

Brii Bio's exclusive license for BRII-179 (VBI-2601) is extended to worldwide markets, further establishing its leadership position in pursuing HBV functional cure. A growing body of evidence supports the importance of a strong HBV-specific immune response to achieve a durable HBV functional cure, highlighting a potentially important role for BRII-179 as part of a combination cure strategy.

Additionally, Brii Bio acquired exclusive rights to develop and commercialize PreHevbri® in Greater China and certain other Asia Pacific countries including Australia, Indonesia, Malaysia, New Zealand, Philippines, Singapore, South Korea, Thailand and Vietnam, among others. PreHevbri® is a clinically differentiated 3-antigen adult HBV prophylactic vaccine recently approved for use in the United States, European Union/European Economic Area, United Kingdom, Canada and Israel. Under the terms of the agreements, VBI has received upfront payments of an aggregate of US$15 million from Brii Bio, including US$5 million ring-fence for manufacturing and supply of BRII-179 (VBI-2601) or PreHevbri® as well as US$3 million equity investment in VBI by Brii Bio. VBI is also entitled to an upfront license fee of US$7 million for BRII-179 (VBI-2601) and PreHevbri® and is eligible to receive additional payments based on achievement of certain milestones, as well as royalties.

For details, please refer to the announcement of the Company dated July 6, 2023.

Grant of Share Options and RSUs

On August 23, 2023, the Company granted an aggregate of 10,152,500 Options to 74 Option Grantees in accordance with the terms of the Post-IPO Share Option Scheme, subject to acceptance by the Option Grantees. The Company also granted an aggregate of 2,161,500 RSUs to 74 RSU Grantees in accordance with the terms of the Post-IPO Share Award Scheme, subject to acceptance by the RSU Grantees. Among the Option Grants and the RSU Grants, 3,369,500 Options and 363,500 RSUs were granted to Dr. Zhi Hong, our executive Director, and 545,000 Options and 144,500 RSUs were granted to Dr. Ankang Li, our executive Director.

For details, please refer to the announcements of the Company dated August 23, 2023 and August 25, 2023. The capitalized terms used in the above paragraph shall have the same meanings as those defined in such announcements.

FINANCIAL REVIEW

1. Revenue

The revenue increased by RMB0.6 million from nil for the six months ended June 30, 2023. The increase was attributable to the commercialization of the long-acting amubarvimab/romlusevimab combination therapy in China for the treatment of COVID-19. Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the specified location designated by the customers.

2. Other income

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	39,480	27,885
Bank interest income	46,383	10,343
Total	85,863	38,228

Our other income increased by RMB47.7 million from RMB38.2 million for the six months ended June 30, 2022 to RMB85.9 million for the six months ended June 30, 2023. The increase was primarily due to the increased bank interest income of RMB36.1 million attributable to the additional placement of time deposits with original maturity over three months. The increase was also due to the increase in the recognition of government grants income of RMB11.6 million. These grants mainly represent the incentive and other subsidies from the PRC government, which are for research and development activities, and are recognized upon compliance with the attached conditions.

3. Other gains and losses

Our other gains and losses increased by RMB57.3 million from losses of RMB34.0 million for the six months ended June 30, 2022 to gains of RMB23.3 million for the six months ended June 30, 2023. The increase was primarily attributable to the fair value gain on financial assets and the differences resulting from the foreign currency exchange rates on the carrying amount of financial assets denominated in a foreign currency.

4. Fair value loss on equity instrument at FVTOCI

Our fair value loss on equity instrument at FVTOCI decreased by RMB18.3 million from loss of RMB22.8 million for the six months ended June 30, 2022 to loss of RMB4.5 million for the six months ended June 30, 2023. The amount represents the equity investment in a biopharmaceutical company listed in the USA. The fair value of the listed equity investment is measured based on quoted market price.

5. Research and development expenses

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Third-party contracting cost	108,720	168,357
Employee cost	89,295	80,223
Licensing fees	–	6,487
Amortization	1,358	1,358
Others	2,802	2,059
Total	202,175	258,484

Our research and development expenses decreased by RMB56.3 million from RMB258.5 million for the six months ended June 30, 2022 to RMB202.2 million for the six months ended June 30, 2023. The decrease was primarily attributable to the decrease in third-party contracting cost of RMB59.7 million. The decrease was partially offset by the employee cost increased by RMB9.1 million due to the increase in research and development headcounts for our continuous development in clinical during the period.

6. Administrative expenses

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Employee cost	65,016	63,222
Professional fees	16,133	15,751
Depreciation and amortization	7,158	6,956
Office expenses	2,438	2,088
Others	12,078	7,450
Total	102,823	95,467

Our administrative expenses increased by RMB7.3 million from RMB95.5 million for the six months ended June 30, 2022 to RMB102.8 million for the six months ended June 30, 2023. This was primarily attributable to an increase of RMB4.6 million in other expenses mainly due to the increased computer software fees. In addition, employee cost increased by RMB1.8 million from RMB63.2 million for the six months ended June 30, 2022 to RMB65.0 million for the six months ended June 30, 2023, which was primarily attributable to the increase in employee headcounts.

7. Liquidity and Capital resources

As of June 30, 2023, our bank and cash balances, including restricted bank deposits and time deposits, decreased to RMB2,740.9 million from RMB2,999.3 million as of December 31, 2022. The decrease is primarily due to payout of daily operations and third-party contracting cost.

8. Non-IFRS measures

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, we also use adjusted loss for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We believe that these adjusted measures provide useful information to Shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss for the period represents the loss for the period excluding the effect of certain non-cash items and one-time events, namely share-based compensation expenses. The term adjusted loss for the period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. The presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. However, we believe that this and other non-IFRS measures are reflections of our normal operating results by eliminating potential impacts of items that the management does not consider to be indicative of our operating performance, and thus facilitate comparisons of operating performance from period-to-period and company-to-company to the extent applicable.

The table below sets forth a reconciliation of the loss to adjusted loss during the periods indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	(196,826)	(365,614)
Added:		
Share-based compensation	33,126	53,988
Adjusted loss for the period	(163,700)	(311,626)

The table below sets forth a reconciliation of the research and development expenses to adjusted research and development expenses during the periods indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Research and development expenses for the period	(202,175)	(258,484)
Added:		
Share-based compensation	16,324	22,082
Adjusted research and development expenses for the period	(185,851)	(236,402)

The table below sets forth a reconciliation of the administrative expenses to adjusted administrative expenses during the periods indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Administrative expenses for the period	(102,823)	(95,467)
Added:		
Share-based compensation	19,356	25,901
Adjusted administrative expenses for the period	(83,467)	(69,566)

9. Key financial ratios

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

	As at June 30, 2023	As at December 31, 2022
Current ratio[1]	2,553%	1,343%
Gearing ratio[2]	NM	NM

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date. Current ratio increased mainly due to the decrease in other payables as we have paid out most of the payables for third-party contracting cost.

(2) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Gearing ratio is not meaningful as we do not have any interest-bearing borrowings.

10. Indebtedness

Borrowings

As at June 30, 2023, the Group did not have any unutilized bank facilities, material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

Contingent Liabilities

As at June 30, 2023, the Group did not have any contingent liabilities.

Lease liabilities

We lease our office places under operating lease arrangements. Leases for office places are negotiated for terms ranging mainly from one to five years. As at June 30, 2023, the Group had lease liabilities of RMB8.0 million recognized under IFRS 16.

11. Significant investments, material acquisitions and disposals

As at June 30, 2023, we did not hold any significant investments. For the six months ended June 30, 2023, we did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures.

12. Charge on the Group's assets

As at June 30, 2023, none of the Group's assets were charged with any parties or financial institutions (December 31, 2022: nil).

13. Foreign exchange exposure

We are exposed to foreign exchange risk arising from certain currency exposures. Our reporting currency is RMB, but a significant portion of our operating transactions, assets, and liabilities are denominated in other currencies such as USD and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at June 30, 2023, the Group's restricted bank deposits, time deposits with original maturity over three months and cash and cash equivalents were denominated as to 40.6% in US dollars, 40.4% in Hong Kong dollars, and 19.0% in RMB.

14. Employees and remuneration

As at June 30, 2023, we had a total of 133 employees. The following table sets forth the total number of employees by function as of June 30, 2023:

Function	Number of employees	% of total
Research and development	92	69%
Administration	41	31%
Total	133	100%

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, equity incentive, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus, equity incentive and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

The Group also has adopted share incentive schemes for the purpose of providing incentives and rewards to its employees.

In accordance with applicable regulations in the PRC, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, and a personal injury insurance plan for our employees. We have made adequate provisions in accordance with applicable regulations. Additionally, in accordance with PRC regulations, we make annual contributions toward a housing fund, a supplemental medical insurance fund, and a maternity fund.

We provide formal and comprehensive company-level and department-level training to our new employees followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

The total remuneration cost incurred by the Group for the six months ended June 30, 2023 was RMB155.0 million, as compared to RMB157.4 million for the six months ended June 30, 2022.

15. Treasury policy

Majority of our cash arises from equity funding. Such cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On July 13, 2021, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the Global Offering (including the partial exercise of the over-allotment option) amounted to approximately HK$2.614 billion (after deducting underwriting fee and relevant expenses).

