



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)

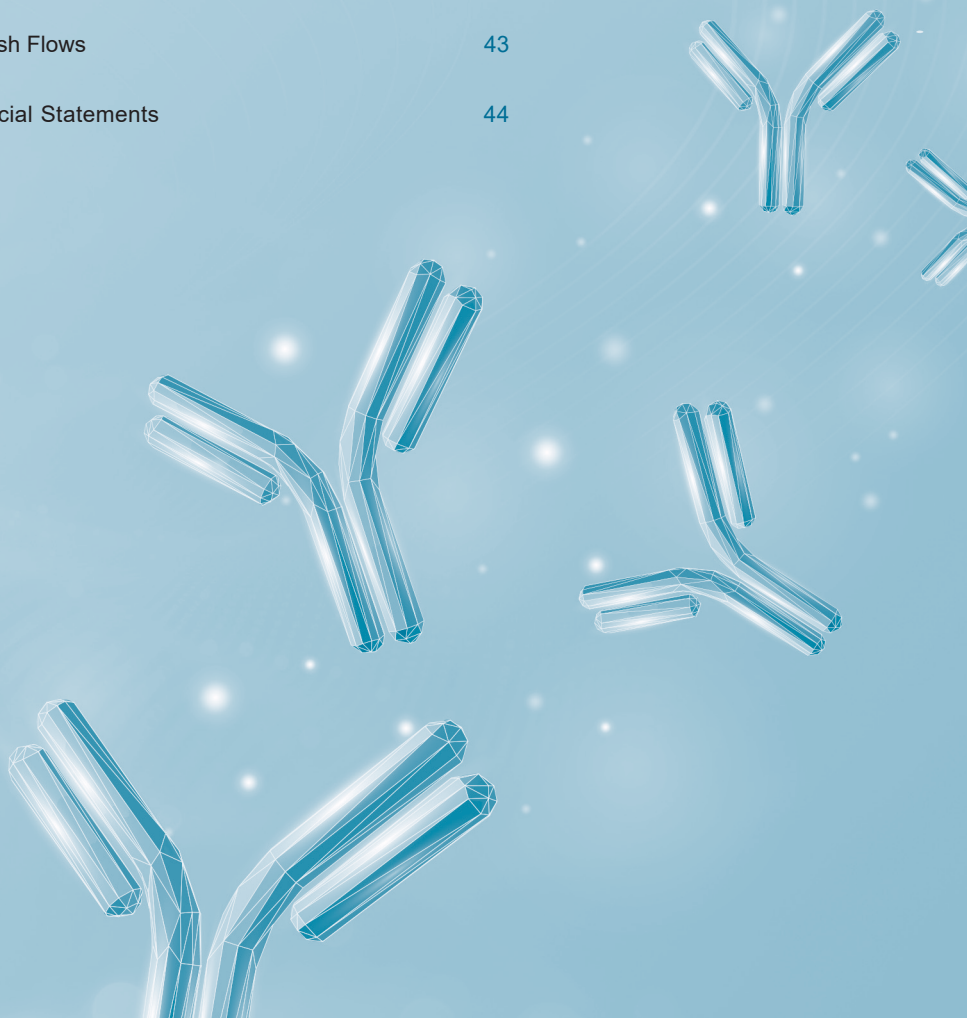
Stock Code: 2496



2024
INTERIM
REPORT

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DEFINITIONS

In this interim report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

“2024 H Share Option Plan”	the 2024 H share option plan adopted by the Company in accordance with Chapter 17 of the Listing Rules
“Administrator”	the Board and/or any committee of the Board or other person(s) to whom the Board has delegated its authority under the 2024 H Share Option Plan
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealing in securities
“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
“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 C1 to the Listing Rules
“Chairman” or “Chairman of the Board”	the chairman of the Board
“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
“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 R&D”	CMS RESEARCH & DEVELOPMENT PTE. LTD. (formerly known as SOTER BIOPHARMA PTE. LTD.), an indirect wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK)

DEFINITIONS

“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(s)”	the designated “core product(s)” as defined under Chapter 18A of the Listing Rules
“Corresponding Period”	for the six months ended June 30, 2023
“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
“Director(s)”	the director(s) of our Company
“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
“Effective Date”	the date on which the conditions stipulated under the 2024 H Share Option Plan are fulfilled
“Eligible Participant(s)”	participants as determined by the Board or the Administrator from time to time as eligible to participate in the 2024 H Share Option Plan
“Exercise Period”	the period during which an Option is exercisable by a Grantee
“Exercise Price”	the price per H Share at which a Grantee may subscribe the H Shares upon exercise of an Option pursuant to the terms of the 2024 H Share Option Plan
“Global Offering”	the offer of Shares for subscription as described in the Prospectus
“Grant Date”	the date on which an Option is granted to an Eligible Participant, which shall be a business day
“Grant Letter”	with respect to an Eligible Participant, a grant letter to be issued by the Company and accepted by the Eligible Participant in respect of the grant of Options under the 2024 H Share Option Plan

DEFINITIONS

“Grantee”	any Eligible Participant approved for participation in the 2024 H Share Option Plan and who has been granted any Option in accordance with the terms of the 2024 H Share Option Plan
“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
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“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
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China or the United States
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“NSCLC”	non-small cell lung cancer
“Nomination Committee”	the nomination committee of our Board

