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


INTERIM REPORT **2020**

# Contents



# Definitions

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| "3D Medicines" | 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司), a company incorporated under the laws of the PRC on December 22, 2014, an Independent Third Party collaborating with us in the development of KN035 |
| "AACR" | American Association for Cancer Research |
| "Advantech I" | Advantech Capital Investment I Limited, a company incorporated in the Cayman Islands |
| "Advantech II" | Advantech Capital II AlphaMab Partnership L.P., a limited partnership registered in the Cayman Islands |
| "ASCO" | American Society of Clinical Oncology |
| "associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Audit Committee" | the audit committee of the Company |
| "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) |
| "BLA" | biologic license application |
| "Board" | the board of directors of our Company |
| "BsAb" | bispecific monoclonal antibody |
| "BTC" | biliary track cancer |
| "BVI" | the British Virgin Islands |
| "CDE" | Center for Drug Evaluation (藥品審評中心) set up by the NMPA |
| "cGMP" | current good manufacturing practice |
| "China" or "PRC" | the People's Republic of China, and for the purpose of this interim report only, except where the context requires otherwise, excluding Hong Kong, Macau and Taiwan |

# Definitions

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|---|---|
| "CMC" | chemistry, manufacturing and controls processes in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products |
| "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 |
| "connected transaction" | has the meaning ascribed thereto under the Listing Rules |
| "Core Product" | has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this interim report, our Core Product refers to KN046 |
| "Corporate Governance Code" | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules |
| "CRAM platform" | the charge repulsion induced antibody mixture platform, used to engineer antibody mixtures |
| "CRIB platform" | the charge repulsion improved bispecific platform, used to engineer heterodimeric Fc-based BsAbs |
| "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 |
| "deficient mismatch repair" or "dMMR" | ability of a cell in correcting mistakes made when DNA is copied in a cell mismatch repair deficient cells usually have many DNA mutations, which may lead to cancer |
| "Director(s)" or "our Director(s)" | the directors of our Company, including all executive, non-executive and independent non-executive directors |
| "Dr. XU" | Dr. XU Ting (徐霆), the founder, chairman, executive Director and chief executive officer of our Company |

## Definitions

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| "Dr. XU's Family Trust" | a discretionary family trust established by Dr. XU as settlor for the benefits of Dr. XU's family members, of which South Dakota Trust is a trustee |
| "ESCC" | esophageal squamous cell carcinoma |
| "EU" | the European Union |
| "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 |
| "FOLFOX" | a combination of chemotherapy drugs used to treat bowel cancer and GC, consisting of oxaliplatin, leucovorin and 5-FU (Fluorouracil) |
| "FVTPL" | fair value through profit or loss |
| "GC" | gastric cancer |
| "GEJ" | gastroesophageal junction cancer |
| "Group" or "our Group" or "we" | our Company and all of our subsidiaries |
| "HCC" | hepatocellular carcinoma |
| "HER2" | human epidermal growth factor receptor 2 |
| "HER2 High" | a high level of HER2 expression in tumors, typically assigned with a "++" or "+++" value in immunohistochemistry, or scored as positive in *fluorescence in situ* hybridization |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IFRSs" | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |

# Definitions

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|---|---|
| "immune checkpoint inhibitor(s)" or "ICI(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 |
| "Independent Third Party(ies)" | party or parties that is or are not a connected party within the meaning of the Listing Rules |
| "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 |
| "KN035" | an anti-PD-L1 recombinant humanized single domain antibody invented by the Group |
| "Latest Practicable Date" | September 14, 2020, being the latest practicable date prior to the printing of the interim report for the purpose of ascertaining the information contained herein |
| "Listing" | the listing of our Shares on the Main Board of the Stock Exchange |
| "Listing Date" | December 12, 2019, the date on which dealings in our Shares first commenced on the Main Board of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| "Macau" | the Macau Special Administrative Region of the PRC |
| "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 |
| "mBC" | metastatic breast cancer |

## Definitions

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| "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 of the Listing Rules |
| "MSI-H" | microsatellite instability-high, a feature of cancer's genetic coding with a high amount of instability in a tumor |
| "NMPA" | the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA |
| "NPC" | nasopharyngeal carcinoma |
| "NSCLC" | non-small cell lung cancer |
| "ODD" | orphan drug designation |
| "PD" | progressive disease, cancer that is growing, spreading or getting worse |
| "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 |
| "PD-(L)1" | PD-1 and/or PD-L1 |
| "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 |
| "Pearlmed" | Pearlmed Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Mr. XUE Chuanxiao (薛傳校) as of the Latest Practicable Date |
| "pharmacokinetics" or "PK" | the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug |

## Definitions

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| "Post-IPO Share Option Scheme" | the post-IPO share option scheme 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, details of which are set forth in the Company's circular dated April 22, 2020 |
| "PR" | partial response, refers to a decrease in the size of a tumor, or in the extent of cancer in the body, in response to treatment |
| "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, the principal terms of which are set out in the Prospectus and the 2019 annual report of the Company |
| "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, 2020 |
| "rheumatoid arthritis" or "RA" | a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints |
| "Rubymab" | Rubymab Ltd., a company incorporated in the BVI on March 22, 2018 and wholly owned by Dr. XU's Family Trust as of the Latest Practicable Date |
| "sdAb" | single domain antibody |
| "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)" | ordinary share(s) in the share capital of our Company, currently with a par value of US$0.000002 each |
| "Shareholder(s)" | holder(s) of our Share(s) |

## Definitions

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| "Sky Diamond" | Sky Diamond Co., Ltd., a company incorporated in the BVI on June 1, 2018 and wholly owned by Mr. ZHANG Xitian (張喜田) |
| "South Dakota Trust" | South Dakota Trust Company LLC, the trustee of Dr. XU's Family Trust |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "subsidiary(ies)" | has the meaning ascribed to it in section 15 of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| "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 breast cancer, any breast cancer that does not express the genes for estrogen receptor (ER), progesterone receptor (PR) and HER2/neu |
| "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 |
| "%" | per cent |

# Company Profile

## OVERVIEW

We are a leading clinical-stage biopharmaceutical company in China with a fully integrated proprietary biologics platform in bispecifics 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 our unique drug discovery and development capabilities are demonstrated by our R&D track record and supported by our proprietary technologies, platforms and expertise.

## PIPELINE

Our highly differentiated in-house pipeline consists of ten oncology drug candidates, including four in 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 immuno-oncology blockbuster drug. The results from the phase I clinical trials have shown a favorable safety profile, and preliminary efficacy signals on NPC, gastrointestinal cancers (including pancreatic cancer) and other tumor types. We have adopted a fast/first-to-market approach on selecting indications including thymic carcinoma and we plan to start preparing the first BLA submission for KN046 in China and the United States for fast track indication around the end of 2021. We are also conducting clinical trials for several major cancer indications, including NSCLC, TNBC and ESCC. The preliminary results of our phase II clinical trial in China indicate promising efficacy of KN046 for NSCLC and TNBC, especially the combination therapy with chemotherapy. We have published preliminary promising safety and efficacy data of KN046 in patients who have failed prior immune checkpoint inhibitors. A combo trial of KN046 and KN026 is ongoing. We have initiated a pivotal phase II clinical trial in thymic carcinoma and a pivotal phase III clinical trial in NSCLC, and we plan to initiate a pivotal phase II trial in the combination of KN046 and KN026 to treat HER2-positive solid tumors around the end of 2020.

- *KN026* – a next-generation anti-HER2 BsAb that can simultaneously bind two distinct clinically-validated epitopes of HER2, resulting in potentially superior efficacy. As of the Latest Practicable Date, our phase I clinical trial of KN026 in China had shown early efficacy signals on heavily pre-treated breast cancer patients as well as a favorable safety profile. We have completed a 6-month follow-up study with patients for the phase Ib trial for HER2-positive breast cancer in China in the first half of 2020, and the preliminary clinical data indicate promising efficacy signals which were published in ASCO conference in June 2020. We are also conducting phase II clinical trials for first line HER2-positive breast cancer (combination with docetaxel), late line HER2-expressing breast and GC/GEJ in China, and a phase I clinical trial for HER2-positive or HER2-expressing solid tumors, including but not limited to breast cancer and GC/GEJ, in the United States. We plan to start a pivotal phase III trial in first line HER2-positive breast cancer in the first half of 2021.

## Company Profile

- *KN019* – a CTLA-4-based immunosuppressant fusion protein with potential broad applications in both auto-immune diseases and oncology treatment-induced immune disorders. We started a phase II trial for RA in December 2019, which has enrolled around 80 patients for the clinical study as of the Latest Practicable Date and has shown positive progress. We plan to expand to other auto-immune disorders including oncology immunotherapy-induced immune disorder in the future.

- *KN035* – potentially the first subcutaneously injectable PD-L1 inhibitor worldwide, offering advantages in safety, convenience, compliance, access to patients not suitable for intravenous infusion, and at lower medical cost. Invented by us and jointly developed with 3D Medicines, KN035 has completed a phase II pivotal clinical trial for dMMR/MSI-H solid tumors and is currently undergoing a phase III pivotal trial for BTC in China. The first BLA for KN035 is expected to be filed by the end of 2020 for dMMR/MSI-H solid tumors.

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) proprietary CRIB platform and CRAM platform for bispecifics and antibody mixtures, respectively; and (iii) state-of-the-art manufacturing capability to be further strengthened by new future facilities with a total expected capacity of over 30,000L, designed and built to meet the cGMP standards of NMPA, EU and FDA.

