



友芝友生物製藥

武漢友芝友生物製藥股份有限公司
WUHAN YZY BIOPHARMA CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2496

2023

INTERIM REPORT



CONTENTS

Definitions	2
Corporate Information	10
Financial Highlights	12
Management Discussion and Analysis	13
Corporate Governance and Other Information	24
Independent Review Report	36
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Expenses	37
Condensed Consolidated Statement of Financial Position	38
Condensed Consolidated Statement of Changes in Equity	39
Condensed Consolidated Statement of Cash Flows	40
Notes to Condensed Consolidated Financial Statements	41



DEFINITIONS

In this interim report, the following expressions have the meanings set out below unless the context otherwise requires.

“affinity”	the extent or fraction to which a drug binds to receptors at any given drug concentration or the firmness with which the drug binds to the receptor. Affinity describes the strength of the attraction between two chemicals, or an antigen and an antibody
“ANG2”	angiopoietin-2, part of a family of vascular growth factors that play a role in embryonic and postnatal angiogenesis
“angiogenesis”	the formation and remodeling of new blood vessels and capillaries from growth of pre-existing blood vessels
“antigen”	molecule that stimulates an immune response by activating lymphocytes
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“bispecific antibody” or “BsAb”	an antibody directed at two different targets or two different epitopes on the same target
“Board”	the board of directors of the Company
“Caizhi No. 2”	Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) (南京才智二號企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 27, 2021 and one of our employee incentive platforms
“CD3”	cluster of differentiation 3, a protein complex and T cell co-receptor that is involved in activating the cytotoxic T cell and T helper cells
“CD38”	cluster of differentiation 38, a glycoprotein expressed at low levels on normal healthy tissues, while at high levels on MM and lymphoma cells, functioning either as a receptor or as an enzyme
“CDMO(s)”	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman” or “Chairman of the Board”	the chairman of the Board

“chemotherapy”	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“clinical trial”	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
“CMC”	chemistry, manufacturing and controls activities in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products
“CMO(s)”	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
“CMS”	China Medical System Holdings Limited (康哲藥業控股有限公司), an exempted company incorporated in Cayman Islands with limited liability on December 18, 2006 and listed on the Stock Exchange (stock code: 00867)
“combination therapy”	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company”	Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司), a joint stock company established in the PRC with limited liability on January 13, 2022, or, where the context requires (as the case may be), its predecessor, Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司), a limited liability company established in the PRC on July 8, 2010
“Core Product”	M701, the designated “core product” as defined under Chapter 18A of the Listing Rules
“Corresponding Period”	for the six months ended June 30, 2022
“COVID-19”	coronavirus disease 2019, a disease caused by the SARS-CoV-2 virus which may cause severe acute respiratory syndrome in humans

DEFINITIONS

“CRO(s)”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contractual basis
“CSO(s)”	contract sales organization, a company primarily engaged in providing sales representatives to promote and detail pharmaceutical products
“cytokine release syndrome”	an acute systemic inflammatory syndrome characterized by fever and multiple organ dysfunction that is associated with therapeutic antibodies, CAR-T therapy, and haploidentical allogeneic transplantation
“cytokine(s)”	a broad and loose category of small proteins that are important in cell signaling, whose release has an effect on the behavior of cells expressing corresponding receptors
“cytotoxic”	toxic to living cells, causing cell damage or death
“Director(s)”	the director(s) of our Company
“DME”	diabetic macular edema, a serious eye complication characterized by abnormal swellings (edema) in the central part of the retina caused by tiny bulges protruding from the vessel walls, leaking, or oozing fluid and blood into the retina
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“EpCAM”	epithelial cell adhesion molecule, a type I transmembrane glycoprotein which plays a role in epithelial carcinogenesis and is involved in various biological functions, such as cell cycle progression, cell proliferation, differentiation, and migration, and immune evasion
“epitope(s)”	the specific part of an antigen to which an antibody attaches itself
“Global Offering”	the offer of Shares for subscription as described in the Prospectus
“Group,” “our Group,” “we,” “us,” or “our”	our Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time

“H Share(s)”	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars
“HCC”	hepatocellular carcinoma, a type of cancer arising from hepatocyte malignant transformation
“HER2”	human epidermal growth factor receptor 2
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Huiyou Jucai”	Nanjing Huiyou Jucai Enterprise Management Partnership (Limited Partnership) (南京匯友聚才企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 26, 2021 and one of our employee incentive platforms
“Huiyou Juzhi”	Nanjing Huiyou Juzhi Enterprise Management Partnership (Limited Partnership) (南京匯友聚智企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 27, 2021 and one of our employee incentive platforms
“immunotherapy”	a type of therapy that involves the immune system to help the body fight cancer, infection, and other diseases
“ <i>in vitro</i> ”	Latin for “within the glass,” studies using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China or the United States
“Listing Date”	the date, namely September 25, 2023, on which the H Shares were listed and from which dealings in the H Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“malignant ascites” or “MA”	the accumulation of fluid in the peritoneal cavity resulting from the growth of primary or metastatic malignant neoplasms in the peritoneum

DEFINITIONS

“malignant pleural effusion” or “MPE”	the collection of fluid in the pleural cavity resulting from malignant disease. Malignant pleural effusions often contain free floating malignant cells
“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
“MM”	multiple myeloma, a cancer of the plasma cells in the bone marrow
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of our Board
“PD-1”	programmed death 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell
“PD-L1”	programmed death ligand 1, which is a protein on the surface of a normal cell or a cancer cell that binds to its receptor, PD-1, on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
“Phase I clinical trial”	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
“Phase II clinical trial”	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
“Phase III clinical trial”	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
“pivotal clinical trial”	the clinical trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval

“pre-clinical studies”	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetics and safety information and to decide whether the drug is ready for clinical trials
“Prospectus”	the prospectus of the Company dated September 13, 2023
“RBD”	receptor-binding domain, a key part of a virus located on its “spike” domain that allows it to dock to body receptors to gain entry into cells and lead to infection
“recombinant”	the combination of genetic materials from more than one origin, or a method to express native proteins in vitro by genetic engineering
“Remuneration Committee”	the remuneration committee of our Board
“Reporting Period”	for the six months ended June 30, 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“rrMM”	relapsed/refractory multiple myeloma
“SARS-CoV-2”	severe acute respiratory syndrome coronavirus 2, a strain of coronavirus that causes COVID-19
“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 the Company with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
“Shareholder(s)”	shareholder(s) of the Company
“SMO(s)”	site management organization, an organization that provides clinical trial-related services
“solid tumor”	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the supervisory committee of the Company

DEFINITIONS

“systematic treatment”	any type of cancer treatment that has effects throughout the body rather than being applied directly to the cancer
“T cell(s)”	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity
“T cell-engaging BsAb(s)”	BsAb that binds TAA on cancer cells and targets on T cells with their two arms, thereby engaging effective T cells and tumor cells
“targeted therapy”	a treatment method that utilizes drugs with specific targets to interfere with the growth, division, and spread of cancer cells to achieve the goal of treating tumors
“TGF- β ”	transforming growth factor- β , a versatile cytokine usually overexpressed in advanced tumors and related to poor prognoses
“TME”	tumor microenvironment, the ecosystem that surrounds a tumor inside the body which includes immune cells, the extracellular matrix, blood vessels and other cells, like fibroblasts. A tumor and its microenvironment constantly interact and influence each other, either positively or negatively
“toxicity”	the degree to which a substance or a mixture of substances can harm humans or animals. It is expressed generally as a dose response
“Unlisted Foreign Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each which is/are held by foreign investors and not listed on any stock exchange
“Unlisted Shares”	Domestic Shares and Unlisted Foreign Shares
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States
“VEGF”	vascular endothelial growth factor, a family of signaling protein critical for the growth of the new vessels and thereby development of cancer cells. VEGF, including VEGF-A, VEGF-B, VEGF-C and VEGF-D, binds to VEGF receptors (VEGFRs), generally, VEGF-A is referred to as VEGF unless otherwise specified
“wAMD”	wet age-related macular degeneration (AMD), an irreversible medical condition of partial or complete vision loss caused by degenerative lesions of the retinal pigment epithelium and neuronal retina where abnormal blood vessel growth stimulated by VEGF under the macula causes blood and fluid to seep into the retina

“Wuhan Caizhi”	Wuhan Caizhi Investment Management Partnership (Limited Partnership) (武漢才智投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 21, 2015 and one of our employee incentive platforms
“%”	per cent

In this interim report, unless otherwise indicated, the terms “affiliate”, “associate”, “associated corporation”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial Shareholder” shall have the meanings given to such terms in the Listing Rules.

Unless otherwise defined herein, capitalized terms used in this interim report shall have the same meanings as those defined in the Prospectus.