DEFINITIONS

“Option(s)”	option(s) granted to a Grantee to subscribe for H Shares pursuant to the terms of the 2024 H Share Option Plan
“Plan Mandate Limit”	the total number of H Shares which may be issued in respect of all options and awards to be granted under all Share Plans, shall not exceed 19,384,800 H Shares, representing approximately 10.0% of the Shares in issue as at the Adoption Date
“Prospectus”	the prospectus of the Company dated September 13, 2023
“Remuneration Committee”	the remuneration committee of our Board
“Reporting Period”	for the six months ended June 30, 2024
“RMB” or “Renminbi”	the lawful currency of the PRC
“R&D”	research and development
“Service Provider Participants”	service providers, being any person (natural person or corporate entity) who provides services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long-term growth of the Group, and falls into any of the following categories (excluding any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity)
“Service Provider Sublimit”	within the Plan Mandate Limit, the total number of H Shares which may be issued in respect of all options and awards to be granted under all Share Plans to Service Provider Participants, shall not exceed 1,938,400 H Shares, representing approximately 1.0% of the Shares in issue as at the Adoption Date
“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
“Share Plans”	all effective share plans of the Company which are governed by Chapter 17 of the Listing Rules, including the 2024 H Share Option Plan
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Shenzhen Kangzhe Vision”	Shenzhen Kangzhe Vision Pharmaceutical Development Co., Ltd. (深圳市康哲維盛醫藥發展有限責任公司) (formerly known as Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited (深圳康哲醫藥發展有限公司)), an indirect wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK)
“SMO(s)”	site management organization, an organization that provides clinical trial-related services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“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
“US\$” or “USD”	United States dollar, the lawful currency of the United States
“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.

CORPORATE INFORMATION

BOARD

Executive Director

Dr. Zhou Pengfei (*Chairman of the Board and Chief Executive Officer*)

Non-executive Directors

Dr. 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) (*resigned on April 30, 2024 with effect from the same day*)

Dr. Guo Hongwei (郭宏偉)

Mr. Xie Shouwu (謝守武)

Independent Non-executive Directors

Dr. Cheng Bin (程斌)

Dr. Dai Weiguo (*resigned on July 30, 2024 with effect from the same day*)

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)

Mr. Zhang Jing (張敬)

Ms. Xiao Ying (肖瑩)

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*)

CORPORATE INFORMATION

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 (*resigned on July 30, 2024
with effect from the same day*)
Dr. Chen Bin (陳斌) (*appointed on August 29, 2024
with effect from the same day*)

REMUNERATION COMMITTEE

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

STOCK CODE

2496

PRINCIPAL BANKS

Industrial Bank Co., Ltd.

Wuhan Optics Valley Sub-branch
1st-3rd Floors,
Fanyue City Tower 2,
No. 21 Guanshan Avenue,
East Lake High-tech Development Zone
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 Jiang'an 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

DACHENG LAW OFFICES LLP (WUHAN)

10-11/F, Zheshang Tower
No. 718 Jianshe Avenue
Jiang'an District
Wuhan, Hubei Province
PRC

COMPANY'S WEBSITE

www.zybio.com

FINANCIAL SUMMARY

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Other income	4,786	6,919
Other gains and losses	2,201	1,351
Research and development expenses	(70,290)	(71,598)
Administrative expenses	(13,064)	(8,306)
Listing expenses	–	(13,499)
Finance costs	(2,029)	(1,435)
Loss before tax	(78,396)	(86,568)
Income tax expense	–	–
Loss for the period	(78,396)	(86,568)
	As of June 30, 2024 RMB'000 (unaudited)	As of December 31, 2023 RMB'000 (audited)
Non-current assets	49,018	51,523
Current assets	210,939	250,101
Non-current liabilities	40,275	150
Current liabilities	170,093	173,820
Net assets	49,589	127,654

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Founded in 2010, the Company is a biotechnology company dedicated to developing bispecific antibody (BsAb)-based therapies. The Company has been forward-looking in deploying its presence in a number of promising therapeutic fields, including but not limited to tumor-associated complications, tumors, ophthalmology and autoimmune diseases. The Company also proactively established several self-developed technology platforms, such as Y-BODY®, Check-Body, Nano-Ybody®, etc., promoting the development of more candidates to clinical stages with high efficiency.

PRODUCT PIPELINE

As of the date of this report, three of our four clinical-stage drug candidates are BsAbs designed for tumor treatment or tumor-associated complications such as malignant ascites (MA) and malignant pleural effusion (MPE). In particular, we have been focusing on developing the T cell-engaging BsAb (including M701), and the tumor microenvironment (TME)-targeted BsAbs, including Y101D and Y332. As of the date of this report, we have two Core Products, M701 and Y101D. M701 is a recombinant BsAb that targets cancer cells expressing human EpCAM and T cells expressing human CD3. We are primarily developing M701 for the treatment for MA and MPE, which are severe complications of cancer characterized by the accumulation of fluids in the abdominal or chest cavity of cancer patients. Y101D is a recombinant anti-PD-L1 and anti-TGF-β humanized BsAb being developed for the treatment of solid tumors.

The following chart summarizes our main product pipeline as of the date of this report:



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	EpCAM×CD3	YBODY*	BsAb	Mono	Malignant ascites	[Progress bar: Pre-clinical to Phase III]						Global	First patient enrolled for Pivotal/Phase III in March 2024; Expect to submit the BLA in Q1 2025
					Malignant pleural effusion	[Progress bar: Pre-clinical to Phase II]						Global	First patient enrolled for Phase II portion of Phase Ib/II in March 2024
					Solid tumor	[Progress bar: Pre-clinical]						Global	Expect to file IND application in Q3 2024
★ Y101D ²⁾	PD-L1×TGF-β	Check-BODY	BsAb	Combo with gemtuzumab and albumin puifuzel	Pancreatic cancer	[Progress bar: Pre-clinical to Phase II]						Global	Completed the Phase Ib portion and commenced Phase II portion of Phase Ib/II in June 2023; Expect to complete Phase Ib/II in Q2 2025
				Combo with bevacizumab	Hepatocellular carcinoma and other advanced solid tumors	[Progress bar: Pre-clinical to Phase I]						Global	Phase Ib/II commenced in March 2023
Y332	VEGF×TGF-β	Nano-YBODY	BsAb	Mono	Solid tumors	[Progress bar: Pre-clinical to Phase I]						Global	Phase I commenced in October 2023, and the Phase I dose-escalation study is ongoing
Y400	VEGF×ANG2	Nano-YBODY	BsAb	Mono	wAMD, DME and other ocular neovascularization related diseases	[Progress bar: Pre-clinical to Phase I]						Global ³⁾ Shenzhen Kangzhe Vision and CMS R&D	Phase Ib commenced in December 2023
Y225	FIXa×FX	Not disclosed	BsAb	Mono	Hemophilia	[Progress bar: Pre-clinical]							Completed process development in December 2023