Details of the planned applications of the net proceeds from the Global Offering were disclosed in the Prospectus and subsequently revised and disclosed in the annual results announcement of the Company dated March 24, 2023. The table below sets out the planned applications of the net proceeds and the actual usage up to June 30, 2023:

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds (HK$ million)	Unutilized amount as at December 31, 2022 (HK$ million)	Utilized amount during the Reporting Period (HK$ million)	Utilized amount up to June 30, 2023 (HK$ million)	Unutilized amount as at June 30, 2023 (HK$ million)
Used for our HBV functional cure programs	38%	994.1	686.8	67.9	375.2	618.9
To fund ongoing and planned clinical trials and preparation for regulatory filings for developing combination regimens containing BRII-179, BRII-835 or BRII-877	32%	837.3	530.0	67.9	375.2	462.1
Used for regulatory milestone payments for BRII-179	1%	26.1	26.1	–	–	26.1
Used for the launch and commercialization of HBV curative treatment regimens	5%	130.7	130.7	–	–	130.7
Used for our HIV programs, funding the ongoing and planned non-clinical studies, clinical trials and preparation for registration filings for BRII-732 and BRII-753	7%	176.0	70.7	15.9	121.2	54.8
Used for our MDR/XDR gram-negative infections programs	11%	294.0	259.9	9.6	43.7	250.3
To fund the ongoing and planned clinical trials and preparation for registration filings for BRII-636, BRII-672 and BRII-693	9%	234.5	208.9	9.6	35.2	199.3
Used for regulatory milestone payments for BRII-636, BRII-672 and BRII-693	2%	59.5	51.0	0.0	8.5	51.0
Used for our CNS programs, funding the ongoing and planned non-clinical studies, clinical trials and preparation for registration filings for BRII-296, BRII-297 and other pre-clinical/ clinical candidates	19%	496.3	380.3	61.4	177.4	318.9
Used for discovery and business development activities for pipeline expansion	15%	392.0	334.8	8.3	65.5	326.5
Used for working capital and general corporate purposes	10%	261.4	57.2	57.2	261.4	0.0
Total	100%	2,613.8	1,789.7	220.3	1,044.4	1,569.4

For the Company's planned usage of the proceeds as described above, the Company expects that the net proceeds will be used up by the end of 2025.

The unutilized net proceeds will be applied in a manner consistent with the above planned applications and remains subject to change based on our current and future development of market conditions and actual business needs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and the code provisions contained in the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Accordingly, the appointment of Dr. Zhi Hong ("**Dr. Hong**") as the chairman of the Board and the chief executive officer of the Company deviates from the relevant code provision. Dr. Hong, as the founder of the Group, has extensive experience in the biopharmaceutical industry and has served in the Company since its establishment. Dr. Hong is in charge of overall management, business, strategic development and scientific R&D of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer of the Company in the same person, Dr. Hong, is beneficial to the management of the Group. The Board also believes that the combined role of the chairman of the Board and the chief executive officer of the Company can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The balance of authority and control is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two executive Directors, one non-executive Director and five independent non-executive Directors, and therefore has a strong independent element in its composition. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding securities transactions of the Directors (the "**Company's Code**") on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's Code during the Reporting Period. No incident of non-compliance of the Model Code or the Company's Code by the relevant employees who are likely to be in possession of unpublished inside information of the Company was noted by the Company.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended June 30, 2023.

AUDIT AND RISK COMMITTEE

The Board has established the Audit and Risk Committee which currently comprises three independent non-executive Directors, namely Ms. Grace Hui Tang, Dr. Taiyin Yang and Mr. Yiu Wa Alec Tsui. Ms. Grace Hui Tang and Dr. Taiyin Yang serve as the co-chairladies of the Audit and Risk Committee, who have the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit and Risk Committee are to review and supervise the Company's financial reporting process, risk management and internal control system.

The Audit and Risk Committee, together with the management and external auditor of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed the risk management and internal control system and financial reporting matters of the Group (including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2023), and is of the view that the interim results of the Group for the six months ended June 30, 2023 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

CHANGES TO DIRECTORS' INFORMATION

During the Reporting Period, there are no changes of director's biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code, are as follows:

Name of Director/Chief executive	Capacity/Nature of Interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company[1]	Long position/ Short position/ Lending pool
Robert Taylor Nelsen[2]	Interest in controlled corporation	90,410,418	12.42%	Long position
Zhi Hong[3]	Beneficial owner	18,412,847	2.53%	Long position
	Trustee	16,400,000	2.25%	
	Founder of discretionary trust	16,000,000	2.20%	
Ankang Li[4]	Beneficial owner	7,396,833	1.02%	Long position
Martin J Murphy Jr[5]	Beneficial owner	87,000	0.01%	Long position
Grace Hui Tang[6]	Beneficial owner	87,000	0.01%	Long position
Yiu Wa Alec Tsui[7]	Beneficial owner	87,000	0.01%	Long position
Gregg Huber Alton[8]	Beneficial owner	87,000	0.01%	Long position
Taiyin Yang[9]	Beneficial owner	327,000	0.04%	Long position

Notes:

1. The calculation is based on the total number of 727,816,845 Shares in issue as at June 30, 2023.

2. ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC. For the purpose of the SFO, Mr. Robert Taylor Nelsen is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

3. Dr. Zhi Hong is interested or deemed to be interested in an aggregate of 50,812,847 Shares, including (i) 32,514 Shares directly held by him; (ii) his entitlements to receive up to 12,000,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Incentive Plan, subject to the vesting conditions; (iii) his entitlements to receive up to 5,417,833 Shares pursuant to the exercise of options granted to him under the Post-IPO Share Option Scheme, subject to the vesting conditions; (iv) 962,500 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions; (v) 16,400,000 Shares held by the Jingfan Huang 2020 Revocable Trust and the Zhi Hong 2020 Revocable Trust, of which he is the trustee; and (vi) 16,000,000 Shares held by the Hong Family 2020 Irrevocable Trust, of which he is the grantor.

4. Dr. Ankang Li is interested in an aggregate of 7,396,833 Shares, including (i) 920,082 Shares directly held by him; (ii) his entitlements to receive up to 3,066,668 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Incentive Plan, subject to the vesting conditions; (iii) his entitlements to receive up to 2,045,833 Shares pursuant to the exercise of options granted to him under the Post-IPO Share Option Scheme, subject to the vesting conditions; and (iv) 1,364,250 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

5. Dr. Martin J Murphy Jr is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by him; and (ii) 73,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

6. Ms. Grace Hui Tang is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by her; and (ii) 73,000 Shares underlying the RSUs granted to her under the Post-IPO Share Award Scheme, subject to the vesting conditions.

7. Mr. Yiu Wa Alec Tsui is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by him; and (ii) 73,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

8. Mr. Gregg Huber Alton is interested in an aggregate of 87,000 Shares, including (i) 14,000 Shares directly held by him; and (ii) 73,000 Shares underlying the RSUs granted to him under the Post-IPO Share Award Scheme, subject to the vesting conditions.

9. Dr. Taiyin Yang is interested in 327,000 Shares underlying the RSUs granted to her under the Post-IPO Share Award Scheme, subject to the vesting conditions.

Save as disclosed above, as at June 30, 2023, to the best knowledge of the Directors, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at June 30, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company[1] (%)	Long position/ Short position/ Lending pool
Booming Passion Limited[2]	Beneficial interest	72,019,612	9.90%	Long position
Boyu Capital Fund III, L.P.[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
Boyu Capital General Partner III, L.P.[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
Boyu Capital General Partner III, Ltd.[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
Boyu Capital Group Holdings Ltd.[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
Boyu Group, LLC[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
XYXY Holdings Ltd.[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
Xiaomeng Tong[2]	Interest of controlled corporation	72,019,612	9.90%	Long position
ARCH Venture Fund IX, L.P.[3]	Beneficial interest	45,205,210	6.21%	Long position
ARCH Venture Fund IX Overage, L.P.[3]	Beneficial interest	45,205,208	6.21%	Long position
ARCH Venture Partners IX, L.P.[3]	Interest of controlled corporation	45,205,210	6.21%	Long position
ARCH Venture Partners IX Overage, L.P.[3]	Interest of controlled corporation	45,205,208	6.21%	Long position
ARCH Venture Partners IX, LLC[3]	Interest of controlled corporation	90,410,418	12.42%	Long position
Clinton Bybee[3]	Interest of controlled corporation	90,410,418	12.42%	Long position
Keith Crandell[3]	Interest of controlled corporation	90,410,418	12.42%	Long position

Notes:

1. The calculation is based on the total number of 727,816,845 Shares in issue as at June 30, 2023.

2. Booming Passion Limited directly held 72,019,612 Shares. Booming Passion Limited is wholly owned by Boyu Capital Fund III, L.P., the general partner of which is Boyu Capital General Partner III, L.P. The general partner of Boyu Capital General Partner III, L.P. is Boyu Capital General Partner III, Ltd., which is wholly owned by Boyu Capital Group Holdings Ltd. Boyu Capital Group Holdings Ltd. is wholly owned by Boyu Group, LLC, which is controlled by XYXY Holdings Ltd. Mr. Xiaomeng Tong holds 100% of the outstanding shares of XYXY Holdings Ltd.

   For the purpose of the SFO, each of Boyu Capital Fund III, L.P., Boyu Capital General Partner III, L.P., Boyu Capital General Partner III, Ltd., Boyu Capital Group Holdings Ltd., Boyu Group, LLC, XYXY Holdings Ltd. and Mr. Xiaomeng is deemed to be interested in the Shares held by Booming Passion Limited.

3. ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner of ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC.