CORPORATE INFORMATION

BOARD

Executive Director

Dr. Zhou Pengfei (*chairman of the Board*)

Non-executive Directors

Mr. Yuan Qian (袁謙)
Dr. Zhou Hongfeng (周宏峰)
Mr. Pang Zhenhai (龐振海)
Dr. Hui Xiwu (惠希武)
Ms. Liang Qian (梁倩)
Dr. Liu Dan (柳丹)
Dr. Guo Hongwei (郭宏偉)
Mr. Xie Shouwu (謝守武)

Independent Non-executive Directors

Dr. Cheng Bin (程斌)
Dr. Dai Weiguo
Ms. Fu Lili (付黎黎)
Dr. Deng Yuezhen (鄧躍臻)
Dr. Chen Bin (陳斌)

SUPERVISORS

Mr. Sun Jumin (孫聚民)
Ms. Liu Fang (劉芳)
Mr. Ji Changtao (紀昌濤)
Dr. Yi Jizu
Mr. Zhang Jing (張敬)

REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 666 Gaoxin Road
East Lake High Tech
Development Zone
Wuhan, Hubei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

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

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPLIANCE ADVISER

Gram Capital Limited

Room 1209, 12/F, Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Zheng Jianhua (鄭建華)
Ms. Lai Janette Tin Yun (賴天恩) (*associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom*)

AUTHORIZED REPRESENTATIVES

Dr. Zhou Pengfei
Dr. Zhou Hongfeng (周宏峰)

AUDIT COMMITTEE

Ms. Fu Lili (付黎黎) (*chairwoman*)
Dr. Zhou Hongfeng (周宏峰)
Dr. Deng Yuezhen (鄧躍臻)

NOMINATION COMMITTEE

Dr. Zhou Pengfei (*chairman*)
Dr. Cheng Bin (程斌)
Dr. Dai Weiguo

REMUNERATION COMMITTEE

Dr. Cheng Bin (程斌) (*chairman*)
Dr. Chen Bin (陳斌)
Mr. Yuan Qian (袁謙)

STOCK CODES

2496

PRINCIPAL BANKS

Shanghai Pudong Development Bank
Wuhan District of Hubei Free Trade Area
Sub-branch
Building G-1
No. 797 Gaoxin Avenue
Hongshan District
Wuhan, Hubei Province
PRC

China CITIC Bank
Wuhan East Lake Sub-branch
No. 724-4 Luoyu Road
Hongshan District
Wuhan, Hubei Province
PRC

China Merchants Bank
Wuhan Jiefang Park Sub-branch
1/F, Hanfei Youth Town
No. 1338 Jiefang Avenue
Jiang'an District
Wuhan, Hubei Province
PRC

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS TO THE COMPANY

Hong Kong laws

Cooley HK
35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRC laws

Beijing Dentons Law Offices, LLP (WUHAN)
10-11/F, Zheshang Tower
No. 718 Jianshe Avenue
Jiang'an District
Wuhan, Hubei Province
PRC

COMPANY'S WEBSITE

www.yzybio.com

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Other income	6,919	1,167
Other gains and losses	1,351	717
Research and development expenses	(71,598)	(82,357)
Administrative expenses	(8,306)	(7,880)
Listing expenses	(13,499)	(509)
Finance costs	(1,435)	(766)
Loss before tax	(86,568)	(89,628)
Income tax expense	–	–
Loss for the period	(86,568)	(89,628)

	As of	
	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000
Non-current assets	54,695	63,885
Current assets	122,396	238,957
Non-current liability	295	–
Current liabilities	107,482	146,960
Net assets	69,314	155,882

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies to treat cancer-associated complications, cancer and age-related ophthalmologic diseases.

Founded in 2010, we have designed and developed a pipeline of seven clinical-stage drug candidates. As of the date of this interim report, five of our seven clinical-stage drug candidates are BsAbs designed for cancer treatment or cancer-associated complications such as malignant ascites (MA) and malignant pleural effusion (MPE). In particular, we have been focusing on the development of the T cell-engaging BsAbs, including M701, M802 and Y150, and the development of the TME-targeted BsAbs, including Y101D and Y332. Our Core Product, M701, is a recombinant BsAb that targets EpCAM-expressing cancer cells and CD3-expressing T cells. We are developing M701 primarily as a palliative care for MA and MPE, which are severe complications of cancer where fluids build up in the belly or chest cavity of cancer patient.

PRODUCT PIPELINE

The following pipeline chart summarizes the development status of our selected drug candidates:

Candidate ¹	Target	Technology Platform	Type	Regimen	Indication	Pre-clinical	IND	Phase I		Phase II	Phase III/ Pivotal	Commercial Rights	Current Status/ Upcoming Milestone
								Phase Ia	Phase Ib				
★ M701	EpCAMxCD3	YBODY®	BsAb	Mono	Malignant ascites							Global	Phase II commenced in Dec 2021; Expect to initiate Phase III/pivotal trial in Q1 2024 and submit the BLA in Q1 2025
					Malignant pleural effusion						Global	Phase II/III commenced in Nov 2022; Expect to initiate Phase III/pivotal trial in Q3 2024 and submit the BLA in Q4 2025	
					Solid tumor						Global	Expect to file IND application in Q1 2024 and initiate Phase I/II in Q2 2024	
Y101D	PD-L1xTGF-β	Check-BODY	BsAb	Mono	Solid tumors							Global	Phase I commenced in Aug 2021; Expect to complete Phase I in Q4 2023
				Combo with gemcitabine and albumin paclitaxel	Pancreatic cancer						Global	Phase II/III commenced in Feb 2023; Expect to complete Phase II/III in Q3 2024 and initiate Phase III in Q4 2024	
				Combo with bevacizumab	Hepatocellular carcinoma and other advanced solid tumors						Global	Phase II/III commenced in Mar 2023; Expect to complete Phase II/III in Q2 2025	
				Combo with chemotherapy ²	Small cell lung cancer						Global	Expect to file IND application in Q1 2024	
Y150	CD38xCD3	YBODY®	BsAb	Mono	Relapse or refractory multiple myeloma							Global	Phase I commenced in Aug 2021; Expect to complete Phase I in Q2 2024
				Combo with lenalidomide	Relapse or refractory multiple myeloma						Global	Expect to file IND application after the completion of the Phase II portion of Phase III/III clinical trial of Y150 monotherapy for rMM	
Y2019 ³	SARS CoV-2 RBD homodimer	UVAX®	Vaccine	Mono	COVID-19							Global	Completed Phase Ia
M802	HER2xCD3	YBODY®	BsAb	Mono	HER2-positive solid tumors							Global	Completed Phase I
Y332	VEGFxTGF-β	Nano-YBODY™	BsAb	Mono	Solid tumors							Global	IND application approved in Apr 2023
Y400	VEGFxANG2	Nano-YBODY™	BsAb	Mono	wAMD, DME and other ocular neovascularization related diseases							Global ² CMS Vision	Phase I commenced

★ Core Product Clinical Stage Pre-clinical Stage

Notes:

- Except for Y2019, all of our drug candidates are in-house developed.
- Specific combination drug(s) of the trial will be decided prior to the commencement of the trial.
- Along with the relaxation of the preventative measures for the COVID-19 epidemic and the increasing number of individuals gaining immunity due to COVID-19 infection in China in late 2022, there are uncertainties surrounding the market demand for the COVID-19 vaccine, hence we will deprioritize the clinical development of Y2019 and currently have no immediate plans to initiate the Phase IIa clinical trial for Y2019.

MANAGEMENT DISCUSSION AND ANALYSIS

- (4) We have transferred all the rights and assets of Y400 to Shenzhen Kangzhe Vision Pharmaceutical Development Co., Ltd. (深圳市康哲維盛醫藥發展有限責任公司) (“**CMS Vision**”), a wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK). We are entitled to receive an upfront payment, milestone payments upon the occurrence of certain pre-agreed milestone events, and tiered royalties based on net sales. We have received the full upfront payment of US\$5 million and US\$1 million milestone for Y400. We, at our own cost, are responsible for all the pre-clinical studies of Y400 that are necessary for (i) the IND application and (ii) the Phase I clinical trial, if any, in accordance with the standards and requirements set by the CDE. Furthermore, if requested by CMS Vision, we will also be responsible for, at CMS Vision’s cost, non-clinical toxicology studies of Y400 that are necessary in the Phase II and Phase III clinical trials and CMC studies in Phase III clinical trials in China.
- * Three pre-clinical drug candidates Y180, Y224, and Y229 for the treatment of solid tumors, cachexia, and hematologic malignancy, respectively, are not included in the pipeline chart as they are currently at the early pre-clinical stage. We plan to continue the pre-clinical studies of these drug candidates and progressively apply for IND approvals for them in the next few years.

Abbreviations: Mono refers to monotherapy; Combo refers combination therapy; EpCAM refers to human epithelial cell adhesion molecule; CD3 refers to cluster of differentiation 3; PD-L1 refers to programmed death ligand 1; TGF- β refers to transforming growth factor- β ; CD38 refers to cluster of differentiation 38; COVID-19 refers to coronavirus disease 2019; RBD refers to recombinant receptor-binding domain; HER2 refers to human epidermal growth factor receptor 2; VEGF refers to vascular endothelial growth factor; ANG2 refers to angiopoietin-2; wAMD refers to wet age-related macular degeneration; and DME refers to diabetic macular edema.

BUSINESS REVIEW

As at the date of this interim report, the Company has made significant progress in its pipeline products and business operations. The following sets out the progress the Company has made during the Reporting Period.

M701

M701, our Core Product, is a recombinant BsAb that targets EpCAM-expressing cancer cells and T cell surface antigen CD3. We are currently developing M701 primarily as a palliative care for the treatment of MA and MPE which are sever complications of cancer.