★ Core Product [Orange bar] IND/Clinical Trial Phase [Blue bar] Pre-clinical Study Phase

Notes:

- All of our drug candidates are in-house developed.
- In addition to the ongoing combination therapy pipelines, we completed a Phase I clinical trial of Y101D monotherapy for the treatment of metastatic or locally advanced solid tumors in September 2024.
- We have transferred all the rights and assets of Y400 to Shenzhen Kangzhe Vision and CMS R&D. 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.

* Several pre-clinical candidate drugs for the treatment of tumors and other diseases are currently in the early pre-clinical stage and are therefore not included in the pipeline. We plan to continue pre-clinical studies on these candidate drugs and progressively apply for IND approvals for them in the next few years.

MANAGEMENT DISCUSSION AND ANALYSIS

Abbreviations: Mono refers to monotherapy; Combo refers to combination therapy; EpCAM refers to 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 ; VEGF refers to vascular endothelial growth factor; ANG2 refers to angiopoietin-2; wAMD refers to wet age-related macular degeneration; DME refers to diabetic macular edema.

BUSINESS REVIEW

As of the date of this 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 targeting cancer cells expressing human EpCAM and T cells expressing human CD3. We are primarily developing M701 for the treatment for MA and MPE, which are severe complications of cancer characterized by the accumulation of fluids in the abdominal or chest cavity of cancer patients.

- **MA:** We are currently conducting a Phase III clinical trial of M701 for treatment of MA in China, which aims to evaluate the efficacy of M701 monotherapy in combination with systematic treatment (including targeted therapy, immunotherapy or chemotherapy) for MA.

In February 2024, the Phase III clinical trial of M701 in treatment for MA was approved by CDE.

In March 2024, the first patient was successfully dosed in the Phase III clinical trial of M701 in treatment for MA.

In June 2024, the interim analysis data on Phase II clinical trial of M701 in treatment for MA has been published at the 2024 American Society of Clinical Oncology (ASCO) Annual Meeting and the Company's website, which demonstrates good preliminary efficiency and safety.

- **MPE:** We are conducting a Phase Ib/II clinical trial of M701 for the treatment of MPE in China. We completed the Phase Ib portion of this trial, with a total of 24 patients enrolled. The Phase Ib clinical data demonstrates preliminary efficacy of M701 in controlling MPE in NSCLC patients.

In March 2024, the first patient was successfully dosed in the Phase II clinical trial.

In September 2024, we plan to publish the Phase Ib interim data at the European Society for Medical Oncology (ESMO) Congress 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Y101D

Y101D, our Core Product, 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 programmed death receptor 1 (PD-1) and its ligand (PD-L1 axis) and the TGF- β signaling pathways, thus having the potential to unleash a synergistic anti-tumor activity and relieve drug resistance. We completed a Phase I clinical trial of Y101D for the treatment of metastatic or locally advanced solid tumors in September 2024.

- **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 completed the Phase Ib portion and commenced the Phase II portion of this Phase Ib/II trial in June 2023. We completed patient enrollment for the Phase II portion in October 2023. We expect to complete this Phase Ib/II trial in the second quarter of 2025. We expect to commercialize Y101D in combination therapy for the treatment of pancreatic cancer in the second half of 2028.
- **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.

Y332

Y332, a recombinant anti-VEGF and anti-TGF- β BsAb, is being developed for the treatment of a variety of solid tumors. In pre-clinical studies, Y332 shows high affinity to both VEGF and TGF- β , favorable bioactivity and stability, and demonstrates encouraging anti-tumor effects. We commenced a Phase I clinical trial of Y332 for the treatment of metastatic or locally advanced solid tumors in October 2023. This trial is currently in the dose-escalation phase.

Y400

Y400 is a recombinant anti-VEGF and anti-ANG2 BsAb. Y400 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 Shenzhen Kangzhe Vision and CMS R&D. The CDE approved the IND application for Y400 in April 2023 and the Phase I clinical trial of Y400 for the treatment of neovascular age-related macular degeneration has commenced. As of the date of this report, the preliminary results of this Phase I clinical trial show a favorable safety profile for Y400.

Y225

Y225 is a biosimilar of Emicizumab for the treatment of hemophilia. Y225 has completed the cell lines selection and confirmation, process development, formulation confirmation, and preliminary subcutaneous irritability and pharmacokinetic studies in cynomolgus monkeys and the scale-up confirmation of 50L process.

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, Y332 and Y225 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 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, Y332, and our pre-clinical candidates. In the first half of 2024, we have been conducting process characterization and process validation in respect of M701 and the technological development or transfer for project Y400 and multiple other drug candidates.

Besides manufacturing conducted at our own facilities, we currently also engage third-party CMOs/CDMOs for the sample production for pivotal clinical trials, process characterization and process validation of M701 and sample manufacture of other projects for clinical trials, and those projects 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 overseas markets.