   For the purpose of the SFO, each of ARCH Venture Partners IX, LLC, Mr. Robert Taylor Nelsen (as set out above), Mr. Clinton Bybee and Mr. Keith Crandell is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

Save as disclosed above, as at June 30, 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE SCHEMES

Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan was approved and adopted by the Shareholders on October 30, 2018 and subsequently amended on August 27, 2020 and February 26, 2021. The Pre-IPO Share Incentive Plan shall be valid and effective for a period of 10 years from the date of adoption of the plan on October 30, 2018. For details of the principal terms of the Pre-IPO Share Incentive Plan, please refer to Appendix IV to the Prospectus.

Purpose

The purpose of the Pre-IPO Share 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. Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and note 18 to the consolidated financial statements.

Eligible Participants

Those eligible to participate in the Pre-IPO Share Incentive Plan include officers, directors, employees, advisers or consultants of the Company or any of its affiliates as determined, authorized and approved by the Board or one or more committees appointed by the Board (the "**Administrator**").

Maximum Number of Shares Available for Issue under the Pre-IPO Share Incentive Plan

The overall limit on the number of underlying Shares which may be delivered pursuant to awards granted under the Pre-IPO Share Incentive Plan is 35,816,502 Shares, representing approximately 4.9% of the total issued share capital of the Company as at June 30, 2023.

Consideration

Nil consideration is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Incentive Plan. There is no specific exercise period of the options granted under the Pre-IPO Share Incentive Plan, which shall be exercisable when they become vested but each option shall expire not more than 10 years after the date of grant.

Determination of Exercise Price

The exercise price of an option may be a fixed price based on the par value of an ordinary share of the Company or variable price related to the fair market value of an ordinary share of the Company. The exercise price of all the options and share awards granted under the Pre-IPO Share Incentive Plan is between US$0.035 and US$1.33.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Incentive Plan as of June 30, 2023. No options were granted since the Listing Date and up to June 30, 2023. For further details on the movement of the options during the Reporting Period, please see note 18 to the consolidated financial statements.

In connection with the listing of the Shares on the Stock Exchange on the Listing Date, the Board has approved that upon listing, the Company will not grant any additional share options or share awards under the Pre-IPO Share Incentive Plan, so the total number of share options or share awards available for grant under the scheme mandate of the Pre-IPO Share Incentive Plan as at January 1, 2023 and June 30, 2023 is nil and nil, respectively. As at June 30, 2023, pursuant to the Pre-IPO Share Incentive Plan, the Company had granted to directors, employees and consultants of the Group outstanding options to subscribe for 20,857,428 Shares, representing approximately 2.9% of the total issued share capital of the Company as at June 30, 2023. There are no participants with options granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules, no service providers (as defined in Chapter 17 of the Listing Rules) with options granted in any 12-month period exceeding 0.1% of the Shares in issue for the time being, and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules).

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan as at June 30, 2023 are as follows:

Name or category of grantee	Exercise price	Date of grant	Vesting commencement date	No. of options outstanding as at January 1, 2023	No. of options granted during the Reporting Period	No. of options exercised during the Reporting Period	No. of options cancelled during the Reporting Period	No. of options lapsed during the Reporting Period	No. of options outstanding as at June 30, 2023	Notes
1. Directors										
Dr. Zhi Hong	US$0.68	September 18, 2020	October 31, 2020	5,000,000	-	-	-	-	5,000,000	1
Chairman, chief executive	US$0.68	September 18, 2020	October 31, 2020	3,000,000	-	-	-	-	3,000,000	2
officer and executive Director	US$0.68	September 18, 2020	September 18, 2020	4,000,000	-	-	-	-	4,000,000	3
Dr. Ankang Li	US$0.13	September 18, 2020	August 31, 2021	1,866,668	-	-	-	-	1,866,668	4
Executive Director	US$0.13	September 18, 2020	July 13, 2022	1,200,000	-	-	-	-	1,200,000	5
2. Other employee participants										
Other employees (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to June 4, 2021	From July 1, 2018 to June 7, 2022	5,457,180	-	(118,949)[7]	-	(123,086)	5,215,145	1, 4, 5, 6
3. Service providers										
Service providers (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to May 14, 2021	From July 1, 2018 to May 14, 2022	589,615	-	(14,000)[8]	-	-	575,615	1, 6
Total:									**20,857,428**	

Notes:

1. In accordance with a vesting schedule, the options granted on the relevant date of grant will be vested in 24 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

2. In accordance with a vesting schedule, the options granted on the date of grant will be vested in 48 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

3. In accordance with a vesting schedule, the first 1,333,334 options granted on the date of grant will be vested upon the achievements by the Group of one of the four milestones as specified in the relevant award agreement, the second 1,333,334 options granted on the date of grant will be vested upon the achievements by the Group of one of the remaining three milestones, and the remaining 1,333,332 options granted on the date of grant will be vested upon the achievements by the Group of one of the remaining two milestones, in each case the satisfaction of any milestones will be determined by the Board in its sole discretion. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

4. In accordance with a vesting schedule, 25% of the options granted on the relevant date of grant will be vested on the vesting commencement date, and the remaining 75% of the options granted on the relevant date of grant will be vested in 36 substantially equal monthly installments with the first installment vesting on the last day of the month following the month in which the vesting commencement date occurs. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of is 10 years from the date of grant.

5. In accordance with a vesting schedule and subject to the satisfaction of certain IPO vesting conditions as specified in the relevant award agreement, 25% of the options granted on the relevant date of grant will be vested on the first anniversary of the completion of the IPO, and 75% of the options granted on the relevant date of grant will be vested in a series of 36 successive equal monthly installments for each monthly period of the relevant grantee's continuous full-time employment with the Company thereafter. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

6. In accordance with a vesting schedule, 100% of the options granted on the relevant date of grant will be vested on the vesting commencement date. The options shall be exercisable upon vesting and the exercise period commences on the date when they are vested and ends on the expiry of 10 years from the date of grant.

7. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period is HK$5.48.

8. As the options were exercised only once during the Reporting Period according to the respective vesting schedule, the weighted average closing price of the Shares immediately before the date on which the options were exercised equals to the closing price of the Shares immediately before the date on which the options were exercised, which is HK$11.72.

9. Closing price of the Shares is not applicable as the Shares of the Company were not listed at the date of grant.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the Shareholders on June 22, 2021. The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. For details of the principal terms of the Post-IPO Share Option Scheme, please refer to Appendix IV to the Prospectus. In view of the amendments to the Listing Rules relating to share schemes which took effect on January 1, 2023 (the "**Share Scheme Amendments**"), the termination of the Post-IPO Share Option Scheme and the adoption of the 2023 Share Option Scheme as proposed by the Company were approved by the Shareholders on September 1, 2023 at the EGM.

Purpose

The purpose of the Post-IPO Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Further details of Post-IPO Share Option Scheme are set out in the Prospectus and note 18 to the consolidated financial statements.

Eligible Participants

Any directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Maximum Number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 70,620,092 Shares, representing approximately 9.7% of the total issued share capital of the Company as at June 30, 2023.

Limit of Each Participant

Unless approved by Shareholders in a general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Exercise of Option

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised, and a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Exercise Price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option granted under the Post-IPO Share Option Scheme at a price determined by the Board provided that it shall not be less than the highest of (a) 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; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Consideration

A nominal consideration of HK$1.00 must be paid upon acceptance of the grant of an option, and such payment must be made within 5 business days from the date the share option grant offer is made to the grantee.

As at June 30, 2023, pursuant to the Post-IPO Share Option Scheme, the Company had granted to directors and employees of the Group outstanding options to subscribe for 37,384,608 Shares, representing approximately 5.1% of the total issued share capital of the Company as at June 30, 2023. There are no participants with options granted and to be granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules) or service provider (as defined in Chapter 17 of the Listing Rules). The total number of options available for grant under the scheme mandate of the Post-IPO Share Option Scheme as at January 1, 2023 and June 30, 2023 is 29,877,092 and 29,147,400, respectively.

Details of the movements of the options granted under the Post-IPO Share Option Scheme as at June 30, 2023 are as follows:

			Number of options						Closing price of the Shares immediately before the date of grant	
Name or category of grantee	Date of grant	Exercise price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023		Notes
1. Directors										
Dr. Zhi Hong	September 17, 2021	HK$47.6	4,152,500	–	–	(1,296,667)	–	2,855,833	HK$48.5	2,3,4,6
Chairman, chief executive officer and executive Director	September 21, 2022	HK$6.45	2,562,000	–	–	–	–	2,562,000	HK$5.91	3,5
Dr. Ankang Li	September 17, 2021	HK$47.6	1,413,000	–	–	(432,167)	–	980,833	HK$48.5	2,3,4,6
Executive Director	September 21, 2022	HK$6.45	1,065,000	–	–	–	–	1,065,000	HK$5.91	3,5
2. Other employee participants										
Other employees (in aggregate)	September 17, 2021	HK$47.6	4,346,000	–	–	(1,238,417)	(1,115,708)	1,991,875	HK$48.5	2,3,4,6
	December 3, 2021	HK$43.41	751,000	–	–	(202,000)	(48,500)	500,500	HK$40.8	3,7
	March 29, 2022	HK$10.33	5,247,500	–	–	(90,833)	(688,600)	4,468,067	HK$9.15	3,4,5,8
	June 24, 2022	HK$9.16	2,292,500	–	–	–	(125,000)	2,167,500	HK$8.57	3
	September 21, 2022	HK$6.45	16,588,500	–	–	–	(2,133,000)	14,455,500	HK$5.91	3,5
	December 15, 2022	HK$8.64	1,497,000	–	–	–	(178,000)	1,319,000	HK$8.33	3
	April 12, 2023	HK$4.54	–	3,281,000	–	–	(84,500)	3,196,500	HK$4.48	3
	June 30, 2023	HK$3.35	–	1,822,000	–	–	-	1,822,000	HK$3.13	3
Total:								**37,384,608**		

Notes:

1. The options granted shall be exercisable upon vesting in accordance with the relevant vesting schedule and the exercise period of the options granted commences on the date on which they are vested in accordance with the relevant vesting schedule and ends on the expiry of 10 years from the relevant date of grant.