# Corporate Information

**Board of Directors**

**Executive Directors:**
Dr. XU Ting *(Chairman of the Board and Chief Executive Officer)*
Ms. LIU Yang

**Non-Executive Directors:**
Mr. XU Zhan Kevin
Mr. QIU Yu Min

**Independent Non-Executive Directors:**
Dr. JIANG Hualiang
Mr. WEI Kevin Cheng
Mr. WU Dong

**Audit Committee**

Mr. WEI Kevin Cheng *(Chairman)*
Mr. WU Dong
Mr. QIU Yu Min

**Remuneration Committee**

Mr. WU Dong *(Chairman)*
Ms. LIU Yang
Mr. WEI Kevin Cheng

**Nomination Committee**

Dr. XU Ting *(Chairman)*
Dr. JIANG Hualiang
Mr. WU Dong

**Strategy Committee**

Ms. LIU Yang *(Chairman)*
Dr. XU Ting
Dr. JIANG Hualiang
Mr. XU Zhan Kevin

**Joint Company Secretaries**

Mr. SHUAI Qi Terry
Ms. WONG Yee Man *(resigned on July 20, 2020)*
Ms. CHAN Lok Yee *(appointed on July 20, 2020)*

**Authorized Representatives**

Ms. LIU Yang
Mr. SHUAI Qi Terry

## Corporate Information

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| **Registered Office** | Cricket Square, Hutchins Drive<br>PO Box 2681 Grand Cayman, KY1-1111<br>Cayman Islands |
| **Head Office and Principal Place of Business in China** | Rooms 401 & 501, Building C23<br>No. 218 Xinghu Street<br>Suzhou Industrial Park<br>Suzhou<br>Jiangsu Province, PRC |
| **Principal Place of Business in Hong Kong** | Room 1901, 19/F<br>Lee Garden One<br>33 Hysan Avenue<br>Causeway Bay<br>Hong Kong |
| **Legal Adviser** | **Sidley Austin**<br>39/F, Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |
| **Auditor** | **Deloitte Touche Tohmatsu**<br>*Certified Public Accountants*<br>35/F One Pacific Place<br>88 Queensway Admiralty<br>Hong Kong |
| **Compliance Adviser** | **Somerley Capital Limited**<br>20/F, China Building<br>29 Queen's Road Central<br>Hong Kong |

# Corporate Information

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|---|---|
| **Principal Share Registrar** | **Conyers Trust Company (Cayman) Limited**<br>Cricket Square, Hutchins Drive<br>PO Box 2681<br>Grand Cayman, KY1-1111<br>Cayman Islands |
| **Hong Kong Share Registrar** | **Computershare Hong Kong Investor Services Limited**<br>Shops 1712-1716<br>17th Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Stock Code** | 9966 |
| **Company Website** | http://www.alphamabonc.com/ |

# Financial Highlights

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Other income | **44,341** | 11,025 |
| Other gains and losses | **33,666** | 1,280 |
| Fair value change of convertible redeemable preferred shares | **–** | 22,436 |
| R&D expenses | **(133,724)** | (55,752) |
| Administrative expenses | **(40,579)** | (24,661) |
| Finance costs | **(6,804)** | (235) |
| Listing expenses | **–** | (12,878) |
| **Loss before taxation** | **(103,100)** | (58,785) |
| Income taxation | **–** | – |
| **Loss for the period** | **(103,100)** | (58,785) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | **As of June 30, 2020** | As of December 31, 2019 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Non-current assets | **413,211** | 410,115 |
| Current assets | **2,566,871** | 2,444,468 |
| Non-current liabilities | **194,040** | 228,128 |
| Current liabilities | **201,592** | 200,530 |
| Net assets | **2,584,450** | 2,425,925 |

# Business Highlights

Since April 13, 2020, being the latest practicable date of the Company's 2019 annual report, we have been making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

## KN046

- Jiangsu Alphamab received an approval notification from the FDA that it is safe to proceed with a phase II clinical trial of KN046 for NSCLC in the United States on April 15, 2020.

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial to study KN046 in combination with KN026 for the treatment of HER2 positive or expressing solid tumors, including but not limited to HER2-positive or expressing breast cancer, GC, esophageal cancer, colorectal cancer, pancreatic cancer, bile duct cancer, ovarian cancer, urothelial cancer and lung cancer. We received the IND approval from the CDE on May 12, 2020. We plan to enroll patients in the second half of 2020 for a phase II stage of a basket trial in HER2-positive solid tumors. Eligible patients who have failed available standard of care will be treated by KN046 plus KN026. We plan to start registration stage of this basket trial in the first quarter of 2021 in both China and the United States.

- On January 23, 2020, Jiangsu Alphamab collaborated with Sunshine Lake Pharma Co., Ltd. ("**SLP**") and submitted an IND for a phase II clinical trial to study the safety, tolerability and preliminary efficacy of KN046 in combination with CT053 (Ningetinib Toluenesulfonate), a multi-target small molecule inhibitor, for hematology malignancies and solid tumors including advanced HCC. We received the IND approval from the CDE on May 12, 2020.

- Jiangsu Alphamab and InxMed (Shanghai) Co., Ltd. ("**InxMed**") entered into a partnership agreement to jointly develop the combination therapy of KN046 and IN10018, a focal adhesion kinase inhibitor, on May 22, 2020.

- Jiangsu Alphamab and SLP entered into a new collaboration agreement to expand the original collaboration, pursuant to which both parties agreed to jointly develop an anti-tumor combination therapy of CT053 (Ningetinib Toluenesulfonate) and KN046 for solid tumor indications.

- We presented the preliminary efficacy and safety data of a dose escalation and expansion phase Ia/Ib clinical trial of KN046 in China in patients who have failed prior ICI at the 2020 ASCO Annual Meeting.

## Business Highlights

- Jiangsu Alphamab and Suzhou Sinovent Pharmaceutical Co., Ltd. ("**Sinovent**") entered into a partnership agreement to jointly develop the combination therapy of KN046 and XNW7201, a small-molecule inhibitor, in oncology indications on June 19, 2020.

- On July 30, 2020, Jiangsu Alphamab entered a partnership agreement with Kintor Pharmaceutical Limited ("**Kintor Pharmaceutical**"), a company listed on the Stock Exchange (stock code: 09939), to jointly develop the combination therapy of KN046 and GT90001, an activin receptor-like kinase-1 monoclonal antibody, in HCC.

- In August 2020, Jiangsu Alphamab officially launched a multi-center phase III clinical trial to evaluate efficacy and safety of combination therapy of KN046 and platinum-based chemotherapy in patients with stage IV squamous NSCLC.

- KN046 was granted ODD by FDA for the treatment of thymic epithelial tumors ("**TET**") in September 2020.

- On September 3, 2020, Jiangsu Alphamab officially launched a pivotal phase II clinical trial of KN046 for thymic carcinoma in China and the U.S. It is designed to be a phase II, open-label, multi-center, single arm study in subjects with advanced thymic carcinoma after failure of prior platinum-based combination chemotherapy treatment.

KN046 has been under phase I clinical trials in Australia and China and has entered a phase II clinical trial in the United States in 2020. Currently, there are over 10 clinical trials at multiple stages covering more than 10 types of tumors including NSCLC, TNBC, ESCC and thymic carcinoma. The results of these clinical trials have demonstrated a preliminary profile of good safety and promising efficacy of KN046.

### KN026

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial to study KN026 in combination with KN046 for the treatment of HER2-positive or expressing solid tumors, including but not limited to HER2-positive or expressing breast cancer, GC, GEJ, colorectal cancer, pancreatic cancer, bile duct cancer, ovarian cancer, urothelial cancer and lung cancer. We received the IND approval from the CDE on May 12, 2020. We plan to enroll patients in the second half of 2020 for a phase II stage of a basket trial in HER2-positive solid tumors. Eligible patients who have failed available standard of care will be treated by KN046 plus KN026. We plan to start registration stage of this basket trial in the first quarter of 2021 in China and the United States.

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial for the study to assess the effectiveness and safety of KN026 in monotherapy or combination therapy for HER2 low expression or HER2-positive recurrent/mBC. We received the IND approval from the CDE on May 12, 2020.

- We presented abstracts on using a translational tumor growth inhibition model and PK analysis to predict efficacious doses for KN026 in patients with HER2-positive mBC at the 2020 AACR Annual Meeting.

- We presented the preliminary safety, efficacy and PK results of a first-in-human, open-label, phase I clinical trial of KN026 in China in patients with HER2-positive mBC at the 2020 ASCO Annual Meeting.

- Jiangsu Alphamab and Sanofi (China) Investment Co., Ltd. ("**Sanofi**") entered into an exclusive option agreement for the strategic collaboration to advance clinical studies investigating KN026 in combination with Sanofi's product Taxotere® in patients with HER2-positive breast cancer on June 9, 2020.

## KN035

- We presented clinical trial results of KN035 in patients with advanced tumors with dMMR and a combination therapy with KN035 plus chemotherapy for advanced GC and GEJ which were accepted for poster presentation at the 2020 ASCO Annual Meeting.

- An IND application for a pivotal trial for KN035 (envafolimab) in the soft tissue sarcoma subtypes (ENVASARC) of undifferentiated pleomorphic sarcoma and myxofibrosarcoma was submitted by TRACON Pharmaceuticals, Inc. ("**TRACON**"), our U.S. partner, on July 16, 2020. On August 14, 2020, TRACON received an approval notification from FDA that the study may proceed in the United States.

## FACILITIES

- The phase I 2x2,000L production lines of the new manufacturing facilities of Jiangsu Alphamab with a designed total capacity of over 30,000L obtained drug production license issued by Jiangsu Drug Administration on July 6, 2020.

## OTHER HIGHLIGHTS

- On June 10, 2020, the Company and Institut Pasteur of Shanghai, Chinese Academy of Sciences ("**Institut Pasteur of Shanghai**") entered a cooperative development agreement on the co-development, manufacturing and commercialization of therapeutic antibody for COVID-19.

- On June 16, 2020, the Company was recognized as "Unicorn Cultivation Enterprise in Suzhou".

- In July 2020, the Company was recognized as one of the first high-tech enterprises in Suzhou Free Trade Zone.

- In July 2020, the Company was recognized as Foreign-funded R&D Center in Jiangsu province.

- Dr. XU won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government. The "Suzhou Outstanding Talent Award" is a prominent talent award awarded once every three years to various outstanding talents who have made significant contribution to economic and social development.

- Ms. LIU Yang, executive Director and vice president of corporate operations of the Company, was awarded as one of 2020 China Top 50 Women in Technology by Forbes China. This award is an honor awarded to acknowledge the extraordinary contributions made by female leaders in technology industry.

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

# Management Discussion and Analysis

## PRODUCT PIPELINE

Our highly differentiated in-house pipeline consists of ten oncology drug candidates, including four in clinical stage. The following chart summarizes our product pipeline for the Latest Practicable Date:

| Drug Candidate | Target(s) | Commercial Rights | Key Indications | NCT Number | Status** | Expected First BLA Submission |
|---|---|---|---|---|---|---|
| KN046* | PD-L1/ CTLA4 | Global[2] | NSCLC, 1L *(KN046+CT)* | NCT04474119 | China — Phase III | H1 2022 |
| | | | Thymic carcinoma[3] | NCT04469725 | China, U.S. — Phase II | |
| | | | TNBC, 1L *(KN046+nab-paclitaxel)* | NCT03872791 | China — Phase II | |
| | | | ESCC, 1L *(KN046+CT)* | NCT03925870 | China — Phase II | |
| | | | NSCLC, >=2L [4] *(KN046 or KN046+CT)* | NCT03838848 | China, U.S. — Phase II | |
| | | | NSCLC, stage III *(KN046+RT)* | NCT04054531 | China — Phase II | |
| KN026 | HER2/ HER2 | Global[2] | HER2-positive/low mGC/GEJ, late line | NCT03925974 | China — Phase II | 4Q 2022 |
| | | | HER2-positive, 1L *(KN026+ docetaxel)* /HER2 low mBC | NCT04165993 | China — Phase II | |
| | | | HER2-positive mBC, mGC/GEJ, late line | NCT03847168 | U.S. — Phase I | |
| KN046+ KN026 combo | PD-L1/ CTLA4 + HER2/ HER2 | Global[2] | HER2-low mBC[5] | NCT04165993 | China — Phase II | H2 2022 |
| | | | HER2-positive/low solid tumors | NCT04521179 | China — Phase II | |
| KN019 | B7 | Global[2] | RA | NCT04038970 | China — Phase II | Planning stage |
| KN035 [7] | PD-L1 | Co-development [6] | MSI-H or dMMR solid tumors | NCT03667170 | China — Phase II completed | By the End of 2020 |
| | | | BTC *(KN035+Gemcitabine +oxaliplatin)* | NCT03478488 | China — Phase III | |
| | | | Sarcoma and others | NCT04480502 | Rest of the World | |
| KN052 | Undisclosed bispecifics[8] | Global[2] | Not available | | | Not available |
| KN053 | | | | | | |
| KN055 | | | | | | |
| KN058 | | | | | | |
| Antibody for COVID-19 | Undisclosed | Co-development [9] | COVID-19 treatment | | | Not available |

* Denotes core product.

