Beijing Luzhu Biotechnology Co., Ltd.
北京綠竹生物技術股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2480)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the "**Board**") of directors (the "**Directors**") of Beijing Luzhu Biotechnology Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2024 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2023.

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2024	2023	Change
	RMB'000	*RMB'000*	*(%)*
	(unaudited)	(unaudited)	(unaudited)
Other income	**9,732**	5,339	82.3
Other expenses	**(189)**	(280)	(32.5)
Other gains and losses, net	**6,255**	16,830	(62.8)
Administrative expenses	**(44,962)**	(41,239)	9.0
Research and development expenses	**(80,376)**	(33,157)	142.4
Finance costs	**(398)**	(386)	3.1
Listing expenses	**–**	(26,459)	(100.0)
Loss before tax	**(109,938)**	(79,352)	38.5
Income tax expense	**–**	–	–
Loss and total comprehensive expense for the period	**(109,938)**	(79,352)	38.5

BUSINESS HIGHLIGHTS

In the first half of 2024, the Company has achieved various significant corporate milestones. After initiating the multi-center, randomized, double-blind, placebo-controlled Phase III clinical trial for LZ901, the Core Product of the Company, in China in September 2023, the Company has completed the subjects enrollment of a total of 26,000 healthy subjects aged 40 years and older in January 2024. In April 2024, the Group was granted invention patents relating to its Core Product in the U.S. and Australia. Riding on the success, a mid-term summary meeting regarding LZ901 was held in June 2024, for the discussion of its Phase III clinical trial in China.

Further, in April 2024, the Company has also completed the construction of Phase II production facility in Zhuhai City, Guangdong Province, which has a planned gross floor area of approximately 120,000 square meters, with 72,000 square meters for production facility premises.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	Notes	For the six months ended June 30,	
		2024	2023
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Other income	*5*	**9,732**	5,339
Other expenses		**(189)**	(280)
Other gains and losses, net	*6*	**6,255**	16,830
Administrative expenses		**(44,962)**	(41,239)
Research and development expenses		**(80,376)**	(33,157)
Finance costs		**(398)**	(386)
Listing expenses		**–**	(26,459)
Loss before tax		**(109,938)**	(79,352)
Income tax expense	*7*	**–**	–
Loss and total comprehensive expense for the period	*8*	**(109,938)**	(79,352)
Loss per share ("**RMB**")	*10*		
Basic		**(0.54)**	(0.41)
Diluted		**(0.54)**	(0.41)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	Notes	**June 30, 2024** ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
NON-CURRENT ASSETS			
Right-of-use assets		**101,874**	104,591
Property, plant and equipment	*11*	**422,985**	383,905
Intangible assets		**4,571**	4,127
Prepayments, deposits and other receivables	*12*	**7,449**	53,099
		536,879	545,722
CURRENT ASSETS			
Materials		**5,935**	3,477
Prepayments, deposits and other receivables	*12*	**20,025**	9,168
Financial assets at fair value through profit or loss ("**FVTPL**")		**351,700**	343,345
Cash and cash equivalents		**187,691**	264,982
		565,351	620,972
CURRENT LIABILITIES			
Advance payments received and other payables	*13*	**94,141**	89,183
Lease liabilities		**–**	129
Bank borrowing	*14*	**576**	7,000
		94,717	96,312
NET CURRENT ASSETS		**470,634**	524,660
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,007,513**	1,070,382

	Notes	**June 30, 2024** ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**12,251**	12,087
Deferred government grants		**35,065**	37,667
Bank borrowing	*14*	**16,004**	–
		63,320	49,754
NET ASSETS		**944,193**	1,020,628
CAPITAL AND RESERVES			
Share capital		**202,450**	202,450
Reserves		**741,743**	818,178
TOTAL EQUITY		**944,193**	1,020,628

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

1. GENERAL INFORMATION

Beijing Luzhu Biotechnology Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in research, development and production of vaccines and therapeutic biologics in the People's Republic of China (the "**PRC**").

The condensed consolidated financial statements for the six months ended June 30, 2024 are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

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 the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional/change in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**") and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2023.

