



康宁杰瑞

ALPHAMAB ONCOLOGY

# ALPHAMAB ONCOLOGY 康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)

Stock code : 9966

2023

INTERIM REPORT

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# Definitions and Glossary of Technical Terms

“2023 AACR Annual Meeting”	the 2023 annual meeting of American Association for Cancer Research
“2023 ASCO Annual Meeting”	the 2023 annual meeting of American Society of Clinical Oncology
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“axitinib”	a targeted cancer drug used to treat kidney cancer after previous treatment has not been effective
“BC”	breast cancer
“bispecific”	in reference to antibodies, antibodies that combine two antigen-recognizing elements into a single construct, able to recognize and bind to two different antigens (or epitopes)
“Board”	the board of directors of our Company
“BsAb”	bispecific monoclonal antibody
“cGMP”	current good manufacturing practice
“China”, “PRC” or “Mainland China”	the People’s Republic of China, and for the purpose of this interim report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “our Company” or “the Company”	Alphamab Oncology (康寧傑瑞生物製藥), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 28, 2018
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Core Products”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this interim report, our Core Products refer to KN046 and KN026
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules

## Definitions and Glossary of Technical Terms

“CTLA-4”	cytotoxic T-lymphocyte-associated protein 4, a protein expressed on all T-cells but which is expressed at the highest level on regulatory T-cells (Treg) and contributes to the suppressor function of Treg and acts as an off-switch to T-cell immune response to cancer cells
“Director(s)” or “our Director(s)”	the directors of our Company, including all executive, non-executive and independent non-executive directors
“docetaxel”	a medication used to treat cancer (such as breast, lung, prostate, stomach, and head/neck cancer)
“Dr. Xu”	Dr. XU Ting (徐霆), the founder, chairman, executive Director and chief executive officer of our Company
“ESCC”	esophageal squamous cell carcinoma
“FDA”	the U.S. Food and Drug Administration, a federal agency of the U.S. Department of Health and Human Services responsible for regulating food and drugs
“FVTPL”	fair value through profit or loss
“GC”	gastric cancer
“GEJ”	gastroesophageal junction cancer
“Global Offering”	the offer for subscription of an aggregate of 206,313,000 Shares (including Shares issued and allotted pursuant to the over-allotment option) at offer price of HK\$10.2 under the Hong Kong public offering and the international offering
“Group” or “our Group” or “we”	our Company and all of our subsidiaries or, where the context so requires, any companies that became our subsidiaries as part of the reorganization and the oncology businesses operated by such subsidiaries or their predecessors, Suzhou Alphamab (as the case may be)

## Definitions and Glossary of Technical Terms

“HB1801”	a kind of docetaxel for injection (albumin binding) independently developed by CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. (石藥集團中奇製藥技術(石家莊)有限公司), a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited (“ <b>CSPC</b> ”), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1093)
“HCC”	hepatocellular carcinoma
“HER2”	human epidermal growth factor receptor 2
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS(s)”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“immune checkpoint inhibitor(s)”	molecules that release the natural brakes of immune response
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China and clinical trial notification in Australia
“Jiangsu Alphamab”	Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (also known as Jiangsu Alphamab Pharmaceuticals Co., Ltd.) (江蘇康寧傑瑞生物製藥有限公司), a limited liability company established in the PRC on July 14, 2015 and our wholly-owned subsidiary
“JMT-Bio”	Shanghai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司), a wholly-owned subsidiary of CSPC
“KN035” or “KN035 (Envafolimab Injectable)”	an anti-PD-L1 recombinant humanized sdAb invented by the Group
“Latest Practicable Date”	September 18, 2023, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

## Definitions and Glossary of Technical Terms

“mAb”	monoclonal antibody
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM
“metastatic”	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“mRNA”	messenger ribonucleic acid
“Ms. Liu”	Ms. LIU Yang (劉陽), the executive Director of our Company
“New Xu’s Family Trust”	a discretionary trust established by Ms. Liu on April 10, 2023 with South Dakota Trust acting as the trustee, Ms. Liu acting as the settlor and protector, and Dr. Xu acting as the investment advisor for the benefit of Ms. Liu’s family members, including among others, Dr. Xu
“NDA”	new drug application
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局)
“NSCLC”	non-small cell lung cancer
“OS”	overall survival
“OX40”	a type 1 transmembrane glycoprotein reported as a cell surface antigen expressed on activated T cells
“PDAC”	pancreatic ductal adenocarcinoma
“PD-1”	programmed cell death protein 1, an immune checkpoint receptor expressed on some T-cells, B-cells and macrophages that turns off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other cells in the body

## Definitions and Glossary of Technical Terms

“PD-L1”	programmed death ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
“pertuzumab”	a monoclonal antibody used in combination with trastuzumab and docetaxel for the treatment of metastatic HER2-positive BC
“Post-IPO Restricted Share Award Scheme”	the post-IPO restricted share award scheme, as amended from time to time, adopted by the Company on March 23, 2021
“Post-IPO Share Option Scheme”	the post-IPO share option scheme, as amended from time to time, adopted by the Company in accordance with the scheme rules adopted by the Board on April 10, 2020 and approved by Shareholders’ meeting on May 25, 2020
“Pre-IPO Share Option Plans”	the pre-IPO share option plan I adopted by our Company on October 16, 2018, which was further amended on March 29, 2019 and the pre-IPO share option plan II adopted by our Company on March 29, 2019, as amended from time to time
“Prospectus”	the prospectus of the Company dated December 2, 2019
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2023
“Rubymab”	Rubymab Ltd., a company incorporated in the British Virgin Islands on March 22, 2018 and wholly owned by New Xu’s Family Trust as of the Latest Practicable Date
“sdAb”	single domain antibody
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	common stock of the Company, par value US\$0.000002 per share

## Definitions and Glossary of Technical Terms

“Shareholder(s)”	holder(s) of our Share(s)
“South Dakota Trust”	South Dakota Trust Company LLC, the trustee of New Xu’s Family Trust
“sq NSCLC”	squamous NSCLC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Strategy Committee”	the strategy committee of the Company
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Suzhou Alphamab”	Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司), a limited liability company established in the PRC on November 6, 2008 and our connected person as of the Latest Practicable Date
“TNBC”	triple-negative BC, any BC that does not express the genes for estrogen receptor (ER), progesterone receptor (PR) and HER2/neu
“trastuzumab”	a monoclonal antibody used to treat BC and stomach cancer
“U.K.”	the United Kingdom
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s)” or “US\$”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax; all amounts are exclusive of VAT in this interim report except where indicated otherwise
“we”, “us” or “our”	the Company or the Group, as the context requires
“%”	percent





# Company Profile

## OVERVIEW

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

## PIPELINE

Our highly differentiated in-house pipeline consists of tumor monoclonal antibodies, bispecific antibodies, and antibody-drug conjugates in staggered development status, including one approved for marketing by the NMPA, three in late clinical stage, and two in phase I clinical stage.

- **KN046** – a BsAb immune checkpoint inhibitor simultaneously targeting two clinically-validated immune checkpoints, PD-L1 and CTLA-4, representing a potential breakthrough, next-generation immunoncology blockbuster drug. Approximately 20 clinical trials of KN046 at different stages covering more than 10 types of tumors including NSCLC, TNBC, ESCC, HCC, PDAC and thymic carcinoma have been conducted in China, the United States and Australia. The results of these clinical trials have demonstrated a preliminary profile of favorable safety and promising efficacy of KN046 in treatment. Among them, the preliminary results of our phase II clinical trials in China indicate promising efficacy of KN046 for NSCLC, PDAC, HCC and TNBC as a single therapy and in combination therapy with chemotherapy. We have published preliminary promising safety and efficacy data of KN046 in patients who have failed prior treatments with immune checkpoint inhibitors. We are conducting pivotal clinical trials for NSCLC and PDAC. We have continued to explore cooperation opportunities to conduct clinical trials of KN046 in combination with our business partners' drug candidates, to achieve better therapeutic effects. In a phase I clinical trial of KN046, the results of which were published online in *Journal for ImmunoTherapy of Cancer* in June 2023, KN046 was well tolerated and showed promising anti-tumor efficacy in the treatment of advanced solid tumors, especially in nasopharyngeal carcinoma patients. KN046 also showed promising efficacy and favorable safety results in a single-arm phase II clinical trial in the treatment of advanced NSCLC, which were published in *European Journal of Cancer* in July 2023.