** Denotes the most advanced ongoing clinical trials.

Abbreviations: NSCLC = non-small cell lung cancer, TNBC = triple-negative breast cancer, mBC = metastatic breast cancer, GC = gastric cancer, GEJ = gastroesophageal junction cancer, HCC = hepatocellular carcinoma, BTC = biliary tract cancer, RA = rheumatoid arthritis, MSI-H = high microsatellite instability, dMMR = DNA mismatch repair, GI cancer = gastrointestinal cancer

## Management Discussion and Analysis

Notes:

(1) Future submission of BLA. Some indications may not require a non-pivotal phase II clinical trial prior to beginning the pivotal phase II/III clinical trials in China. Based on our experience, the need for comparison studies for our drug candidates is determined on a case-by-case basis and based on communications with the regulators including NMPA or FDA.

(2) No licensing partner as of the Latest Practicable Date.

(3) In the progress of obtaining IND approval for pivotal trial soon.

(4) This trial comprises of using KN046 or KN046 in combination with other therapies to treat various cohorts of NSCLC patients including patients who have relapsed from first line platinum-based chemotherapy, patients who have failed prior treatment with PD-1 and/or PD-L1, and patients whose tumor bear epidermal growth factor receptor mutation.

(5) Patients with HER2 low expressing, hormone receptor negative mBC are enrolled in KN026-201 HER2-low cohort.

(6) We invented KN035 in-house and are currently developing it with 3D Medicines jointly. According to the co-development agreements with 3D Medicines, we own the right to manufacture and supply KN035 to 3D Medicines and are entitled to profit sharing.

(7) KN035 is undergoing clinical trials in China, the United States and Japan for multiple cancer indications, with more than 900 patients enrolled. We requested a pre-new drug application ("**NDA**") meeting with the CDE on April 17, 2020 and received positive feedback from the CDE on July 10, 2020. We are working closely with our strategic partners, Jiangsu Simcere Pharmaceutical Co., Ltd. and 3D Medicines, to prepare the first NDA submission of KN035 to the CDE for the treatment of patients with advanced microsatellite instability (MSI) GC and colorectal cancer or patients with advanced dMMR solid tumors who failed on first line chemotherapy.

(8) Due to commercial sensitivity, we do not disclose additional details of these BsAb drug candidates for oncology treatment. Two of them are at preliminary pre-clinical study stage and two are at lead optimization stage.

(9) We entered a cooperative development agreement with Institut Pasteur of Shanghai on the co-development, manufacturing and commercialization of therapeutic antibody for COVID-19 worldwide in June 2020. The antibody is at the stage of CMC.

(10) Except for the phase I clinical trial, we do not expect to conduct any other clinical trials or make any registration filing for KN046 in Australia.

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) proprietary CRIB platform and CRAM platform for bispecifics and antibody mixtures, respectively; and (iii) state-of-the-art manufacturing capability to be further strengthened by new facilities with a designed total capacity of over 30,000L, designed and built to meet the cGMP standards of NMPA, EU and FDA.

## COMMERCIALIZATION

To date, we plan to build our own commercialization team in China with an initial focus on late-stage drug candidates and assemble a team of personnel dedicated to medical affairs and governmental affairs in 2020 to prepare for the future launch of KN046 in 2022. Furthermore, we plan to continue expanding our team to actively seek insurance and reimbursement opportunities from third-party payers and government reimbursement programs to support the ongoing commercial operations of KN046 and the upcoming launch of KN026. We expect our team to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to expand our 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 drug candidates, namely, KN046, KN026, the combo of KN046 and KN026, KN019, KN035, KN052, KN053, KN055, KN058 and the antibody for COVID-19. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

## BUSINESS REVIEW

### Events during the Reporting Period

Since April 13, 2020, being the latest practicable date of the Company's 2019 annual report, we have been making significant progress with respect to our drug pipeline and business operations.

- On April 15, 2020, Jiangsu Alphamab received an approval notification from FDA that it is safe to proceed with a phase II clinical trial of KN046 for NSCLC in the United States. The phase II clinical trial of KN046 has been designed as an open-label, multi-center, multiple cohorts and single-arm study to evaluate the efficacy, safety and tolerability of KN046 monotherapy or in combination with chemotherapy in locally advanced unresectable or metastatic NSCLC. The FDA has completed the safety review of IND application of Jiangsu Alphamab and concluded that Jiangsu Alphamab may proceed with the phase II clinical trial. For further details, please refer to the Company's announcement dated April 15, 2020.

- On May 12, 2020, Jiangsu Alphamab received approvals from CDE for four IND applications for new therapies of KN046 and KN026, including (i) the evaluation of the effectiveness, safety and tolerance of KN046 in combination with KN026 for HER2-positive or HER2 expression solid tumors in phase Ib clinical study; (ii) multi-center, open-label, phase Ib/II clinical trials for Ningetinib Tosylate in combination with KN046 for the treatment of advanced HCC; and (iii) phase II clinical study to assess the effectiveness and safety of KN026 in monotherapy or combination therapy for HER2 low expression or HER2-positive recurrent/mBC.

## Management Discussion and Analysis

- We presented the preliminary safety, efficacy and PK results of a first-in-human, open-label, phase I clinical trial of KN026 in China in patients with HER2-positive mBC and the preliminary efficacy and safety data of a dose escalation and expansion phase Ia/Ib clinical trial of KN046 in China in patients who have failed prior ICI at the 2020 ASCO Annual Meeting. The results indicate that (i) KN026 is well tolerated and has demonstrated encouraging anti-tumor activity in HER2-positive breast cancer patients who have failed standard anti-HER2 therapies. The recommended phase II dose of KN026 were 20 mg/kg Q2W (once every 2 weeks) and 30 mg/kg Q3W (once every 3 weeks); and (ii) KN046 showed a favorable safety profile and promising clinical benefit in advanced solid tumor patients who failed on prior ICI therapies. For further details, please refer to the Company's announcement dated May 14, 2020.

- We presented clinical trial results of KN035 in patients with advanced tumors with mismatch-repair deficiency and a combination therapy with KN035 plus chemotherapy for advanced GC/GEJ at the 2020 ASCO Annual Meeting. The results indicate that (i) KN035 demonstrated durable anti-tumor activity with a manageable safety profile in patients with previously treated advanced MSI-H/dMMR cancer; and (ii) FOLFOX in combination with KN035, demonstrated a manageable safety profile with promising clinical efficacy as a first line therapy for advanced GC/GEJ cancer. For further details, please refer to the Company's announcement dated May 15, 2020.

- We presented using a translational tumor growth inhibition model and PK analysis to predict efficacious doses for KN026 in patients with HER2-positive mBC at the 2020 AACR Annual Meeting. The simulation results from the translational tumor growth inhibition indicate that the efficacious steady state dose levels of KN026 were predicted to be 20 mg/kg Q2W (once every 2 weeks) and 30 mg/kg Q3W (once every 3 weeks). Loading doses which provide higher dosing and drug exposure in the first dosing cycle were predicted to have the advantage of maximizing initial tumor killing. We expect to use the translational tumor growth inhibition model to shorten the lead time from early stage development to full development, which could help the registration of KN026 in major regions. For further details, please refer to the Company's announcement dated May 18, 2020.

- On May 22, 2020, Jiangsu Alphamab and InxMed entered into a partnership agreement to jointly develop the combination therapy of KN046 and IN10018, a focal adhesion kinase inhibitor, to explore the synergistic effect of the combination of KN046 and IN10018. The collaboration is expected to first evaluate the safety, tolerability, and efficacy of the combination of KN046 and IN10018 in patients with pancreatic cancer.

- On May 28, 2020, Jiangsu Alphamab and SLP entered into a new collaboration agreement to expand the original collaboration, pursuant to which both parties agreed to jointly develop an anti-tumor combination therapy with CT053 (Ningetinib Toluenesulfonate), a multi-target small molecule inhibitor, and KN046, for human solid tumors. For further details, please refer to the Company's announcement dated May 28, 2020.

- On June 9, 2020, Jiangsu Alphamab and Sanofi entered into an exclusive option agreement for the strategic collaboration to advance clinical studies investigating KN026 in combination with Sanofi's product Taxotere® in patients with HER2+ breast cancer. Jiangsu Alphamab is responsible for the ongoing clinical trials on KN026 and the new combination study of KN026 and Taxotere®. For further details, please refer to the Company's announcement dated June 9, 2020.

- On June 10, 2020, Jiangsu Alphamab and Institut Pasteur of Shanghai entered into a cooperative development agreement in respect of the collaboration in the global R&D, preclinical and clinical development, registration, commercial manufacturing and sales of certain antibodies owned by Institut Pasteur of Shanghai at the early stage of drug discovery in the field of coronavirus. For further details, please refer to the Company's announcement dated June 10, 2020.

- On June 19, 2020, Jiangsu Alphamab and Sinovent entered into a partnership agreement to jointly develop the combination therapy of KN046 and XNW7201, a small-molecule inhibitor, in oncology indications. The collaboration is expected to explore the safety, tolerability, and efficacy of the combination therapy of KN046 and XNW7201 for advanced malignant tumors such as pancreatic cancer.

### Events after the Reporting Period

- On July 6, 2020, the phase I 2x2,000L production lines of the new manufacturing facilities of Jiangsu Alphamab, which has designed total capacity over 30,000L, obtained drug production license issued by Jiangsu Drug Administration. The new manufacturing facilities are designed and constructed in accordance with cGMP standards with two 2,000L cell culture production lines, one stainless steel buffer preparation system, and one purification line. These production lines are equipped with world-class equipment that meet the regulatory requirements of NMPA, FDA and European Medicines Agency for Good Manufacturing Practice.

- On July 16, 2020, we supported TRACON, our U.S. partner, to submit an IND application for a pivotal trial for KN035 (envafolimab) in the soft tissue sarcoma subtypes (ENVASARC) of undifferentiated pleomorphic sarcoma and myxofibrosarcoma. On August 14, 2020, TRACON received an approval notification from FDA that the study may proceed in the United States.

- In July 2020, the Company was recognized as one of the first high-tech enterprises in Suzhou Free Trade Zone.