Our in-house commercialization team will initially focus on the marketing and sales of M701 once it is approved for commercialization. We plan to contract a 300-person contract sales organization (CSO) team in China with experience in selling oncology drugs and establish an in-house sales team of approximately 20 employees to meet the sales demands for M701 upon its 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 second half of 2024.

FUTURE DEVELOPMENT

Looking forward to the second half of 2024, the acceleration of our R&D progress for our drug candidates is our top priority. We will continue to rapidly advance the clinical development of our drug candidates and introduce new drugs to clinical pipeline. In particular, we will invest more resources in the following areas: (i) Phase III clinical trial of M701 for MA as well as Phase II portion of Phase Ib/II clinical trial of M701 for MPE; (ii) Phase II portion of the Phase Ib/II clinical trial of Y101D for pancreatic cancer; (iii) Phase I clinical trial of Y332; and (iv) the further development of our pre-clinical drug candidates, with the aim to advance additional new candidates into clinical development. We also plan to complete the production process characterization studies for M701 and carry out process validation, in preparation for its commercial launch.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Other Income

During the Reporting Period, our other income 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,			
	2024		2023	
	RMB'000	%	RMB'000	%
Government grants	2,825	59.0	6,726	97.2
Bank interest income	1,950	40.8	182	2.6
Others	11	0.2	11	0.2
Total	4,786	100.0	6,919	100.0

Our other income decreased by RMB2.1 million from RMB6.9 million for the Corresponding Period to RMB4.8 million for the Reporting Period, primarily due to a decrease in government grants of RMB3.9 million, as we received grants from local government for the items we applied during the Corresponding Period, including life health industrial development fund, 3551 Special Fund Subsidy and awards granted by the local government for special and new items, amounting to RMB6.6 million in aggregate, as compared to RMB2.8 million for the Reporting Period offsetting by an increase in bank interest of RMB1.8 million, mainly due to increase in interest from cash deposits arising from equity financing and bank loans during the Reporting Period.

Other Gains and Losses

During the Reporting Period, our other gains and losses consisted mainly of (i) foreign exchange gains and (ii) gains on termination of lease agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
Loss on disposal of property and equipment	–	–	(23)	(1.7)
Gain on termination of lease agreement	7	– (Note)	–	–
Gain from changes in fair value of financial assets at FVTPL	–	–	1,343	99.4
Foreign exchange gains	2,194	100.0	31	2.3
Total	2,201	100.0	1,351	100.0

Note: the percentage ratio is less than 0.1%

Loss on disposal of property and equipment represented our loss from disposing of certain assets. Gain from changes in fair value of financial assets at FVTPL represented the gain from fair value changes in our structured deposits.

We recorded other gains of RMB2.2 million for the Reporting Period, compared with other gains of RMB1.4 million for the Corresponding Period. The increase of RMB0.8 million for the Reporting Period was mainly because the foreign exchange gains in relation to the proceeds from the Global Offering denominated in Hong Kong dollars increased by RMB2.2 million compared with that of the Corresponding Period, offsetting by a decrease of RMB1.3 million in gains from changes in fair value of financial assets at FVTPL compared with that of the Corresponding Period.

Research and Development Expenses

During the Reporting Period, our research and development expenses 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 are 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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,			
	2024		2023	
	RMB'000	%	RMB'000	%
Technical service fees	47,782	68.0	41,652	58.2
Raw material costs	5,062	7.2	12,816	17.9
Employee benefit expenses	12,140	17.3	12,432	17.3
Depreciation and amortization expenses	2,771	3.9	2,868	4.0
Others	2,535	3.6	1,830	2.6
Total	70,290	100.0	71,598	100.0

Our research and development expenses were RMB70.3 million for the Reporting Period, which remained relatively stable as compared to RMB71.6 million for the Corresponding Period.

Administrative Expenses

During the Reporting Period, our administrative expenses 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 fees 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 short-term leases 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:

	For the six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
Employee benefits expenses	4,563	34.9	3,533	42.5
Professional parties' fees	3,974	30.4	689	8.3
Depreciation and amortization expenses	770	5.9	732	8.8
Business development fees	653	5.0	660	8.0
Freight and miscellaneous fees	207	1.6	343	4.1
Others	2,897	22.2	2,349	28.3
Total	13,064	100.0	8,306	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Our administrative expenses were RMB13.1 million for the Reporting Period, representing an increase of RMB4.8 million as compared to RMB8.3 million for the Corresponding Period, primarily due to (i) an increase in professional parties' fees of RMB3.3 million in relation to post-listing services provided by external consultants and intermediaries and (ii) an increase in other expenses of RMB0.6 million mainly attributable to lease payments and maintenance fees.

Listing Expenses

Listing expenses represented expenses incurred for the Listing. Our listing expenses decreased from RMB13.5 million for the Corresponding Period to nil for the Reporting Period. The decrease was mainly due to the fact that the Company completed the Listing in 2023 and there were no listing-related expenses during the Reporting Period.

Finance Costs

Our finance costs primarily represented our interest expenses on bank and other borrowings. Our finance costs were RMB2.0 million for the Reporting Period, representing an increase of RMB0.6 million as compared to RMB1.4 million for the Corresponding Period, mainly due to the increase in interest expenses as a result of the increase in bank borrowings.

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 were RMB78.4 million for the Reporting Period, representing a decrease of RMB8.2 million as compared to RMB86.6 million for the Corresponding 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, 2024, our cash and cash equivalents decreased to RMB161.9 million from RMB196.7 million as of December 31, 2023. The decrease was primarily attributable to funding the ongoing research and development of our drug candidates.