- **KN026** – a next-generation anti-HER2 BsAb that can simultaneously bind two distinct clinically-validated epitopes of HER2, resulting in potentially superior efficacy. Two phase I clinical trials for HER2 positive or HER2 expressing solid tumors have been completed in China and the U.S. respectively. Currently, several phase II clinical trials of KN026 are being conducted in China. We are also conducting phase III clinical trials of KN026 in combination with docetaxel (albumin binding) in the first-line treatment for HER2-positive BC and KN026 in combination with chemotherapy as second-line or above treatment of HER2-positive GC/GEJ, and exploratory trials of a combination of KN026 with KN046. Our phase I and phase II clinical trials of KN026 in China and the U.S. have shown promising early efficacy signals and favorable safety profile in the treatment of heavily pre-treated HER2 expressing cancers. In May 2023, the IND approval for a phase III clinical trial of KN026 in combination with docetaxel (albumin binding) as first-line treatment for HER2-positive recurrent and metastatic BC was granted by the NMPA and the first patient was successfully dosed in July 2023. We achieved favorable efficacy and safety profile in a phase II clinical trial of KN026 in combination with KN046 in the treatment of locally advanced unresectable or metastatic HER2-positive solid tumors other than BC or GC/GEJ, which were presented at the 2023 ASCO Annual Meeting in June 2023.
- **KN035 (Envafolimab Injectable)** – an innovative anti-tumor immunotherapy drug co-developed by us, 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司) (“**3D Medicines**”) and Simcere Pharmaceutical Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2096), is the first subcutaneously injectable PD-L1 inhibitor worldwide, the only immunotherapy drug aimed at cross-tumor indications and the first PD-L1 produced domestically, offering advantages in safety, convenience, compliance, access to patients not suitable for intravenous infusion, and lower medical cost. KN035 (Envafolimab Injectable) is currently undergoing a phase III clinical trial for biliary tract cancer in China. The pivotal trials in undifferentiated pleomorphic sarcoma/myxofibrosarcoma are ongoing in the U.S. and the U.K. In August 2023, the IND approval for a phase III clinical trial of KN035 (Envafolimab Injectable) was granted by the NMPA for the neoadjuvant/adjuvant treatment of NSCLC.
- **KN019** – a CTLA-4-based immunosuppressant fusion protein with potential broad applications in both autoimmune diseases and oncology treatment-induced immune disorders.



## Company Profile

- **JSKN003** – a biparatopic HER2-targeting antibody-drug conjugate, of which a topoisomerase I inhibitor is linked to the N glycosylation site of the antibody KN026 (a recombinant humanized anti-HER2 bispecific antibody) via the glycosite-specific conjugation. The click reaction-based conjugation confers better serum stability than maleimide-Michael reaction-based conjugation. The biparatopic HER2 targeting enables JSKN003 to have stronger internalization induction and bystander killing effect leading to potent anti-tumor activity in HER2 expression tumors with the mild toxicity drug payload. In March 2023, the first patient was successfully dosed in a phase Ia/Ib clinical trial of JSKN003 in China which was further approved by the ethical committee of its leading clinical site to be adjusted as a phase I/II clinical trial in May 2023.
- **KN052** – an innovative PD-L1/OX40 bispecific antibody independently developed by the Group using its bispecific antibody platform. It can simultaneously bind PD-L1 and OX40, effectively reversing tumor induced immune inhibition by blocking the PD-L1/PD-1 pathway and promoting the immune response by agonizing OX40. On one hand, KN052 prevents the immune escape of tumor cell. On the other hand, it activates cytotoxic T-lymphocytes T-cells and attenuates Treg-mediated immunosuppression. Through synergistic mechanisms, KN052 is expected to exert strong antitumor efficacy. In February 2023, our Company established a strategic collaboration with Stemirna Therapeutics Co., Ltd. (斯微(上海)生物科技股份有限公司) (“**Stemirna Therapeutics**”) aiming at the combination therapy of KN052 with personalized mRNA tumor vaccine SWP1001 in certain types of solid tumor. In March 2023, the pre-clinical research results of KN052 were accepted as Late-Breaking Research and were presented as poster at the 2023 AACR Annual Meeting in April 2023.

# Corporate Information

## Board of Directors

### Executive Directors:

Dr. XU Ting (*Chairman of the Board and Chief Executive Officer*)

Ms. LIU Yang

### Non-Executive Director:

Mr. XU Zhan Kevin (*resigned with effect from June 30, 2023*)

### Independent Non-Executive Directors:

Dr. GUO Zijian

Mr. WEI Kevin Cheng

Mr. WU Dong

## Audit Committee

Mr. WEI Kevin Cheng (*Chairman*)

Dr. GUO Zijian

Mr. WU Dong

## Remuneration Committee

Mr. WU Dong (*Chairman*)

Ms. LIU Yang

Mr. WEI Kevin Cheng

## Nomination Committee

Dr. XU Ting (*Chairman*)

Dr. GUO Zijian

Mr. WU Dong

## Strategy Committee

Ms. LIU Yang (*Chairwoman*)

Dr. XU Ting

Mr. XU Zhan Kevin (*ceased to be a member on June 30, 2023*)

Dr. GUO Zijian

## Joint Company Secretaries

Ms. CHAN Lok Yee

Ms. WANG Jin'nan

## Authorized Representatives

Ms. LIU Yang

Ms. WANG Jin'nan

## Registered Office

Cricket Square, Hutchins Drive

PO Box 2681 Grand Cayman, KY1-1111

Cayman Islands



## Corporate Information

<b>Head Office and Principal Place of Business in China</b>	No. 175 Fangzhou Road Suzhou Industrial Park Suzhou Jiangsu Province, PRC
<b>Principal Place of Business in Hong Kong</b>	Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Legal Advisor as to Hong Kong Laws</b>	<b>Kirkland &amp; Ellis</b> 26/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
<b>Auditor</b>	<b>Deloitte Touche Tohmatsu</b> <i>Registered Public Interest Entity Auditors</i> 35/F, One Pacific Place 88 Queensway Admiralty Hong Kong
<b>Principal Share Registrar</b>	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Hong Kong Share Registrar</b>	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Stock Code</b>	9966
<b>Company Website</b>	<a href="http://www.alphamabonc.com">http://www.alphamabonc.com</a>

# Financial Highlights

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

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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



# Business Highlights

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

## PIPELINE PRODUCTS

- In February 2023, the Company entered into a strategic collaboration with Stemirna Therapeutics pursuant to which the Company will explore combination therapy of KN052 with personalized mRNA tumor vaccine SWP1001 in certain types of solid tumor.
- In March 2023, the first patient was successfully dosed in a phase Ia/Ib clinical trial of JSKN003 conducted in China. For details, please refer to the Company's announcement dated March 15, 2023. This phase Ia/Ib clinical trial of JSKN003 was further approved by the ethical committee of its leading clinical site to be adjusted as a phase I/II clinical trial in May 2023.
- In March 2023, the pre-clinical research results of KN052 were accepted as Late-Breaking Research and were presented as poster at the 2023 AACR Annual Meeting in April 2023. The pre-clinical data of KN052 demonstrated its acceptable pharmacokinetic and safety profile and that its antitumor activity is significantly stronger than that of the two single-target control antibodies used alone and in combination.
- In May 2023, the phase III clinical trial of KN046 in combination with the platinum-based chemotherapy in patients with advanced unresectable or metastatic sq NSCLC was recommended by the independent data monitoring committee to continue the study and collect further follow-up OS data till final OS analysis.
- In May 2023, the IND approval for a phase III clinical trial of KN026 in combination with docetaxel (albumin binding) in the first-line treatment for HER2-positive recurrent or metastatic BC was granted by the NMPA.
- We achieved favorable efficacy and safety profile in a phase II clinical trial of KN026 in combination of KN046 in the treatment of locally advanced unresectable or metastatic HER2-positive solid tumors other than BC or GC/GEJ. Such results were presented at the 2023 ASCO Annual Meeting in June 2023. For details, please refer to the Company's announcement dated June 6, 2023.
- We achieved good safety, tolerance and promising anti-tumor efficacy results in a phase I clinical trial of KN046 in the treatment of patients with advanced solid tumors, especially in nasopharyngeal carcinoma patients. Such results were published online in *Journal for ImmunoTherapy of Cancer*, the official journal of the Society for Immunotherapy of Cancer, in June 2023.

- In June 2023, the positive results of a six-month independent data monitoring committee review for the ongoing ENVASARC phase II pivotal clinical trial of KN035 (Envafolimab Injectable) were released by one of our collaboration partners, TRACON Pharmaceuticals, Inc., the shares of which are listed on the Nasdaq Global Select Market (ticker symbol: TCON). The results demonstrated a double-digit overall response rate and good tolerability.
- We achieved promising efficacy and favorable safety results in a phase II clinical trial of KN046 monotherapy in the treatment of advanced NSCLC. Such results were published in *European Journal of Cancer*, the official journal of the European Organization for Research and Treatment of Cancer and the European Society of Breast Cancer Specialists, in July 2023.
- In July 2023, the first patient was successfully dosed in a phase III clinical trial of KN026 in combination of HB1801, a kind of docetaxel for injection (albumin binding), versus trastuzumab combined with pertuzumab and docetaxel as the first-line treatment for HER2-positive recurrent or metastatic BC. For details, please refer to the Company's announcement dated July 28, 2023.
- The following six different research updates of KN046 and KN026 will be presented at the 2023 congress of European Society for Medical Oncology, which will take place in October 2023:
  - Preliminary efficacy and safety of KN046 in patients with metastatic NSCLC who previously treated with immune checkpoint inhibitor(s);
  - Updated results of the efficacy and safety of KN046 in patients with metastatic NSCLC who failed prior epidermal growth factor receptor tyrosine kinase inhibitor(s);
  - The preliminary data from a single-arm, open-label, multi-center, phase II clinical trial: KN046 combined with axitinib as the first-line treatment for NSCLC;
  - KN046 in patients with thymic carcinoma: a prospective, single-arm, multi-center, phase II study;
  - Two-year follow-up data on the efficacy and safety of KN026 combined with docetaxel as the first-line treatment for HER2-positive recurrent/metastatic BC; and
  - KN026 in combination with docetaxel as neoadjuvant treatment for HER2-positive early or locally advanced BC: a single-arm, multi-center, phase II study.
- In August 2023, the IND approval for a phase III clinical trial of KN035 (Envafolimab Injectable) was granted by the NMPA for the neoadjuvant/adjuvant treatment of NSCLC.