- In July 2020, the Company was recognized as Foreign-funded R&D Center of Jiangsu province.

- Dr. XU won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government. The "Suzhou Outstanding Talent Award" is a prominent talent award awarded once every three years to various outstanding talents who have made significant contribution to economic and social development.

- On July 30, 2020, Jiangsu Alphamab entered a partnership agreement with Kintor Pharmaceutical, to jointly develop the combination therapy of KN046 and GT90001 in HCC. GT90001 is an antagonistic mediator of lateral transforming growth factor-beta/ALK-5 signaling, which is a fully humanized IgG2 neutralizing monoclonal antibody.

- On September 2, 2020, FDA granted ODD to KN046 for the treatment of TET. Originated from the Orphan Drug Act of 1983, an ODD is an incentive awarded by the FDA to promote the development of innovative drugs for the treatment of rare diseases and conditions that affect less than 200,000 people in the U.S. Drug candidates with ODD have the opportunity to gain seven years of market exclusivity, along with a series of comprehensive benefits provided by the FDA, including tax credits, exemption from biological license application fees, deduction of or exemption from prescription drug user fees, R&D funding support, protocol assistance, and accelerated regulatory approval. For further details, please refer to the Company's announcement dated September 3, 2020.

- On September 3, 2020, Jiangsu Alphamab officially launched a KN046 pivotal phase II clinical trial of KN046 for thymic carcinoma in China and the U.S. It is designed to be a phase II, open-label, multi-center, single arm study in subjects with advanced thymic carcinoma after failure of prior platinum-based combination chemotherapy treatment.

The global epidemic of COVID-19 and the escalating tension between the United States and China may have potential negative impact on, and has brought uncertainties to, the Group's business, including but not limited to the advancement of clinical trials, approval of regulatory registration and procurement of raw materials. The Group will continue to monitor the situations and react actively to such impact.

### Future Development

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

## FINANCIAL REVIEW

### Overview

For the six months ended June 30, 2020, the Group recorded other income of RMB44.3 million, as compared with RMB11.0 million for the six months ended June 30, 2019, and the loss and total comprehensive expense of RMB103.1 million, as compared with RMB58.8 million for the six months ended June 30, 2019. The R&D expenses of the Group amounted to RMB133.7 million for the six months ended June 30, 2020, as compared with RMB55.8 million for the six months ended June 30, 2019. The Company did not record any fair value change of convertible redeemable preferred shares of the Group for six months ended June 30, 2020, as compared with RMB22.4 million for the six months ended June 30, 2019. The administrative expenses amounted to RMB40.6 million for the six months ended June 30, 2020 as compared with RMB24.7 million for the six months ended June 30, 2019. The finance costs amounted to RMB6.8 million for the six months ended June 30, 2020 as compared with RMB0.2 million for the six months ended June 30, 2019.

### Revenue

We currently have no products for commercial sale. For the six months ended June 30, 2019 and 2020, we did not generate any revenue from product sales.

### Other Income

The Group's other income primarily consists of interest income, government grants income and other miscellaneous income.

For the six months ended June 30, 2020, the Group's other income increased by RMB33.3 million to RMB44.3 million, compared to RMB11.0 million for the six months ended June 30, 2019, primarily due to the increase in interest income and government grants income. Interest income of RMB35.2 million were primarily from the deposits of our series A financing, series B financing and the net proceeds generated from our global offering. Government grants income mainly include: (i) tax refunds of RMB4.3 million from the Australian government which are specifically for supporting the R&D activities carried out in Australia; and (ii) subsidies of RMB3.5 million as the listing awards granted by Suzhou Industrial Park in April 2020.

### Other Gains and Losses

The Group's other gains and losses primarily consist of net exchange gains or losses in relation to the impact of foreign currency translation.

For the six months ended June 30, 2020, we recorded RMB33.7 million of other gains, compared to RMB1.3 million of other gains for the six months ended June 30, 2019, mainly due to the impact of foreign currency fluctuation, in particular, the exchange rates amongst the RMB and the U.S. Dollar.

### Fair Value Change of Convertible Redeemable Preferred Shares

The Group's fair value change of convertible redeemable preferred shares refers to the series A preferred shares and the series B preferred shares we issued before the global offering, which takes into account the exchange rate changes.

For the six months ended June 30, 2020, we did not record any loss or gain on fair value change of convertible redeemable preferred shares, compared to RMB22.4 million of the fair value losses for the six months ended June 30, 2019, primarily because all preferred shares were automatically converted to the ordinary shares upon the Company's listing on the Main Board of the Stock Exchange in December 2019 and the Company no longer issued any convertible redeemable preferred shares during the Reporting Period.

### R&D Expenses

The Group's R&D expenses were 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 staffs, including salary, bonus and share option incentives; (iii) raw material costs in relation to the R&D of our drug candidates; (iv) office rental costs, utilities and depreciation and amortization; and (v) other miscellaneous expenses, which primarily include expenses for patent application registration services and logistics expenses of drug samples for clinical trials.

For the six months ended June 30, 2020, our R&D expenses increased by RMB77.9 million to RMB133.7 million, compared to RMB55.8 million for the six months ended June 30, 2019, primarily due to (i) the increase in the number of ongoing clinical trials; (ii) the expansion of the scale of our clinical studies; (iii) the advancement of clinical trials of our drug candidates; (iv) the increase in staff cost due to the increase in our R&D staffs and the increase in the compensation mainly due to options rewarded to the staffs; and (v) the increase of manufacturing cost generated from the increasing demands of use of drugs for the purpose of our expanding clinical trials. The following table sets forth the breakdown of our R&D expenses by nature for the periods indicated.

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | RMB in thousands | % | RMB in thousands | % |
| Third-party contracting costs | **57,299** | **42.8** | 27,655 | 49.6 |
| Staff costs | **30,053** | **22.5** | 11,416 | 20.5 |
| Raw material costs | **27,252** | **20.4** | 8,098 | 14.5 |
| Office rental costs, utilities, and depreciation and amortization | **14,757** | **11.0** | 6,604 | 11.8 |
| Others | **4,363** | **3.3** | 1,979 | 3.6 |
| **Total** | **133,724** | **100.0%** | 55,752 | 100.0% |

### Administrative Expenses

The Group's administrative expenses primarily comprise of professional fees and staff costs for our administrative staff which include salary, bonus and share option incentives.

Our administrative expenses increased by RMB15.9 million to RMB40.6 million for the six months ended June 30, 2020, from RMB24.7 million for the six months ended June 30, 2019, primarily because we further increased our headcount to support the implementation and expansion of our business operations.

### Finance Costs

The Group's finance costs primarily comprise of (i) bank borrowings and (ii) lease liabilities related to our leases of office premises and R&D facilities.

Our finance costs amounted to RMB6.8 million for the six months ended June 30, 2020, as compared to RMB0.2 million for the six months ended June 30, 2019, primarily because of the interest expense incurred from commercial bank loans.

### Listing Expenses

We did not record listing expense after December 12, 2019, being the date on which our shares first commenced dealings on the Main Board of the Stock Exchange, as compared to the listing expenses of RMB12.9 million for the six months ended June 30, 2019.

### Loss for the Reporting Period

As a result of the above factors, the loss of the Group increased by RMB44.3 million to RMB103.1 million for the six months ended June 30, 2020 from RMB58.8 million for the six months ended June 30, 2019.

### Property, Plant and Equipment

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

Our property, plant and equipment increased by RMB10.7 million to RMB342.7 million as of June 30, 2020, compared to RMB332.0 million as of December 31, 2019, primarily attributable to the continuous construction of our new facilities in 2020.

### Inventories

The Group's inventories consist of raw materials and other consumables used in the R&D of our drug candidates.

Our inventories increased by RMB7.1 million to RMB33.0 million as of June 30, 2020, compared to RMB25.9 million as of December 31, 2019, primarily due to the increased raw materials and other consumables in our inventories for our R&D activities.

### Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments primarily consist 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; and (ii) VAT recoverable in connection with the procurement of raw materials, third-party services, machinery and equipment for our new facilities, which can offset the VAT to be incurred upon commercialization.

Our other receivables, deposits and prepayments increased by RMB20.2 million to RMB87.8 million as of June 30, 2020, compared to RMB67.6 million as of December 31, 2019, primarily because of (i) the increase in VAT recoverable due to the increased procurement of machinery and equipment for our new facilities, as well as raw materials and third-party services for our R&D activities; and (ii) the increase in other receivables, deposits and prepayments related to increased purchases of raw materials and third-party services for clinical trials.

### 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 decreased significantly from RMB1,867.9 million as of December 31, 2019 to RMB240.2 million as of June 30, 2020, while our time deposits with original maturity over three months significantly increased from RMB502.9 million as of December 31, 2019 to RMB2,217.4 million as of June 30, 2020, primarily because a majority of our time deposits with original maturity less than three months were converted into deposits with original maturity over three months.

### Financial Assets Measured at FVTPL

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

Our financial assets measured at FVTPL increased from RMB11.7 million as of December 31, 2019 to RMB20.1 million as of June 30, 2020, primarily due to the purchase of non-principal-guaranteed wealth management products as our financial investments.

We believe that we can make better use of our cash by utilizing wealth management products, such as structured deposits, to enhance our income without interfering with 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 consist of payables for the construction of our new facilities and the procurement of equipment and machinery for our new facilities. Our trade and other payables also include accrued R&D expenses and staff costs. We also recorded (i) accrued listing expenses for the professional parties engaged for the global offering; (ii) trade payables to suppliers of raw materials and third-party services; and (iii) interest payables.

Our trade and other payables decreased from RMB146.0 million as of December 31, 2019 to RMB98.8 million as of June 30, 2020, primarily due to (i) a decrease of RMB28.8 million in payables in connection with the construction of our facilities and the procurement of equipment and machinery for our new facilities; and (ii) a decrease of RMB14.8 million in payables for the accrued listing expenses.

### Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab, increased from RMB0.8 million as of December 31, 2019 to RMB4.1 million as of June 30, 2020. Our amounts due to Suzhou Alphamab as of December 31, 2019 and as of June 30, 2020 were primarily due to the technology development service fees payable to Suzhou Alphamab.

## Liquidity and Source of Funding

Our primary uses of cash are 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 and pre-IPO investments. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

## Borrowings

As of June 30, 2020, our bank borrowings of RMB230.0 million, had effective interest rates of 4.25%. As of June 30, 2020, our bank borrowings were secured by property, plant and equipment of RMB270.8 million and land use rights in our right-of-use assets of RMB22.4 million.

## Key Financial Ratios

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

| | As of June 30, 2020 | As of December 31, 2019 |
|---|---|---|
| Current ratio[1] | **12.73** | 12.19 |
| Quick ratio[2] | **12.57** | 12.06 |
| Gearing ratio[3] | **(0.00)** | (0.68) |

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, ratios in brackets represent negative numbers.