As of June 30, 2024, we had current assets of RMB210.9 million, including cash and cash equivalents of RMB161.9 million, prepayments, deposits and other receivables of RMB43.1 million, value-added tax recoverable of RMB0.7 million and inventories of RMB5.4 million. As of June 30, 2024, we had current liabilities of RMB170.1 million, including bank borrowings of RMB79.5 million, trade and other payables of RMB50.3 million, advance from transfer agreement of RMB39.5 million, deferred income of RMB0.5 million and lease liabilities of RMB0.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Reporting Period, our net cash used in operating activities was RMB58.2 million (the Corresponding Period: RMB72.3 million), which was primarily attributable to our loss before tax of RMB78.4 million, adjusted for non-cash and non-operating items. Positive adjustments primarily included (i) changes in recoverable value-added tax of RMB13.0 million due to receipt of value-added rebates during the Reporting Period, (ii) an increase in trade and other payables of RMB7.9 million, (iii) depreciation of property and equipment of RMB3.2 million and (iv) interest expenses on finance expenses of RMB2.0 million. Negative adjustments mainly included (i) an increase in prepayments, deposits, and other receivables of RMB4.7 million, and (ii) bank interest income of RMB2.2 million.

For the Reporting Period, our net cash used in investing activities was RMB4.5 million (the Corresponding Period: net cash from investing activities of RMB44.2 million). Such cash outflow was mainly due to the temporary refund of RMB5.7 million as a result of the change of the subject of the CMS Asset Transfer Agreement, which was partially offset by cash inflow of RMB2.2 million from bank interest income received.

For the Reporting Period, our net cash from financing activities was RMB27.8 million (the Corresponding Period: net cash used in financing activities of RMB49.0 million). Such cash inflow was due to the new bank borrowing raised of RMB80.0 million, which was partially offset by cash outflow mainly in relation to the repayment of bank borrowings of RMB50.0 million.

As part of our treasury management, we may consider investing in certain structured deposits and wealth management products to better utilize excess cash when our cash sufficiently covers 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.

Capital Structure

The capital structure of the Group consists of bank borrowings, lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Group's debts and monetary assets are denominated in Renminbi and/or Hong Kong dollars.

As of June 30, 2024, the carrying amounts of the bank borrowings amounted to RMB79.5 million repayable within one year, and amounted to RMB40.0 million were long-term borrowings.

Indebtedness

As of June 30, 2024, we had bank borrowings of RMB119.5 million, consisting of secured bank loans of RMB80.0 million and unsecured bank loans of RMB39.5 million. Our bank borrowings increased from RMB89.5 million as of December 31, 2023 to RMB119.5 million as of June 30, 2024, due to additional loans we obtained from banks as our working capital. As of June 30, 2024, we had unutilized bank facilities of RMB120.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2024, we had lease liabilities of RMB0.6 million, which remained relatively stable as compared to RMB0.6 million as of December 31, 2023.

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 increased from 70.6% as of December 31, 2023 to 161.6% as of June 30, 2024, primarily due to a decrease in equity mainly as a result of our loss and total comprehensive expense recorded for the first half of 2024.

Significant Investments Held

We did not make or hold any significant investments during the Reporting 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 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, 2024, we did not have any contingent liabilities. As of the date of this report, there have been no material changes or arrangements to our contingent liabilities.

Capital Commitments

As of June 30, 2024, we did not have any significant capital commitments.

Charges on Group Assets

As of June 30, 2024, certain of our bank borrowings were secured by our property and equipment, right-of-use assets and investment properties with carrying amount of RMB5.5 million, RMB8.0 million, and RMB0.5 million as of the same date.

Foreign Exchange Exposure

Certain financial liabilities of respective group entities are denominated in foreign currency, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Remuneration and Relations

As of June 30, 2024, the Group had a total of 114 employees with 90 employees for research and development and 24 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 strong and 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 report, Wuhan Caizhi and Caizhi No. 2, in aggregate, directly hold 28,413,118 Shares (comprising of 22,602,913 Unlisted Shares and 5,810,205 H Shares) (representing approximately 14.66% of the total issued share capital of the Company as of the date of this report), while some of the participants indirectly held partnership interest in Wuhan Caizhi through holding partnership interest in Huiyou Jucai and/or Huiyou Juzhi. For details of the Employee Incentive Schemes, please refer to the section headed “Employee Incentive Schemes” in Appendix VI to the Prospectus.

Subsequent Events After the Reporting Period

As of the date of this report, there are no other significant events that might affect our Group since June 30, 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Save as disclosed below, as at June 30, 2024, 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, to be notified to the Company and the Stock Exchange:

Name of Director, Supervisor or Chief Executive of the Company	Nature of Interest	Description of the Shares ⁽⁷⁾	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⁾⁽⁷⁾
Dr. Yuan Qian ⁽²⁾⁽³⁾⁽⁴⁾	Beneficial owner; interest held jointly with other persons; interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Dr. Zhou Pengfei ⁽²⁾⁽³⁾⁽⁴⁾	Beneficial owner; interest held jointly with other persons; interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Dr. Zhou Hongfeng ⁽²⁾⁽³⁾⁽⁴⁾	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Dr. Guo Hongwei ⁽⁵⁾⁽⁶⁾	Beneficial owner Interest in controlled corporations	Unlisted Shares	370,087	0.19%	0.45% (Unlisted Shares)
		Unlisted Shares	5,059,039	2.61%	6.14% (Unlisted Shares)
		H Shares	8,122,098	4.19%	7.29% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The calculation is based on the total number of 82,380,386 Unlisted Shares and 111,468,814 H Shares in issue as at June 30, 2024. All interests stated are long positions.
- (2) Pursuant to the concert party agreement dated June 30, 2018 (“**Concert Party Agreement**”) and supplemental concert party agreements dated October 26, 2020 and June 2, 2023 entered into by Dr. 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 Dr. Yuan Qian on the proposals, or, in the event of Dr. 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) 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 Dr. 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, Dr. Yuan Qian was deemed to be interested in the 1,342,600 H Shares held by Puhua Kaizhi.
- (4) Wuhan Caizhi was owned as to approximately 50.76% by Huiyou Jucai as its largest limited partner. Huiyou Jucai was owned as to approximately 49.95% by Dr. Zhou Pengfei and was managed by Dr. Zhou Pengfei as the general partner. As a result, Dr. Zhou Pengfei was deemed to be interested in the 16,792,707 Unlisted Shares held by Wuhan Caizhi under the SFO.
- (5) Gongqingcheng Yaoyou Investment Center (Limited Partnership) (共青城曜友投資中心(有限合夥)) (“**Gongqingcheng Yaoyou**”) was the executive 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 largest 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.
- (6) Nanning Yaoyou Business Consulting Partnership (Limited Partnership) (南寧曜友商務諮詢合夥企業(有限合夥)) (“**Nanning Yaoyou**”) was the executive partner of 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(有限合夥)) (“**Huiyou Xingyao**”), and Dr. Guo Hongwei was the largest limited partner of Nanning Yaoyou with the limited partnership interests of 60.00%. As a result, Dr. Guo Hongwei was deemed to be interested in the 6,695,271 H Shares and 3,447,526 Unlisted Shares held by Huiyou Xingyao under the SFO.
- (7) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