### OTHER HIGHLIGHTS

- On July 6, 2020, we obtained a drug production license from Jiangsu Medical Products Administration (江蘇省藥品監督管理局) for our manufacturing facilities, with a 4,000L (2x2,000L) production capacity. The construction of our pilot plant and preparation workshop was completed in the first half of 2022, and we obtained another drug production license from Jiangsu Medical Products Administration on December 3, 2022. Since March 2023, we have put our manufacturing facilities with a 6,000L (3x2,000L) capacity, the expansion of which have been completed, into commissioning and in June 2023, we completed the validation of major equipment and systems, which is expected to be put in use for the investigational product manufacturing in the second half of 2023. The phase II construction is under planning and the facility is designed to house over 40,000L production capacity in total.
- On February 3, 2023, the Company, Rubymab Ltd. (the “**Top-up Vendor**”) and Jefferies Hong Kong Limited (the “**Placing Agent**”) entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”), pursuant to which, (i) the Top-up Vendor agreed to sell, and the Placing Agent agreed, as agent of the Top-up Vendor, to procure, on a best effort basis, purchasers to purchase 25,000,000 Placing Shares held by the Top-up Vendor (the “**Vendor Placing**”) at a price of HK\$15.22 per Placing Share; and (ii) the Top-up Vendor conditionally agreed to subscribe for (the “**Subscription**”), and the Company conditionally agreed to issue, 25,000,000 Subscription Shares at the Subscription Price, which is equivalent to the Placing Price. Completion of the Vendor Placing and the Subscription took place on February 7, 2023 and February 9, 2023, respectively. The Company received total net proceeds of approximately HK\$376.2 million from the Subscription, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses. For details, please refer to the Company’s announcements dated February 3, 2023 and February 9, 2023.

For details of any foregoing, please refer to the rest of this interim report and, where applicable, the Company’s prior announcements published on the websites of the Stock Exchange and the Company and prior press releases published on the Company’s website.

# Management Discussion and Analysis

## OVERVIEW

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

## PRODUCT PIPELINE


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

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

Note:

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

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



## Management Discussion and Analysis

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

### COMMERCIALIZATION

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

**Cautionary Statement required by Rule 18A.08(3) of the Listing Rules:** The Company cannot guarantee that it will be able to successfully develop, or ultimately market our Core Products, namely, KN046 and KN026. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the Shares of the Company.

## FINANCIAL REVIEW

### Overview

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

### Revenue

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

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



## Management Discussion and Analysis

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

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

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

In August 2021, we entered into a licensing agreement with JMT-Bio to develop and commercialize KN026 in Mainland China for the treatment of BC and GC. For the six months ended June 30, 2023, the Group recorded revenue of RMB0.9 million (for the six months ended June 30, 2022: nil), for the provision of goods and consumables for R&D projects to JMT-Bio. Such revenue is recognized at a point in time when control of the goods has been delivered and acknowledged by JMT-Bio. For the six months ended June 30, 2023, we also recognized revenue of RMB7.2 million (for the six months ended June 30, 2022: nil) representing the license fee income from JMT-Bio in connection with the sub project R&D results delivery under the licensing agreement with JMT-Bio.

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

### Cost of Sales

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

### Other Income

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

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

### Other Gains and Losses

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

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

### R&D Expenses

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

## Management Discussion and Analysis

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

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

### Administrative Expenses

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

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

### Finance Costs

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

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

### Income Tax Expenses

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

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

### Loss for the Reporting Period

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

### Property, Plant and Equipment

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

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

### Right-of-use Assets

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

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

### Inventories

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

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

### Trade Receivables

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

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





## Management Discussion and Analysis

### Other Receivables, Deposits and Prepayments

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

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

### Derivative Financial Instruments

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

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

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

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

### Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

### **Trade and Other Payables**

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

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

### **Amount Due to a Related Company**

Our amount due to a related company, Suzhou Alphamab, decreased from RMB4.5 million as of December 31, 2022 to RMB4.3 million as of June 30, 2023, primarily representing the process development service fees payable to Suzhou Alphamab.

### **Lease Liabilities**

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

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



## Management Discussion and Analysis

### Contract Liabilities

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

### Liquidity and Source of Funding

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

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

### Borrowings

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

## Key Financial Ratios

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

	<b>As of June 30, 2023</b>	As of December 31, 2022
Current ratio <sup>(1)</sup>	<b>6.59</b>	3.88
Quick ratio <sup>(2)</sup>	<b>6.35</b>	3.71
Gearing ratio <sup>(3)</sup>	<b>(0.47)</b>	(0.48)

Notes:

- (1) Current ratio represents current assets divided by current liabilities as of the same date.
- (2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.
- (3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. For the avoidance of doubt, ratio in brackets represents negative number.

## Material Investments

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

## Material Acquisitions and Disposals

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



## Management Discussion and Analysis

### Pledge of Assets

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

### Contingent Liabilities

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

### Foreign Exchange Exposure

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

### Employees and Remuneration

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

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

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

# Corporate Governance and Other Information

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of the June 30, 2023, the interests and short positions of the Directors or chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long Positions in the Shares of the Company

Name of Directors/ Chief Executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest <sup>(3)</sup>
Dr. Xu <i>(Executive Director and Chief Executive Officer)</i>	Beneficiary of a trust	314,000,000 <sup>(1)</sup> (L)	32.54%
	Beneficial owner	4,552,950(L)	0.47%
Ms. Liu <i>(Executive Director)</i>	Founder of a discretionary trust	314,000,000 <sup>(1)</sup> (L)	32.54%
	Interest in a controlled corporation		
	Interest of spouse	4,552,950 <sup>(2)</sup> (L)	0.47%

Notes:

- (1) These Shares are directly held by Rubymab, which is wholly owned by South Dakota Trust as the trustee of New Xu's Family Trust, of which Ms. Liu acts as the settlor and protector, and Dr. Xu acts as the investment advisor for the benefit of Ms. Liu's family members, including among others, Dr. Xu.
  - (2) Ms. LIU Yang is the spouse of Dr. Xu, and therefore is deemed to be interested in the Shares held by Dr. Xu under the SFO.
  - (3) The calculation is based on the total number of 964,779,387 Shares in issue as of June 30, 2023.
- (L) Long position.

## Corporate Governance and Other Information

### Long Positions in the Underlying Shares of the Company

<b>Name of Directors/ Chief Executive</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding interest<sup>(2)</sup></b>
Dr. Xu <i>(Executive Director and Chief Executive Officer)</i>	Beneficial owner Interest of spouse	16,743,500(L) 2,240,000 <sup>(1)</sup> (L)	1.73% 0.23%
Ms. Liu <i>(Executive Director)</i>	Beneficial owner Interest of spouse	2,240,000 (L) 16,743,500 <sup>(1)</sup> (L)	0.23% 1.73%
Mr. WEI Kevin Cheng <i>(Independent non-executive Director)</i>	Beneficial owner	60,000(L)	0.00%
Mr. WU Dong <i>(Independent non-executive Director)</i>	Beneficial owner	60,000(L)	0.00%

Notes:

- (1) Dr. Xu and Ms. Liu are spouses, and therefore are deemed to be interested in the underlying Shares in respect of the share options granted under the Pre-IPO Share Option Plans held by each other under the SFO.
- (2) The calculation is based on the total number of 964,779,387 Shares in issue as of June 30, 2023.
- (L) Long position.