## Material Investments

The Group did not make any material investments during the six months ended June 30, 2020. In addition, other than the R&D investment plan as disclosed in section headed "Use of Proceeds from the Global Offering" in this report, there is no current plan of the Group for material investments or additions of material capital assets as of June 30, 2020.

## Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures for the six months ended June 30, 2020.

## Pledge of Assets

As of June 30, 2020, the Group had a total RMB270.8 million of property, plant and equipment and RMB22.4 million of land use rights pledged to secure its loans and banking facilities.

## Contingent Liabilities

As of June 30, 2020, the Group 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, 2020, 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, 2020, 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 arises. 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, 2020.

## Employees and Remuneration

As of June 30, 2020, the Group had 260 employees. The total remuneration cost incurred by the Group for the six months ended June 30, 2020 was RMB56.5 million, as compared to RMB32.3 million for the six months ended June 30, 2019.

The remuneration package of our employees includes salary, bonus and share option 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 the pre-IPO share option plans and the post-IPO share option scheme to provide incentives for the Group's employees. For further details of the pre-IPO share option plans, please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Prospectus and the Company's 2019 annual report. For further details of the post-IPO share option scheme, please refer to the Company's circular dated April 22, 2020.

# 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 June 30, 2020, 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[3]** |
|---|---|---|---|
| Dr. XU | Founder of a discretionary trust | 314,000,000 [1] (L) | 33.64% |
| *(Executive Director and* | Interest in a controlled corporation | | |
| *Chief Executive Officer)* | Beneficial owner | 4,552,950 (L) | 0.49% |
| Ms. LIU Yang | Beneficiary of a trust | 314,000,000 [1] (L) | 33.64% |
| *(Executive Director)* | Interest of spouse | 4,552,950[2] (L) | 0.49% |

Notes:

(1) These Shares are directly held by Rubymab, which is wholly owned by South Dakota Trust as the trustee of Dr. XU's Family Trust, of which Dr. XU acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(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 933,465,370 Shares in issue as of June 30, 2020.

(L) – Long position.

Long Positions in the Underlying Shares of the Company

| Name of Directors/ Chief Executive | Capacity/Nature of interest | Number of Shares | Approximate percentage of shareholding interest[2] |
|---|---|---|---|
| Dr. XU | Beneficial owner | 16,743,500 (L) | 1.79% |
| *(Executive Director and Chief Executive Officer)* | Interest of spouse | 2,240,000[1] (L) | 0.24% |
| Ms. LIU Yang | Beneficial owner | 2,240,000 (L) | 0.24% |
| *(Executive Director)* | Interest of spouse | 16,743,500[1] (L) | 1.79% |

Notes:

(1) Dr. XU and Ms. LIU Yang 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 933,465,370 Shares in issue as of June 30, 2020.

(L) – Long position.

Save as disclosed above, as of June 30, 2020, none of the Directors or chief executives of the Company of 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 June 30, 2020, 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[5] |
|---|---|---|---|
| Rubymab | Beneficial owner | 314,000,000[1] (L) | 33.64% |
| South Dakota Trust | Trustee | 314,000,000[1] (L) | 33.64% |
| Mr. ZHANG Xitian | Interest in a controlled corporation | 85,750,000[2] (L) | 9.19% |
| Sky Diamond | Beneficial owner | 85,750,000[2] (L) | 9.19% |
| Mr. XUE Chuanxiao | Interest in a controlled corporation | 85,750,000[3] (L) | 9.19% |
| Pearlmed | Beneficial owner | 85,750,000[3] (L) | 9.19% |
| PANG Kee Chan Hebert | Interest in a controlled corporation | 49,691,190[4] (L) | 5.32% |
| Advantech Capital Partners II Limited | Interest in a controlled corporation | 49,691,190[4] (L) | 5.32% |
| Advantech Capital II L.P. | Interest in a controlled corporation | 49,691,190[4] (L) | 5.32% |

| Name of Substantial Shareholders | Nature of interest | Number of Shares | Approximate percentage of shareholding interest[5] |
|---|---|---|---|
| Advantech Capital II Master Investment Limited | Interest in a controlled corporation | 49,691,190[4] (L) | 5.32% |
| Advantech Capital II Investment Partners Limited | Interest in a controlled corporation | 49,424,035[4] (L) | 5.29% |
| Advantech I | Interest in a controlled corporation | 49,424,035[4] (L) | 5.29% |
| | Beneficial owner | 267,155[4] (L) | 0.03% |
| Advantech II | Beneficial owner | 49,424,035[4] (L) | 5.29% |
| GIC Private Limited | Interest in a controlled corporation | 49,424,035[4] (L) | 5.29% |
| GIC Special Investments Private Limited | Interest in a controlled corporation | 49,424,035[4] (L) | 5.29% |
| GIC (Ventures) Pte. Ltd. | Interest in a controlled corporation | 49,424,035[4] (L) | 5.29% |
| Highbury Investment Pte Ltd | Interest in a controlled corporation | 49,424,035[4] (L) | 5.29% |

## Corporate Governance and Other Information

Notes:

(1) The entire share capital of Rubymab is wholly owned by South Dakota Trust as the trustee of Dr. XU's Family Trust, of which Dr. XU acts as the settlor and protector for the benefits of his family members with South Dakota Trust acting as the trustee.

(2) Sky Diamond is wholly owned by Mr. ZHANG Xitian. Therefore, Mr. ZHANG is deemed to be interested in the Shares in which Sky Diamond is interested under the SFO.

(3) Pearlmed is wholly owned by Mr. XUE Chuanxiao. Therefore, Mr. XUE is deemed to be interested in the Shares in which Pearlmed is interested under the SFO.

(4) Each of Advantech Capital II Investment Partners Limited (as the general partner of Advantech II), Advantech I (as a limited partner holding approximately 66.49% in Advantech II), Highbury Investment Pte Ltd (as a limited partner holding approximately 33.51% in Advantech II), Advantech Capital II Master Investment Limited (as the sole shareholder of Advantech I), GIC (Ventures) Pte. Ltd (as the sole shareholder of Highbury Investment Pte Ltd), GIC Special Investments Private Limited (as the entity that manages investment of Highbury Investment Pte Ltd), GIC Private Limited (as the sole shareholder of GIC Special Investments Private Limited), Advantech Capital II L.P. (as the sole shareholder of Advantech Capital II Master Investment Limited), Advantech Capital Partners II Limited (as the sole shareholder of Advantech Capital II Investment Partners Limited and the general partner of Advantech Capital II L.P.) and Mr. PANG Kee Chan Hebert (as the sole shareholder of Advantech Capital Partners II Limited) is deemed to be interested in the Shares held by Advantech II under the SFO.

Since Advantech I, a Shareholder holding approximately 0.03% of the Shares as of June 30, 2020, is ultimately controlled by Mr. PANG Kee Chan Hebert, each of Advantech Capital Partners II Limited, Advantech Capital II L.P., Advantech Capital II Master Investment Limited, Advantech Capital II Investment Partners Limited and Mr. PANG Kee Chan Hebert is deemed to be interested in all the Shares held by Advantech I and Advantech II under the SFO.

(5) The calculation is based on the total number of 933,465,370 Shares in issue as of June 30, 2020.

(L) – Long position.

Save as disclosed above, as of June 30, 2020, 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, 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 the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended June 30, 2020 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

Neither the Company nor any subsidiaries of the Group purchased, redeemed or sold any of the Company's listed securities for the six months ended June 30, 2020.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its securities code to regulate the dealing by the Directors in securities of the Company. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended June 30, 2020.

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, 2020.

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.

## 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 had adopted and applied the principles and code provisions as set out in the Corporate Governance Code as the basis of the Company's corporate governance practices. During the six months ended June 30, 2020, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code, except for the following deviation:

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 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, 2020.

## 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 21, 2020, being the publication date of the Company's annual report for 2019, are set out below:

Mr. WEI Kevin Cheng (蔚成), our independent non-executive Director, was appointed as the chairman of the board of directors and ceased to be a member of the risk management committee of Tibet Water Resources Ltd., a company listed on the Stock Exchange (stock code: 1115) with effect from May 27, 2020; Mr. WEI also ceased to serve as an independent director and the chairman of the audit committee of Alpha Peak Leisure Inc., a company listed on the Toronto Stock Exchange (TSX-V:AAP), with effect from June 22, 2020.

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

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended June 30, 2020.

The financial information for the six months ended June 30, 2020 set out in this interim report has 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. Based on their review, Deloitte Touche Tohmatsu confirmed that nothing has come to their attention which causes them to believe that the interim financial information was not prepared, in all material respects, in accordance with IAS 34 "Interim financial reporting".

## INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended June 30, 2020 to the Shareholders.

## SHARE OPTION SCHEME

### Pre-IPO Share Option Plans

The Company adopted the Pre-IPO Share Option Plans. 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 and the 2019 annual report of the Company.

Details of the movements of the options granted under the Pre-IPO Share Option Plans as of June 30, 2020 are as follows:

| Name of category of grantee | Date of grant | Option period | Exercise price (US$) | Number of Shares underlying options outstanding as of January 1, 2020 | Number of options exercised during the Reporting Period | Number of options cancelled/ lapsed during the Reporting Period | Number of Shares underlying options outstanding as of June 30, 2020 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| XU Ting | Between June 30, 2019 to November 8, 2019 | 10 years from the date of grant | Between 0.0142 to 0.4898 | Plan I: 17,061,780<br>Plan II: 4,234,670 | Plan I: 4,552,950<br>Plan II: – | – | Plan I: 12,508,830<br>Plan II: 4,234,670 |
| LIU Yang | October 10, 2018 | 10 years from the date of grant | 0.0142 | Plan I: 2,240,000 | – | – | Plan I: 2,240,000 |
| **Other Grantees in Aggregate** | | | | | | | |
| | Between October 10, 2018 to November 13, 2019 | 10 years from the date of grant | Between 0.0142 to 0.4898 | Plan I: 25,523,605<br>Plan II: 8,400,310 | Plan I: 4,119,905<br>Plan II: 870,940 | Plan I: 755,920<br>Plan II: 1,775,270 | Plan I: 20,647,780<br>Plan II: 5,754,100 |
| **Total** | | | | 57,460,365 | 9,543,795 | 2,531,190 | 45,385,380 |

Note:

(1) The closing market price per Share immediately before the date on which the options were exercised during the period was HK$17.0.

### 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.

As of June 30, 2020, no option had been granted or agreed to be granted, exercised, cancelled or lapsed under the Post-IPO Share Option Scheme.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on December 12, 2019 with a total of 236,863,365 offer shares (including Shares issued as a result of the full exercise of the over-allotment option) issued. The net proceeds from the global offering amounted to approximately HK$2,042.5 million. As of June 30, 2020, the Company did not utilize any of the proceeds from the global offering. 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. The Company expects that approximately HK$541.3 million to HK$653.6 million, accounting for approximately 26.5% to 32.0% of the net proceeds of the global offering, will be utilized by June 30, 2021 and plans to utilize the balance of net proceeds of the global offering by the end of 2022. The expected timeline for utilizing the net proceeds from the global offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation.