- **MA:** We are currently conducting a Phase II clinical trial to evaluate the efficacy of M701 monotherapy in combination with systematic treatment (including targeted therapy, immunotherapy or chemotherapy) for MA, and encouraging data have been observed.
- **MPE:** We are currently conducting a Phase Ib/II clinical trial of M701 in treating MPE in China and encouraging data have been observed.

Y101D

Y101D, a recombinant anti-PD-L1 and anti-TGF- β humanized BsAb, is being developed for the treatment of solid tumors. Y101D is designed to simultaneously inhibit the PD-1/PD-L1 axis and the TGF- β signaling pathways, thus having the potential to unleash a synergistic anti-tumor activity and relieve drug resistance.

- **Advanced solid tumors:** We are currently evaluating Y101D in a Phase I clinical trial for the treatment of metastatic or locally advanced solid tumors, and interim results of this Phase I clinical study show an encouraging safety and efficacy profile for Y101D.
- **Pancreatic cancer:** We are conducting a Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of advanced/metastatic pancreatic cancer. We have commenced the patient enrollment for the Phase II portion of this Phase Ib/II clinical trial in July 2023.
- **HCC and other advanced solid tumors:** We are conducting a Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of HCC and other advanced solid tumors.

MANAGEMENT DISCUSSION AND ANALYSIS

Y150

Y150 is a recombinant anti-CD38 and anti-CD3 humanized BsAb. Y150 is well-designed to bind to both CD38 on multiple myeloma (MM) tumor cells and CD3 on T cells, inducing the activation of the T cells, improving the targeting of activated T cells, and allowing the activated T cells to attack the target tumor cells.

- **rrMM:** We are evaluating Y150 for the treatment of rrMM in a Phase I clinical trial. We are currently enrolling patients for this Phase I clinical trial.

Y2019

Y2019 is a recombinant receptor-binding domain (RBD)-dimer subunit SARS-CoV-2 vaccine candidate for COVID-19. Along with the relaxation of the preventative measures for the COVID-19 epidemic and the increasing number of individuals gaining immunity due to COVID-19 infection in China in late 2022, there are uncertainties surrounding the market demand for the COVID-19 vaccine, hence we will deprioritize the clinical development of Y2019 and currently have no immediate plans to initiate the Phase IIa clinical trial for Y2019.

M802

M802 is an anti-HER2 and anti-CD3 humanized BsAb. M802 binds to HER2 with high affinity, and binds to CD3 receptor with lower affinity, which reduces the toxicity of cytokine release syndrome caused by the activation of T cells. We are developing M802 for the treatment of HER2-positive solid tumors. Data obtained from the Phase I clinical trial of M802 also indicates that M802 has a favorable safety profile. We will consider exploring potential out-licensing opportunities of M802 in the global market.

Y332

Y332, a recombinant anti-VEGF and anti-TGF- β BsAb, is being developed for the treatment of a variety of solid tumors. We received IND approval for Y332 for metastatic or locally advanced solid tumors in April 2023. In pre-clinical studies, Y332 shows high affinity to both VEGF and TGF- β , favorable bioactivity and stability, and demonstrates encouraging anti-tumor effects.

Y400

Y400 is a recombinant anti-VEGF and anti-ANG2 BsAb. The CMC studies for Y400 have been completed and the CDE approved the IND application for Y400 in April 2023. The Phase I clinical trial of Y400 for the treatment of neovascular age-related macular degeneration has commenced. In our *in vitro* experiment, Y400 has shown an encouraging efficacy profile. Y400 also has a high concentration formulation which is an important factor for the success of such ophthalmic drugs. As a testament to our research and development capability, we have transferred all the rights and assets of Y400 to CMS Vision.

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that we may be able to ultimately develop and market M701, Y101D, Y150, Y2019, M802 and Y332 successfully. There is no assurance that Y400 may be ultimately developed and marketed successfully. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing Facilities and Collaboration with CMOs/CDMOs

As of the date of this interim report, we maintain a manufacturing base of approximately 1,400 square meters with a scale of 500L (two 200L bioreactors and two 50L bioreactors) and a maximum annual production of 20-24 batches with single bioreactor to accommodate the manufacturing demands for our pre-clinical studies and earlier phases of clinical trials prior to the pivotal clinical trials for a majority of our drug candidates, including M701, Y150, Y332, and our preclinical candidates.

Besides manufacturing conducted at our own facilities, we currently also engage third-party CMOs/CDMOs for (i) the production for pivotal clinical trials of M701, (ii) the manufacturing for pre-clinical studies and clinical trials of Y101D, which require larger production volumes. We are responsible for the development of manufacturing process of our drug candidates, and CMOs/CDMOs are responsible for the manufacturing.

Commercialization

We plan to recruit capable marketing professionals and develop our capabilities of commercialization. As our current pipeline of drug candidates comes to the market, we will build an in-house commercialization team with medical and scientific background to maximize the reach of our product offering and expedite market acceptance of our products in China. We plan to seek collaboration and out-licensing opportunities to promote our drug candidates and brand in the overseas markets.

Our in-house commercialization team will initially focus on the marketing and sales of M701 once it is approved for commercialization. We also plan to further scale up our sales team in line with increasing sales demand of M701 in the future. We plan to initiate negotiations for CSO engagement in the first half of 2024 upon the commercialization of M701 and enter into a partnership agreement with CSO within that year.

KEY EVENTS AFTER THE REPORTING PERIOD

Key Developments of Our Drug Candidates

We will continue to advance both our ongoing and planned clinical programs and trials for our pipeline products in the PRC and globally to prepare for the commercialization of our pipeline products. In particular, subsequent to the Reporting Period, the patient enrollment for the Phase II portion of the Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of advanced/metastatic pancreatic cancer has commenced.

In addition, subsequent to the Reporting Period, the Phase I clinical trial of Y400 for the treatment of neovascular age-related macular degeneration has commenced.

FUTURE DEVELOPMENT

Looking forward to the second half of 2023, the acceleration of our research and development progress for our drug candidates is our top priority. We will continue to rapidly advance the development of our drug candidates and invest more resources in the following areas: (a) clinical development advancement of our clinical-stage drug candidates to maximize their clinical and commercial potentials; (b) exploration of the potentials of our drug candidates in combination therapies to achieve enhanced efficacy with a favorable safety profile; (c) advancement of the clinical development of M701 for MA to bring M701 to the market in an accelerated pace; (d) advancement of the clinical development of Y101D, particularly for indications for which no immunotherapy has been approved; and (e) the further development of our pre-clinical drug candidates, with the aim to advance additional new candidates into clinical development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Other Income

During the Reporting Period, our other income mainly consisted of (i) government grants, (ii) bank interest income and (iii) others.

Government grants included grants received from various PRC government authorities mainly in connection with the enterprise development support and subsidies which had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition. Bank interest income included interest from bank deposits. Others included other miscellaneous non-operating income.

The following table sets forth a breakdown of our other income for the periods indicated:

	Six months ended June 30,		2022	
	2023	%	RMB'000	%
	RMB'000		RMB'000	
	(unaudited)			
Government grants	6,726	97.2	1,114	95.5
Bank interest income	182	2.6	42	3.6
Others	11	0.2	11	0.9
Total	6,919	100.0	1,167	100.0

Our other income increased from RMB1.2 million for the Corresponding Period to RMB6.9 million for the Reporting Period, primarily due to an increase in government grants of RMB5.6 million, which we received from the local government as subsidies for compensating our research and development of our drug candidates.

Other Gains and Losses

During the Reporting Period, our other gains and losses mainly consisted of (i) loss on disposal of property and equipment, (ii) gain from changes in fair value of financial assets at FVTPL and (iii) foreign exchange gains.

The following table sets forth a breakdown of our other gains and losses for periods indicated:

	Six months ended June 30,		2022	
	2023	%	RMB'000	%
	RMB'000		RMB'000	
	(unaudited)			
Loss on disposal of property and equipment	(23)	(1.7)	–	–
Gain from changes in fair value of financial assets at FVTPL	1,343	99.4	714	99.6
Foreign exchange gains	31	2.3	–	–
Others	–	–	3	0.4
Total	1,351	100.0	717	100.0

Loss on disposal of property and equipment represented our loss from disposing certain assets. Gain from changes in fair value of financial assets at FVTPL represented the gain from recognizing fair value changes in wealth management products and structured deposits purchased by us and managed by financial institutions in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Our other gains and losses increased from RMB0.7 million for the Corresponding Period to RMB1.4 million for the Reporting Period, primarily due to an increase in gain from changes in fair value of financial assets at FVTPL of RMB0.6 million, reflecting our gain resulted from changes in fair value of structured deposits and wealth management products purchased by the Company.

Research and Development Expenses

During the Reporting Period, our research and development expenses mainly consisted of (i) technical service fees, (ii) raw materials costs, (iii) employee benefit expenses, (iv) depreciation and amortization expenses and (v) others. Technical service fees mainly related to our engagement with third party service providers including CROs, SMOs, CMOs/CDMOs, clinical trial sites and principal investigators, as well as other expenses incurred in connection with our pre-clinical studies and clinical trials. Raw materials costs mainly included expenses for procuring materials and consumables used to support our preclinical studies and clinical trials. Employee benefit expenses consisted of wages and salaries, bonuses and other employee benefits for research and development employees. Depreciation and amortization expenses mainly represented the depreciation and amortization of our right-of-use assets, property and equipment for research and development purposes. Others mainly included general expenses including utilities, traveling and transportation expenses and other miscellaneous expenses incurred for research and development purposes.