Save as disclosed above, as of June 30, 2023, none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As of the June 30, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding interest <sup>(4)</sup>
Rubymab	Beneficial owner	314,000,000 <sup>(1)</sup> (L)	32.54%
South Dakota Trust	Trustee	314,000,000 <sup>(1)</sup> (L)	32.54%
Mr. ZHANG Xitian	Interest in a controlled corporation	85,750,000 <sup>(2)</sup> (L)	8.88%
Sky Diamond Co., Ltd.	Beneficial owner	85,750,000 <sup>(2)</sup> (L)	8.88%
Mr. XUE Chuanxiao	Interest in a controlled corporation	85,750,000 <sup>(3)</sup> (L)	8.88%
Pearlmed Ltd.	Beneficial owner	85,750,000 <sup>(3)</sup> (L)	8.88%

Notes:

- (1) The entire share capital of Rubymab is wholly owned by South Dakota Trust as the trustee of New Xu's Family Trust, of which Ms. Liu acts as the settlor and protector, and Dr. Xu acts as the investment advisor for the benefit of Ms. Liu's family members, including among others, Dr. Xu.
  - (2) Sky Diamond Co., Ltd. is wholly owned by Mr. ZHANG Xitian. Therefore, Mr. ZHANG is deemed to be interested in the Shares in which Sky Diamond Co., Ltd. is interested under the SFO.
  - (3) Pearlmed Ltd. is a company incorporated in the British Virgin Islands on March 22, 2018 and wholly owned by Mr. XUE Chuanxiao as of the Latest Practicable Date. Therefore, Mr. XUE is deemed to be interested in the Shares in which Pearlmed Ltd. is interested under the SFO.
  - (4) The calculation is based on the total number of 964,779,387 Shares in issue as of June 30, 2023.
- (L) Long position.





## Corporate Governance and Other Information

Save as disclosed above, as at June 30, 2023, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations” above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

### DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time for the six months ended June 30, 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

### MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the six months ended June 30, 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended June 30, 2023.

### CORPORATE GOVERNANCE AND OTHER INFORMATION

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

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company’s corporate governance practices.

## Corporate Governance and Other Information

For the six months ended June 30, 2023, the Company has complied with all applicable code provisions as set out in the part 2 of the Corporate Governance Code except for the deviations from code provision C.2.1 of the part 2 of the Corporate Governance Code.

Pursuant to code provision C.2.1 of the part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Xu currently serves as the chairman of the Board and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. Xu continues to serve as both the chairman of the Board and the chief executive officer of the Company.

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

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices. Full details of the Company's corporate governance practices will be set out in the forthcoming Company's annual report for the year ending December 31, 2023.

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2023.

The Company's relevant employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the six months ended June 30, 2023.

The Company has also established a policy on inside information to comply with its obligations under the SFO and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

### CHANGES IN THE INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in the information of the Directors since April 27, 2023, being the publication date of the Company's 2022 annual report, are set out below:

#### Resignation of a Non-executive Director and Change in Composition of the Strategy Committee

Mr. XU Zhan Kevin (許湛), tendered his resignation from the position as a non-executive Director and ceased to be a member of the Strategy Committee with effect from June 30, 2023.

For further details, please refer to the announcement of the Company dated June 30, 2023.

#### Change of Information of the Director

Mr. Wei Kevin Cheng (蔚成), one of our independent non-executive Directors, was appointed as an independent non-executive director and a member of the audit committee of the board of BAIOO Family Interactive Limited (百奧家庭互動有限公司), the shares of which are listed on the Stock Exchange (stock code: 2100) with effect from July 1, 2023.

Save as disclosed above, as of the Latest Practicable Date, the Directors hereby confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### AUDIT COMMITTEE

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

### INTERIM DIVIDENDS

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

## SHARE OPTION SCHEME

### Pre-IPO Share Option Plans

The Company has adopted two pre-IPO share options plans, namely the Pre-IPO Share Option Plan I and the Pre-IPO Share Option Plan II. The terms of both plans are not subject to the provisions of Chapter 17 of the Listing Rules. The purpose of the Pre-IPO Share Option Plans is to advance the interests of the Company by providing for the grant to the participants of the options. Further details of the Pre-IPO Share Option Plans are set out in the Prospectus, Company's 2019 annual report, 2020 interim report, 2020 annual report, 2021 interim report, 2021 annual report, 2022 interim report and 2022 annual report of the Company.

Details of the movements of the options granted under the Pre-IPO Share Option Plans during the Reporting Period are as follows:

Name of category of grantee	Date of grant	Option period <sup>(1)</sup>	Exercise price (US\$)	Number of Shares underlying options outstanding as of January 1, 2023	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying options outstanding as of June 30, 2023
<b>Directors</b>								
Dr. Xu	Between June 30, 2019 to November 8, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 12,508,830 Plan II: 4,234,670	Plan I: – Plan II: –	Plan I: – Plan II: –	Plan I: – Plan II: –	Plan I: 12,508,830 Plan II: 4,234,670
Ms. Liu	October 10, 2018	10 years from the date of grant	0.0142	Plan I: 2,240,000	Plan I: –	Plan I: –	Plan I: –	Plan I: 2,240,000
<b>Other Grantees in Aggregate</b>								
	Between June 30, 2019 to November 8, 2019	10 years from the date of grant	Between 0.0142 to 0.4898	Plan I: 7,006,250 Plan II: 1,092,975	Plan I: 19,000 <sup>(2)</sup> Plan II: 44,000 <sup>(2)</sup>	Plan I: 90,250 Plan II: 7,500	Plan I: – Plan II: –	Plan I: 6,897,000 Plan II: 1,041,475
<b>Total</b>				27,082,725	63,000	97,750	–	26,921,975

Note:

- (1) The vesting period of options granted under the Pre-IPO Share Option Plans are time-based and milestone-based, which may be determined by the Plan I Administrator or the Plan II Administrator (as the case may be).
- (2) The closing market price per Share immediately before the date on which the options were exercised during the period was HK\$8.85.

## Corporate Governance and Other Information

### Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted by the Company on May 25, 2020. The purpose of the Post-IPO Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time. Further details of the Post-IPO Share Option Scheme are set out in the circular of the Company dated April 22, 2020.

During the Reporting Period, 850,000 options were granted; and among the total options, no option was cancelled and 30,000 options were lapsed under the Post-IPO Share Option Scheme.

Details of the movements of the options granted under the Post-IPO Share Option Scheme during the Reporting Period are as follows:

Name of category of grantee	Date of grant	Option period*	Exercise price (HK\$)	Number of Shares underlying options outstanding as of January 1, 2023	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying options outstanding as of June 30, 2023
<b>Directors</b>									
WU Dong	April 23, 2021 <sup>(2)</sup>	10 years from the date of grant	13.00	60,000	-	-	-	-	60,000
WEI Kevin Cheng	April 23, 2021 <sup>(2)</sup>	10 years from the date of grant	13.00	60,000	-	-	-	-	60,000
<b>Other Grantees in Aggregate</b>									
Employees of the Company and its subsidiaries <sup>(1)</sup>	April 23, 2021 <sup>(2)</sup>	10 years from the date of grant	13.00	30,000	-	-	-	-	30,000
	October 25, 2021 <sup>(3)</sup>	10 years from the date of grant	18.06	600,000	-	-	-	-	600,000
	April 25, 2022 <sup>(4)</sup>	10 years from the date of grant	6.94	500,000	-	-	-	-	500,000
	October 24, 2022 <sup>(5)</sup>	10 years from the date of grant	6.214	220,000	-	-	-	30,000	190,000
	April 24, 2023 <sup>(6)</sup>	10 years from the date of grant	16.064	-	850,000	-	-	-	850,000
<b>Total</b>				1,470,000	850,000	-	-	30,000	2,290,000

Notes:

- (1) None of them is a Director, chief executive or Substantial Shareholder of the Company, nor a connected person or an associate (as defined under the Rule 14A.06 of the Listing Rules) of any of them, nor a service provider of the Company.

## Corporate Governance and Other Information

- (2) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Share Option Scheme, the options shall vest in the following manner: (a) 1,451,000 options on April 23, 2022; (b) 1,451,000 options on April 23, 2023; (c) 1,451,000 options on April 23, 2024; (d) 1,852,000 options on April 23, 2025; (e) 1,400,000 options on April 23, 2026; and (f) 1,400,000 options on April 23, 2027.
- (3) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Share Option Scheme, the options shall vest in the following manner: (a) 120,000 options on October 25, 2022; (b) 120,000 options on October 25, 2023; (c) 120,000 options on October 25, 2024; and (d) 240,000 options on October 25, 2025.
- (4) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Share Option Scheme, the options shall vest in the following manner: (a) 400,000 options on April 25, 2023; (b) 400,000 options on April 25, 2024; (c) 400,000 options on April 25, 2025; and (d) 800,000 options on April 25, 2026.
- (5) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Share Option Scheme, the options shall vest in the following manner: (a) 44,000 options on October 24, 2023; (b) 44,000 options on October 24, 2024; (c) 44,000 options on October 24, 2025; and (d) 88,000 options on October 24, 2026.
- (6) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Share Option Scheme, the options shall vest in the following manner: (a) 170,000 options on April 24, 2024; (b) 170,000 options on April 24, 2025; (c) 170,000 options on April 24, 2026; and (d) 340,000 options on April 24, 2027.

The Group has in place a performance review mechanism for its employees to comprehensively evaluate their performance and contribution to the Group; and if the grantee fails to be accredited as "qualified" in the performance review immediately prior to a vesting date as listed above, the options corresponding to such vesting date shall be automatically cancelled.

The closing price of the Shares immediately before the date on which the options were granted was HK\$15.40.

The total number of options available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the year ended December 31, 2022 was 41,973,269 and 43,733,269, respectively.

The total number of options available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the Reporting Period was 43,733,269 and 42,093,269, respectively.