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 period beginning on or after January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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 periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. 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 when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

The Group did not record any revenue for the six months ended June 30, 2024 (six months ended June 30, 2023: nil). As at June 30, 2024, the Group's all non-current assets excluding financial instruments are located in the Mainland China and accordingly, no analysis of geographical information is presented.

5. OTHER INCOME

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Income from sales of immunoreagent testing kits	**650**	1,023
Government grants related to		
– Plant and machinery	**1,267**	1,118
– Right-of-use assets	**1,335**	1,467
– Others *(Note)*	**4,718**	71
Interest income on bank balances	**1,752**	1,651
Interest income from rental deposits	**10**	9
Total	**9,732**	5,339

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.

6. OTHER GAINS AND LOSSES, NET

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Fair value gains on financial assets at FVTPL	**5,309**	10,226
Foreign exchange gains, net	**975**	6,579
Loss on early termination of a lease	**(29)**	–
Others	**–**	25
Total	**6,255**	16,830

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current PRC enterprise income tax	**–**	–

No provision for PRC income tax was made as the Company and its PRC subsidiaries incurred tax losses for both periods.

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax for both periods.

As at June 30, 2024, the Group had estimated unused tax losses of approximately RMB647,602,000 (December 31, 2023: RMB491,491,000) which are available for offset against future profits. Deferred tax asset has been recognized in respect of approximately RMB18,663,000 (December 31, 2023: RMB19,538,000) of such losses as at June 30, 2024. No deferred tax asset has been recognized in respect of the remaining approximately RMB628,939,000 (December 31, 2023: RMB471,953,000) due to the unpredictability of future profit streams as at June 30, 2024.

8. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Staff costs, including directors' and supervisors' remuneration		
– salaries and other allowances	**13,897**	11,668
– retirement benefits	**1,352**	1,011
– equity-settled share-based payments included in administrative expenses	**24,479**	27,695
– equity-settled share-based payments included in research and development expenses	**9,024**	7,036
Total staff costs	**48,752**	47,410
Depreciation of right-of-use assets	**2,401**	2,405
Depreciation of property, plant and equipment	**10,498**	5,244
Amortization of intangible assets	**123**	101
Less: capitalized in construction in process	**(643)**	–
Total depreciation and amortization	**12,379**	7,750
Short-term lease expenses	**32**	85
Cost of materials included in research and development expenses	**3,729**	1,180
Sub-contracting costs included in research and development expenses	**51,290**	12,907

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended June 30, 2023: nil).

10. LOSS PER SHARE

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company	**(109,938)**	(79,352)

	For the six months ended June 30,	
	2024	2023
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**202,450**	195,162

The denominators used are the same as those detailed above for both basic and diluted loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's construction in progress increased by RMB46,995,000 (six months ended June 30, 2023: RMB77,277,000) and RMB1,896,000 (six months ended June 30, 2023: RMB42,846,000) respectively for the research and development and commercial manufacturing facility located in Beijing and the commercial manufacturing facility located in Zhuhai.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2024 ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
Value added tax recoverable	**14,971**	39,762
Prepayments for purchase of property, plant and equipment	**5,837**	13,499
Prepayments to suppliers and service providers	**4,551**	7,930
Prepayments for intangible assets	**954**	–
Rental deposits	**341**	371
Others	**820**	705
Total	**27,474**	62,267

	June 30, 2024 ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
Analyzed as:		
Non-current	**7,449**	53,099
Current	**20,025**	9,168
Total	**27,474**	62,267

13. ADVANCE PAYMENTS RECEIVED AND OTHER PAYABLES

	June 30, 2024 ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
Payables for acquisition of property, plant and equipment	**53,494**	51,247
Payables for research and development activities	**37,993**	32,416
Payables for intangible assets	**–**	904
Accrued salaries and other allowances	**2,122**	4,070
Other tax payables	**111**	222
Others	**421**	324
	94,141	89,183
Advance payments received and other payables denominated in:		
RMB	**91,929**	87,685
United States dollars	**1,896**	496
Hong Kong dollars ("**HK$**")	**316**	98
Great Britain Pound	**–**	904
	94,141	89,183

14. BANK BORROWING

	June 30, 2024 ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
Analyzed as:		
Non-current	**16,004**	–
Current	**576**	7,000
Total	**16,580**	7,000