So far as the Directors are aware, as at June 30, 2024, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) had interests and/or short positions 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 ⁽¹⁴⁾	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⁾⁽¹⁴⁾
Wuhan Caizhi ⁽²⁾⁽³⁾	Beneficial owner; interest held jointly with other persons	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Wuhan Caizhi Technology Co. Ltd. (武漢才智科技有限責任公司) ⁽²⁾⁽⁴⁾	Interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
Huiyou Jucai ⁽²⁾⁽⁵⁾	Interest in controlled corporations	Unlisted Shares	54,262,305	27.99%	65.87% (Unlisted Shares)
		H Shares	1,342,600	0.69%	1.20% (H Shares)
CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司) ("CSPC-NBP") ⁽⁶⁾	Beneficial owner	H Shares	51,241,785	26.43%	45.97% (H Shares)
CSPC Pharmaceutical Group Limited (石藥集團有限公司) ("CSPC") ⁽⁶⁾	Interest in controlled corporation	H Shares	51,241,785	26.43%	45.97% (H Shares)
Dragon Merit Holdings Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	51,241,785	26.43%	45.97% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹⁴⁾	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⁾⁽¹⁴⁾
Robust Sun Holdings Limited ⁽⁶⁾	Interest in controlled corporation	H Shares	51,241,785	26.43%	45.97% (H Shares)
Caizhi No. 2	Beneficial owner	Unlisted Shares	5,810,206	3.00%	7.05% (Unlisted Shares)
		H Shares	5,810,205	3.00%	5.21% (H Shares)
Tongde Qianyuan (Beijing) Investment Management Co., Ltd (同德乾元(北京)投資管理有限公司) ("Tongde Qianyuan") ⁽⁷⁾	Interest in controlled corporation	Unlisted Shares	5,059,039	2.61%	6.14% (Unlisted Shares)
		H Shares	11,822,970	6.10%	10.61% (H Shares)
Wen Zhicheng (溫植成) ⁽⁷⁾	Interest in controlled corporation	Unlisted Shares	5,059,039	2.61%	6.14% (Unlisted Shares)
		H Shares	11,822,970	6.10%	10.61% (H Shares)
Huiyou Xingyao ⁽⁷⁾	Beneficial owner	Unlisted Shares	3,447,526	1.78%	4.18% (Unlisted Shares)
		H Shares	6,695,271	3.45%	6.01% (H Shares)
Nanning Yaoyou ⁽⁷⁾	Interest in controlled corporation	Unlisted Shares	3,447,526	1.78%	4.18% (Unlisted Shares)
		H Shares	6,695,271	3.45%	6.01% (H Shares)
Long Star Growth Group Limited (長星成長集團有限公司) ("Long Star Growth") ⁽⁸⁾	Beneficial owner	H Shares	7,916,510	4.08%	7.10% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹⁴⁾	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⁾⁽¹⁴⁾
Sooner Star Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH Growth Fund III (USD Parallel), L.P. ("CDH Growth Fund") ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH R-III Parallel Holdings Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH GP Holdings Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH Investment Management Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH 2018 VGC Investment Fund, L.P. ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH Management Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
Wang Lin (王霖) ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
CDH Griffin Holdings Company Limited ("CDH Griffin") ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
Central Oak Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>
Wu Shangzhi (吴尚志) ⁽⁸⁾	Interest in controlled corporation	H Shares	7,916,510	4.08%	7.10% <i>(H Shares)</i>