2. For the options granted on the date of grant, the options shall be vested over three years from the employment commencement date of each grantee or the date of grant subject to the fulfilment of certain performance targets relating to the Company determined by the Board which are specified in the relevant grant letter of the grantees.

3. For the options granted on the date of grant, the options shall be vested in four tranches as follows: 25% shall vest on the first anniversary of the Vesting Start Date of each grantee; 25% shall vest on the second anniversary of the Vesting Start Date of each grantee; 25% shall vest on the third anniversary of the Vesting Start Date of each grantee; and 25% shall vest on the fourth anniversary of the Vesting Start Date of each grantee, where the "Vesting Start Date" refers to the employment commencement date of each grantee, or the promotion date of each grantee, or the date of grant.

4. For the options granted on the date of grant, the options shall be vested in four tranches as follows: 5% shall vest on the first anniversary of the date of grant; 10% shall vest on the second anniversary of the date of grant; 40% shall vest on the third anniversary of the date of grant; and 45% shall vest on the fourth anniversary of the date of grant.

5. For the options granted on the date of grant, the options shall be vested over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones and/or market capitalization milestones determined by the Board which are specified in the relevant grant letter of the grantees.

6. The exercise price of the cancelled options is HK$47.6.

7. The exercise price of the cancelled options is HK$43.41.

8. The exercise price of the cancelled options is HK$10.33.

9. Details of the fair value of the options granted during the Reporting Period under the Post-IPO Share Option Scheme at the date of grant and the accounting standard and policy adopted are set out in note 18 to the consolidated financial statements.

Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was approved by the Shareholders on June 22, 2021. The Post-IPO Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. For details of the principal terms of the Post-IPO Share Award Scheme, please refer to Appendix IV to the Prospectus. In view of the Share Scheme Amendments, the termination of the Post-IPO Share Award Scheme and the adoption of the 2023 Share Award Scheme as proposed by the Company were approved by the Shareholders on September 1, 2023 at the EGM.

Purpose

The purpose of the Post-IPO Share Award Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Further details of the Post-IPO Share Award Scheme are set out in the Prospectus and note 18 to the consolidated financial statements.

Eligible Participants

Any directors (including executive directors, non-executive directors and independent non-executive directors), employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Share Awards

A share award may be granted in the form of Restricted Shares or RSU under the Post-IPO Share Award Scheme. Restricted Shares are Shares awarded to the participant under the Post-IPO Share Award Scheme. RSU is a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one Share, such unit to be used solely for the determination of the payment to eventually be made to the participant upon vesting of the applicable award.

Maximum Number of Shares

Shares which may be issued pursuant to all share awards to be granted under the Post-IPO Share Award Scheme must not in aggregate exceed 5% of the Shares in issue on the Listing Date, such 5% limit represents 35,310,046 Shares, representing approximately 4.9% of the total issued share capital of the Company as at June 30, 2023. There is no restriction on the maximum entitlement of each participant under the Post-IPO Share Award Scheme. Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of share award which may be granted to a single eligible participant, but the maximum share award entitlement of each participant of the Post-IPO Share Award Scheme shall not exceed the limits as required under the Listing Rules.

Grant of Share Award

On and subject to the terms of the Post-IPO Share Award Scheme, the Board shall be entitled (but shall not be bound) at any time within the life of the Post-IPO Share Award Scheme to make an offer of a share award to participant, as the Board may in its absolute discretion select. The Post-IPO Share Award Scheme does not require a minimum period for which a share award must be held or a performance target which must be achieved before a share award can be vested. Share awards may be granted on such terms and conditions as the Board shall determine. Such terms may include any minimum period(s) for which the grantee must be employed or in service to the Group and/or any minimum performance target(s) that must be achieved, before the share award shall vest in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

Acceptance of Share Award

An offer of the grant of a share award shall be deemed to have been accepted and the share award to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein. No such offer shall be open for acceptance after the expiry of the period of 10 years commencing on the Listing Date or after the Post-IPO Share Award Scheme has been terminated in accordance with the provisions hereof, whichever is the earlier. In addition, acceptance of an award of Restricted Shares under the Post-IPO Share Award Scheme shall be subject to payment of such consideration to the Company as the Board may determine or as required by applicable law. There is no requirement on the purchase price payable in respect of the share award granted under the Post-IPO Share Award Scheme.

As at June 30, 2023, pursuant to the Post-IPO Share Award Scheme, the Company had granted to directors and employees of the Group outstanding RSUs representing 11,990,080 Shares, accounting for approximately 1.6% of the total issued share capital of the Company as at June 30, 2023. There are no participants with share awards granted and to be granted in excess of the 1% individual limit for the purpose of Rule 17.03D of the Listing Rules and no grants to related entity participant (as defined in Chapter 17 of the Listing Rules) or service provider (as defined in Chapter 17 of the Listing Rules). The total number of awards available for grant under the scheme mandate of the Post-IPO Share Award Scheme as at January 1, 2023 and June 30, 2023 is 22,375,046 and 22,332,596, respectively.

Details of the movements of the RSUs granted under the Post-IPO Share Award Scheme as at June 30, 2023 are as follows:

Name or category of grantee	Date of grant	Fair value as at the date of grant	Number of RSUs: Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Closing price of the Shares immediately before the date of grant	Notes
1. Directors										
Dr. Zhi Hong	January 20, 2022	HK$22.75	865,500	–	–	(243,000)	–	622,500	HK$22.65	2,6,12
Chairman, chief executive officer and executive Director	September 21, 2022	HK$5.64	340,000	–	–	–	–	340,000	HK$5.91	4,11
Mr. Ankang Li	January 20, 2022	HK$22.75	303,750	–	–	(81,000)	–	222,750	HK$22.65	2,6,12
Executive Director	September 21, 2022	HK$5.64	1,141,500	–	–	–	–	1,141,500	HK$5.91	4
Dr. Martin J Murphy Jr	January 20, 2022	HK$22.75	28,000	–	–	–	–	28,000	HK$22.65	3,11
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	–	–	–	45,000	HK$5.91	9,11
Ms. Grace Hui Tang	January 20, 2022	HK$22.75	28,000	–	–	–	–	28,000	HK$22.65	3,11
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	–	–	–	45,000	HK$5.91	9,11
Mr. Yiu Wa Alec Tsui	January 20, 2022	HK$22.75	28,000	–	–	–	–	28,000	HK$22.65	3,11
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	–	–	–	45,000	HK$5.91	9,11
Mr. Gregg Huber Alton	January 20, 2022	HK$22.75	28,000	–	–	–	–	28,000	HK$22.65	3,11
Independent non-executive Director	September 21, 2022	HK$5.64	45,000	–	–	–	–	45,000	HK$5.91	9,11
Dr. Taiyin Yang	September 21, 2022	HK$5.64	327,000	–	–	–	–	327,000	HK$5.91	10,11
Independent non-executive Director										
2. Other employee participants										
Other employees (in aggregate)	January 20, 2022	HK$22.75	2,325,488	–	(54,431)	(407,469)	(577,575)	1,286,013	HK$22.65	2,4,5,6, 12,13
	March 29, 2022	HK$9.46	1,775,375	–	(244,162)	(89,796)	(236,475)	1,204,942	HK$9.15	4,7,8, 12,14
	June 24, 2022	HK$9.16	949,000	–	(182,356)	(41,769)	(52,500)	672,375	HK$8.57	4,12,15
	September 21, 2022	HK$5.64	4,575,500	–	–	–	(426,000)	4,149,500	HK$5.91	4,8
	December 15, 2022	HK$8.06	396,500	–	–	–	(47,000)	349,500	HK$8.33	4
	April 12, 2023	HK$4.54	–	870,500	–	–	(22,500)	848,000	HK$4.48	4
	June 30, 2023	HK$3.14	–	534,000	–	–	–	534,000	HK$3.13	4
Total:								11,990,080		

Notes:

1. All the RSUs were granted to the grantees at nil consideration. Once the RSUs are vested in accordance with the relevant vesting schedule, the underlying Shares will be transferred to the grantees at nil consideration.

2. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 25% shall vest on September 17, 2022; 25% shall vest on September 17, 2023; 25% shall vest on September 17, 2024; and 25% shall vest on September 17, 2025.

3. For the RSUs granted on the date of grant, the RSUs shall be vested in three tranches as follows: one-third of the grant shall vest on July 13, 2022, one-third of the grant shall vest on July 13, 2023 and the remaining one-third of the grant shall vest on July 13, 2024.

4. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 25% shall vest on the first anniversary of the Vesting Start Date of each grantee; 25% shall vest on the second anniversary of the Vesting Start Date of each grantee; 25% shall vest on the third anniversary of the Vesting Start Date of each grantee; and 25% shall vest on the fourth anniversary of the Vesting Start Date of each grantee, where the "Vesting Start Date" refers to the employment commencement date of each grantee, or the promotion date of each grantee, or the date of grant.

5. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 5% shall vest on the first anniversary of September 17, 2021; 10% shall vest on the second anniversary of September 17, 2021; 40% shall vest on the third anniversary of September 17, 2021; and 45% shall vest on the fourth anniversary of September 17, 2021.

6. For the RSUs granted on the date of grant, the RSUs shall be vested upon the achievements by the Group of certain milestones determined by the Board which are specified in the relevant award agreement of the grantees.

7. For the RSUs granted on the date of grant, the RSUs shall be vested in four tranches as follows: 5% shall vest on the first anniversary of the date of grant; 10% shall vest on the second anniversary of the date of grant; 40% shall vest on the third anniversary of the date of grant; and 45% shall vest on the fourth anniversary of the date of grant.

8. For the RSUs granted on the date of grant, the RSUs shall be vested over three years from the employment commencement date of each grantee upon the achievements by the Group of certain program milestones and/or market capitalization milestones determined by the Board which are specified in the relevant award agreement of the grantees.

9. For the RSUs granted on the date of grant, the RSUs shall be vested on the first anniversary of the date of grant.

10. For the RSUs granted on the date of grant, the RSUs shall be vested in three tranches as follows: one-third of the grant shall vest on September 1, 2023, one-third of the grant shall vest on September 1, 2024 and the remaining one-third of the grant shall vest on September 1, 2025.

11. The RSUs granted would be satisfied by way of purchase of existing Shares on the secondary market using the Company's internal resources.

12. During the Reporting Period, the purchase price of the vested RSUs or the cancelled RSUs is nil.

13. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period is HK$3.70.

14. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period is HK$6.87.

15. The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested during the Reporting Period is HK$3.96.

16. Details of the fair value of the awards granted during the Reporting Period under the Post-IPO Share Award Scheme at the date of grant and the accounting standard and policy adopted are set out in Note 18 to the consolidated financial statements.

17. Any unvested Shares held by the trustee of the Post-IPO Share Award Scheme appointed by the Company, Kastle Limited, will abstain from voting on matters that require Shareholders' approval under the Listing Rules.

2023 Share Option Scheme

The 2023 Share Option Scheme was adopted by the Shareholders at the EGM on September 1, 2023. The 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the scheme on September 1, 2023. For details of the principal terms of the 2023 Share Option Scheme, please refer to the circular of the Company dated August 4, 2023.

Purpose

The purpose of the 2023 Share Option Scheme is to attract and retain eligible participants whose contributions are important to the long-term growth and success of the Group, to recognize and reward eligible participants for their past contribution to the Group, to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to further contribute to the Company and work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Eligible Participants

Any director (including executive directors, non-executive directors and independent non-executive directors) and employee of the Company or any of its subsidiaries, and any person who provides services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Scheme Mandate Limit and Service Provider Sublimit

The scheme mandate limit is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company, and shall not in aggregate exceed 10% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 72,813,078 Shares). The service provider sublimit, being a sublimit under the scheme mandate limit, is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company to the service providers, and shall not in aggregate exceed 1% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 7,281,307 Shares).

Options

Pursuant to the 2023 Share Option Scheme, the Board shall be entitled at any time to make an offer of the grant of an option to any eligible participant, as the Board may in its absolute discretion select, to take up an option pursuant to which such participant may subscribe for such number of Shares as the Board may determine at the exercise price and on and subject to such terms and conditions as the Board may determine and impose and inform the grantee accordingly.

The offer shall specify the terms and conditions on which the option is to be granted. Such terms and conditions may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised or vested in whole or in part, may include any clawback mechanism in respect of the options, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

Upon exercise of the option and payment of the exercise price by the relevant grantee, the Board shall allot and issue new Shares to the grantee.

As the 2023 Share Option Scheme was adopted on September 1, 2023, the total number of options available for grant under the scheme mandate of the 2023 Share Option Scheme as at January 1, 2023 and June 30, 2023 is nil and nil, respectively, and the total number of options available for grant under the service provider sublimit of the 2023 Share Option Scheme as at January 1, 2023 and June 30, 2023 is nil and nil, respectively.

No options were granted, exercised, lapsed or cancelled under the 2023 Share Option Scheme since its adoption and up to the date of this report.

2023 Share Award Scheme

The 2023 Share Award Scheme was adopted by the Shareholders at the EGM on September 1, 2023. The 2023 Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the scheme on September 1, 2023. For details of the principal terms of the 2023 Share Award Scheme, please refer to the circular of the Company dated August 4, 2023.

Purpose

The purpose of the 2023 Share Award Scheme is to attract and retain eligible participants whose contributions are important to the long-term growth and success of the Group, to recognize and reward eligible participants for their past contribution to the Group, to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to further contribute to the Company and work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Eligible Participants

Any director (including executive directors, non-executive directors and independent non-executive directors) and employee of the Company or any of its subsidiaries, and any person who provides services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Scheme Mandate Limit and Service Provider Sublimit

The scheme mandate limit is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company, and shall not in aggregate exceed 10% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 72,813,078 Shares). The service provider sublimit, being a sublimit under the scheme mandate limit, is the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other share scheme(s) of the Company to the service providers, and shall not in aggregate exceed 1% of the total number of issued Shares as at the adoption date of the above schemes (i.e. 7,281,307 Shares).

Share Awards

A share award may be granted in the form of Restricted Shares or RSUs under the 2023 Share Award Scheme. Restricted Shares are Shares awarded to a participant under the 2023 Share Award Scheme. RSU is a restricted share unit conferring the grantee a conditional right upon vesting of the RSU to obtain, as determined by the Board in its absolute discretion, either a Share or an equivalent value in cash.

Pursuant to the 2023 Share Award Scheme, the Board shall be entitled at any time to make an offer of the grant of a share award to any eligible participant, as the Board may in its absolute discretion select, and on and subject to such terms and conditions as the Board may determine and impose and inform the grantee accordingly.

The offer shall specify the terms and conditions on which the share award is to be granted. Such terms and conditions may include any minimum period(s) for which a share award must be held, any minimum period(s) for which the grantee must be employed or in service to the Group and/or any minimum performance target(s) that must be achieved, before the share award shall vest in whole or in part, may include any clawback mechanism in respect of the share award, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

Subject to the terms of the 2023 Share Award Scheme, the Board may decide at its sole and absolute discretion to (i) direct the trustee of the 2023 Share Award Scheme to transfer the number of Restricted Shares or the Shares underlying the RSUs to the grantee which the trustee has acquired by making purchases of existing Shares and to be held pending the vesting of the relevant share award; (ii) procure the Company to allot and issue the number of Restricted Shares or the Shares underlying the RSUs to the grantee (as new Shares under the scheme mandate limit) as fully paid up Shares directly; and/or (iii) pay, or procure the payment of, an amount equivalent to the market value of the Shares underlying the RSUs to the grantee in cash, for the purpose of satisfying the relevant share awards of the grantee upon vesting.

As the 2023 Share Award Scheme was adopted on September 1, 2023, the total number of awards available for grant under the scheme mandate of the 2023 Share Award Scheme as at January 1, 2023 and June 30, 2023 is nil and nil, respectively, and the total number of awards available for grant under the service provider sublimit of the 2023 Share Award Scheme as at January 1, 2023 and June 30, 2023 is nil and nil, respectively.

No share awards were granted, vested, lapsed or cancelled under the 2023 Share Award Scheme since its adoption and up to the date of this report. As at the date of this report, no Shares were held by the trustee of the 2023 Share Award Scheme.

Additional Information

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of the Shares in issue for the Reporting Period is 0.9%.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

To The Board Of Directors Of Brii Biosciences Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Brii Biosciences Limited (the "Company") and its subsidiaries set out on pages 46 to 67, which comprise the condensed consolidated statement of financial position at June 30, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE 2410") issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements 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 International 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 22, 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
	Notes	(unaudited)	(unaudited)
Revenue		617	–
Other income	4	85,863	38,228
Other gains and losses, net	5	23,326	(34,035)
Research and development expenses		(202,175)	(258,484)
Administrative expenses		(102,823)	(95,467)
Selling and marketing expenses		(1,380)	(15,376)
Finance costs	6	(254)	(480)
Loss before tax	7	(196,826)	(365,614)
Income tax expense	8	–	–
Loss for the period		(196,826)	(365,614)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		102,567	173,492
Fair value loss on equity instrument at fair value through other comprehensive income ("**FVTOCI**")		(4,484)	(22,780)
		98,083	150,712
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,244)	(2,785)
Other comprehensive income for the period		92,839	147,927
Total comprehensive expense for the period		(103,987)	(217,687)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
	Notes	(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(189,917)	(347,587)
Non-controlling interests		(6,909)	(18,027)
		(196,826)	(365,614)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(97,078)	(199,660)
Non-controlling interests		(6,909)	(18,027)
		(103,987)	(217,687)
Loss per share			
– Basic and diluted (RMB)	9	(0.26)	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2023

	Notes	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	4,731	7,345
Right-of-use assets	11	7,835	12,177
Intangible assets	11	145,120	146,887
Financial assets at fair value through profit or loss ("FVTPL")	12	188,263	139,794
Equity instrument at FVTOCI	13	1,819	6,234
Rental deposits	14	2,264	2,513
		350,032	314,950
Current assets			
Deposits, prepayments and other receivables	14	107,451	77,640
Restricted bank deposits	15	1,945	1,875
Time deposits with original maturity over three months	15	2,251,426	1,806,812
Cash and cash equivalents	15	487,494	1,190,572
		2,848,316	3,076,899
Current liabilities			
Other payables	16	85,873	164,937
Lease liabilities		7,998	9,500
Deferred income		17,711	54,676
		111,582	229,113
Net current assets		2,736,734	2,847,786
Total assets less current liabilities		3,086,766	3,162,736