In January 2024, a subsidiary of the Group entered into a bank borrowing agreement in a principal amount of RMB200,000,000 in relation to construction of the research and development and commercial manufacturing facility located in Beijing and will mature in five years from the date of the first withdrawal. In April 2024 and May 2024, the Group withdrew bank borrowings of RMB16,564,000 which will mature from April 2027 to January 2029. The bank borrowings bear interest rate of 3.50% per annum and the interest is payable quarterly. The borrowing is guaranteed by the executive directors of the Company, Mr. Kong Jian and his spouse, Ms. Zhang Yanping. The Group also pledged certain leasehold land and construction in progress to secure the bank borrowings.

On March 30, 2023, the Group obtained a new bank borrowing of RMB10,000,000 and partially repaid RMB3,000,000 in September 2023 and repaid the remaining RMB7,000,000 in March 2024.

15. CAPITAL COMMITMENTS

	June 30, 2024 ***RMB'000*** **(unaudited)**	December 31, 2023 *RMB'000* (audited)
Capital expenditure in respect of the acquisition of equipment and machineries and construction projects contracted for but not provided in the condensed consolidated financial statements	**25,559**	49,768

BUSINESS REVIEW

Research and development of product candidates

After two decades of research and development and introduction of technologies, the Group has established an innovative precision protein engineering platform empowering the full cycle of drug development, which provides a solid foundation for the development of the Group's human vaccines candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

The Group's innovative antigen presentation technology for vaccine development starts from the concept of enhancing the immunogenicity of a target antigen, streamlines the design of a recombinant virus vaccine antigen while retaining the primary structure of the natural antigen to enhance immunogenicity, improve safety and patient vaccination experience. The Group has an internally developed next-generation bispecific antibody development platform, Fabite®, of which the Group owns intellectual property rights, has competitive advantages in the development of bispecific antibody products for the treatment of relapsed/refractory hematological malignancies. Fabite® has a fully controllable mechanism of action and mode of administration to ensure the safety of patients. It can be used in a variety of immunotherapies based on the activation of T cells to kill cancer cells. Fabite® optimizes the purification process of bispecific antibodies, achieving high purity of monomers. At the same time, the Group has developed several types of liquid formulations to address stability issues, resulting in bispecific antibody solutions that can be stable for more than three years in storage conditions of 2-8°C.

By employing the Fabite® technology platform and mammalian expression technology platform and leveraging its in-house biologics manufacturing infrastructure and capabilities, the Group established a diversified and advanced product pipeline covering human vaccine candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

LZ901

LZ901, the independently developed recombinant herpes zoster vaccine candidate and Core Product of the Group, has a tetrameric molecular structure to prevent shingles caused by varicella-zoster virus ("**VZV**"). Its molecular structure has doubled the Fc regions for antigen presenting cells ("**APCs**") to bind to compared to naturally occurring VZV antigen. LZ901 actively presents VZV antigens to immune cells to trigger an immune response. In addition, LZ901 has demonstrated high immunogenicity, efficacy and safety profile in both the pre-clinical studies and the Phase I clinical trial in China, while inducing specific humoral and cellular immunity.

The Group has initiated the multi-center, randomized, double-blind, placebo-controlled Phase III clinical trial for LZ901 in China in September 2023, and completed the subjects enrollment of a total of 26,000 healthy subjects aged 40 years and older in January 2024. The Group also launched a head-to-head clinical trial of LZ901 and Shingrix in November 2023 by enrolling a total of 300 healthy subjects aged 50 and above to further compare the immunogenicity and safety of LZ901 and Shingrix. The Group held a mid-term summary meeting for the Phase III clinical trial of LZ901 in June 2024 and expects to file Biologics License Application ("**BLA**") no later than January 2025 for LZ901 to the NMPA, and achieve commercialization in the fourth quarter of 2025.

In addition, the Group has received IND approval from the FDA in July 2022 for LZ901. The Group has initiated a Phase I clinical trial for LZ901 in the U.S. in February 2023 and has completed its subject enrollment in July 2023. The Group has completed the on-site research on LZ901 Phase I clinical trial in the U.S. in the first half of 2024, and plans to complete the Phase I clinical trial for LZ901 in the U.S. in the second half of 2024.