The following table sets forth breakdowns by activities of our research and development expenses in absolute amount and as percentages of our total research and development expenses for the periods indicated:

	Six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
	(unaudited)			
Technical service fees	41,652	58.2	52,399	63.6
Raw material costs	12,816	17.9	13,481	16.4
Employee benefit expenses	12,432	17.3	11,218	13.6
Depreciation and amortization expenses	2,868	4.0	2,868	3.5
Others	1,830	2.6	2,391	2.9
Total	71,598	100.0	82,357	100.0

Our research and development expenses decreased from RMB82.4 million for the Corresponding Period to RMB71.6 million for the Reporting Period. The decrease was mainly due to a decrease in the expenses incurred from the technical service for pre-clinical studies of Y400 and Y332, as we completed the pre-clinical studies of Y400 and Y332 in 2022 while did not incur technical service fees for their pre-clinical studies in the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

During the Reporting Period, our administrative expenses mainly consisted of (i) employee benefits expenses, (ii) professional parties' fees, (iii) depreciation and amortization expenses, (iv) business development fees, (v) freight and miscellaneous fees and (vi) others. Employee benefits expenses consisted of wages and salaries, bonuses and other employee benefits for administrative employees. Professional parties' fees represented our engagement of professional parties during our ordinary course of business. Depreciation and amortization expenses represented the depreciation and amortization of our right-of-use assets, property and equipment for administrative purposes. Business development expenses represented administrative fees incurred as a result of our business development activities. Freight and miscellaneous fees comprised of transportation expenses. Others mainly included lease expenses, utility fees, traveling expenses, office consumables, and other miscellaneous expenses.

The following table sets forth breakdowns of our administrative expenses in absolute amount and as percentages of our total administrative expenses for the periods indicated:

	Six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
	(unaudited)			
Employee benefits expenses	3,533	42.5	3,417	43.4
Professional parties' fees	689	8.3	741	9.4
Depreciation and amortization expenses	732	8.8	612	7.8
Business development fees	660	8.0	1,230	15.6
Freight and miscellaneous fees	343	4.1	457	5.8
Others	2,349	28.3	1,423	18.0
Total	8,306	100.0	7,880	100.0

Our administrative expenses was RMB7.9 million for the Corresponding Period, which remained relatively stable as compared to RMB8.3 million for the Reporting Period.

Listing Expenses

Listing expenses represented expenses incurred for the Listing. Our listing expenses increased significantly from RMB0.5 million for the Corresponding Period to RMB13.5 million for the Reporting Period. The increase was mainly due to the fees to professional parties engaged for the Listing.

Finance Costs

Our finance costs primarily represented our interest expenses on bank and other borrowings. Our finance costs increased from RMB0.8 million for the Corresponding Period to RMB1.4 million for the Reporting Period, mainly due to the longer interest-bearing days on bank borrowings for the Reporting Period while the differences in the principal amount of the bank borrowings for and at the end of the period and the range of interest rate of the bank borrowings were not significant compared to the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

For the Corresponding Period and the Reporting Period, we incurred no income tax expenses.

Loss and Total Comprehensive Expenses

As a result of the foregoing, our loss and total comprehensive expenses was RMB89.6 million for the Corresponding Period, which remained relatively stable as compared to RMB86.6 million for the Reporting Period.

Liquidity and Capital Resources

Our primary sources of liquidity consisted of cash and cash equivalents, which we have historically generated primarily through capital contributions from our shareholders, private equity financing and bank loans. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding our drug candidate portfolio.

As of June 30, 2023, our cash and cash equivalents decreased to RMB76.4 million from RMB153.5 million as of December 31, 2022. The decrease was primarily attributable to repayment of bank borrowings and for our working capital, particularly to fund the continuous research and development of our drug candidates.

As of June 30, 2023, we had current assets of RMB122.4 million, including cash and cash equivalents of RMB76.4 million, financial assets at FVTPL of RMB10.0 million and other current assets of RMB36.0 million. As of June 30, 2023, we had current liabilities of RMB107.5 million, including advance from transfer agreement of RMB40.8 million, bank borrowings of RMB30.0 million, trade and other payables of RMB33.3 million and other current liabilities of RMB3.3 million.

For the Reporting Period, our net cash used in operating activities was RMB72.3 million (the Corresponding Period: RMB77.3 million), which was primarily attributable to our loss before tax of RMB86.6 million, adjusted for non-cash and non-operating items. Positive adjustments primarily included (i) a decrease in prepayments, deposits, and other receivables of RMB11.0 million, (ii) a decrease in inventories of RMB3.4 million and (iii) depreciation of property and equipment of RMB3.2 million. Negative adjustments mainly included (i) an increase in value added tax recoverable of RMB2.9 million, (ii) gain from changes in fair value of financial assets at FVTPL of RMB1.3 million and (iii) a decrease in trade and other payables of RMB0.5 million.

For the Reporting Period, our net cash from investing activities was RMB44.2 million (the Corresponding Period: RMB15.3 million). Such cash inflow was mainly due to our redemption of financial assets at FVTPL of RMB476.0 million, which was partially offset by cash outflow in relation to our purchase of financial assets at FVTPL of RMB439.0 million.

For the Reporting Period, our net cash used in financing activities was RMB49.0 million (the Corresponding Period: RMB32.8 million). Such cash outflow was mainly due to the repayment of bank borrowings of RMB66.5 million, which was partially offset by cash inflow in relation to newly secured bank borrowings of RMB20.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As part of our treasury management, we invest in certain structured deposits and wealth management products to better utilize excess cash when our cash sufficiently covered our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our treasury management activities, to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. We only allow investments in structured deposits and other principal-guaranteed wealth management products, if any, which are issued by large commercial banks in the PRC.

Indebtedness

As of June 30, 2023, we had bank borrowings of RMB30.0 million, consisting of secured and unguaranteed bank loans of RMB21.0 million and unsecured and unguaranteed bank loans of RMB9.0 million. Our bank borrowings decreased from RMB76.5 million as of December 31, 2022 to RMB30.0 million as of June 30, 2023, as we repaid certain bank borrowings during the Reporting Period. As of June 30, 2023, we had unutilized banking facilities of RMB240.0 million.

As of June 30, 2023, we had lease liabilities of RMB0.9 million, as compared to RMB0.2 million as of December 31, 2022.

Gearing Ratio

Gearing ratio represents liability divided by equity as of the same dates and multiplied by 100%. Liability is defined as short term loan and lease liabilities. Our gearing ratio decreased from 49.2% as of December 31, 2022 to 44.5% as of June 30, 2023, primarily due to a decrease in bank borrowing.

Significant Investments Held

We did not make or hold any significant investments during the Report Period.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

We did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

As of the date of this interim report, we do not have any concrete future plans for material capital expenditure, investments or capital assets. We will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

As of June 30, 2023, we did not have any contingent liabilities. As of the date of this interim report, there have been no material changes or arrangements to our contingent liabilities.

Capital Commitments

As of June 30, 2023, we did not have any significant capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on Group Assets

As of June 30, 2023, certain of our bank borrowings were secured by our property and right-of-use assets with an aggregate carrying amount of RMB14.8 million as of the same date.

Foreign Exchange Exposure

Certain financial liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We did not have a foreign currency hedging policy against our exposure to currency risk during the Reporting Period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employee Remuneration and Relations

As of June 30, 2023, the Group had a total of 122 employees with 99 employees for research and development and 23 employees for general and administrative.

We are committed to making sure that working conditions throughout our business network are safe and that employees are treated with care and respect. We believe we offer our employees competitive compensation packages, reflecting our stakeholder-centric ethos which we believe leads to sustainable and durable growth. As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurances, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. Our compensation package also comprises year-end bonuses, communication, transport and meal allowances, staff dormitory, paid leaves, and holiday benefits. In addition, we provide career development opportunities and promote an inventive, collaborative, and productive work environment, which we believe fosters long-lasting self-motivation for our employees.

We offer employees a variety of professional development opportunities and encourage a performance-driven environment. We focus on creating a culture to encourage retention and engagement. Given our emphasis on our integrated in-house research and development capabilities, we attach great importance to internal talent growth. We continually pursue progression opportunities for our staff through various internal and external training and development programs, including pre-job training, on-the-job practice, cross-training, special skills training, and talent echelon development training.

In recognition of the contributions of our employees and to incentivize them to further promote our development, the Company had adopted the Wuhan Caizhi Employee Incentive Scheme of Wuhan YZY Biopharma Co., Ltd. (the "**Wuhan Caizhi Employee Incentive Scheme**") and the Caizhi No. 2 Employee Incentive Scheme of Wuhan YZY Biopharma Co., Ltd. (the "**Caizhi No. 2 Employee Incentive Scheme**") (collectively, the "**Employee Incentive Schemes**"). An award under the Employee Incentive Schemes (the "**Award(s)**") gives a participant in the Employee Incentive Schemes a right when granted the Award to obtain partnership interest in the employee incentive platforms (namely, Wuhan Caizhi, Caizhi No. 2, Huiyou Jucai and Huiyou Juzhi) as a limited partner. The Employee Incentive Schemes do not involve any grant of share options or awards after the Listing and therefore are not subject to the provisions of Chapter 17 of the Listing Rules. As of the date of this interim report, Wuhan Caizhi and Caizhi No. 2, in aggregate, directly hold 28,413,118 Shares (comprising of 22,602,913 Unlisted Shares and

MANAGEMENT DISCUSSION AND ANALYSIS

5,810,205 H Shares) (representing approximately 14.72% of the total issued share capital of the Company as of the date of this interim report), while some of the participants indirectly held partnership interest in Wuhan Caizhi through holding partnership interest in Huiyou Jucai and/or Huiyou Juzhi.