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2023

	Notes	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		–	3,156
Deferred income		–	2,083
		–	5,239
Net assets		3,086,766	3,157,497
Capital and reserves			
Share capital	17	24	24
Share premium and reserves		3,130,768	3,194,590
Equity attributable to owners of the Company		3,130,792	3,194,614
Non-controlling interests		(44,026)	(37,117)
Total equity		3,086,766	3,157,497

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000 (Note)	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2022 (audited)	23	9,317,066	12,457	26,127	(75,917)	101,046	(6,037,898)	3,342,904	(31,648)	3,311,256
Loss for the period	–	–	–	–	–	–	(347,587)	(347,587)	(18,027)	(365,614)
Other comprehensive (expense) income	–	–	(22,780)	170,707	–	–	–	147,927	–	147,927
Total comprehensive (expense) income for the period	–	–	(22,780)	170,707	–	–	(347,587)	(199,660)	(18,027)	(217,687)
Vesting of restricted ordinary shares and restricted share units	–	2,717	–	–	–	(2,717)	–	–	–	–
Exercising of share options	–	8,994	–	–	–	(5,874)	–	3,120	–	3,120
Recognition of equity-settled share-based payments	–	–	–	–	–	53,988	–	53,988	–	53,988
At June 30, 2022 (unaudited)	23	9,328,777	(10,323)	196,834	(75,917)	146,443	(6,385,485)	3,200,352	(49,675)	3,150,677
At January 1, 2023 (audited)	24	9,352,113	(17,653)	307,562	(75,917)	150,695	(6,522,210)	3,194,614	(37,117)	3,157,497
Loss for the period	–	–	–	–	–	–	(189,917)	(189,917)	(6,909)	(196,826)
Other comprehensive (expense) income	–	–	(4,484)	97,323	–	–	–	92,839	–	92,839
Total comprehensive (expense) income for the period	–	–	(4,484)	97,323	–	–	(189,917)	(97,078)	(6,909)	(103,987)
Vesting of restricted ordinary shares and restricted share units	–	2,898	–	–	–	(2,898)	–	–	–	–
Exercising of share options	–	354	–	–	–	(224)	–	130	–	130
Recognition of equity-settled share-based payments	–	–	–	–	–	33,126	–	33,126	–	33,126
At June 30, 2023 (unaudited)	24	9,355,365	(22,137)	404,885	(75,917)	180,699	(6,712,127)	3,130,792	(44,026)	3,086,766

Note: Other reserve represents the adjustment to the non-controlling interests to reflect the changes in the respective share of the carrying amounts of the net liabilities of a subsidiary upon the capital contribution by the Company which resulted in its additional interest in that subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(353,761)	(268,944)
INVESTING ACTIVITIES		
Interest received	23,292	10,343
Receipt of return from money market funds	3,644	1,023
Placement of time deposits with original maturity over three months	(1,269,380)	(253,276)
Withdrawal of time deposits with original maturity over three months	888,812	499,647
Placement of restricted bank deposits	–	(2,155)
Proceeds from disposal of financial assets at FVTPL	223	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(353,409)	255,582
FINANCING ACTIVITIES		
Proceeds from exercise of share options	130	3,120
Payments of lease liabilities	(4,658)	(4,145)
Interest paid	(254)	(480)
NET CASH USED IN FINANCING ACTIVITIES	(4,782)	(1,505)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(711,952)	(14,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,190,572	2,855,093
Effects of foreign exchange rate changes	8,874	125,969
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	487,494	2,966,195

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

1 GENERAL INFORMATION

Brii Biosciences Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on December 8, 2017. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on July 13, 2021 (the "Listing").

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

The directors of the Company have, at the time of approving these condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to IFRSs

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

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

Except as described below, the application of the other new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* ("IAS 12") requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended December 31, 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

As a result of the application of amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the Group recognised deferred tax assets and deferred tax liabilities of RMB3,044,000 and RMB3,044,000, respectively, at the end of the immediately preceding financial year, i.e. December 31, 2022, which have been offset for the purpose of presentation in the condensed consolidated statement of financial position.

3 SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer of the Group. For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the Group's accounting policies. Accordingly, the Group has only one reportable segment and only entity-wide disclosures are presented.

Geographical information

At June 30, 2023, substantially all of the Group's non-current assets (excluding financial instruments) of RMB160.0 million (December 31, 2022: RMB168.9 million) are located in the PRC and during the reporting period all of the Group's revenue from external customers are located in the PRC.

4 OTHER INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (Note)	39,480	27,885
Bank interest income	46,383	10,343
	85,863	38,228

Note: Government grants include the incentive and other subsidies from the PRC government which are specifically for research and development activities are recognised upon compliance with the attached conditions. In the current interim period, the Group did not receive any government grants: (six months ended June 30, 2022: nil). At June 30, 2023, government grants of RMB17.7 million (December 31, 2022: RMB56.8 million) are recorded as deferred income and will be amortised upon compliance with the relevant conditions.

5 OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange loss	(16,789)	(39,846)
Fair value gain of money market funds	3,644	1,023
Fair value gain on financial assets at FVTPL	41,903	4,788
Impairment loss recognised on intangible assets	(5,432)	–
	23,326	(34,035)

6 FINANCE COSTS

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest on lease liabilities	254	480

7 LOSS BEFORE TAX

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Loss before tax for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	2,614	2,614
Depreciation of right-of-use assets	4,342	4,342
Amortisation of intangible assets (included in research and development expenses)	1,559	1,358
Impairment loss recognised on intangible assets (included in other gains and losses)	5,432	–

8 INCOME TAX EXPENSE

No provision for income tax expense has been made since the operating subsidiaries of the Company have no assessable profits for both periods.

9 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	(189,917)	(347,587)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000)	727,488	721,780

9 LOSS PER SHARE (Continued)

For the six months ended June 30, 2022 and 2023, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share excluded the unvested restricted ordinary shares and restricted share units of the Company, details of which are set out in Note 18.

The computation of diluted loss per share for the six months ended June 30, 2022 and 2023 did not assume the exercise of share options, the vesting of unvested restricted share units and unvested restricted ordinary shares since their assumed exercise and vesting would be anti-dilutive.

10 DIVIDENDS

No dividend was paid, declared or proposed during the interim periods.

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

During the current interim period, the Group had no additions nor disposal of property, plant and equipment, intangible assets and right-of-use assets (six months ended June 30, 2022: nil).

In view that management of the Group has decided to discontinue a research and development program and no revenue is expected in the future from the commercialisation, the directors of the Company have performed impairment assessment of the related technical know-how and patent and consequently determined an impairment of the intangible assets amounting to RMB5,432,000 (six month ended June 30, 2022: nil). The impairment loss has been included in profit or loss in the other gains and losses line item.

In June, 2023, the Group entered into definitive agreements with Qpex Biopharma, Inc. ("Qpex"), pursuant to which (a) the Company will acquire the exclusive global rights for the development and commercialisation of BRII-693 (also known as QPX9003) from Qpex, expanding its existing rights to BRII-693 in Greater China, whereupon the Group's existing payment obligations of cost-share, milestone and royalty payments associated with BRII-693 to Qpex will be eliminated, and (b) the Group will return to Qpex the exclusive rights to QPX7728-based products, i.e. BRII-636 and BRII-672, in Greater China it licensed from Qpex in 2019, whereupon the Group will no longer be responsible for any cost-share, milestone and royalty payments associated with QPX7728-based products. Up to the date of issuance of these condensed consolidated financial statements, the transaction has not been fully completed and the financial impact is still being assessed.

12 FINANCIAL ASSETS AT FVTPL

At June 30, 2023, the amount represents the Group's investments in a listed entity and an unlisted entity, Qpex, in the USA focusing on infectious diseases (at December 31, 2022: a listed entity and two unlisted entities). During the six months ended June 30, 2023, the Group has no additions of equity investments (six months ended June 30, 2022: nil) and disposal of equity investments of approximately USD31,000 (equivalent to RMB223,000) (six months ended June 30, 2022: nil).

In June 2023, the Group entered into a share transfer agreement amongst Qpex, its shareholder and an independent third party, pursuant to which, all shareholders of Qpex including the Group agreed to sell the entire equity interest in Qpex to the independent third party. In relation to the Group's equity interest shareholding, the Group is entitled to a consideration of USD17,159,000 (equivalent to RMB123,990,000). Up to the date of issuance of these condensed consolidated financial statements, the transfer of equity interest of Qpex has been completed but the consideration has not yet been received. The fair values of these financial assets at FVTPL are established by using valuation techniques as disclosed in Note 20.

13 EQUITY INSTRUMENT AT FVTOCI

The amount represents listed equity investment in a biopharmaceutical company listed on the NASDAQ Global Market. During the six months ended June 30, 2023, the Group has no addition nor disposal of the equity investment (six months ended June 30, 2022: nil). The fair value of the listed equity investment is measured based on quoted market price.

14 RENTAL DEPOSITS/DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Prepayments	24,094	19,589
Rental and other deposits	2,513	2,842
Value-added tax recoverable	49,171	46,172
Interests receivable	31,876	8,785
Other receivables	2,061	2,765
	109,715	80,153
Analysed as:		
Non-current	2,264	2,513
Current	107,451	77,640
	109,715	80,153

15 RESTRICTED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

At June 30, 2023, restricted bank deposits carry fixed rate interests at 0.01% (December 31, 2022: 0.01%) per annum.