K3

K3, the independently developed recombinant human anti-tumor necrosis factor ("**TNF**")-α monoclonal antibody injection product candidate of the Group, is a biosimilar of Humira® (adalimumab) and mainly used for the treatment of various autoimmune diseases, such as rheumatoid arthritis, ankylosing spondylitis and plaque psoriasis. The Group has initiated the Phase I clinical trial in China in September 2018, in which K3 displayed pharmacokinetics consistent with adalimumab, and completed the Phase I clinical trial in December 2019. The Group plans to initiate a Phase III clinical trial for K3 in China in 2025.

K193

K193 is an independently developed bispecific antibody injection (B-lymphocyte antigen CD19 ("**CD19**")-cluster of differentiation 3 ("**CD3**")) product candidate of the Group for the treatment of B cell leukemia and lymphoma. K193 is the world's first bispecific antibody against CD19/CD3 with an asymmetric structure. K193 has an innovative molecular structure that was developed based on the internally developed bispecific antibody development platform of the Group, Fabite®, and the Group's mammalian expression technology platform, which makes it less prone to polymerization and decreased activity compared to other similar products in the market. During pre-clinical studies, K193 displayed high *in vivo* and *in vitro* anti-tumor activity, and its optimized formulation is stable and convenient to use. K193's unique mechanism of action endows it with a strong ability to treat various types of B cell leukemia and lymphoma. The safe and controllable administration of K193 also reduces the impact of patient stress caused by medication administration. In December 2019, the Group initiated a Phase I clinical trial of K193 in China and expects to complete the Phase I clinical trial in 2025.

Updates on Other Pre-Clinical Product Candidates

The Group had a total of four pre-clinical stage product candidates as of June 30, 2024, namely, recombinant varicella vaccine, recombinant RSV vaccine, K333 bispecific antibody for the treatment of myeloid leukemia and K1932 bispecific antibody for the treatment of lymphoma.

The following diagram summarizes the status of the product pipeline of the Group as of June 30, 2024:

Product Type	Product Pipeline	Indications	Pre-clinical	Clinical Trials I	Clinical Trials II	Clinical Trials III	BLA
Vaccine							
Recombinant Vaccine	LZ901(1)	Herpes zoster	China				
		Herpes zoster	US				
Recombinant Vaccine	Recombinant Varicella Vaccine	Varicella	China				
Recombinant Vaccine	Recombinant RSV Vaccine	Low respiratory tract disease caused by RSV	China				
Antibody							
Monoclonal Antibody	K3(2)	Ankylosing spondylitis, rheumatoid arthritis, plaque psoriasis	China				
Bispecific Antibody	K193	Relapsed/Refractory B-cell lymphoma/leukemia	China				
Bispecific Antibody	K333	Myeloid leukemia	China				
Bispecific Antibody	K1932	Relapsed/Refractory B-cell lymphoma	China				

Notes:

(1) Core Product.

(2) K3 is a biosimilar of adalimumab and therefore, is not required to conduct a Phase II clinical trial.

For further details of the product candidates of the Group, please refer to the Prospectus.

THE COMPANY MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET THE CORE PRODUCT, OR ANY OTHER PRODUCT CANDIDATES.

Research and development

The in-house R&D team of the Group is involved in all stages of novel vaccine and biologic therapeutic candidates development, from pre-clinical studies, laboratory research to clinical trials, regulatory filing and manufacturing process development, and the Group has thereby established a full range of in-house product discovery capabilities, including recombinant protein design and optimization, amplification, cultivation and harvesting. With its R&D capabilities, the Group now possesses a diversified and advanced product pipeline covering human vaccine candidates, monoclonal antibody product candidates and bispecific antibody product candidates.

Manufacturing and quality assurance

The Group has R&D and manufacturing facilities in both Beijing and Zhuhai, and the Group plans to expand the scale of its R&D and manufacturing facilities as it further develops its business in future. The Group provides training to its manufacturing team to ensure that each team member possesses the skill sets and techniques required in the relevant product process, and complies with the quality control requirements, as well as applicable laws and regulations. As of June 30, 2024, the manufacturing team of the Group consisted of 38 personnel.