The following table sets forth the breakdown of our expected uses of proceeds from the global offering:

## Corporate Governance and Other Information

| | Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus | | Percentage of proceeds from the global offering expected to be used by June 30, 2021 |
|---|---|---|---|
| | *HK$ million* | *Percentage* | |
| ***Key drug development programs*** | | | |
| ***the R&D and commercialization of KN046*** | | | |
| – the ongoing and planned clinical trials of, and preparation of registration filings for, KN046 | 817.0 | 40% | Approximately 5.0% to 6.0% |
| – the launch and, subject to regulatory approval, commercialization of KN046 | 204.3 | 10% | Approximately 2.0% to 3.0% |
| ***Subtotal*** | **1,021.3** | **50%** | **Approximately 7.0% to 9.0%** |
| ***the R&D and commercialization of KN026*** | | | |
| – the ongoing and planned clinical trials of, and preparation of registration filings for, KN026 | 326.8 | 16% | Approximately 5.5% to 6.0% |
| – the launch and, subject to regulatory approval, commercialization of KN026 | 81.7 | 4% | Approximately 1.5% to 2.0% |
| ***Subtotal*** | **408.5** | **20%** | **Approximately 7.0% to 8.0%** |
| ***the R&D of KN019*** | **102.1** | **5%** | **Approximately 1.5% to 2.0%** |
| ***Subtotal*** | **1,531.9** | **75%** | **Approximately 15.5% to 19.0%** |

| | Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus | | Percentage of proceeds from the global offering expected to be used by June 30, 2021 |
|---|---|---|---|
| | *HK$ million* | *Percentage* | |
| **The construction of our new manufacturing and R&D facilities in Suzhou** | **306.4** | **15%** | **Approximately 8.5% to 10.0%** |
| **The early-stage pipeline and our working capital and general corporate purposes** | **204.3** | **10%** | **Approximately 2.5% to 3.0%** |
| **Total** | **2,042.5** | **100%** | **Approximately 26.5% to 32.0%** |

## EVENT AFTER THE END OF REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis – Business Review – Events after the Reporting Period" above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2020 and up to the date of this report.

## 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
**Alphamab Oncology**
**Dr. XU Ting**
*Chairman and executive Director*

Hong Kong, August 28, 2020

# 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 set out on pages 45 to 72 which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") 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
28 August 2020

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

For the six months ended 30 June 2020

| | NOTES | Six months ended 30 June 2020 RMB'000 (unaudited) | 2019 RMB'000 (audited) |
|---|---|---|---|
| Other income | 4 | **44,341** | 11,025 |
| Other gains and losses | 4 | **33,666** | 1,280 |
| Fair value change of convertible redeemable preferred shares | | **–** | 22,436 |
| Research and development expenses | | **(133,724)** | (55,752) |
| Administrative expenses | | **(40,579)** | (24,661) |
| Finance costs | 5 | **(6,804)** | (235) |
| Listing expenses | | **–** | (12,878) |
| Loss before taxation | | **(103,100)** | (58,785) |
| Income taxation | 6 | **–** | – |
| Loss for the period | 7 | **(103,100)** | (58,785) |
| **Other comprehensive income (expense) for the period** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of a foreign operation | | **8** | (9) |
| Total comprehensive expense for the period | | **(103,092)** | (58,794) |
| Loss per share in RMB | 9 | | |
| – Basic | | **(0.11)** | (0.11) |
| – Diluted | | **(0.11)** | (0.12) |

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

| | NOTES | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **342,712** | 331,951 |
| Right-of-use assets | 10 | **37,645** | 42,353 |
| Deposits paid for acquisition of property, plant and equipment | | **1,269** | 4,321 |
| Other receivables and deposits | 11 | **31,585** | 31,490 |
| | | **413,211** | 410,115 |
| **Current assets** | | | |
| Inventories | | **32,992** | 25,918 |
| Other receivables, deposits and prepayments | 11 | **56,180** | 36,115 |
| Financial assets at fair value through profit or loss ("FVTPL") | 12 | **20,080** | 11,680 |
| Time deposits with original maturity over three months | 13 | **2,217,426** | 502,889 |
| Cash and cash equivalents | 13 | **240,193** | 1,867,866 |
| | | **2,566,871** | 2,444,468 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **98,805** | 145,962 |
| Amount due to a related company | 20 | **4,082** | 787 |
| Lease liabilities – current portion | | **10,365** | 13,081 |
| Bank borrowings – current portion | | **57,500** | 28,750 |
| Deferred income | 16 | **30,840** | 11,950 |
| | | **201,592** | 200,530 |
| **Net current assets** | | **2,365,279** | 2,243,938 |
| **Total assets less current liabilities** | | **2,778,490** | 2,654,053 |

## Condensed Consolidated Statement of Financial Position

As at 30 June 2020

| | NOTES | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities – non-current portion | | **9,296** | 10,095 |
| Contract liabilities | 3 | **12,244** | 11,733 |
| Bank borrowings – non-current portion | | **172,500** | 201,250 |
| Deferred income | 16 | **–** | 5,050 |
| | | **194,040** | 228,128 |
| **Net assets** | | **2,584,450** | 2,425,925 |
| **Capital and reserves** | | | |
| Share capital | 15 | **13** | 12 |
| Reserves | | **2,584,437** | 2,425,913 |
| **Total equity** | | **2,584,450** | 2,425,925 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Other reserve (note) RMB'000 | Translation reserve RMB'000 | Share-based payment reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
| At 1 January 2020 (audited) | 12 | 3,434,420 | (120,708) | (114) | 78,773 | (966,458) | 2,425,925 |
| Loss for the period | – | – | – | – | – | (103,100) | (103,100) |
| Other comprehensive expense for the period | – | – | – | 8 | – | – | 8 |
| Total comprehensive expense for the period | – | – | – | 8 | – | (103,100) | (103,092) |
| Issue of ordinary shares from exercising over-allotment options (Note 15) | 1 | 245,220 | – | – | – | – | 245,221 |
| Transaction costs directly attributable to issue of new shares from exercising over-allotment options | – | (7,554) | – | – | – | – | (7,554) |
| Exercise of share options | – | 35,172 | – | – | (31,308) | – | 3,864 |
| Recognition of equity-settled share-based payment (Note 17(a) & (b)) | – | – | – | – | 20,086 | – | 20,086 |
| At 30 June 2020 (unaudited) | 13 | 3,707,258 | (120,708) | (106) | 67,551 | (1,069,558) | 2,584,450 |
| At 1 January 2019 (audited) | 7 | – | (119,702) | 40 | – | (147,373) | (267,028) |
| Loss for the period | – | – | (404) | – | – | (58,381) | (58,785) |
| Other comprehensive expense for the period | – | – | – | (9) | – | – | (9) |
| Total comprehensive expense for the period | – | – | (404) | (9) | – | (58,381) | (58,794) |
| Net contribution for the Oncology Business by Suzhou Alphamab | – | – | 300 | – | – | – | 300 |
| Cancellation of certain pre-IPO share options (Note 17(a)) | – | – | – | – | – | 12,250 | 12,250 |
| At 30 June 2019 (audited) | 7 | – | (119,806) | 31 | – | (193,504) | (313,272) |

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Notes: 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有限公司) ("Suzhou Alphamab"), a company controlled by Dr. XU Ting ("Dr. XU") who is in turn the controlling shareholder of the Company, prior to its transfer to the Company and its subsidiaries (collectively referred to as the "Group") and during the transition period after the transfer of Oncology Business, as such accumulated losses legally belong to Suzhou Alphamab which is 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 on 18 April 2018; and

(iii) the net equity impact resulting from a group reorganization of the entities comprising the Group that was completed on 25 September 2018 (the "Reorganization").

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

Prior to transfer of the Oncology Business, the Oncology Business was operated under Suzhou Alphamab and no separate bank accounts were maintained for the Oncology Business. The treasury and cash disbursement functions of the Oncology Business were centrally administrated by Suzhou Alphamab. During the transition period after the transfer of the Oncology Business to the Group on 18 April 2018, there are still insignificant funds provided by Suzhou Alphamab related to the Oncology Business. The net cash flows generated by the Oncology Business that were kept in the bank accounts of Suzhou Alphamab, are reflected in "Net contribution for the Oncology Business by Suzhou Alphamab" in the condensed consolidated statement of cash flows for the six months ended 30 June 2019. Accordingly, the net funds provided by Suzhou Alphamab were presented as movements in the equity.

For the purpose of presenting the condensed consolidated financial statements of the Group for the six months ended 30 June 2019, the following comprises the information of cash inflow/outflow of the Group and the Oncology Business received/paid by Suzhou Alphamab prior to and during the transition period after the transfer of the Oncology Business.

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| OPERATING ACTIVITIES | | |
| Loss before taxation | **(103,100)** | (58,785) |
| Adjustments for: | | |
| Exchange gains, net | **(34,665)** | (1,385) |
| Fair value change of convertible redeemable preferred shares | **–** | (22,436) |
| Interest income | **(35,162)** | (8,362) |
| Share-based payment expenses | **20,086** | 12,250 |
| Other adjustments | **19,759** | 5,264 |
| Operating cash flows before movements in working capital | **(133,082)** | (73,454) |
| Increase in inventories | **(7,074)** | (13,438) |
| Increase in other receivables, deposits and prepayments | **(1,293)** | (24,128) |
| (Decrease) increase in trade and other payables | **(24,707)** | 5,718 |
| Increase in deferred income | **15,000** | – |
| Movements in other working capital | **3,295** | (4,712) |
| NET CASH USED IN OPERATING ACTIVITIES | **(147,861)** | (110,014) |

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| INVESTING ACTIVITIES | | |
| Placement of time deposits with original maturity over three months | **(2,071,998)** | (882,579) |
| Purchase of property, plant and equipment | **(45,043)** | (52,824) |
| Purchase of financial assets at FVTPL | **(19,300)** | (1,680) |
| Payment for deposits paid for acquisition of property, plant and equipment | **–** | (20,810) |
| Proceeds from redemption of time deposits with original maturity over three months | **411,679** | 237,225 |
| Interest received | **16,290** | 4,032 |
| Proceeds from disposal of financial assets at FVTPL | **10,900** | – |
| NET CASH USED IN INVESTING ACTIVITIES | **(1,697,472)** | (716,636) |
| FINANCING ACTIVITIES | | |
| Proceeds on issue of ordinary shares by the Company from exercising over-allotment options | **245,221** | – |
| Proceeds on issue of convertible redeemable preferred shares | **–** | 410,414 |
| New bank borrowings raised | **9,000** | 50,000 |
| Transaction costs directly attributable to issue of new shares in the initial public offerings ("IPO") and from exercising over-allotment options | **(20,788)** | (1,574) |
| Repayment of lease liabilities | **(4,375)** | (9,471) |
| Interest paid | **(6,340)** | (3,123) |
| Issue costs paid for convertible redeemable preferred shares | **–** | (348) |
| Repayment of bank borrowings | **(9,000)** | – |
| Exercising of share options | **3,864** | – |
| NET CASH FROM FINANCING ACTIVITIES | **217,582** | 445,898 |
| Net contribution for the Oncology Business by Suzhou Alphamab | **–** | 300 |

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(1,627,751)** | (380,452) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | **1,867,866** | 633,712 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **78** | 302 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | **240,193** | 253,562 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 1. GENERAL AND BASIS OF PREPARATION

### General

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

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

### Basis of preparation

As part of the Reorganization, Suzhou Alphamab had transferred the Oncology Business to the Group which was principally completed on 18 April 2018 while the transition period of providing technical support by Suzhou Alphamab was completed by the end of May 2019.