Subsequent Events After the Reporting Period

On September 25, 2023, our Company was listed on the Main Board of the Stock Exchange and made a Global Offering of 11,001,200 H Shares (excluding any ordinary shares issued pursuant to the exercise of the Over-allotment Option) with nominal value of RMB1.00 per H Share at the offer price of HK\$16.00 per H Share. The net proceeds from the Global Offering (after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering and without taking into account the exercise of the Over-allotment Option) was approximately HK\$121.4 million. The proceeds from the Global Offering were received by the Company after the end of the Reporting Period. Details of the expected usage of proceeds from the Global Offering are set forth in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Save as disclosed above and as of the date of this interim report, there are no other significant events that might affect our Group since June 30, 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of June 30, 2023, the Company was not listed on the Stock Exchange and therefore Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Directors, Supervisors and the chief executive of the Company.

Save as disclosed below, as of the date of this interim report, no other Directors, Supervisors and chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions in shares, underlying shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director, Supervisor or Chief Executive	Nature of Interest	Description of the Shares ⁽⁵⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽⁵⁾
Yuan Qian (袁謙) ⁽²⁾⁽³⁾	Beneficial owner; interest held jointly with other persons; interest in controlled corporations	Unlisted Shares	54,262,305	28.12%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.70%	1.21% (H Shares)
Dr. Zhou Pengfei ⁽²⁾⁽³⁾	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	28.12%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.70%	1.21% (H Shares)
Dr. Zhou Hongfeng (周宏峰) ⁽²⁾⁽³⁾	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	28.12%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.70%	1.21% (H Shares)
Dr. Guo Hongwei (郭宏偉) ⁽⁴⁾	Beneficial owner	Unlisted Shares	370,087	0.19%	0.45% (Unlisted Shares)
		Unlisted Shares	1,611,513	0.83%	1.96% (Unlisted Shares)
		H Shares	1,426,827	0.74%	1.29% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The calculation is based on the total number of 82,380,386 Unlisted Shares and 110,620,814 H Shares in issue as of the date of this interim report. All interests stated are long positions.
- (2) Pursuant to the concert party agreement dated June 30, 2018 and supplemental concert party agreements dated October 26, 2020 and June 2, 2023 entered into by Yuan Qian, Dr. Zhou Hongfeng, Dr. Zhou Pengfei and Wuhan Caizhi (each an “**AIC Party**”, collectively, “**AIC Parties**”), the AIC Parties agreed (i) to act in concert by way of reaching consensus on proposals related to the Group’s daily management and operation presented to all general meetings and Board meetings of the Company; and (ii) that when no consensus can be reached, the AIC Parties shall vote in concurrence with Yuan Qian on the proposals, or, in the event of Yuan Qian’s absence from voting, the AIC Parties shall vote in concurrence with the AIC Party with the highest shareholding percentage among the AIC Parties who votes at the meetings. As a result, each of the AIC Parties was deemed to be interested in all the Shares in which each of them is interested under the SFO.
- (3) As of the date of this interim report, Chengdu Puhua Kaizhi Biotechnology Co., Ltd. (成都樸華凱智生物科技有限公司) (“**Puhua Kaizhi**”) was indirectly 50% owned by Yuan Qian through his wholly-owned YZY Industrial Group Co., Ltd. (友芝友實業集團有限公司), and was 30% owned by Dr. Zhou Hongfeng. By virtue of the SFO, Yuan Qian was deemed to be interested in the 1,342,600 H Shares held by Puhua Kaizhi as one of the cornerstone investors participating in the Global Offering, details of which were disclosed in the allotment results announcement of the Company published on the website of the Stock Exchange on September 22, 2023.
- (4) As of the date of this interim report, Gongqingcheng Yaoyou Investment Center (Limited Partnership) (共青城曜友投資中心(有限合夥)) (“**Gongqingcheng Yaoyou**”) was the general partner of Gongqingcheng Huiyou Xingyao Phase II Equity Investment Partnership (Limited Partnership) (共青城匯友興曜二期股權投資合夥企業(有限合夥)) (“**Gongqingcheng Huiyou**”), and Dr. Guo Hongwei was the limited partner of Gongqingcheng Yaoyou with the limited partnership interests of 60.00%. As a result, Dr. Guo Hongwei was deemed to be interested in the 1,426,827 H Shares and 1,611,513 Unlisted Shares held by Gongqingcheng Huiyou under the SFO.
- (5) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As stated above, the Company was not yet listed on the Stock Exchange as of June 30, 2023. Accordingly, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the substantial shareholders of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

So far as the Directors are aware, as of the date of this interim report, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) had an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which would be recorded in the register required to be kept under Section 336 of the SFO, or, who are, directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹³⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽¹³⁾
Wuhan Caizhi ⁽²⁾⁽¹²⁾	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	28.12%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.70%	1.21% (H Shares)
Huiyou Jucai ⁽²⁾⁽³⁾	Interest in controlled corporations	Unlisted Shares	54,262,305	28.12%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.70%	1.21% (H Shares)
CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司) ("CSPC-NBP") ⁽⁴⁾	Beneficial owner	H Shares	51,241,785	26.55%	46.32% (H Shares)
CSPC Pharmaceutical Group Limited (石藥集團有限公司) ("CSPC") ⁽⁴⁾	Interest in controlled corporation	H Shares	51,241,785	26.55%	46.32% (H Shares)
Dragon Merit Holdings Limited ⁽⁴⁾	Interest in controlled corporation	H Shares	51,241,785	26.55%	46.32% (H Shares)
Robust Sun Holdings Limited ⁽⁴⁾	Interest in controlled corporation	H Shares	51,241,785	26.55%	46.32% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹³⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽¹³⁾
Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) (南京才智二號企業管理合夥企業(有限合伙)) (“Caizhi No. 2”)	Beneficial owner	Unlisted Shares	5,810,206	3.01%	7.05%
		H Shares	5,810,205	3.01%	5.25%
Tongde Qianyuan (Beijing) Investment Management Co., Ltd (同德乾元(北京)投資管理有限公司) (“Tongde Qianyuan”) ⁽⁵⁾	Interest in controlled corporations	Unlisted Shares	5,059,039	2.62%	6.14%
		H Shares	11,822,970	6.13%	10.69%
Wen Zhicheng (溫植成) ⁽⁵⁾	Interest in controlled corporations	Unlisted Shares	5,059,039	2.62%	6.14%
		H Shares	11,822,970	6.13%	10.69%
Nanning Huiyou Xingyao Equity Investment Fund Partnership (Limited Partnership) (南寧匯友興曜股權投資基金合夥企業(有限合伙)) (“Huiyou Xingyao”) ⁽⁵⁾	Beneficial owner	Unlisted Shares	3,447,526	1.79%	4.18%
		H Shares	6,695,271	3.47%	6.05%
Nanning Yaoyou Business Consulting Partnership (Limited Partnership) (南寧曜友商務諮詢合夥企業(有限合伙)) (“Nanning Yaoyou”) ⁽⁵⁾	Interest in controlled corporations	Unlisted Shares	3,447,526	1.79%	4.18%
		H Shares	6,695,271	3.47%	6.05%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹³⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽¹³⁾
Long Star Growth Group Limited (長星成長集團有限公司) ("Long Star Growth") ⁽⁶⁾	Beneficial owner	H Shares	7,916,510	4.10%	7.16% (H Shares)
Sooner Star Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH Growth Fund III (USD Parallel), L.P. ("CDH Growth Fund") ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH R-III Parallel Holdings Company Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH GP Holdings Company Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH Investment Management Company Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH 2018 VGC Investment Fund, L.P. ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH Management Company Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
Wang Lin (王霖) ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
CDH Griffin Holdings Company Limited ("CDH Griffin") ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
Central Oak Company Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹³⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽¹³⁾
WU Shangzhi ⁽⁶⁾	Interest in controlled corporations	H Shares	7,916,510	4.10%	7.16% (H Shares)
Hainan Boyou Enterprise Management Consulting Center (Limited Partnership) (海南博友企業管理諮詢中心(有限合夥)) ("Hainan Boyou") ⁽⁷⁾	Beneficial owner	H Shares	7,628,713	3.95%	6.90% (H Shares)
Liu Dong (劉東) ⁽⁷⁾	Interest in controlled corporations	H Shares	7,628,713	3.95%	6.90% (H Shares)
Shidai Weiye ⁽⁷⁾	Interest in controlled corporations	H Shares	7,628,713	3.95%	6.90% (H Shares)
Liu Junting (劉俊亭) ⁽⁷⁾	Interest in controlled corporations	H Shares	7,628,713	3.95%	6.90% (H Shares)
Ningbo Meishan Bonded Port Area Guangrui Hongxiang Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區廣瑞弘祥股權投資合夥企業(有限合夥)) ("Guangrui Hongxiang") ⁽⁸⁾	Beneficial owner	H Shares	7,196,835	3.73%	6.51% (H Shares)
Guoxin Sichuang Investment Fund Management (Beijing) Co., Ltd (國新思創投資基金管理(北京)有限公司) ("Guoxin Sichuang") ⁽⁸⁾	Interest in controlled corporations	H Shares	7,196,835	3.73%	6.51% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹³⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽¹³⁾
Wang Hongjie (王宏傑) ⁽⁸⁾	Interest in controlled corporations	H Shares	7,196,835	3.73%	6.51% (H Shares)
Hebei Yier Enterprise Management Consulting Co., LTD (河北益爾企業管理諮詢有限公司) (“Hebei Yier”) ⁽⁸⁾	Interest in controlled corporations	H Shares	7,196,835	3.73%	6.51% (H Shares)
Wuhan Optics Valley New Technology Industry Investment Co., Ltd (武漢光谷新技術產業投資有限公司) (“Guanggu New Technology”) ⁽⁹⁾	Beneficial owner	Unlisted Shares	7,000,000	3.63%	8.50% (Unlisted Shares)
Wuhan Hi-Tech Holding Group Co., Ltd. (武漢高科國有控股集團有限公司) (“Wuhan Hi-Tech”) ⁽⁹⁾	Interest in controlled corporations	Unlisted Shares	7,000,000	3.63%	8.50% (Unlisted Shares)
Wuhan Optics Valley Health Industry Investment Ltd. (武漢光谷健康產業投資有限公司) (“Guanggu Health”) ⁽¹⁰⁾	Beneficial owner	Unlisted Shares	5,600,000	2.90%	6.80% (Unlisted Shares)
		H Shares	2,686,000	1.39%	2.43% (H Shares)
Hubei Science and Technology Investment Group Co, Ltd. (湖北省科技投資集團有限公司) (“Hubei Science & Technology Investment”) ⁽¹⁰⁾⁽¹¹⁾	Interest in controlled corporations	Unlisted Shares	7,000,000	3.63%	8.50% (Unlisted Shares)
		H Shares	2,686,000	1.39%	2.43% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹³⁾	Number of Shares Held or Interested	Approximate percentage of interest in the Company ⁽¹⁾	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate) Shares ⁽¹⁾⁽¹³⁾
Wuhan East Lake New Technology Development Zone Management Committee (武漢東湖新技術開發區管理委員會) (“East Lake Management Committee”) ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	Interest in controlled corporations	Unlisted Shares	14,000,000	7.25%	16.99% (Unlisted Shares)
		H Shares	2,686,000	1.39%	2.43% (H Shares)