The Group also has a quality management system designed to adhere to national standards, including the GMP standards, covering substantially every aspect of the operations including product design, raw materials and manufacturing, among others. As of June 30, 2024, the Group had an experienced quality management team consisting of 32 personnel, all of whom had received professional training in regulations, GMP standards and quality control analysis methods.

FUTURE AND OUTLOOK

The Group plans to implement the following strategies to achieve the goals and visions of the Group:

- actively promote the clinical development of the Group's pipeline candidates including LZ901, K3 and K193;
- rapidly advance the development of the other pre-clinical product candidates of the Group, including recombinant varicella vaccine, recombinant RSV vaccine, K333 and K1932;
- lay out strategic plans to promote commercialization in China and abroad; and
- expand the product pipeline of the Group through independent development and/or collaboration.

FINANCIAL REVIEW

The following discussion is based on and should be read in conjunction with the financial information and accompanying notes included elsewhere in this announcement.

Other income

Other income of the Group increased by approximately 82.3% from approximately RMB5.3 million for the six months ended June 30, 2023 to approximately RMB9.7 million for the six months ended June 30, 2024, which was primarily due to the unconditional government grants received by the Group.

Set out below are the components of other income for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Income from sales of immunoreagent testing kits	**650**	1,023
Government grants related to		
• Plant and machinery	**1,267**	1,118
• Right-of-use assets	**1,335**	1,467
• Others	**4,718**	71
Interest income on bank balances	**1,752**	1,651
Interest income from rental deposits	**10**	9
Total	**9,732**	5,339

Other expenses

Other expenses of the Group decreased by approximately 32.5% from approximately RMB0.3 million for the six months ended June 30, 2023 to approximately RMB0.2 million for the six months ended June 30, 2024, which reflected the decrease in the cost of immunoreagent testing kits sold.

Other gains and losses, net

Net other gains of the Group decreased by approximately 62.8% from approximately RMB16.8 million for the six months ended June 30, 2023 to approximately RMB6.3 million for the six months ended June 30, 2024, which was primarily attributable to the decrease in (i) fair value gains on financial assets at FVTPL and (ii) net foreign exchange gains.

Set out below are the components of net other gains for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Fair value gains on financial assets at FVTPL	**5,309**	10,226
Foreign exchange gains, net	**975**	6,579
Loss on early termination of a lease	**(29)**	–
Others	**–**	25
Total	**6,255**	16,830

Administrative expenses

Administrative expenses of the Group increased by approximately 9.0% from approximately RMB41.2 million for the six months ended June 30, 2023 to approximately RMB45.0 million for the six months ended June 30, 2024, which was primarily due to the increase in depreciation of property, plant and equipment resulting from the completion of our construction projects.

Research and development expenses

Research and development expenses of the Group increased by approximately 142.4% from approximately RMB33.2 million for the six months ended June 30, 2023 to approximately RMB80.4 million for the six months ended June 30, 2024, which was primarily due to the on-going Phase III clinical trial for LZ901 in China during the six months ended June 30, 2024.

Finance costs

Finance costs of the Group remained stable at approximately RMB0.4 million and RMB0.4 million for the six months ended June 30, 2023 and for the six months ended June 30, 2024, respectively.

Listing expenses

Listing expenses of the Group decreased from approximately RMB26.5 million for the six months ended June 30, 2023 to nil for the six months ended June 30, 2024 as the H Shares of the Company were listed on the Stock Exchange in May 2023.

Loss before tax

As a result of the foregoing, the loss before tax of the Group increased by approximately 38.5% from approximately RMB79.4 million for the six months ended June 30, 2023 to approximately RMB109.9 million for the six months ended June 30, 2024.

Income tax expense

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's subsidiary in Hong Kong, which was subject to Hong Kong profit tax during the six months ended June 30, 2024.

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic tax rate of the Company and the PRC subsidiaries of the Group is 25%. As the Group was loss-making for the six months ended June 30, 2023 and 2024, no income tax expenses were incurred.

Liquidity and capital resources

The bank balances and cash decreased by approximately RMB77.3 million from approximately RMB265.0 million as of June 30, 2023 to approximately RMB187.7 million as of June 30, 2024, which was primarily due to the increase in research and development expenses.