At June 30, 2023, time deposits with original maturity over three months from the date of placement carry fixed rate interest ranging from 2.00% to 5.30% (December 31, 2022: from 4.70% to 5.09%) per annum. These time deposits will mature within 12 months.

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and low volatility net asset value money market funds. The Group has no short-term bank deposits at June 30, 2023, while the short-term bank deposits at December 31, 2022 carried interests at market rates ranging from 0.05% to 1.70% per annum.

At June 30, 2023, the low volatility net asset value money market funds are measured at fair value of RMB164,979,000 (December 31, 2022: RMB287,623,000).

16 OTHER PAYABLES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Payables for research and development expenses	24,919	113,531
Other payables for		
– legal and professional fee	7,187	2,225
– others	2,094	1,059
Other tax payables	1,307	1,861
Payroll payables	19,501	31,721
Accrued research and development expenses	19,304	3,397
Accrued issue costs	11,561	11,143
	85,873	164,937

16 OTHER PAYABLES (Continued)

Ageing analysis of the Group's payables for research and development expenses based on the invoice dates at the end of the reporting period is as follows:

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0-30 days	23,486	12,285
31-60 days	466	5,883
61-90 days	–	2,958
Over 90 days	967	92,405
	24,919	113,531

17 SHARE CAPITAL

	Number of Ordinary shares	Share capital US$
Ordinary shares		
Ordinary shares of US$0.000005 each		
Authorised		
At January 1, 2022 (audited), June 30, 2022 (unaudited), January 1, 2023 (audited) and June 30, 2023 (unaudited)	1,200,000,000	6,000

17 SHARE CAPITAL (Continued)

	Ordinary Shares		Equivalent amount of
	Number of shares	Amount US$	ordinary shares RMB'000
Issued and fully paid			
At January 1, 2022 (audited)	720,292,216	3,602	23
Issuance of ordinary shares in relation to exercise of share options (Note 18)	2,433,742	12	-*
Issuance of ordinary shares in relation to vesting of restricted share units (Note 18)	57,755	-**	-*
Repurchase and cancellation of ordinary shares (Note)	(72,500)	-**	-*
At June 30, 2022 (unaudited)	722,711,213	3,614	23
At January 1, 2023 (audited)	727,202,947	3,636	24
Issuance of ordinary shares in relation to exercise of share options (Note 18)	132,949	-**	-*
Issuance of ordinary shares in relation to vesting of restricted share units (Note 18)	480,949	2	-*
At June 30, 2023 (unaudited)	727,816,845	3,638	24

* Less than RMB1,000.

** Less than US$1.

Note: During the six months ended June 30, 2022, upon the resignation of the Company's employees whom was granted with restricted ordinary shares, the Company repurchased and cancelled 72,500 shares, representing the unvested portion of the restricted ordinary shares, held by the employees with a reduction of the Company's treasury shares and share capital of RMB1.

18 SHARE-BASED PAYMENT TRANSACTIONS

Restricted ordinary shares

On June 19, 2018, the Company, for the purpose of providing incentive and motivate the key management of the Group, issued 12,600,000 time-based restricted ordinary shares (before Share Subdivision) and 3,500,000 milestone-based restricted ordinary shares (before Share Subdivision) to a director and 6,525,000 time-based restricted ordinary shares (before Share Subdivision) to key management of the Group (collectively referred to as "Restricted Person") at a total consideration of approximately RMB1,000 (at US$0.00001 per share before Share Subdivision).

During the six months ended June 30, 2022, except for 72,500 restricted ordinary shares were repurchased and cancelled by the Company, the remaining restricted ordinary shares has been vested.

18 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Post-IPO Share Award Scheme

On June 22, 2021, a Post-IPO share award scheme (the "Post-IPO Share Award Scheme") was approved and adopted pursuant to a board resolution passed. The directors of the Company may, from time to time, at its absolute discretion to make an offer of a share award (consisting of either restricted shares or restricted share units (the "RSUs")) to an eligible person in accordance with the Post-IPO Share Award Scheme. The overall limit on the number of RSUs under the Post-IPO Share Award Scheme is 35,310,046 shares and the maximum number of shares which may be awarded to any eligible person under the Post-IPO Share Award Scheme shall not exceed 5% of the issued share capital of the Company at July 13, 2021.

In the current interim period, the Group issued 1,404,500 Post-IPO RSUs to employees of the Group under the Post-IPO Share Award Scheme. The fair values of the Post-IPO RSUs determined at the dates of grant are measured on the basis of an observable market price (i.e. the Company's closing share price) ranges from HK$3.14 to HK$4.54 per Post-IPO RSU.

At April 12, 2023, the directors of the Company conducted an overall assessment of the Group's pipeline programs and considered that certain of the pre-determined research and development activities and commercial milestones cannot or can no longer be fulfilled. Therefore, the directors of the Company decided to cancel a total of 3,260,084 Post-IPO Share Options (as defined below) and 739,483 RSUs granted to certain senior management members of the Company in accordance with the terms of the Post-IPO Share Award Scheme and the relevant grant letters. In view that the management of the Group considers that these milestones cannot or can no longer be fulfilled, these cancelled Post-IPO Share Options and RSUs are considered as lapsed.

The following table summarised the Group's Post-IPO RSUs and movement during the period.

	Number of Post-IPO RSUs
At January 1, 2022 (audited)	–
Granted	8,422,750
Vested	(57,755)
Forfeited	(439,995)
At June 30, 2022 (unaudited)	7,925,000
At January 1, 2023 (audited)	13,291,613
Granted	1,404,500
Vested	(480,949)
Lapsed	(739,483)
Forfeited	(1,485,601)
At June 30, 2023 (unaudited)	11,990,080

18 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company

The Company's pre-IPO share incentive plan (the "Incentive Plan") was adopted pursuant to a resolution passed on October 30, 2018. The primary purpose of the Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees, directors and consultants (the "Eligible Persons") and to further link the Eligible Persons' interests with those of the Company's shareholders generally.

The following tables summarised the Group's options granted under the Incentive Plan and the Post-IPO Share Option Scheme and movement during the period:

For the six months ended June 30, 2023

Option	Type of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2023	Granted during the period	Exercised during the period	Lapsed during the period	Forfeited during the period	Outstanding at 30.6.2023
Time-based											
Option A	Consultants and employees	30.10.2018	Note i	Note iii	US$0.035	1,274,000	-	(90,000)	-	-	1,184,000
Option B	Consultants and employees	3.4.2019 – 16.9.2019	Note i	Note iii	US$0.05	594,676	-	(19,831)	-	(845)	574,000
Option C	Employees	4.2.2020 – 11.12.2020	Note i	Note iii	US$0.13 – US$0.68	12,685,146	-	(23,118)	-	(108,474)	12,553,554
Option D	Consultants and employees	18.2.2021 – 3.12.2021	Note i	Note iii	US$0.68 – US$1.33 HK$43.41 – HK$47.60	4,152,141	-	-	-	(313,642)	3,838,499
Option E	Employees	29.3.2022 – 15.12.2022	Note i	Note iii	HK$6.454 – HK$10.33	27,905,500	-	-	-	(3,124,600)	24,780,900
Option I	Employees	12.4.2023 – 30.6.2023	Note i	Note iii	HK$3.35 – HK$4.54	-	5,103,000	-	-	(84,500)	5,018,500
Sub-total						46,611,463	5,103,000	(132,949)	-	(3,632,061)	47,949,453
Milestone-based											
Option F	Employees	18.9.2020	Note ii	Note iii	US$0.13 – US$0.68	5,200,000	-	-	-	-	5,200,000
Option G	Employees	4.6.2021 – 3.12.2021	Note ii	Note iii	US$1.06 HK$43.41 – HK$47.60	7,870,000	-	-	(3,169,251)	(864,333)	3,836,416
Option H	Employees	29.3.2022 – 21.9.2022	Note ii	Note iii	HK$6.454 – HK$10.33	1,347,000	-	-	(90,833)	-	1,256,167
Sub-total						14,417,000	-	-	(3,260,084)	(864,333)	10,292,583
Total						61,028,463	5,103,000	(132,949)	(3,260,084)	(4,496,394)	58,242,036

18 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

For the six months ended June 30, 2022

Option	Name of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 1.1.2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2022
Time-based										
Option A	Consultants and employees	30.10.2018	Note i	Note iii	US$0.035	2,400,000	–	(675,406)	(64,594)	1,660,000
Option B	Consultants and employees	3.4.2019 – 16.9.2019	Note i	Note iii	US$0.05	828,666	–	(163,685)	(6,981)	658,000
Option C	Employees	4.2.2020 – 11.12.2020	Note i	Note iii	US$0.13 – US$0.68	21,876,984	–	(1,533,903)	(550,029)	19,793,052
Option D	Consultants and employees	18.2.2021 – 3.12.2021	Note i	Note iii	US$0.68 – US$1.33 HK$43.41 – HK$47.60	5,804,800	–	(60,748)	(604,416)	5,139,636
Option E	Employees	29.3.2022 – 24.6.2022	Note i	Note iii	HK$9.16 – HK$10.33	–	8,027,500	–	(327,500)	7,700,000
Sub-total						30,910,450	8,027,500	(2,433,742)	(1,553,520)	34,950,688
Milestone-based										
Option F	Employees	18.9.2020	Note ii	Note iii	US$0.13 – US$0.68	5,200,000	–	–	–	5,200,000
Option G	Employees	4.6.2021 – 3.12.2021	Note ii	Note iii	US$1.06 HK$43.41 – HK$47.60	10,838,500	–	–	(375,000)	10,463,500
Option H	Employees	29.3.2022	Note ii	Note iii	HK$10.33	–	272,500	–	–	272,500
Sub-total						16,038,500	272,500	–	(375,000)	15,936,000
Total						46,948,950	8,300,000	(2,433,742)	(1,928,520)	50,886,688

18 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

Notes:

(i) The share options were granted to employees of the Group or consultants who are in contractual agreements with the Group in providing services similar to those rendered by the Group's employees. The vesting is based on the vesting schedules within the vesting period of 1 – 4 years.