Notes:

- The calculation is based on the total number of 82,380,386 Unlisted Shares and 110,620,814 H Shares in issue as of the date of this interim report. All interests stated are long positions.
- Pursuant to the concert party agreement dated June 30, 2018 and supplemental concert party agreements dated October 26, 2020 and June 2, 2023 entered into by Yuan Qian, Dr. Zhou Hongfeng, Dr. Zhou Pengfei and Wuhan Caizhi, the AIC Parties agreed (i) to act in concert by way of reaching consensus on proposals related to the Group’s daily management and operation presented to all general meetings and Board meetings of the Company; and (ii) that when no consensus can be reached, the AIC Parties shall vote in concurrence with Yuan Qian on the proposals, or, in the event of Yuan Qian’s absence from voting, the AIC Parties shall vote in concurrence with the AIC Party with the highest shareholding percentage among the AIC Parties who votes at the meetings. As a result, each of the AIC Parties was deemed to be interested in all the Shares in which each of them is interested under the SFO.
- As of the date of this interim report, (i) Yuan Qian was the executive partner of Wuhan Caizhi; (ii) Wuhan Caizhi was owned as to approximately 50.76% by Huiyou Jucai as its largest limited partner; (iii) Huiyou Jucai was owned as to approximately 49.95% by Dr. Zhou Pengfei as its general partner. As a result, Huiyou Jucai was deemed to be interested in, through Wuhan Caizhi (one of the AIC Parties), all the Shares in which each of the AIC Parties is interested under the SFO.
- As of the date of this interim report, CSPC-NBP was owned as to 54.06% and 45.94% by CSPC and Dragon Merit Holdings Limited, respectively; and Dragon Merit Holdings Limited was owned as to 100.00% by Robust Sun Holdings Limited, which was wholly owned by CSPC. As a result, each of CSPC, Dragon Merit Holdings Limited and Robust Sun Holdings Limited was deemed to be interested in the 51,241,785 H Shares held by CSPC-NBP under the SFO.
- As of the date of this interim report, (i) Nanning Yaoyou was the general partner of Huiyou Xingyao, Tongde Qianyuan was the general partner of Nanning Yaoyou, Tongde Qianyuan was owned as to approximately 72.38% by Wen Zhicheng; (ii) Beijing Tongde Tongxin Investment Center (Limited Partnership) (北京同德同鑫投資中心(有限合夥)) (“Tongde Tongxin”) was the general partner of Nanning Zhongheng Tongde Pharmaceutical Industry Investment Fund Partnership (Limited Partnership) (南寧中恒同德醫藥產業投資基金合夥企業(有限合夥)) (“Zhongheng Tongde”), Tongde Qianyuan was the general partner of Tongde Tongxin; and (iii) Gongqingcheng Yaoyou was the general partner of Gongqingcheng Huiyou, Tongde Qianyuan was the general partner of Gongqingcheng Yaoyou. As a result, each of Tongde Qianyuan and Wen Zhicheng was deemed to be interested in (i) the 6,695,271 H Shares and 3,447,526 Unlisted Shares held by Huiyou Xingyao, (ii) the 3,700,872 H Shares held by Zhongheng Tongde, and (iii) the 1,426,827 H Shares and 1,611,513 Unlisted Shares held by Gongqingcheng Huiyou under the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (6) As of the date of this interim report, (i) Long Star Growth was indirectly wholly owned by CDH Growth Fund through its wholly-owned Sooner Star Limited; (ii) CDH R-III Parallel Holdings Company Limited was the general partner of CDH Growth Fund; (iii) CDH R-III Parallel Holdings Company Limited was owned as to approximately 43% by CDH GP Holdings Company Limited which was in turn wholly owned by CDH Investment Management Company Limited, and approximately 57% by CDH 2018 VGC Investment Fund, L.P. with CDH Management Company Limited being its general partner and Wang Lin being its single limited partner owning its 100% partnership interests; (iv) CDH Investment Management Company Limited and CDH Management Company Limited were wholly owned by CDH Griffin; (v) CDH Griffin was owned to approximately 33.2% by Central Oak Company Limited which was in turn wholly owned by Wu Shangzhi. As a result, each of Sooner Star Limited, CDH Growth Fund, CDH R-III Parallel Holdings Company Limited, CDH GP Holdings Company Limited, CDH Investment Management Company Limited, CDH 2018 VGC Investment Fund, L.P., CDH Management Company Limited, Wang Lin, CDH Griffin, Central Oak Company Limited and WU Shangzhi was deemed to be interested in the 7,916,510 H Shares held by Long Star Growth under the SFO.
- (7) As of the date of this interim report, (i) Liu Dong was the general partner of Hainan Boyou, (ii) Hainan Boyou was owned as to approximately 31.13% by Shidai Weiye as its largest limited partner; (iii) Shidai Weiye was owned as to approximately 60% by Liu Dong and 40% by Liu Junting. As a result, each of Liu Dong, Shidai Weiye and Liu Junting was deemed to be interested in the 7,628,713 H Shares held by Hainan Boyou under the SFO.
- (8) As of the date of this interim report, (i) Guoxin Sichuang was the general partner of Guangrui Hongxiang; (ii) Guoxin Sichuang was owned as to approximately 60% by Wang Hongjie and 40% by Hebei Yier which was in turn owned as to approximately 40% by Wang Hongjie. As a result, each of Guoxin Sichuang, Wang Hongjie and Hebei Yier was deemed to be interested in the 7,196,835 H Shares held by Guangrui Hongxiang under the SFO.
- (9) As of the date of this interim report, Guanggu New Technology was owned as to approximately 98.59% by Wuhan Hi-Tech, which was in turn wholly owned by the state-owned East Lake Management Committee. As a result, each of Wuhan Hi-Tech and East Lake Management Committee was deemed to be interested in the 7,000,000 Unlisted Shares held by Guanggu New Technology under the SFO.
- (10) As of the date of this interim report, Guanggu Health was wholly owned by Hubei Science & Technology Investment, which was in turn wholly owned by the state-owned East Lake Management Committee. As a result, each of Hubei Science & Technology Investment and East Lake Management Committee was deemed to be interested in the 5,600,000 Unlisted Shares and the 2,686,000 H Shares (as one of the cornerstone investors participating in the Global Offering, details of which were disclosed in the allotment results announcement of the Company published on the website of the Stock Exchange on September 22, 2023) held by Guanggu Health under the SFO.
- (11) As of the date of this interim report, Guanggu Growth was owned as to approximately 50.91% by Wuhan Optics Valley Venture Capital Fund Co., Ltd. (武漢光谷創業投資基金有限公司) (“**Guanggu VC**”) and as to approximately 49.09% by Wuhan Optics Valley Technology Financing Guarantee Co., Ltd. (武漢光谷科技融資擔保有限公司) (“**Guanggu Financing Guarantee**”), respectively. Guanggu VC was owned as to 57.00% by Wuhan Optics Valley Financial Holding Group Co., Ltd. (武漢光谷金融控股集團有限公司) (“**Guanggu Financial Holding Group**”) and as to 43.00% by Wuhan Guanggu Growth Venture Capital Management Co., Ltd. (武漢光谷成長創業投資管理有限公司) (“**Guanggu Growth Venture Capital**”), respectively. Guanggu Growth Venture Capital was owned as to 35.00% by Guanggu Financial Holding Group. Guanggu Financing Guarantee was owned as to 90.00% by Guanggu Financial Holding Group. Guanggu Financial Holding Group was owned as to approximately 54.61% by Hubei Science & Technology Investment, which was in turn wholly owned by the state-owned East Lake Management Committee. As a result, each of Hubei Science & Technology Investment and East Lake Management Committee was deemed to be interested in the 1,400,000 Unlisted Shares held by Guanggu Growth under the SFO.
- (12) As of the date of this interim report, Puhua Kaizhi was indirectly 50% owned by Yuan Qian through his wholly-owned YZY Industrial Group Co., Ltd. (友芝友實業集團有限公司), and was 30% owned by Dr. Zhou Hongfeng. By virtue of the SFO, Yuan Qian was deemed to be interested in the 1,342,600 H Shares held by Puhua Kaizhi as one of the cornerstone investors participating in the Global Offering, details of which were disclosed in the allotment results announcement of the Company published on the website of the Stock Exchange on September 22, 2023.
- (13) For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares.