Since Suzhou Alphamab and the Group were under common control by Dr. XU, the transfer of the Oncology Business has been accounted for as a business combination involving entities under common control using the principles of merger accounting.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2019 include the results, changes in equity and cash flows of the entities comprising the Group and the Oncology Business, on the basis as if the Oncology Business had been operated under the Group throughout the six months ended 30 June 2019 or since the respective dates of incorporation which is a shorter period, with consideration of the controlling interests held by Dr. XU in these entities and the Oncology Business.

To the extent the assets, liabilities, income and expenses that are specifically identified to the Oncology Business, such items are included in the condensed consolidated financial statements throughout the six months ended 30 June 2019. Items that do not meet the criteria above are not included in the condensed consolidated financial statements of the Group.

## 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.

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 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

### Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current 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.

## 3. REVENUE AND SEGMENT INFORMATION

### Revenue

***Co-development agreement with 3D Medicines (Beijing) Co., Ltd. ("3D Medicines") in relation to KN035 drug candidate***

In February 2016, the Group entered into an agreement with 3D Medicines and pursuant to which, the Group will jointly develop and commercialize KN035 drug candidate with 3D Medicines. Under the agreement, the Group received a non-refundable upfront payment of RMB10 million from 3D Medicines and has an exclusive right to manufacture and supply KN035 to 3D Medicines for further commercialization to ultimate customers. Upon the Group manufacturing the product and transferring the control of goods to 3D Medicines for commercialization, the Group will recognize revenue in respect of the upfront payment received.

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue (Continued)

*Co-development agreement with 3D Medicines (Beijing) Co., Ltd. ("3D Medicines") in relation to KN035 drug candidate (Continued)*

In addition, the Group considers the non-refundable upfront payment of RMB10 million from 3D Medicines contain 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 4.35% per annum taking into consideration the credit characteristics of the party receiving financing in the contract, as well as any collateral or security provide by the customer or the entity, including assets transferred in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN035 drug candidate, it increases the amount of revenue to be recognized when the Group commences the manufacturing of the product and the transfer of control of goods to 3D Medicines for commercialization.

*Unsatisfied performance obligations*

The following table shows the aggregate amount of the contract liabilities allocated to performance obligations that are unsatisfied at the end of the reporting period.

| | **30 June 2020 RMB'000 (unaudited)** | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Co-development and commercialization of KN035 | **12,244** | 11,733 |

Deferred revenue included in contract liabilities will be recognized over the period of KN035 product life cycle with reference to the budgeted manufacture order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage). The directors of the Company did not expect the Group can recognize the deferred revenue in respect of co-development and commercialization of KN035 within twelve months from the end of the reporting period. Therefore, the full amount of contract liabilities were classified as non-current liabilities.

### 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.

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's non-current assets are substantially located in the People's Republic of China (the "PRC"), accordingly, no analysis of geographical segment is presented.

## 4. OTHER INCOME AND OTHER GAINS AND LOSSES

### Other income

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Interest income | **35,162** | 8,362 |
| Government grants income (Note) | **9,179** | 2,663 |
| | **44,341** | 11,025 |

Note: Government grants income mainly includes: (i) subsidies from the PRC local government in support of oncology drug development and successful IPO of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the research and development activities carried out in Australia.

Pursuant to the research and development tax incentive program launched by the Australia Taxation Office, Alphamab (Australia) Co. Pty. Ltd. ("Alphamab Australia") enjoys a 43.5% (2019: 43.5%) refund on the research and development expenditures incurred for the reporting period. Upon enjoyment of such incentive, the relevant research and development expenditures will not be qualified as tax losses and will be treated as non-deductible expenses.

### Other gains and losses

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Exchange gains, net | **34,665** | 1,385 |
| Others | **(999)** | (105) |
| | **33,666** | 1,280 |

## 5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Interest expenses on: | | |
| Bank borrowings | **5,785** | 2,944 |
| Contract liabilities | **510** | – |
| Lease liabilities | **509** | 235 |
| | **6,804** | 3,179 |
| Less: Interest capitalized in construction in progress ("CIP") | **–** | (2,944) |
| | **6,804** | 235 |

Borrowing costs capitalized during the six months ended 30 June 2019 arose on the specific bank borrowings for the construction of new facilities. The construction was completed in December 2019 so no further capitalization on interest expenses was incurred onwards.

## 6. INCOME TAXATION

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% (2019: 25%). Subsequent to the end of the reporting period, Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) ("Jiangsu Alphamab") was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and therefore is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020.

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 27.5%. Alphamab Australia is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2020

## 6. INCOME TAXATION (Continued)

Under the two-tiered profits tax rates regime in Hong Kong, 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 be taxed at a flat rate of 16.5%.

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 both reporting periods.

## 7. LOSS FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Loss for the period has been arrived at after charging: | | |
| Staff cost (including directors' emoluments): | | |
| Salaries and other allowances | **33,863** | 17,385 |
| Retirement benefits scheme contributions | **2,512** | 2,549 |
| Share-based payment expenses | **20,086** | 12,356 |
| Total staff costs | **56,461** | 32,290 |
| Auditor's remuneration | **1,549** | 44 |
| Cost of inventories included in research and development expenses | **27,252** | 8,098 |
| Outsourcing service fees included in research and development expenses | **57,299** | 27,655 |
| Issue costs paid for the series B convertible redeemable preferred shares ("Series B Preferred Shares") included in administrative expenses | **–** | 348 |
| Short-term lease expenses | **20** | 172 |
| Depreciation of property, plant and equipment | **8,547** | 344 |
| Depreciation of right-of-use assets | **5,568** | 4,932 |
| Less: capitalization in CIP | **–** | (247) |
| | **5,568** | 4,685 |

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 9. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| **Loss:** | | |
| Loss for the period attributable to owners of the Company for the purposes of calculating basic loss per share | **(103,100)** | (58,785) |
| Fair value change of convertible redeemable preferred shares | **–** | (22,436) |
| Loss for the period attributable to owners of the Company for the purposes of calculating diluted loss per share | **(103,100)** | (81,221) |
| **Number of shares ('000):** | | |
| Weighted average number of shares for the purposes of basic loss per share | **925,576** | 515,633 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible redeemable preferred shares | **–** | 152,648 |
| Weighted average number of shares for the purposes of diluted loss per share | **925,576** | 668,281 |

The computations of basic and diluted loss per share for the six months ended 30 June 2019 are based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Share Subdivision (as defined and detailed in Note 15(b)) had been in effect on 1 January 2019.

## 9. LOSS PER SHARE (Continued)

The calculation of diluted loss per share for the six months ended 30 June 2020 and 2019 has not considered shares options awarded under the pre-IPO share option schemes as disclosed in Note 17(a) as their inclusion would be anti-dilutive. The calculation of diluted loss per share for the six months ended 30 June 2020 has not considered over-allotment options as disclosed in Note 15(d) as their inclusion would be anti-dilutive.

## 10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of RMB19,308,000 (the six months ended 30 June 2019: RMB78,042,000) which mainly consists of research and development plant and equipment. The Group also entered into a new lease agreement for its office premises for 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognized RMB860,000 of right-of-use assets and lease liabilities, respectively.

## 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **30 June 2020 RMB'000 (unaudited)** | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Other receivables, deposits and prepayments | **56,004** | 36,128 |
| Value-added tax recoverable | **31,761** | 31,477 |
| Total trade and other receivables | **87,765** | 67,605 |
| Presented as non-current assets | **31,585** | 31,490 |
| Presented as current assets | **56,180** | 36,115 |
| | **87,765** | 67,605 |

## 12. FINANCIAL ASSETS AT FVTPL

As at 30 June 2020 and 31 December 2019, the Group placed with licensed commercial banks for RMB-denominated structured deposits with maturity within 1 year after the end of the reporting period. During the current reporting period, a structured deposit amounted to RMB11 million was redeemed and a new RMB-denominated structured deposit amounted to RMB19 million with maturity within 1 year after end of the reporting period was placed with licensed commercial bank. The expected annual interest rate for the structured deposits is indicated at 2.7% per annum as at 30 June 2020 (31 December 2019: 3.0% per annum), however, the actual interest to be received is uncertain until maturity and the principal is not protected. Such structured deposits were accounted for as financial assets at FVTPL under IFRS 9.

The Group measured above structure deposits as level 2 financial instrument as below:

| | **Fair value as at** | | **Fair value hierarchy** | **Valuation technique(s) and key inputs** |
|---|---|---|---|---|
| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 | | |
| Financial assets | | | | |
| Structured deposits | **20,080** | 11,680 | Level 2 | Redemption value quoted by banks with reference to the expected return of the underlying assets |

Except for the financial assets at FVTPL disclosed above, no financial assets and financial liabilities of the Group are measured at fair value as at 30 June 2020 and 31 December 2019. The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements, however, approximate their fair values.

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

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Cash at banks and on hand | **108,793** | 54,101 |
| Time deposits with original maturity less than three months (Note) | **131,400** | 1,813,765 |
| Cash and cash equivalents | **240,193** | 1,867,866 |
| Time deposits with original maturity over three months (Note) | **2,217,426** | 502,889 |
| | **2,457,619** | 2,370,755 |

Note: The time deposits were placed with licensed commercial banks in the PRC and Hong Kong. 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 0.21% to 4.00% per annum as at 30 June 2020 (2019: 0.55% to 3.75% per annum).

Bank balances carry interest at prevailing market interest rates ranging from 0.01% to 0.30% per annum as at 30 June 2020 (2019: 0.05% to 0.35% per annum).