The details of fair value of options granted under the Post-IPO Share Option Scheme at the date of grant and the accounting standard and policy adopted are set out in Note 19 to the condensed consolidated financial statements.

The number of Shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme during the year ended December 31, 2022 divided by the weighted average number of the issued Shares for the same period was approximately 0.24%.

The number of Shares that may be issued in respect of options granted under the Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of the issued Shares for the Reporting Period was approximately 0.09%.

## Corporate Governance and Other Information

No option under the Post-IPO Share Option Scheme was exercised during the Reporting Period.

### Post-IPO Restricted Share Award Scheme

The Post-IPO Restricted Share Award Scheme was adopted by the Company on March 23, 2021 for the purpose of selected participants (“**Post-IPO RSA Participants**”) with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Group, to provide them with additional incentives to achieve performance goals, to attract suitable personnel for further development of the Group, and to motivate the Post-IPO RSA Participants to maximize the value of the Company for the benefits of the Post-IPO RSA Participants and the Company. Further details of the Post-IPO Restricted Share Award Scheme are set out in the announcement of the Company dated March 23, 2021, November 25, 2021, January 27, 2022, May 20, 2022 and October 24, 2022.

During the Reporting Period, we did not grant any award shares under the Post-IPO Restricted Share Award Scheme. As of the Latest Practicable Date, all the award shares granted pursuant to the Post-IPO Restricted Share Award Scheme were made by way of issuance of new Shares.

Details of award shares (“**Award Shares**”) granted to all grantees under the Post-IPO Restricted Share Award Scheme, during the Reporting Period are as follows:

Grantee	Date of grant	Outstanding as of January 1, 2023	Number of Shares underlying the Post-IPO Restricted Share Award Scheme during the Reporting Period				Outstanding as of June 30, 2023
			Granted	Vested <sup>(7)</sup>	Cancelled <sup>(8)</sup>	Lapsed <sup>(9)</sup>	
Employees of the Company <sup>(1)</sup>	November 25, 2021 <sup>(2)</sup>	268,149	-	67,037	-	-	201,112
	January 27, 2022 <sup>(3)</sup>	816,000	-	-	-	-	816,000
	May 20, 2022 <sup>(4)</sup>	490,000	-	98,000	-	-	392,000
	October 24, 2022 <sup>(5)</sup>	54,945	-	-	-	-	54,945
<b>Subtotal</b>		1,629,094	-	165,037	-	-	1,464,057
Members of the scientific advisory board of the Company <sup>(1)</sup>	October 24, 2022 <sup>(6)</sup>	-	-	-	-	-	-
<b>Total</b>		1,629,094	-	165,037	-	-	1,464,057

Notes:

- (1) None of them is a Director, chief executive or Substantial Shareholder of the Company, nor a connected person or an associate (as defined under the Rule 14A.06 of the Listing Rules) of any of them. Such grants of Award Shares were made before the amendments to the Listing Rules as to share scheme taking effect on January 1, 2023. As such, the requirements in relation to the service provider sublimit under Rule 17.02(2) of the Listing Rules are not applicable.
- (2) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Restricted Share Award Scheme, the Award Shares shall vest in the following manner: (a) as to 20% of the Award Shares on April 23, 2022; (b) as to 20% of the Award Shares on April 23, 2023; (c) as to 20% of the Award Shares on April 23, 2024; and (d) as to 40% of the Award Shares on April 23, 2025.
- (3) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Restricted Share Award Scheme, the Award Shares shall vest in the following manner: (a) as to 20% of the Award Shares on October 23, 2022; (b) as to 20% of the Award Shares on October 23, 2023; (c) as to 20% of the Award Shares on October 23, 2024; and (d) as to 40% of the Award Shares on October 23, 2025.
- (4) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Restricted Share Award Scheme, the Award Shares shall vest in the following manner: (a) as to 20% of the Award Shares on April 25, 2023; (b) as to 20% of the Award Shares on April 25, 2024; (c) as to 20% of the Award Shares on April 25, 2025; and (d) as to 40% of the Award Shares on April 25, 2026.
- (5) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Restricted Share Award Scheme, the Award Shares shall vest in the following manner: (a) as to 20% of the Award Shares on October 24, 2023; (b) as to 20% of the Award Shares on October 24, 2024; (c) as to 20% of the Award Shares on October 24, 2025; and (d) as to 40% of the Award Shares on October 24, 2026.
- (6) Subject to all vesting conditions having been satisfied in accordance with the rules governing the Post-IPO Restricted Share Award Scheme, 369,957 Award Shares granted on October 24, 2022 were vested on the same day.
- (7) The weighted average closing market price per Share immediately before the date on which the Award Shares were vested was HK\$15.78.
- (8) During the year ended December 31, 2022, no Award Share under the Post-IPO Restricted Share Award Scheme was cancelled and 773,571 Award Shares under the Post-IPO Restricted Share Award Scheme were lapsed. Please refer to the section headed "Post-IPO Restricted Share Award Scheme" in the Company's 2022 annual report for details.

The total number of Award Shares available for grant under the Post-IPO Share Award Scheme at the beginning and the end of the year ended December 31, 2022 was 12,910,690 and 11,629,359, respectively.

The total number of Award Shares available for grant under the Post-IPO Share Award Scheme at the beginning and the end of the Reporting Period was 11,629,359 and 11,629,359, respectively.

The details of fair value of award shares granted under the Post-IPO Restricted Share Award Scheme at the date of grant and the accounting standard and policy adopted are set out in Note 19 to the condensed consolidated financial statements.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended December 31, 2022 divided by the weighted average number of the issued Shares for the same period was approximately 0.46%.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of the issued Shares for the same period was approximately 0.09%.



## USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

	Allocation of net proceeds									
	from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized during the year ended December 31, 2022		Proceeds from the Global Offering utilized during the Reporting Period		Proceeds from the Global Offering utilized as of June 30, 2023		Amounts not yet utilized as of June 30, 2023	
	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>
<b>Key drug development programs</b>										
<b>the R&amp;D and commercialization of KN046</b>										
• the ongoing and planned clinical trials of, and preparation of registration filings for, KN046	817.0	40.0%	351.2	46.0%	189.2	49.2%	664.1	43.1%	152.9	30.5%
• the launch and, subject to regulatory approval, commercialization of KN046	204.3	10.0%	87.9	11.5%	47.3	12.3%	166.1	10.8%	38.2	7.6%
<b>Subtotal</b>	<b>1,021.3</b>	<b>50.0%</b>	<b>439.1</b>	<b>57.5%</b>	<b>236.5</b>	<b>61.5%</b>	<b>830.2</b>	<b>53.9%</b>	<b>191.1</b>	<b>38.1%</b>
<b>the R&amp;D and commercialization of KN026</b>										
• the ongoing and planned clinical trials of, and preparation of registration filings for, KN026	326.8	16.0%	94.1	12.5%	41.4	10.8%	173.4	11.3%	153.4	30.6%
• the launch and, subject to regulatory approval, commercialization of KN026	81.7	4.0%	23.5	3.1%	10.4	2.7%	43.4	2.8%	38.3	7.6%
<b>Subtotal</b>	<b>408.5</b>	<b>20.0%</b>	<b>117.6</b>	<b>15.6%</b>	<b>51.8</b>	<b>13.5%</b>	<b>216.8</b>	<b>14.1%</b>	<b>191.7</b>	<b>38.2%</b>
<b>the R&amp;D of KN019</b>	<b>102.1</b>	<b>5.0%</b>	<b>17.9</b>	<b>2.4%</b>	<b>9.6</b>	<b>2.5%</b>	<b>35.1</b>	<b>2.2%</b>	<b>67.0</b>	<b>13.3%</b>
<b>Subtotal</b>	<b>1,531.9</b>	<b>75.0%</b>	<b>574.6</b>	<b>75.5%</b>	<b>297.9</b>	<b>77.5%</b>	<b>1,082.1</b>	<b>70.2%</b>	<b>449.8</b>	<b>89.6%</b>
<b>The construction of our new manufacturing and R&amp;D facilities in Suzhou</b>										
	306.4	15.0%	135.3	14.2%	0.0	0.0%	263.0	17.1%	43.3	8.6%
<b>The early-stage pipeline and our working capital and general corporate purposes</b>										
	204.3	10.0%	77.6	10.3%	86.3	22.5%	195.4	12.7%	8.8	1.8%
<b>Total</b>	<b>2,042.5</b>	<b>100.0%</b>	<b>787.5</b>	<b>100.0%</b>	<b>384.2</b>	<b>100.0%</b>	<b>1,540.6</b>	<b>100.0%</b>	<b>502.0</b>	<b>100.0%</b>

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

### USE OF NET PROCEEDS FROM THE TOP-UP PLACING

In February 2023, the Company entered into the Placing and Subscription Agreement with Rubymab and Jefferies Hong Kong Limited and upon completion of the top-up placing (the “**Top-up Placing**”), the Company received total net proceeds of approximately HK\$376.2 million, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses. As of June 30, 2023, the Company had not utilized any of the net proceeds of the Top-up Placing.