Save as disclosed above, the Directors are not aware of any person who had an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and which would be recorded in the register required to be kept under Section 336 of the SFO, or, who are, directly or indirectly interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangement has been made by the Company, its holding company, or any of its subsidiaries for any Director or Supervisor to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate from the Listing Date to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Since the Company was not yet listed on the Stock Exchange as of June 30, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. As the H Shares were not yet listed on the Stock Exchange as of June 30, 2023, the principles and code provisions of the CG Code were not applicable to the Company during the Reporting Period.

From the Listing Date to the date of this interim report, the Company has complied with the code provisions in the CG Code, except for code provision C.2.1 as explained below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Zhou Pengfei is the founder of the Group, the chairman of the Board and the chief executive officer of the Company who has been participating in the Group's business and overall strategic planning since its establishment. The Board believes that vesting the roles of both the chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the chairperson of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Board is committed to achieving 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 will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in dealing in securities of the Company by the Directors and Supervisors. Since the Company was not yet listed on the Stock Exchange as of June 30, 2023, the Model Code was not applicable to the Company during the Reporting Period. Specific enquiries have been made to all the Directors and Supervisors and each of them confirmed that they have complied with the standards set out in the Model Code from the Listing Date to the date of this interim report.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

From the Listing Date to the date of this interim report, there are no material changes in the Directors', Supervisors' and chief executive's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, and provide advice and comments to the Board. The Audit Committee comprises three members, Ms. Fu Lili, Dr. Zhou Hongfeng and Dr. Deng Yuezhen, with Ms. Fu Lili (being our independent non-executive Director with the appropriate professional qualifications) as chairwoman of the Audit Committee.

The Audit Committee has considered and reviewed the unaudited interim financial information for the Reporting Period and the accounting principles and practices adopted by the Group as set out in this interim report, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited interim financial information of the Group for the Reporting Period are in compliance with the relevant accounting standards, laws and regulations.

The unaudited interim financial information of the Group for the Reporting Period has been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, Certified Public Accountants, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend to the Shareholders for the six months ended June 30, 2023.

By order of the Board

Wuhan YZY Biopharma Co., Ltd.

Dr. Zhou Pengfei

Chairman of the Board, Executive Director and Chief Executive Officer

Wuhan, the PRC

September 28, 2023

INDEPENDENT REVIEW REPORT

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Wuhan YZY Biopharma Co., Ltd.

武漢友芝友生物製藥股份有限公司

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wuhan YZY Biopharma Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 52, which comprise the condensed consolidated statement of financial position as of June 30, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-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

September 28, 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSES

For the six months ended June 30, 2023

	NOTES	Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000
Other income	5	6,919	1,167
Other gains and losses	6	1,351	717
Research and development expenses		(71,598)	(82,357)
Administrative expenses		(8,306)	(7,880)
Listing expenses		(13,499)	(509)
Finance costs	7	(1,435)	(766)
Loss before tax	8	(86,568)	(89,628)
Income tax expense	9	–	–
Loss for the period		(86,568)	(89,628)
Loss per share			
– Basic (RMB)	10	(0.48)	(0.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2023

	NOTES	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
Non-current Assets			
Property and equipment	12	43,661	46,042
Right-of-use assets	12	9,280	8,507
Investment properties		513	536
Value added tax recoverable		497	8,671
Prepayment for acquisition of property and equipment		744	129
		54,695	63,885
Current Assets			
Inventories	13	7,229	10,623
Prepayments, deposits and other receivables	14	17,668	27,814
Value added tax recoverable		11,054	–
Financial assets at fair value through profit or loss (“FVTPL”)		10,000	47,000
Cash and cash equivalents		76,445	153,520
		122,396	238,957
Current Liabilities			
Trade and other payables	15	33,322	33,555
Bank borrowings	16	30,000	76,500
Amount due to a related party	22	45	–
Lease liabilities		572	169
Deferred income	17	2,700	2,975
Advance from transfer agreement	18	40,843	33,761
		107,482	146,960
Net Current Assets		14,914	91,997
Total Assets Less Current Liabilities		69,609	155,882
Non-current Liability			
Lease liabilities		295	–
		295	–
Net Assets		69,314	155,882
Capital and Reserves			
Paid-in capital	19	–	–
Share capital	19	182,000	182,000
Reserves		(112,686)	(26,118)
Total Equity		69,314	155,882

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

	Paid-in capital RMB'000	Share capital RMB'000	Capital reserve RMB'000	Share premium RMB'000	Other reserves RMB'000	Share- based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2023	-	182,000	-	193,384	-	1,584	(221,086)	155,882
Loss and total comprehensive expenses for the period (unaudited)	-	-	-	-	-	-	(86,568)	(86,568)
At June 30, 2023 (unaudited)	-	182,000	-	193,384	-	1,584	(307,654)	69,314
At January 1, 2022	165,072	-	448,528	-	13,722	88,278	(572,436)	143,164
Loss and total comprehensive expenses for the period	-	-	-	-	-	-	(89,628)	(89,628)
Conversion into a joint stock company (note 19)	(165,072)	168,000	(448,528)	7,384	(13,722)	(88,278)	540,216	-
At June 30, 2022	-	168,000	-	7,384	-	-	(121,848)	53,536

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(72,318)	(77,320)
INVESTING ACTIVITIES		
Interest received from banks	182	42
Advance from transfer agreement	7,113	–
Gain on financial assets at FVTPL	1,343	714
Purchase of property and equipment	(1,413)	(506)
Purchase of financial assets at FVTPL	(439,000)	(67,000)
Redemption of financial assets at FVTPL	476,000	82,000
Net cash from investing activities	44,225	15,250
FINANCING ACTIVITIES		
New bank borrowing raised	20,000	62,500
Repayment of bank borrowings	(66,500)	(28,000)
Payments of lease liabilities	(513)	(212)
Issue cost paid	(534)	(748)
Interest paid on borrowings	(1,411)	(753)
Interest paid on lease liabilities	(24)	(13)
Net cash (used in) from financing activities	(48,982)	32,774
Net decrease in cash and cash equivalents	(77,075)	(29,296)
Cash and cash equivalents at the beginning of the period	153,520	83,085
Cash and cash equivalents at the end of the period	76,445	53,789

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on July 8, 2010 as a limited liability company. On January 13, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC, with its name changed from Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司) to Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司). The details are more fully explained in the section headed "History, Development and Corporate Structure" to the prospectus dated September 13, 2023 (the "Prospectus"). Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since September 25, 2023. The respective address of the registered office and the principal place of business of the Company is No. 666 Gaoxin Avenue, Wuhan East Lake New Technology Development District, Wuhan, Hubei Province, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are mainly committed to develop bispecific antibody (BsAb)-based targeted and immune-oncology therapies to address the significant unmet medical needs of patients with cancer and age-related ophthalmologic diseases.

The condensed consolidated financial statements for the six months ended June 30, 2023 are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for each of the two years ended December 31, 2022 and the five months ended May 31, 2023 underlying the preparation of the historical financial information included in the accountants' report presented in the Prospectus.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

4. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the discovering, developing and commercializing new class of innovative medicines in respect to anti-tumor bispecific antibody.

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker ("CODM"), reviews the overall results and financial position of the Group as a whole and no further analysis of the single segment is presented.

Geographical information

The Group did not generate any revenue for the six months ended June 30, 2023 (six months ended June 30, 2022: nil). As at June 30, 2023, all of the Group's non-current assets are located in the PRC.

5. OTHER INCOME

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Government grants (note)	6,726	1,114
Bank interest income	182	42
Others	11	11
	6,919	1,167

Note: The amounts represent government grants received from various PRC government authorities as incentives for the Group's research and development activities. Some subsidies had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition.