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹⁴⁾	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⁾⁽¹⁴⁾
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”) ⁽⁹⁾	Beneficial owner	H Shares	7,628,713	3.94%	6.84% (H Shares)
Liu Dong (劉東) ⁽⁹⁾	Interest in controlled corporation	H Shares	7,628,713	3.94%	6.84% (H Shares)
Shijiazhuang Shidai Weiye Cultural Development Co., Ltd (石家莊市時代偉業文化發展有限公司) (“Shidai Weiye”) ⁽⁹⁾	Interest in controlled corporation	H Shares	7,628,713	3.94%	6.84% (H Shares)
Liu Junting (劉俊亭) ⁽⁹⁾	Interest in controlled corporation	H Shares	7,628,713	3.94%	6.84% (H Shares)
Ningbo Meishan Bonded Port Area Guangrui Hongxiang Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區廣瑞弘祥股權投資合夥企業(有限合夥)) (“Guangrui Hongxiang”) ⁽¹⁰⁾	Beneficial owner	H Shares	7,196,835	3.71%	6.46% (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”) ⁽¹⁰⁾	Interest in controlled corporation	H Shares	7,196,835	3.71%	6.46% (H Shares)
Wang Hongjie (王宏傑) ⁽¹⁰⁾	Interest in controlled corporation	H Shares	7,196,835	3.71%	6.46% (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Nature of Interest	Description of the Shares ⁽¹⁴⁾	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⁾⁽¹⁴⁾
Hebei Yier Enterprise Management Consulting Co., LTD (河北益爾企業管理諮詢有限公司) ("Hebei Yier") ⁽¹⁰⁾	Interest in controlled corporation	H Shares	7,196,835	3.71%	6.46% (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") ⁽¹¹⁾	Beneficial owner	Unlisted Shares	7,000,000	3.61%	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") ⁽¹¹⁾	Interest in controlled corporation	Unlisted Shares	7,000,000	3.61%	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") ⁽¹²⁾	Beneficial owner	Unlisted Shares H Shares	5,600,000 2,686,000	2.89% 1.39%	6.80% 2.41% (Unlisted Shares) (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") ⁽¹²⁾⁽¹³⁾	Interest in controlled corporation	Unlisted Shares H Shares	7,000,000 2,686,000	3.61% 1.39%	8.50% 2.41% (Unlisted Shares) (H Shares)
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") ⁽¹¹⁾⁽¹²⁾⁽¹³⁾	Interest in controlled corporation	Unlisted Shares H Shares	14,000,000 2,686,000	7.25% 1.39%	16.99% 2.41% (Unlisted Shares) (H Shares)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The calculation is based on the total number of 82,380,386 Unlisted Shares and 111,468,814 H Shares in issue as at June 30, 2024. All interests stated are long positions.
- (2) Pursuant to the Concert Party Agreement and supplemental concert party agreements dated October 26, 2020 and June 2, 2023 entered into by Dr. 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 Dr. Yuan Qian on the proposals, or, in the event of Dr. 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) Puhua Kaizhi was indirectly 50% owned by Dr. 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, Dr. Yuan Qian was deemed to be interested in the 1,342,600 H Shares held by Puhua Kaizhi.
- (4) Wuhan Caizhi Technology Co. Ltd. (武漢才智科技有限責任公司) was the executive partner of Wuhan Caizhi and able to exercise the voting rights held by Wuhan Caizhi in the Company pursuant to the Concert Party Agreement. As a result, Wuhan Caizhi Technology Co. Ltd. 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.
- (5) Wuhan Caizhi was owned as to approximately 50.76% by Huiyou Jucai as its largest limited partner. Huiyou Jucai was owned as to approximately 49.95% by Dr. Zhou Pengfei and was managed by Dr. Zhou Pengfei as the 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.
- (6) 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.
- (7) (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.
- (8) (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.
- (9) (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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (10) (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.
- (11) 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.
- (12) 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 2,686,000 H Shares and 5,600,000 Unlisted Shares held by Guanggu Health under the SFO.
- (13) Wuhan Optics Valley Growth Venture Capital Fund Co., Ltd. (武漢光谷成長創業投資基金有限公司) (“**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.
- (14) 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed “2024 H Share Option Plan” below, 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 during the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2024 H SHARE OPTION PLAN

At the annual general meeting of the Company (“**Annual General Meeting**”) held on June 27, 2024 (“**Adoption Date**”), the Company adopted the 2024 H Share Option Plan in accordance with Chapter 17 of the Listing Rules.

During the period commencing from the Adoption Date up to the date of this interim report, no share option was granted under the 2024 H Share Option Plan. Accordingly, as at the date of this interim report, the Plan Mandate Limit and the Service Provider Sublimit adopted by the Shareholders on the Adoption Date remained unutilized, and stood at 19,384,800 H Shares (representing approximately 10.0% of the Shares in issue as at the Adoption Date) and 1,938,400 H Shares (representing approximately 1.0% of the Shares in issue as at the Adoption Date), respectively.

A summary of the principal terms of the Share Option Scheme is recapped below.

Purposes:

The purposes of the 2024 H Share Option Plan are:

- (a) to recognize and acknowledge the contributions that Eligible Participants have or may have made or may make to the Group;
- (b) to enhance Eligible Participants’ motivation and loyalty, thereby promoting long-term corporate development and increasing shareholder value; and
- (c) to establish a sound mechanism for sharing interests and bearing risks among employees, Shareholders, and the Company.

Duration:

Subject to any early termination as determined by the Board in accordance with the Plan rules, the 2024 H Share Option Plan shall be valid and effective for a period of ten (10) years commencing from the Effective Date, after which no further Option shall be granted under the 2024 H Share Option Plan but the provisions of the 2024 H Share Option Plan shall remain in full force and effect in all other respects. In particular, all Options granted during the term of the 2024 H Share Option Plan shall continue to be valid and shall be administered in accordance with the 2024 H Share Option Plan and the relevant Grant Letter.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Eligible Participants:

Eligible Participants as determined by the Board or the Administrator from time to time shall be eligible to participate under the 2024 H Share Option Plan and shall comprise two categories:

- (a) employee participants, being director(s) (including executive director(s), non-executive director(s) and independent non-executive director(s)) and employee(s) (whether full-time or part-time) of any member of the Group, including any person who is granted Options under the 2024 H Share Option Plan as an inducement to enter into employment contracts with any member of the Group (the “**Employee Participants**”); and
- (b) service providers, being any person (natural person or corporate entity) who provides services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long-term growth of the Group, and falls into any of the following categories (excluding any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity) (the “**Service Provider Participants**”):
 - (i) Contractors and suppliers

This category refers to (1) contractors that undertake sub-contracting work for the Group’s research and development, manufacturing and innovation upgrading; (2) suppliers of raw materials, parts and components for the Group’s production requirements; and (3) dealers, distributors or sales channels who provide distribution and promotion services which are in the interests of long-term growth of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Consultants and advisers

This category refers to independent consultants and advisers who provide advisory services, consultancy services, and/or other professional services to any member of the Group in connection with the research and development, manufacturing or commercialization of the Group's products, or in areas relating to the Group's principal business activities that are being carried out by the Group from time to time, or on areas that are desirable and necessary from a commercial or strategic perspective and help maintain or enhance the competitiveness of the Group by way of introducing new business opportunities and/or applying their specialized skills and/or knowledge in the abovementioned fields.