During the six months ended June 30, 2024, the Group obtained a bank facility in the principal amount of RMB200.0 million for the construction of a R&D and manufacturing facility in Beijing, which is secured by property of the Group, as well as personal guarantee of Mr. KONG and Ms. ZHANG Yanping. The personal guarantee given by Mr. KONG and Ms. ZHANG Yanping is on normal commercial terms or better, and is not secured by assets of the Group. Therefore, such guarantee is fully exempt under Rule 14A.90 of the Listing Rules. The said bank facility is denominated in RMB, and has a maturity period of five years from the date of first utilisation, with an interest rate of 3.50% per annum payable on a quarterly basis. As of June 30, 2024, approximately RMB16.6 million of such bank facility had been utilised.

On the other hand, during the six months ended June 30, 2024, the Group made repayment in the amount of RMB7.0 million for a bank borrowing obtained in March 2023.

There had been no breach of loan agreement by the Group during the six months ended June 30, 2024.

Pledge of assets

On February 5, 2024, the Group pledged a property with gross floor area of approximately 21,185 square meters, to secure its bank facility in the principal amount of RMB200.0 million. Such pledged property is being used by the Group as offices, laboratories and manufacturing facility. Save as disclosed above, the Group had no other pledge of assets as of June 30, 2024.

Contingent liabilities

As of June 30, 2024, the Group did not have any material contingent liabilities.

Gearing ratio

The gearing ratio is calculated using the Group's total liabilities divided by its total assets. As of June 30, 2024, the Group's gearing ratio was 14.3% (December 31, 2023: 12.5%).

Capital expenditure

The Group regularly incurs capital expenditures to expand and enhance its research and development facilities, establish manufacturing capacities and increase operating efficiency. The capital expenditures of the Group during the six months ended June 30, 2024 primarily consisted of expenditures on construction in progress and leasehold lands.

The Group's capital commitments decreased from approximately RMB49.8 million as of December 31, 2023 to approximately RMB25.6 million as of June 30, 2024. which was primarily attributable to the completion of certain of our construction projects during the six months ended June 30, 2024.

Foreign exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect their financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit the exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the six months ended June 30, 2024, the Group did not enter into any currency hedging transactions.

Significant investments, material acquisitions and disposals

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2024.

Future plans for material investments or capital assets

As of June 30, 2024, the Group had no concrete plans for material capital expenditure, investments or capital assets. The Company will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

Use of net proceeds from the Global Offering

The H Shares of the Company were listed on the Stock Exchange on May 8, 2023. The aggregate net proceeds received by the Company from the global offering of its H Shares ("**Global Offering**") after deducting underwriting commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$241.6 million. In such connection, the over-allotment option as described in the Prospectus had not been exercised. For details of the Global Offering, please refer to the Prospectus, the allotment results announcement of the Company dated May 5, 2023 and the announcement of the Company dated May 28, 2023 in relation to, among others, lapse of the over-allotment option.

The net proceeds from the Global Offering have been and will be used in accordance with the purposes as set out in the Prospectus. The following table sets forth the use of the net proceeds from the Global Offering as of June 30, 2024:

Proposed use of Proceeds	Allocation of the net proceeds from the Global Offering *(HK$ million)*	Percentage of total net proceeds *(%)*	Unutilized amount as of December 31, 2023 *(HK$ million)*	Utilized amount during the six months ended June 30, 2024 *(HK$ million)*	Unutilized amount as of June 30, 2024[(1)] *(HK$ million)*	Expected timeline of full utilization of the remaining proceeds from the Global Offering as of 30 June 2024
For clinical development, manufacturing and commercialization of the Core Product, LZ901.	140.7	58.2	107.9	45.4	62.5	By the end of 2026
To fund ongoing and planned clinical trials in China and the U.S. for LZ901	97.0	40.2	64.2	45.4	18.8	By the end of 2026