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Loss on disposal of property and equipment	(23)	–
Gain from changes in fair value of financial assets at FVTPL	1,343	714
Foreign exchange gains	31	–
Others	–	3
	1,351	717

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

7. FINANCE COSTS

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Interest expenses on bank and other borrowings	1,411	753
Interest expenses on lease liabilities	24	13
	1,435	766

8. LOSS BEFORE TAX

Loss before tax for the period has been arrived at after charging the following items:

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Loss before tax for the period has been arrived at after charging:		
Directors' and supervisors' emoluments	2,394	2,307
Other staff costs:		
– salaries and other allowances	10,606	9,834
– discretionary bonuses (note)	1,229	892
– retirement benefit scheme contributions	1,736	1,602
Total staff costs	15,965	14,635
Auditors' remuneration	1,710	338
Depreciation of property and equipment	3,153	3,157
Depreciation of right-of-use assets	438	300
Depreciation of investment properties	23	23
Total depreciation	3,614	3,480
Cost of inventories recognized as an expense	12,816	13,481
Listing expenses	13,499	509

Note: Discretionary bonuses are determined based on the duties and performances of the relevant individuals and the operating result of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Current PRC enterprise income tax	–	–

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

At June 30, 2023, the Group has unrecognized tax losses of approximately RMB783,027,000 (December 31, 2022: RMB632,811,000). At June 30, 2023, the Group has deductible temporary differences of approximately RMB7,959,000 (December 31, 2022: RMB16,256,000). No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

10. LOSS PER SHARE

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

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Loss		
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share (RMB'000)	(86,568)	(89,628)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	182,000	168,000
Loss per share	0.48	0.53

The Company was converted to a joint stock company on January 13, 2022, 168,000,000 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. This capitalization of share capital is applied retrospectively for the purpose of calculating basic loss per share, as adjusted for the capital contributions by the then shareholder.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

10. LOSS PER SHARE (CONTINUED)

No diluted loss per share for the six months ended June 30, 2023 was presented (six months ended June 30, 2022: n/a) as there was no potential ordinary shares in issue for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended June 30, 2022: nil).

12. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain equipment and furniture and fixture with an aggregate carrying amount of RMB23,000 (six months ended June 30, 2022: RMB Nil) at nil consideration (six months ended June 30, 2022: RMB Nil), resulting in a loss on disposal of RMB23,000 (six months ended June 30, 2022: RMB Nil).

In addition, during the current interim period, the Group incurred RMB795,000 (six months ended June 30, 2022: RMB754,000) for acquisitions of equipment and furniture and fixture.

During the current interim period, the Group renewed one lease agreement and entered into one new lease agreement with lease terms ranged from 1 to 3 years. On date of lease modification or lease commencement, the Group recognised right-of-use assets of RMB1,211,000 (six months ended June 30, 2022: RMB58,000) and lease liabilities of RMB1,211,000 (six months ended June 30, 2022: RMB58,000).

13. INVENTORIES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
Materials for research and development project	7,229	10,623

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
Prepayments for research and development services (note)	13,564	19,703
Deferred issue costs	2,789	6,560
Prepayments for listing expense and issue costs	406	557
Advance to staff	227	337
Others	682	657
	17,668	27,814

Note: Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of drugs.

15. TRADE AND OTHER PAYABLES

	At 30 June, 2023 RMB'000 (unaudited)	At 31 December, 2022 RMB'000
Trade payables for research and development expenses	3,063	3,214
Accrued research and development expenses	14,753	15,503
Other payables to government (note i)	3,600	3,600
Accrued staff costs and benefits	1,845	3,456
Accrued listing expenses	8,490	4,318
Accrued issue costs	921	2,009
Government grants received on behalf of staff (note ii)	–	877
Other tax payables	446	454
Payables for acquisition of property and equipment	44	47
Others	160	77
	33,322	33,555

Notes:

- (i) This amount was asset related government subsidy and attached with conditions that the construction of the buildings should be completed and approved by the respective PRC government authority before December 31, 2016. The Group has not fulfilled the conditions attached to this subsidy at December 31, 2022 and June 30, 2023. Therefore, the amount was repayable to the respective PRC government authority on demand.
- (ii) These amounts were government subsidy received on behalf of staff and repayable to staff on demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

15. TRADE AND OTHER PAYABLES (CONTINUED)

The credit period on purchases of goods/services of the Group is 0 to 90 days.

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

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
0-30 days	2,080	1,795
31-90 days	753	628
91-180 days	84	61
181-365 days	14	207
Over 365 days	132	523
	3,063	3,214

Analysis of trade payables and other payables of the Group and the Company denominated in currencies other than the functional currency of relevant group entities is set out below:

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
GBP	–	713
HK\$	389	469
US\$	8,419	5,361
CHF	361	754
	9,169	7,297

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB20,000,000 (six months ended June 30, 2022: RMB62,500,000). The loans carry interest at fixed market rates ranging from 3.85% to 4.50% per annum and are repayable within eight months to one year. The proceeds were used to finance the research and development activities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

16. BANK BORROWINGS (CONTINUED)

The new bank loan of RMB11,000,000 was secured and unguaranteed. Such loan was secured by the Group's property and equipment, right-of-use assets and investment properties with carrying amount of RMB6,236,000, RMB8,180,000, and RMB514,000 respectively as at June 30, 2023. The new bank loans of RMB9,000,000 were unsecured and guaranteed. Such loans were guaranteed by the Company's subsidiary of Nanjing Youbodi Biotechnology Co., Ltd* (南京友博迪生物技术有限公司).

17. DEFERRED INCOME

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
Subsidies related to research and development activities (note)	2,700	2,975

Note: Subsidies are in relation to research and development activities of the Group. The subsidies can be regarded as fully granted until certain conditions are fulfilled. As at June 30, 2023 and December 31, 2022, the relevant conditions have not been fully fulfilled and therefore the government subsidies were classified as deferred income. Such deferred income is categorized as current liabilities because the fulfilment date are reasonably estimated within one year.

18. ADVANCE FROM TRANSFER AGREEMENT

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
Upfront fee received from transfer agreement	40,843	33,761

In July 2022, the Company entered into an agreement with an independent third party (the "Transferee") (the "Agreement") to transfer all of the rights and assets relating to one of its drug candidates (the "Transfer").

The Company is entitled to a fixed upfront fee amounting to USD5,000,000 for the Transfer and a fixed milestone fee amounting to USD1,000,000 when the Transferee get an approval for clinical trial of the drug candidate from the National Medical Products Administration of the People's Republic of China (the "NMPA"). On April 27, 2023, the Transferee received an approval for drug clinical trials from NMPA, and settled the milestone fee with the Company in June 2023. According to the Agreement, the upfront fee and the milestone fee will be required to refund upon the condition, which is not possible to predict the possibility of occurrence, and the upfront fee and the milestone fee were recognised as advance from transfer agreement and classified as current liabilities.

* English name is for identification purpose only.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

19. PAID-IN CAPITAL/SHARE CAPITAL

As disclosed in note 1, the Company converted into a joint stock company on January 13, 2022. The balance as at January 1, 2022 represented the paid-in capital of the Company prior to the conversion to a joint stock company. Share capital as at June 30, 2022, December 31, 2022 and June 30, 2023 represented the issued share capital of the Company.

Paid-in capital

	Paid-in capital RMB'000
Issued and paid	
At January 1, 2022	165,072
Conversion into a joint stock company (note)	(165,072)
At June 30, 2022	–

Share capital

	Number of shares	Nominal value of shares RMB'000
Authorized and issued		
At January 1, 2022	–	–
Issue of ordinary shares upon conversion into a joint stock company (note)	168,000,000	168,000
At June 30, 2022	168,000,000	168,000
At January 1, 2023 and June 30, 2023 (unaudited)	182,000,000	182,000

Note: On January 13, 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion date of August 31, 2021, including paid-in capital, reserves and accumulated losses, amounting to approximately RMB175,384,000 were converted into approximately 168,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

20. CAPITAL COMMITMENT

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements:		
– Property and equipment	344	1,116

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determine the appropriate valuation techniques and inputs for fair value measurements.

Except for financial assets at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

	Fair value as at June 30, 2023 RMB'000 (unaudited)	Fair value as at December 31, 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVTPL	10,000	47,000	Level 2	Income approach- the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A

There were no transfers between level 1 and level 2 during the six months ended June 30, 2023 and 2022.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate to their respective fair values at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

22. RELATED PARTY BALANCES AND TRANSACTIONS

The Group has the following transactions and balances with the related parties during the period.

(a) Related party transactions

Purchase of research and development service from a related party:

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. *(石藥集團中奇製藥技術(石家莊)有限公司) ("CSPC Zhongqi")	271	2,359

(b) Related party balances

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000
CSPC Zhongqi	45	–

The amount was trade nature, unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel

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

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000
Salaries and other benefits	3,230	3,078
Discretionary bonuses	230	115
Retirement benefit scheme contributions	132	143
	3,592	3,336

* English name is for identification purpose only.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

23. EVENT AFTER THE REPORTING PERIOD

On September 25, 2023, the Company issued 11,001,200 ordinary shares of nominal value of RMB1.00 each pursuant to the global offering at the price of HK\$16.00 per ordinary share (equivalent to approximately RMB14.64 per ordinary share) and the Company's shares were listed on the Stock Exchange on the same date. The excess of net proceed over the nominal value of the ordinary shares was credited to the Company's share premium.