As disclosed in the Company’s announcement dated February 9, 2023 (the “**Announcement**”), the Company intends to apply (i) approximately 80% of net proceeds to launch several registered clinical trials of JSKN003, one of the Company’s key products, for the treatment of solid tumors e.g. BC and GC with HRE2 low/high expressions, (ii) approximately 10% of the net proceeds to the clinical development of JSKN016, one key candidate product of the Company, and (iii) approximately 10% of the net proceeds for the Company’s general corporate purposes. The Company has confirmed that there is no change in the intended use of net proceeds as previously disclosed in the Announcement.

The Company expects that approximately HK\$10.0 million to HK\$20.0 million, accounting for approximately 2.7% to 5.3% of the net proceeds of the Top-up Placing, will be utilized for the year ending December 31, 2023 and plans to utilize the balance of net proceeds of the Top-up Placing by 2025. The expected timeline for utilizing the net proceeds from the Top-up Placing is based on the best estimation of future progress of regulatory approvals and market conditions made by the Company and subject to changes in accordance with relevant clinical development, our actual business operations and markets conditions.



## Corporate Governance and Other Information

### EVENTS AFTER THE END OF REPORTING PERIOD

Save as disclosed in the section headed “Management Discussion and Analysis – Business Highlights”, no important events affecting the Company occurred since the Reporting Period and up to the Latest Practicable Date.

### PRINCIPAL RISKS AND UNCERTAINTIES

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

By order of the Board

**Dr. XU Ting**

*Chairman and Chief Executive Officer*

Hong Kong, August 23, 2023

# Report on Review of Condensed Consolidated Financial Statements

## **TO THE BOARD OF DIRECTORS OF ALPHAMAB ONCOLOGY**

康寧傑瑞生物製藥

(incorporated in the Cayman Islands with limited liability)

### **Introduction**

We have reviewed the condensed consolidated financial statements of Alphamab Oncology (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 44 to 74 which comprise the condensed consolidated statement of financial position as of 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-months 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 Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the 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 23, 2023

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

	NOTES	Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	136,465	53,569
Cost of sales		(33,165)	(14,820)
Gross profit		103,300	38,749
Other income	4	42,979	21,686
Other gains and losses	5	48,751	63,628
Research and development expenses	20	(194,681)	(216,399)
Administrative expenses		(33,244)	(44,097)
Finance costs	6	(6,967)	(10,876)
Loss before taxation		(39,862)	(147,309)
Income tax expense	7	–	–
Loss for the period	8	(39,862)	(147,309)
<b>Other comprehensive expense for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		(572)	(9)
Total comprehensive expense for the period		(40,434)	(147,318)
Loss per share in Renminbi ("RMB")	10		
– Basic		(0.04)	(0.16)
– Diluted		(0.04)	(0.16)

# Condensed Consolidated Statement of Financial Position

As at June 30, 2023

	NOTES	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	571,072	579,008
Right-of-use assets		33,604	40,735
Deposits paid for acquisition of property, plant and equipment		39	1,328
Other receivables, deposits and prepayments	13	937	1,930
		<b>605,652</b>	623,001
<b>Current assets</b>			
Inventories		62,933	64,636
Trade receivables	12	23,555	15,490
Other receivables, deposits and prepayments	13	54,657	64,027
Financial assets at fair value through profit or loss ("FVTPL")	14	–	33,330
Time deposits with original maturity over three months	15	445,290	247,858
Cash and cash equivalents	15	1,136,302	1,069,189
		<b>1,722,737</b>	1,494,530
<b>Current liabilities</b>			
Trade and other payables	16	162,837	177,214
Amount due to a related company	23	4,325	4,515
Lease liabilities – current portion		11,238	15,113
Contract liabilities – current portion		8,912	7,854
Bank borrowings – current portion	17	70,000	175,000
Deferred income		3,984	5,216
		<b>261,296</b>	384,912
<b>Net current assets</b>		<b>1,461,441</b>	1,109,618
<b>Total assets less current liabilities</b>		<b>2,067,093</b>	1,732,619

## Condensed Consolidated Statement of Financial Position

As at June 30, 2023

	NOTES	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
<b>Non-current liabilities</b>			
Lease liabilities – non-current portion		2,349	5,279
Contract liabilities – non-current portion		17,924	19,668
Bank borrowings – non-current portion	17	200,000	150,000
		<b>220,273</b>	174,947
<b>Net assets</b>			
		<b>1,846,820</b>	1,557,672
<b>Capital and reserves</b>			
Share capital	18	13	13
Reserves		1,846,807	1,557,659
<b>Total equity</b>			
		<b>1,846,820</b>	1,557,672

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserve (Note)	Translation reserve	Share-based payment reserve	Accumulated losses	Total
At January 1, 2023 (audited)	13	3,725,875	(120,708)	48	84,807	(2,132,363)	1,557,672
Loss for the period	-	-	-	-	-	(39,862)	(39,862)
Other comprehensive expense for the period	-	-	-	(572)	-	-	(572)
Total comprehensive expense for the period	-	-	-	(572)	-	(39,862)	(40,434)
Issue of ordinary shares (Note 18(e))	-	329,209	-	-	-	-	329,209
Transaction costs attributable to issue of shares	-	(3,748)	-	-	-	-	(3,748)
Exercise of share options	-	393	-	-	(318)	-	75
Vesting of restricted shares	-	1,732	-	-	(1,732)	-	-
Recognition of equity-settled share-based payment (Note 19)	-	-	-	-	4,046	-	4,046
At June 30, 2023 (unaudited)	13	4,053,461	(120,708)	(524)	86,803	(2,172,225)	1,846,820
At January 1, 2022 (audited)	13	3,716,758	(120,708)	488	80,379	(1,806,641)	1,870,289
Loss for the period	-	-	-	-	-	(147,309)	(147,309)
Other comprehensive expense for the period	-	-	-	(9)	-	-	(9)
Total comprehensive expense for the period	-	-	-	(9)	-	(147,309)	(147,318)
Exercise of share options	-	2,221	-	-	(1,978)	-	243
Vesting of restricted shares	-	3,142	-	-	(3,142)	-	-
Recognition of equity-settled share-based payment (Note 19)	-	-	-	-	5,218	-	5,218
At June 30, 2022 (unaudited)	13	3,722,121	(120,708)	479	80,477	(1,953,950)	1,728,432





## Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

Note:

The other reserve comprises:

- (i) the accumulated losses derived from the oncology business ("Oncology Business") of Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技股份有限公司) ("Suzhou Alphamab"), a company controlled by Dr. XU Ting ("Dr. Xu") who was in turn the controlling shareholder of the Company, prior to its transfer to the Company and its subsidiaries (collectively referred to as the "Group") of Oncology Business on April 18, 2018 and during the transition period after the transfer up to the end of May 2019, as such accumulated losses legally belonged to Suzhou Alphamab which was not a member of the Group;
- (ii) the net contribution for the Oncology Business by Suzhou Alphamab on the funding used in the Oncology Business, which was provided by Suzhou Alphamab prior to and during the transition period after the transfer of Oncology Business; and
- (iii) the net equity impact resulting from a group reorganization of the entities comprising the Group that was completed on September 25, 2018.

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(39,862)</b>	(147,309)
Adjustments for:		
Depreciation of right-of-use assets	<b>6,749</b>	7,350
Depreciation of property, plant and equipment	<b>25,604</b>	15,924
Exchange gains, net	<b>(40,938)</b>	(38,789)
Losses on derivative financial instruments	<b>–</b>	4,352
Finance costs	<b>6,967</b>	10,876
Interest income	<b>(37,730)</b>	(15,882)
Share-based payment expenses	<b>4,046</b>	5,218
Government grants income from deferred income	<b>(1,232)</b>	–
Loss on disposal of property, plant and equipment	<b>94</b>	3
Operating cash flows before movements in working capital	<b>(76,302)</b>	(158,257)
Decrease (increase) in inventories	<b>1,703</b>	(17,712)
Increase in trade receivables	<b>(8,065)</b>	(7,234)
Decrease in other receivables, deposits and prepayments	<b>19,756</b>	31,420
(Decrease) increase in trade and other payables	<b>(9,307)</b>	9,357
Increase in deferred income	<b>–</b>	1,000
Decrease in amount due to a related company	<b>(190)</b>	(4,503)
Decrease in contract liabilities	<b>(1,231)</b>	(105)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(73,636)</b>	(146,034)

## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>INVESTING ACTIVITIES</b>		
Placement of time deposits with original maturity over three months	(320,615)	(833,684)
Purchase of property, plant and equipment	(22,119)	(60,436)
Purchase of financial assets at FVTPL	–	(40,000)
Payment for deposits paid for acquisition of property, plant and equipment	–	(4,455)
Proceeds from redemption of time deposits with original maturity over three months	124,276	1,356,170
Interest received	28,653	18,252
Proceeds from disposal of financial assets at FVTPL	33,330	–
Settlement of derivative financial instruments	–	1,542
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(156,475)</b>	437,389
<b>FINANCING ACTIVITIES</b>		
Proceeds on issue of ordinary shares by the Company	329,209	–
Transaction costs attributable to issue of shares	(3,748)	–
New bank borrowings raised	345,000	274,808
Repayment of lease liabilities	(6,719)	(6,766)
Interest paid	(6,188)	(13,231)
Repayment of bank borrowings	(400,000)	(379,800)
Exercise of share options	75	243
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>257,629</b>	(124,746)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>27,518</b>	166,609
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>1,069,189</b>	803,306
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>39,595</b>	7,452
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,136,302</b>	977,367

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

## 1. GENERAL

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

The Company is an investment holding company. The Group is principally engaged in research and development, manufacturing and commercialization of biologics of oncology.