## 14. TRADE AND OTHER PAYABLES

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Trade payables | **10,208** | 6,853 |
| Accrued expenses | | |
| – Outsourcing service fees | **19,551** | 15,284 |
| – Other research and development expenses | **4,955** | 2,174 |
| – Listing expenses | **1,539** | 16,296 |
| – Issue costs | **–** | 13,541 |
| – Staff costs | **10,438** | 11,434 |
| – Interest expenses | **288** | 351 |
| – Others | **4,028** | 4,571 |
| | **40,799** | 63,651 |
| Payables for acquisition of property, plant and equipment | **44,331** | 73,119 |
| Other payables | **3,467** | 2,339 |
| | **98,805** | 145,962 |

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

## 14. TRADE AND OTHER PAYABLES (Continued)

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

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| 0 – 90 days | **10,208** | 6,853 |

## 15. 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:

| | NOTES | Number of shares | Par value per share | Amount US$'000 |
|---|---|---|---|---|
| **Authorized:** | | | | |
| As at 31 December 2018 (audited) | | 5,000,000,000 | US$0.00001 | 50 |
| Increase in authorized shares | (a) | 20,000,000 | US$0.00001 | – * |
| Re-designation as Series A Preferred Shares | (a) | (1,000,000,000) | US$0.00001 | (10) |
| Re-designation as Series B Preferred Shares | (a) | (20,000,000) | US$0.00001 | (–)* |
| As at 30 June 2019 (audited) | | 4,000,000,000 | US$0.00001 | 40 |
| Share Subdivision | (b) | 16,000,000,000 | US$0.000002 | N/A |
| Automatic conversion of convertible redeemable preferred shares into ordinary shares upon the Listing | (b) | 5,100,000,000 | US$0.000002 | 10 |
| As at 31 December 2019 (audited) and 30 June 2020 (unaudited) | | **25,100,000,000** | **US$0.000002** | **50** |

## 15. SHARE CAPITAL (Continued)

| | NOTES | Number of shares | Par value per share | Amount US$'000 |
|---|---|---|---|---|
| **Issued and fully paid:** | | | | |
| As at 31 December 2018 (audited) | | 103,126,684 | US$0.00001 | 1 |
| Share Subdivision | (b) | 412,506,736 | US$0.000002 | N/A |
| Conversion of convertible redeemable preferred shares into ordinary shares upon the Listing | (b) | 201,975,155 | US$0.000002 | – * |
| Issue of ordinary shares in the IPO | (c) | 179,403,000 | US$0.000002 | – * |
| As at 31 December 2019 (audited) | | 897,011,575 | US$0.000002 | 2 |
| Exercise of the over-allotment option | (d) | 26,910,000 | US$0.000002 | – * |
| Exercise of share options | (e) | 9,543,795 | US$0.000002 | – * |
| As at 30 June 2020 (unaudited) | | **933,465,370** | **US$0.000002** | **2** |

| | RMB'000 |
|---|---|
| Shown in the condensed consolidated statement of financial position: | |
| As at 31 December 2019 (audited) | 12 |
| As at 30 June 2020 (unaudited) | **13** |

* less than +/- US$1,000

## 15. SHARE CAPITAL (Continued)

Notes:

(a) On 14 May 2019, pursuant to a resolution of the shareholders of the Company, it was approved that (i) the authorized share capital of the Company was increased from 5,000,000,000 shares with a par value of US$0.00001 each to 5,020,000,000 shares with a par value of US$0.00001 each, which: (i) 4,000,000,000 shares are designated as ordinary shares, (ii) 1,000,000,000 shares are re-designated as the series A convertible redeemable preferred shares ("Series A Preferred Shares") with a par value of US$0.00001 and (iii) 20,000,000 shares are re-designated as Series B Preferred Shares with a par value of US$0.00001 per share.

(b) On 24 November 2019, pursuant to a resolution of the shareholders of the Company, it was approved that a share subdivision pursuant to which each issued and unissued share capital was split into five shares of the corresponding class with par value of US$0.000002 each (the "Share Subdivision"), following which the Company's issued share capital consisted of (i) 515,633,420 issued ordinary shares with par value of US$0.000002 each, (ii) 141,238,725 Series A Preferred Shares with par value of US$0.000002 each and (iii) 60,736,430 Series B Preferred Shares with par value of US$0.000002 each. Each convertible redeemable preferred share will be automatically converted to one ordinary share upon the listing of the Company's shares on the Stock Exchange (the "Listing") becoming unconditional and the authorized share capital was increased by 5,100,000,000 on the date of automatic conversion of both Series A Preferred Shares and Series B Preferred Shares.

(c) In connection with the Company's IPO, 179,403,000 ordinary shares of US$0.000002 each were issued at HK$10.20 per share for a total gross cash consideration of HK$1,829,911,000 (equivalent to RMB1,646,188,000) on 12 December 2019.

(d) On 4 January 2020, 26,910,000 ordinary shares of the Company were allotted and issued by the Company at HK$10.20 per share for gross proceeds of approximately HK$274,482,000 (equivalent to RMB245,221,000) upon the exercise of the over-allotment options by the joint global coordinators on behalf of the international underwriters of the Company's global offering.

(e) During the six months ended 30 June 2020, share option holders exercised their rights to subscribe for 8,672,855, 21,000 and 849,940 ordinary shares in the Company at US$0.01, US$0.25 and US$0.49 per share, respectively.

The shares allotted and issued rank pari passu in all respects with the then existing issued shares of the Company.

## 16. DEFERRED INCOME

Government subsidies received for the purpose of supporting the research and development activities on certain new pharmaceutical products are presented as deferred income in the condensed consolidated statement of financial position and will be recognized in the same period as the related research and development activities are carried out and expenses are incurred.

During the six months ended 30 June 2020, the Group received a new subsidy of RMB15 million (the six months ended 30 June 2019: nil) and recognized RMB1 million deferred income in other income (the six months ended 30 June 2019: nil).

## 16. DEFERRED INCOME (Continued)

The directors of the Company expected such activities related to government subsidies received amounting to RMB31 million (31 December 2019: RMB12 million) will happen within twelve months from the end of the reporting period. Therefore, RMB31 million as at 30 June 2020 were classified as current liabilities (31 December 2019:RMB12 million) and nil as at 30 June 2020 (31 December 2019: RMB5 million) were classified as non-current liabilities.

## 17. SHARE OPTION SCHEMES

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

(i) Pursuant to a written resolution of the shareholders of the Company dated 16 October 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.

On 30 June 2019, pursuant to a resolution of the shareholders of the Company, it was approved that (i) a total of 2,552,012 pre-IPO share options granted on 10 October 2018 be cancelled and (ii) a total of 6,399,077 pre-IPO share options, at an exercise price of US$0.071 per share (equivalent to HK$0.554 per share), representing 6.2% of the issued share capital of the Company on the date of grant, be granted under the Pre-IPO Share Option Scheme I.

In respect of the cancelled 2,552,012 pre-IPO share options for certain employees of the Company on 30 June 2019, 1,481,660 and 237,141 new options, respectively, under both Pre-IPO Share Option Scheme I and Pre-IPO Share Option Scheme II (the same as detail in Note 17(a)(ii)) with exercise prices ranging from US$0.071 to US$2.449 per share (equivalent to HK$0.554 to HK$19.102 per share) were granted to those employees with modification of vesting conditions on 30 June 2019. As there was a reduction of the number of options granted to those employees, the difference of 833,211 pre-IPO share options were accounted for as a cancellation of that portion of the grant and an amount of RMB12,250,000 was recognized in the profit or loss as the share-based payment expenses.

## 17. SHARE OPTION SCHEMES (Continued)

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

(i) (Continued)

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 (after the Share Subdivision) held by grantees during the period:

| | Number of Share options |
|---|---|
| Outstanding as at 1 January 2020 | **44,825,385** |
| Forfeited during the period | **(755,920)** |
| Exercised during the period | **(8,672,855)** |
| Outstanding as at 30 June 2020 | **35,396,610** |

The Group recognized the total expense of RMB15,471,000 (unaudited) for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil) in relation to share options granted by the Company.

(ii) Pursuant to a written resolution of the shareholders of the Company dated 29 March 2019, another pre-IPO share option scheme (the "Pre-IPO Share Option Scheme II") of the Company was approved and adopted on 9 April 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.

## 17. SHARE OPTION SCHEMES (Continued)

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

(ii) (Continued)

On 30 June 2019, options to subscribe for an aggregate of 2,086,054 shares of the Company, which included 237,141 share options issued as replacement for certain options cancelled under Pre-IPO Share Option Scheme I, representing 2.0% of the issued share capital of the Company on the date of grant, at an exercise price of either US$1.225 or US$2.449 per share (equivalent to HK$9.555 or HK$19.102 per share) of the Company, have been granted under the Pre-IPO Share Option Scheme II of the Company conditionally upon the Listing.

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 (after the Share Subdivision) held by grantees during the period:

| | Number of Share options |
|---|---|
| Outstanding as at 1 January 2020 | **12,634,980** |
| Forfeited during the period | **(1,775,270)** |
| Exercised during the period | **(870,940)** |
| Outstanding as at 30 June 2020 | **9,988,770** |

The Group recognized the total expense of RMB4,531,000 (unaudited) for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil) in relation to share options granted by the Company.

## 17. SHARE OPTION SCHEMES (Continued)

### (b) Share option scheme with cash-settled alternatives of Suzhou Alphamab

Since May 2014, Suzhou Alphamab had issued 5 batches of share options under the share incentive plan adopted by Suzhou Alphamab (the "SZ ESOP Plan") as an incentive to employees and management of Suzhou Alphamab. Under the SZ ESOP Plan, the grantees can choose to settle in cash based on a calculation methodology as stated in the plan or in equity when Suzhou Alphamab completed the listing of its shares. Such SZ ESOP Plan was accounted for as a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash).

During the six months ended 30 June 2020, the Group recognized share-based payment expenses of RMB84,000 (unaudited) (the six months ended 30 June 2019: RMB106,000) that are allocated to the Oncology Business under the SZ ESOP Plan.

## 18. CAPITAL COMMITMENTS

| | **30 June 2020 RMB'000 (unaudited)** | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Contracted for but not provided: | | |
| Property, plant and equipment | **11,517** | 15,757 |
| Intangible assets | **2,380** | – |
| | **13,897** | 15,757 |

## 19. 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:

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Land use rights included in right-of-use assets | 22,422 | 22,669 |
| Buildings | 224,162 | 230,668 |
| Plant and machinery | 22,809 | 21,159 |
| CIP | 23,781 | 24,870 |
| | 293,174 | 299,366 |

## 20. RELATED PARTY TRANSACTIONS

During the reporting period, the Group entered into the following transactions with its related company:

| | | | Six months ended 30 June | |
|---|---|---|---|---|
| **Related company** | **Relationship** | **Nature of transactions** | 2020 RMB'000 (unaudited) | 2019 RMB'000 (audited) |
| Suzhou Alphamab | Entity controlled by Dr. XU | Utilities expenses | 822 | 719 |
| | | Interest expenses - lease liabilities | 467 | 90 |
| | | Process development expense | 3,329 | – |

## 20. RELATED PARTY TRANSACTIONS (Continued)

Balance with related company at the end of reporting period:

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Amount due to Suzhou Alphamab | 4,082 | 787 |
| Lease liabilities to Suzhou Alphamab | 18,593 | 24,951 |

The balance is trade in nature, unsecured, interest free and has no fixed repayment terms.

The following is an aged analysis of balance with related company presented at the end of reporting period:

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| 0 – 90 days | 4,082 | 787 |