Proposed use of Proceeds	Allocation of the net proceeds from the Global Offering *(HK$ million)*	Percentage of total net proceeds *(%)*	Unutilized amount as of December 31, 2023 *(HK$ million)*	Utilized amount during the six months ended June 30, 2024 *(HK$ million)*	Unutilized amount as of June 30, 2024[1] *(HK$ million)*	Expected timeline of full utilization of the remaining proceeds from the Global Offering as of 30 June 2024
To fund commercial manufacturing of LZ901	14.6	6.0	14.6	–	14.6	By the end of 2026
To fund marketing and sales activities	29.1	12.0	29.1	–	29.1	By the end of 2026
For clinical development and manufacturing of K3.	53.4	22.1	53.4	–	53.4	By the end of 2026
To fund planned clinical trials for K3	38.8	16.1	38.8	–	38.8	By the end of 2026[2]
To fund commercial manufacturing of K3	14.6	6.0	14.6	–	14.6	By the end of 2026
For construction of the second-phase commercial manufacturing facility in Zhuhai.	38.8	16.1	21.0	20.9	0.1	By the end of 2026
For working capital and other general corporate purposes.	8.7	3.6	8.7	1.4	7.3	By the end of 2026
Total	**241.6**	**100.0**	**191.0**	**67.7**	**123.3**	

Notes:

(1) As of June 30, 2024, the unutilized net proceeds were deposited with licensed bank(s) in Hong Kong or the PRC.

(2) The expected timeline of full utilization has been changed from by the end of 2024 to by the end of 2026 as discussed below.

The Group has been actively monitoring the development status and prospect of its pipeline products as well as prevailing market conditions and resources available to assess and, if necessary, fine-tune the pace of its development strategy. The Group currently plans to initiate the Phase III clinical trial for K3 in China in 2025, and accordingly the proceeds allocated for funding the clinical trials for K3 will not be fully utilized by the end of 2024. Based on the current development timeline for K3, it is expected that such allocated proceeds will be fully utilised by the end of 2026. For the avoidance of doubt, the Group has no intention to change the usage of the proceeds from the Global Offering.

The Directors consider that such change of timeline will allow the Group to deploy its resources and energy more effectively in accordance with its development strategy, and is in the interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group, nor will it result in material change in the development strategy of the Group.

The Company currently expects that the net proceeds from the Global Offering will be fully utilized by the end of 2026.

Employee and remuneration policy

As of June 30, 2024, the Group employed 148 full-time employees. The Group has designed an evaluation system to assess the performance of its employees periodically. Such system forms the basis of the Group's determinations of whether an employee should receive a salary raise, bonus, or promotion. The Group believes the salaries and bonuses the employees receive are competitive with market rates.

The Group places strong emphasis on providing training to its employees in order to enhance their technical and product knowledge. The Group designs and offers different training programmes for its employees in various positions.

The Group makes contributions to the social insurance and housing provident fund for all of its employees in the PRC.

Employee Incentive Scheme

The Company adopted an employee incentive scheme ("**Employee Incentive Scheme**") on December 15, 2021 prior to the Listing. The Employee Incentive Scheme does not involve the grant of new Shares, nor options to subscribe for new Shares. Instead, eligible participants, being employees and consultants of the Group, are granted interests in Hengqin Luzhu LP, the Group's employee incentive platform. All interests under the Employee Incentive Scheme had been granted prior to the Listing. Please refer to "B. Further Information about the business of our Company - 3. Employee Incentive Scheme" in Appendix VII to the Prospectus for a summary of the principal terms of the Employee Incentive Scheme.

Compliance with corporate governance code

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders, and the Directors recognize the importance of good corporate governance. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and the Company has adopted the Corporate Governance Code as its own code of corporate governance. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive should be segregated and should not be performed by the same individual. Mr. KONG currently serves as both the chairman of the Board and the general manager of the Company. While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that (i) the Board consists of three independent non-executive Directors, and the Directors believe there is sufficient check and balance in the Board to protect the interests of the Group and the Shareholders; (ii) Mr. KONG is a Controlling Shareholder, the Directors are of the view that vesting both roles on him helps to maintain the continuity of the policies and the stability of the operations of the Company. The Board will continue to review the effectiveness of the corporate governance structure of the Group from time to time in order to assess whether separation of the roles of chairman and general manager is necessary.

Save as disclosed above, the Company has complied with all applicable code provisions of the Corporate Governance Code up to June 30, 2024. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the Corporate Governance Code.