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

### Application of amendments to IFRSs

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

IFRS 17 (including the June 2020 Insurance Contracts

and December 2021

Amendments to IFRS 17)

Amendments to IAS 8

Definition of Accounting Estimates<sup>1</sup>

Amendments to IAS 12

Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup>

Amendments to IAS 12

International Tax Reform-Pillar Two model Rules<sup>2</sup>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of amendments to IFRSs (Continued)

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

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Time of revenue recognition</b>		
<i>A point in time</i>		
Sales of pharmaceutical products and Royalty income (Note i)	117,015	53,464
Provision of goods and consumables for research and development projects (Notes ii & iii)	11,939	—
License fee income (Note ii)	7,202	—
	<b>136,156</b>	53,464
<i>Overtime</i>		
Co-development and commercialization income (Note i)	309	105
	<b>136,465</b>	53,569

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Revenue (Continued)

Notes:

- (i) Co-development, commercialization of KN035:

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

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

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

- (ii) Out licensing KN026:

In August 2021, the Group entered into an agreement with Shanghai JMT-bio Technology Co., Ltd. ("JMT-bio"), an independent third party, pursuant to which the Group granted to JMT-bio an exclusive right of research & development and further commercialisation of KN026, a drug candidate that was initially developed by the Group for the treatment of HER2-positive breast cancer and gastric cancer/gastroesophageal junction cancer, in Mainland China.

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

Notes: (Continued)

(ii) Out licensing KN026: (Continued)

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

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

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

(iii) Provision of goods and consumables for research and development projects:

Provision of goods and consumables for research and development projects refers to goods and consumables provided for various organizations to conduct clinical trials. Revenue is recognised when control of the goods has been transferred.

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Provision of goods and consumables for KN026	922	–
Provision of goods and consumables for other research and development projects	11,017	–
	<b>11,939</b>	–

### Segment information

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Geographical information

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

#### Information about major customers

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

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

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

### 4. OTHER INCOME

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

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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Exchange gains, net	48,846	67,983
Losses on derivative financial instruments	–	(4,352)
Others	(95)	(3)
	<b>48,751</b>	63,628

### 6. FINANCE COSTS

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

### 7. INCOME TAX EXPENSE

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% (2022: 25%). Jiangsu Alphamab has been accredited as a “High and New Technology Enterprise” by the Science and Technology Bureau of Jiangsu Province and relevant authorities on October 18, 2022 for a term of three years from 2022 to 2024, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

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

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

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 8. LOSS FOR THE PERIOD

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

### 9. DIVIDENDS

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

## 10. LOSS PER SHARE

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

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

The calculation of basic and diluted loss per share for the six months ended June 30, 2023 and 2022, has not been considered, where appropriate, the share options awarded under the pre-IPO share option scheme as disclosed in Note 19(a), the share options awarded under the post-IPO share option scheme as disclosed in Note 19(b), and the restricted shares that have not yet been vested (Note 18 & Note 19(c)) as their inclusion would be anti-dilutive.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, the Group had additions to construction in progress of approximately RMB17,762,000 (the six months ended June 30, 2022: RMB68,140,000 (unaudited)) and property, plant and equipment of Nil (the six months ended June 30, 2022: RMB772,000 (unaudited)), respectively, which mainly consists of research and development as well as production plant and equipment.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 12. TRADE RECEIVABLES

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade receivables with contracts with customers	<b>23,555</b>	15,490

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

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

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
0 – 60 days	<b>23,555</b>	15,490

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

### 14. FINANCIAL ASSETS AT FVTPL

As at December 31, 2022, the Group placed with licensed commercial banks in the PRC for RMB-denominated wealth management products, which were fully settled upon their respective maturity date during the six months ended June 30, 2023. The indicative annual interest rates for the wealth management products, ranged from 2.20% to 2.35% per annum, however, the actual interest to be received is uncertain until maturity and the principal is not protected. Such wealth management products, were accounted for as financial assets at FVTPL under IFRS 9.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 14. FINANCIAL ASSETS AT FVTPL (Continued)

The Group measured the above wealth management products, as Level 2, financial instrument as below:

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs
	June 30, 2023 RMB'000	December 31, 2022 RMB'000		
<b>Financial assets</b>				
Wealth management products	–	33,330	Level 2	Redemption value quoted by banks with reference to the expected return of the underlying assets

### 15. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/ CASH AND CASH EQUIVALENTS

	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Cash at banks and on hand	109,033	116,658
Time deposits with original maturity less than three months (Note)	1,027,269	952,531
Cash and cash equivalents	1,136,302	1,069,189
Time deposits with original maturity over three months (Note)	445,290	247,858
	<b>1,581,592</b>	1,317,047

Note: The time deposits were placed with licensed commercial banks in the PRC. The time deposits confer the Group rights of early redemption at amortized cost before the maturity date. The time deposits carry interest at fixed rates ranging from 3.10% to 6.40% per annum as at June 30, 2023 (2022: 1.25% to 3.66% per annum) and the full amount of which will be matured within the next 12 months from the reporting date.

Bank balances carry interest at prevailing market interest rates ranging from 0.00% to 0.20% per annum as at June 30, 2023 (2022: 0.01% to 0.30% per annum).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 16. TRADE AND OTHER PAYABLES

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

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

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

	<b>June 30, 2023 RMB'000 (unaudited)</b>	December 31, 2022 RMB'000 (audited)
0 – 90 days	<b>15,089</b>	7,612



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 17. BANK BORROWINGS

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Secured bank borrowings – variable-rate	<b>200,000</b>	200,000
Unsecured bank borrowings – variable-rate	<b>70,000</b>	125,000
	<b>270,000</b>	325,000

Carrying amounts of bank borrowings which are all denominated in RMB and are repayable based on repayment schedules as follows:

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Within one year	<b>70,000</b>	175,000
More than one year, but not exceeding two years	<b>50,000</b>	50,000
More than two years, but not exceeding five years	<b>150,000</b>	100,000
	<b>270,000</b>	325,000
Less:		
Amounts shown under current liabilities	<b>70,000</b>	175,000
Amounts shown under non-current liabilities	<b>200,000</b>	150,000

The effective interest rates per annum on the Group's bank borrowings are as follows:

	<b>2023</b>	2022
Effective interest rate:		
Variable-rate bank borrowings	<b>2.70-2.87%</b>	2.81-3.25%

Details of pledge of assets in support of the secured bank borrowings are disclosed in Note 22.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 18. SHARE CAPITAL

The details of the movement of the Company's authorized and issued ordinary shares during the reporting period are set out as below:

		Number of shares	Par value per share	Amount US\$'000
<b>Authorized:</b>				
As at January 1, 2022 (audited), June 30, 2022 (unaudited), December 31, 2022 (audited) and June 30, 2023 (unaudited)		25,100,000,000	US\$0.000002	50
<b>Issued and fully paid:</b>				
As at January 1, 2022 (audited)		936,985,020	US\$0.000002	2
Issuance of restricted shares	(a)	1,630,000	US\$0.000002	– *
Exercise of share options	(b)	616,715	US\$0.000002	– *
As at June 30, 2022 (unaudited)		939,231,735	US\$0.000002	2
Issuance of restricted shares	(c)	424,902	US\$0.000002	– *
Exercise of share options	(d)	59,750	US\$0.000002	– *
As at December 31, 2022 (audited)		939,716,387	US\$0.000002	2
Issuance of ordinary shares	(e)	25,000,000	US\$0.000002	– *
Exercise of share options	(f)	63,000	US\$0.000002	– *
As at June 30, 2023 (unaudited)		964,779,387	US\$0.000002	2

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

## 18. SHARE CAPITAL (Continued)

	RMB'000
Shown in the condensed consolidated statement of financial position:	
As at December 31, 2022 (audited)	13
As at June 30, 2023 (unaudited)	13

\* less than US\$1,000

Notes:

- (a) On January 27, 2022 and May 20, 2022, the Company granted a total of 1,020,000 and 610,000 shares at RMB1.00 consideration per employee to 5 and 9 employees of the Group, subject to the accomplishment of certain non-market performance conditions respectively. Employees will be entitled to these shares once they meet certain vesting conditions agreed in the grant letters and the vesting period begins. The consideration of RMB1.00 per employee will be paid when the restricted shares are accepted by the employees and vested.
- (b) During the six months ended June 30, 2022, share option holders exercised their rights to subscribe for 496,485 and 120,230 ordinary shares in the Company at US\$0.01 and US\$0.25 per share, respectively.
- (c) On October 24, 2022, the Company granted a total of 424,902 shares to an employee and 4 external scientific consultants of the Group for a consideration of RMB1.00 from each of these individuals, subject to the accomplishment of certain non-market performance conditions respectively. The grantees will be entitled to these shares once they meet certain vesting conditions agreed in the grant letters and the vesting period begins. The consideration of RMB1.00 per each of these individuals will be paid when the restricted shares are accepted and vested by them.
- (d) During the six months ended December 31, 2022, share option holders exercised their rights to subscribe for 57,500 and 2,250 ordinary shares in the Company at US\$0.01 and US\$0.25 per share, respectively.
- (e) On February 9, 2023, 25,000,000 ordinary shares of the Company were allotted and issued at a price of HK\$15.22 per share for a gross, proceed of approximately HK\$380,500,000 (equivalent to RMB329,209,000) upon the placing of existing shares and top-up subscription of new shares.
- (f) During the six months ended June 30, 2023, share option holders exercised their rights to subscribe for 19,000 and 44,000 ordinary shares in the Company at US\$0.01 and US\$0.25 per share, respectively.