(ii) The milestone-based share options are vested conditionally upon the achievement of the specified performance target milestones. The expected vesting period is estimated by the directors of the Company based on the most likely outcome of the performance conditions.

(iii) Each vested option is exercisable during a period from and including the vesting date of the relevant option to the tenth anniversary of grant date of the option.

For the six months ended June 30, 2023

Option Granted	Grant date option fair value per share	Exercise price	Volatility	Expected life	Risk-free interest rate	Dividend yield
Option I	HK$1.70 – HK$2.70	HK$3.35 – HK$4.54	66.79% – 66.85%	10 years	3.00% – 3.74%	0%

The variables and assumptions used in computing the fair value of the share options are based on the directors' of the Company best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

19 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors of the Company and other members of key management of the Group during the interim period were as follows:

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salary and other benefits	31,388	26,368
Retirement benefit scheme contribution	880	541
Share-based payments	12,561	32,656
	44,829	59,565

The remuneration of key management personnel of the Group is determined by the directors of the Company having regard to the performance of individuals and market trends.

20 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Chief Strategy and Financial Officer of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value, the Group uses market observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Chief Strategy and Financial Officer establishes the appropriate valuation techniques and inputs to the model and reports any findings to the directors of the Company.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Notes	Fair value at June 30, 2023 RMB'000 (unaudited)	Fair value at December 31, 2022 RMB'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed equity investment at FVTOCI	Note 13	1,819	6,234	Level 1	Active market quoted transaction price	N/A
Listed equity investment measured at FVTPL	Note 12	64,273	69,590	Level 1	Active market quoted transaction price	N/A
Unlisted equity investment measured at FVTPL	Note 12	–	3,833	Level 2	Recent transaction price	N/A

20 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Notes	Fair value at June 30, 2023 RMB'000 (unaudited)	Fair value at December 31, 2022 RMB'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Unlisted equity investment measured at FVTPL	Note 12	123,990	66,371	Level 2 (December 31, 2022: Level 3)	Recent transaction price (December 31, 2022: Market comparison approach – in this approach, fair value was determined with reference to Price to R&D ("P/R&D") multiple	N/A (December 31, 2022: Discount rate of 31% and P/R&D multiple of 0.85)
Money market funds measured at FVTPL	Note 15	164,979	287,623	Level 2	Based on the net asset value of the funds, which are determined with reference to observable and quoted prices of underlying investment portfolio	N/A

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted equity investment RMB'000
At January 1, 2022 (audited)	60,759
Exchange realignment	3,199
At June 30, 2022 (unaudited)	63,958

	Unlisted equity investment RMB'000
At January 1, 2023 (audited)	66,371
Exchange realignment	2,489
Transfer out of Level 3 due to change of valuation technique (Note)	(68,860)
At June 30, 2023 (unaudited)	–

Note: Due to the recent transactions of the investment, the valuation method has been changed. Further details are set out in Note 12.

(iii) Fair value of the financial assets and liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

21 SUBSEQUENT EVENTS

Saved as disclosed elsewhere in these condensed consolidated financial statements, the following significant event took place subsequent to the end of the reporting period:

In July 2023, the Company entered into license agreements with VBI Vaccines, Inc. ("VBI", a corporation whose stocks are listed on the NASDAQ Global Market (NASDAQ: VBIV)). Pursuant to the agreements and subject to the terms and conditions thereof, the Company will acquire from VBI the exclusive global rights for the development and commercialization of BRII-179 (VBI-2601), extending its exclusive license for BRII-179 (VBI-2601) from China, Hong Kong, Macau and Taiwan ("Greater China") to worldwide markets.

Additionally, pursuant to the agreements and subject to the terms and conditions thereof, the Company will acquire from VBI the exclusive rights to develop and commercialize PreHevbri® in Greater China and certain other Asia Pacific countries. Under the terms of the agreements, VBI will be entitled to an upfront license fee of USD7 million for BRII-179 (VBI-2601) and PreHevbri® and is eligible to receive potential milestone payments for future development and commercialisation, as well as royalties based on future annual net sales.

In addition, the Company entered into a supply agreement with VBI, pursuant to which and subject to the terms and conditions thereof, VBI will manufacture and supply BRII-179 (VBI-2601) or PreHevbri® to the Company and the Group will make an advance payment of USD5 million to VBI. Further, subject to certain closing conditions, the Group will make a USD3 million equity investment in VBI.

Further details are set out in the Company's announcement on the same date. Up to the date of issuance of these condensed consolidated financial statements, the directors of the Company are still in the process of assessing the financial impact resulting from this transaction.

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings.

"2023 Share Award Scheme"	the 2023 share award scheme adopted by the Company on September 1, 2023
"2023 Share Option Scheme"	the 2023 share option scheme adopted by the Company on September 1, 2023
"AIDS"	Acquired immunodeficiency syndrome, defined as an HIV infection with either a CD4+ T-cell count below 200 cells per μL or the occurrence of specific diseases associated with HIV infection
"ALT"	alanine transaminase
"AN2"	AN2 Therapeutics, Inc., a corporation incorporated in Delaware, U.S., whose stocks are listed on the NASDAQ Global Select Market (NASDAQ: ANTX)
"anti-HBs"	hepatitis B surface antibody
"APAC"	Asia Pacific
"APASL"	the Asian Pacific Association for the Study of the Liver
"ART"	antiretroviral therapy
"Audit and Risk Committee"	the audit and risk committee of the Board
"Board"	the board of directors of the Company
"CD4"	cluster of differentiation antigen 4
"CDE"	the Center for Drug Evaluation
"CDMO"	contract development and manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide drug manufacturing services

"CNS"	central nervous system, part of the nervous system consisting of the brain and spinal cord
"Company", "we", "us" or "Brii Bio"	Brii Biosciences Limited (騰盛博藥生物科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
"COVID-19"	Coronavirus Disease 2019, a disease caused by the novel virus 2 SARS–CoV-2 and designated as severe acute respiratory syndrome
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"Director(s)"	director(s) of the Company
"DNA"	deoxyribonucleic acid
"EASL"	European Association for the Study of the Liver
"EFdA" or "islatravir"	an NRTTI and an investigational drug for the treatment of HIV infection
"EGM"	the extraordinary general meeting of the Company held on September 1, 2023
"EoT"	end of treatment
"$GABA_A$"	γ-aminobutyric acid sub-type A receptors
"Global Offering"	the Hong Kong initial public offering and the international offering of the Company
"Greater China"	Mainland China, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Group"	the Company and its subsidiaries
"HBeAg"	hepatitis B e antigen
"HBsAg"	hepatitis B surface antigen
"HBV"	hepatitis B virus
"HIV"	human immunodeficiency virus
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

DEFINITIONS

"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Listing Date"	July 13, 2021, the date on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LLOQ"	lower limit of quantification
"MAC"	mycobacterium avium complex, an infection caused by two types of bacteria
"MARCH"	Monoclonal Antibody siRNA Combination against Hepatitis B
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules
"MDD"	major depressive disorders
"MDR/XDR"	multi-drug resistant/extensive drug resistant
"NCE"	new chemical entity
"NDA"	new drug application
"NMPA"	the National Medical Products Administration
"NRTI"	nucleotide/nucleoside reverse transcriptase inhibitors, a form of ART used to treat HIV infection or AIDS
"NRTTI"	nucleoside analogue reverse transcriptase translocation inhibitor
"NTM"	nontuberculous mycobacteria
"PAM"	positive allosteric modulators

"PEG-IFN-α"	pegylated interferon alfa
"POC"	proof of concept
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on June 22, 2021
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on June 22, 2021
"PPD"	postpartum depression
"Pre-IPO Share Incentive Plan"	the pre-IPO share incentive plan approved and adopted by the Company on October 30, 2018
"Prospectus"	the prospectus of the Company dated June 30, 2021
"PSI"	Postpartum Support International
"QIDP"	Qualified Infectious Disease Product
"Qpex"	Qpex Biopharma Inc., a corporation incorporated in Delaware, United States
"Reporting Period"	the six months ended June 30, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"RNA"	ribonucleic acid
"RSU(s)"	restricted share unit(s)
"R&D"	research and development
"SARS-CoV-2"	severe acute respiratory syndrome coronavirus 2
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of US$0.00001 each
"Shareholder(s)"	the holder(s) of the Share(s)

DEFINITIONS

"siRNA"	small interfering RNA, sometimes known as short interfering RNA or silencing RNA, a class of double stranded non-coding RNA molecules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S." or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA"	the U.S. Food and Drug Administration
"VBI"	VBI Vaccines Inc., a corporation with corporate headquarters in Cambridge, the United States, whose stocks are listed on the NASDAQ Global Market (NASDAQ: VBIV)
"Vir"	Vir Biotechnology, Inc., a corporation incorporated in San Francisco, the United States, whose stocks are listed on the NASDAQ Global Market (NASDAQ: VIR)
"%"	per cent.