Compliance with the model code for securities transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate all dealings by Directors, Supervisors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to each Director and Supervisor, and all Directors and Supervisors have confirmed that they have complied with the applicable standards set out in the Model Code up to June 30, 2024. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company up to June 30, 2024.

Subsequent to June 30, 2024 and up to the date of this announcement, the Company repurchased a total of 1,436,000 H shares (representing approximately 0.71% of the total issued share capital of the Company (inclusive of treasury shares) as at the date of this announcement). Such repurchases of H Shares were funded by the Group's internal resources and the repurchased H Shares are held by the Company as treasury shares.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no important event affecting the Group which occurred after June 30, 2024 up to the date of this announcement.

REVIEW OF INTERIM RESULTS

The Audit Committee, together with the management of the Company, has considered and reviewed the Group's interim results for the Reporting Period and the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters, and is of the view that the interim results of the Group are prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The independent auditor of the Company, Deloitte Touche Tohmatsu, has also reviewed the Group's interim financial information for the six months ended June 30, 2024 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. There is no disagreement by the Audit Committee or the independent auditor of the Company with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.luzhubiotech.com/).

The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be despatched to the Shareholders (if requested) and published on the aforementioned websites of the Stock Exchange and the Company in due course in accordance with the Articles of Association, the Listing Rules and applicable laws and regulations.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

"Audit Committee"	the audit committee of the Board
"Articles of Association"	the articles of association of the Company (as amended, supplemented or otherwise modified from time to time)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of directors of the Company
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administration Region and Taiwan

"Company", "the Company", or "Luzhu Biotechnology"	Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司), a joint stock company established in the PRC with limited liability on July 19, 2013, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2480)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this announcement, refers to Mr. KONG Jian, Ms. ZHANG Yanping (張琰平) and Hengqin Luzhu LP
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules and in this context, the Core Product refers to LZ901
"Director(s)"	the director(s) of the Company
"FDA"	U.S. Food and Drug Administration, the U.S. federal agency responsible for regulating food and drugs
"GMP"	good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacturing process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group"	the Company and its subsidiaries
"Hengqin Luzhu LP"	Zhuhai Hengqin Luzhu Enterprise Management Partnership (LP) (珠海橫琴綠竹企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 14, 2021, and an employee incentive platform of the Group
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Luzhu"	Luzhu Biologics (Hong Kong) Co., Limited (綠竹生物製品(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 20, 2021, and a direct wholly-owned subsidiary of the Company
"H Share(s)"	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each and listed on the Main Board of the Stock Exchange

"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"K3"	the anti-human tumor necrosis factor ("**TNF**")-α monoclonal antibody injection product candidate
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on May 8, 2023
"Listing Date"	May 8, 2023, being the date on which the H Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LZ901"	the recombinant herpes zoster vaccine candidate, a herpes zoster vaccine with a tetrameric molecular structure and the Core Product
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"Mr. KONG"	Mr. KONG Jian (孔健), the executive Director, general manager, chairman of the Board, one of the promoters and one of the Controlling Shareholders
"NMPA"	the National Medical Products Administration of the People's Republic of China
"Prospectus"	the prospectus issued by the Company dated April 25, 2023
"R&D"	research and development
"Reporting Period"	the six-month period from January 1, 2024 to June 30, 2024
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"RSV"	Respiratory Syncytial Virus
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising H Shares
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules

"Supervisor(s)"	member(s) of the Board of Supervisors
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"%"	per cent

In this announcement, capitalized terms used shall have the same meanings as those defined in the Prospectus, and the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiaries" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this announcement have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

By Order of the Board
Beijing Luzhu Biotechnology Co., Ltd.
Mr. KONG Jian
Chairman and Executive Director

Hong Kong, August 21, 2024

As at the date of this announcement, the board of Directors comprises Mr. KONG Jian, Ms. JIANG Xianmin and Ms. ZHANG Yanping, as executive Directors; Mr. MA Biao and Mr. KONG Shuangquan, as non-executive Directors; and Mr. LEUNG Wai Yip, Mr. LIANG Yeshi and Ms. HOU Aijun, as independent non-executive Directors.