## 19. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Equity-settled pre-IPO share option scheme of the Company:

- (i) Pursuant to a written resolution of the shareholders of the Company dated October 16, 2018, a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme I”) of the Company was approved and adopted. The Pre-IPO Share Option Scheme I was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its existing employees, including any full time or part time employee (including any executive and non-executive director or proposed executive director and non-executive director) of the Group (the “Employees”), and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme I, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options under the Pre-IPO Share Option Scheme I have a contractual option term of ten years. Options granted must be taken up within 10 years from the date of grant, upon payment US\$0.071 per option at the time of exercise (equivalent to HK\$0.554 per option). No consideration is payable on the grant of an option. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

The following table discloses movements of the Company’s share options held by grantees under the Pre-IPO Share Option Scheme I during the period:

	Number of share options	Weighted average exercise price
Outstanding as at January 1, 2023	21,755,080	–
Forfeited during the period	(90,250)	US\$0.071
Exercised during the period	(19,000)	US\$0.071
Outstanding as at June 30, 2023	21,645,830	–

The closing price of the Company’s shares immediately before the dates on which the options were exercised was HK\$8.85. The Group recognized the total expense of RMB246,000 (unaudited) for the six months ended June 30, 2023 (the six months ended June 30, 2022: RMB497,000 (unaudited)) in relation to share options under the Pre-IPO Share Option Scheme I.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (a) Equity-settled pre-IPO share option scheme of the Company: (Continued)

- (ii) Pursuant to a written resolution of the shareholders of the Company dated March 29, 2019, another pre-IPO share option scheme (the “Pre-IPO Share Option Scheme II”) of the Company was approved and adopted on April 9, 2019. The Pre-IPO Share Option Scheme II was established to recognize and motivate the contribution of the eligible persons and to provide incentives and help the Group in retaining its Employees, and to recruit additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. Under the Pre-IPO Share Option Scheme II, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

The granted options have a contractual option term of ten years. Options granted must be taken up within ten years from the date of grant, upon payment of either US\$1.225 or US\$2.449 per option (equivalent to HK\$9.555 or HK\$19.102 per option). No consideration is payable on the grant of an option. The Group has no legal or constructive obligations to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

The following table discloses movements of the Company’s share options held by grantees under the Pre-IPO Share Option Scheme II during the period:

	Number of share options	Weighted average exercise price
Outstanding as at January 1, 2023	5,327,645	–
Forfeited during the period	(7,500)	US\$1.225
Exercised during the period	(44,000)	US\$1.225
Outstanding as at June 30, 2023	5,276,145	–

The closing price of the Company’s shares immediately before the dates on which the options were exercised was HK\$8.85. The Group recognized the total expense of RMB298,000 (unaudited) for the six months ended June 30, 2023 (the six months ended June 30, 2022: RMB216,000 (unaudited)) in relation to share options under the Pre-IPO Share Option Scheme II.

**19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)****(b) Equity-settled post-IPO share option scheme of the Company:**

- (i) Pursuant to a shareholders' resolution of the Company dated May 25, 2020, a post-IPO share option scheme (the "Post-IPO Share Option Scheme I") of the Company was approved and adopted. The Post-IPO Share Option Scheme I was established to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the board of directors of the Company may approve from time to time. Under the Post-IPO Share Option Scheme I, the board of directors of the Company may grant options to the eligible persons to subscribe for shares in the Company.

On April 24, 2023, the Group has granted a total of 850,000 share options, at an exercise price of HK\$16.064 per share to certain employees under the Post-IPO Share Option Scheme I.

The granted options have a contractual option term of ten years. Options granted must be taken up within ten years from the date of grant, upon payment of their respective exercise price ranged from HK\$6.214 to HK\$18.06 per option. No consideration is payable on the grant of an option. The Group has no legal or constructive obligations to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

The following table discloses movements of the Company's share options held by grantees under the Post-IPO Share Option Scheme I during the period:

	Number of share options	Weighted average exercise price
Outstanding as at January 1, 2023	1,470,000	–
Granted during the period	850,000	HK\$16.064
Forfeited during the period	(30,000)	HK\$6.214
Outstanding as at June 30, 2023	2,290,000	–

The Group recognized the total expense of RMB944,000 (unaudited) for the six months ended June 30, 2023 (the six months ended June 30, 2022: a net reversal of share based payment expense of RMB929,000 (unaudited)) in relation to share options granted under the Post-IPO Share Option Scheme I.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### (b) Equity-settled post-IPO share option scheme of the Company: (Continued)

The fair value of the April 24, 2023 grant was calculated using the binomial model. The inputs into the model were as follows:

	Date of grant April 24, 2023
Ordinary share price as at date of grant	HK\$16.040
Exercise price	HK\$16.064
Expected volatility	32.65%
Expected life	10 Years
Risk-free rate	3.11%
Expected dividend yield	0 %
Total grant date fair value	HK\$5,273,033

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate.

The directors of the Company estimated the risk-free interest rate based on the yield of the Hong Kong Government Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

**19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)****(c) Restricted share award scheme of the Company:**

On March 23, 2021, the board of directors approved a restricted share award scheme, with the purpose of motivating the employees to maximize the value of the Company for the benefits of both the employees and the Company, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the employees directly with the shareholders of the Company through ownership of shares.

The following table summarized the Group's unvested restricted shares movement:

	<b>Restricted share award scheme</b>	
	<b>Number of unvested restricted shares</b>	<b>Weighted average grant date fair value per share</b>
Unvested as at January 1, 2023	<b>1,629,094</b>	–
Vested	<b>(165,037)</b>	–
Unvested as at June 30, 2023	<b>1,464,057</b>	–

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognizing the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognized in the condensed consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group are RMB2,558,000 (unaudited) for the six months ended June 30, 2023 (the six months ended June 30, 2022: RMB5,434,000 (unaudited)).

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by the Stock Exchange on the grant date.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 20. RESEARCH AND DEVELOPMENT EXPENSES

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

### 21. CAPITAL COMMITMENTS

	<b>June 30,</b>	December 31,
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>23,736</b>	40,310

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 22. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to banks in order to secure the bank borrowings and general banking facilities granted by banks to the Group are as follows:

	<b>June 30, 2023 RMB'000 (unaudited)</b>	December 31, 2022 RMB'000 (audited)
Land use rights included in right-of-use assets	<b>20,938</b>	21,185
Buildings	<b>244,503</b>	250,812
	<b>265,441</b>	271,997

### 23. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group has following transactions and balances with related parties:

			<b>Six months ended June 30,</b>	
			<b>2023 RMB'000 (unaudited)</b>	2022 RMB'000 (unaudited)
<b>Related company</b>	<b>Relationship</b>	<b>Nature of transactions</b>		
Suzhou Alphamab	Entity controlled by Dr. Xu	Utilities expenses	<b>1,270</b>	934
		Interest expenses - lease liabilities	<b>220</b>	387
		Purchase of raw materials	<b>489</b>	-
			<b>June 30, 2023 RMB'000 (unaudited)</b>	December 31, 2022 RMB'000 (audited)
<b>Related company</b>	<b>Relationship</b>	<b>Nature of balances</b>		
Suzhou Alphamab	Entity controlled by Dr. Xu	Amount due to entity	<b>4,325</b>	4,515
		Lease liabilities to entity	<b>8,228</b>	13,042

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2023

### 23. RELATED PARTY TRANSACTIONS (Continued)

The amount due to Suzhou Alphamab is trade in nature, unsecured, interest free and has no fixed repayment terms.

The following is an aging analysis of the amount due to a related party presented at the end of reporting period:

	<b>June 30, 2023 RMB'000 (unaudited)</b>	December 31, 2022 RMB'000 (audited)
0 – 90 days	<b>675</b>	–
Over 90 days	<b>3,650</b>	4,515
	<b>4,325</b>	4,515