In determining the eligibility of an Eligible Participant, the Board or the Administrator may take into account various factors that it in its sole and absolute discretion considers relevant in assessing his/her contribution to the long-term development and growth of the Group.

Overall Mandate Limit:

Subject to the limit refreshment and separate approval of the Shareholders as stipulated in the Plan rules, assuming that the total issued share capital of the Company remains unchanged on the date of the Annual General Meeting (i) the total number of H Shares which may be issued in respect of all options and awards to be granted under all Share Plans, shall not exceed 19,384,800 H Shares, representing approximately 10.0% of the Shares in issue as at the Adoption Date; and (ii) within the Plan Mandate Limit, the total number of H Shares which may be issued in respect of all options and awards to be granted under all Share Plans to Service Provider Participants, shall not exceed 1,938,400 H Shares, representing approximately 1.0% of the Shares in issue as at the Adoption Date.

Individual Limit:

Where any grant of Options to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards under all Share Plans granted to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of all Share Plans) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue (excluding any treasury shares of the Company) as at the date of such grant, such grant shall be subject to certain requirements as stipulated in the Plan rules (including separate approval of the Shareholders in general meeting with such Eligible Participant and his/her close associates (or associates if such Eligible Participant is a connected person of the Company) abstaining from voting).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Any grant of Options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates under the 2024 H Share Option Plan shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of such Options).

Where any grant of Options to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted under all Share Plans (excluding any options and awards lapsed in accordance with the terms of all Share Plans) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue (excluding any treasury shares of the Company) as at the date of such grant, such further grant of Options shall be subject to certain requirements as stipulated in the Plan rules (including separate approval of the Shareholders in a general meeting with such grantee and their associates and all core connected persons of the Company to abstain from voting).

Vesting Period:

The Board or the Administrator may subject to all applicable laws, rules and regulations determine vesting periods for vesting of the Options in its sole and absolute discretion. The vesting period of the Options shall not be less than twelve (12) months, save and except that Options to be granted to an Employee Participant may be subject to a vesting period of less than twelve (12) months (or no vesting period) in the following circumstances:

- (a) grants of "make-whole" Options to a new joiner to replace the Options he forfeited when leaving his/her previous employers;
- (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out-of-control event;
- (c) grants with performance-based vesting conditions in lieu of time-based vesting criteria;
- (d) grants that are made in batches during a year for administrative and compliance reasons. They may include Options that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which the Options would have been granted; and
- (e) grants with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of 12 months.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Exercise Period: The Board or the Administrator may in its sole and absolute discretion determine the Exercise Period of the Options, but in all circumstances the Exercise Period shall not be more than ten (10) years from the Grant Date.

Exercise Price: The Exercise Price of the Options shall be at least the highest of:

- (a) the closing price of the H Shares as stated in the Stock Exchange’s daily quotations sheet on the Grant Date;
- (b) the average closing prices of the H Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) Business Days immediately preceding the Grant Date; and
- (c) the nominal value of the H Share.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from the Global Offering and the partial exercise of the Over-allotment Option (after deducting the underwriting fees and related listing expenses) amounted to approximately RMB124.4 million, and the balance of unutilized net proceeds of approximately RMB58.3 million as at June 30, 2024.

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage as of the date of this interim report and any discrepancies in this table between the total and sums of amounts are due to rounding.

Use of Proceeds	Allocation of Net Proceeds (RMB in million)	Utilized Amount (as of June 30, 2024) (RMB in million)	Unutilized Amount (as of June 30, 2024) (RMB in million)	Updated Expected Timeline for Full Utilization of the Unutilized Net Proceeds	
For planned clinical trials, preparation for registration filings, and the planned commercial launch (including sales and marketing activities) of M701	80%	99.5	46.5	53.0	By October 2024
For planned clinical trials of Y101D	12%	14.9	9.9	5.0	By December 2024
For working capital and general corporate purposes	8%	10.0	9.8	0.2	N/A ^(Note)
	100%	124.4	66.1	58.3	

Note: The net proceeds for working capital and general corporate purposes were fully utilized in July 2024 in line with the previously disclosed timeline.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares (as defined in the Listing Rules)).

As at the end of the Reporting Period, the Company did not hold any treasury shares.

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 C1 to the Listing Rules.

During the Reporting Period, 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.

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

The Company has adopted the Model Code and also devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code to regulate all dealings by Directors, Supervisors and relevant employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Specific enquiry has been made to all the Directors and Supervisors, and the Directors (including Dr. Liu Dan whose resignation took effect from April 30, 2024 and Dr. Dai Weiguo whose resignation took effect from July 30, 2024) and Supervisors have confirmed that they have complied with the Code of Conduct during the Reporting Period or throughout the period from January 1, 2024 and up to the date of their resignation as Directors (as the case may be). No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the Reporting Period.

CHANGES SINCE DECEMBER 31, 2023

There have been no other material changes in the Group's financial position or in the information disclosed under Management Discussion and Analysis in the annual report for the year ended December 31, 2023.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

Save as disclosed above in this interim report, there were 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 during the Reporting Period and as at the date of this interim report.

According to information released on the official website of the CPC Central Commission for Discipline Inspection (中共中央紀律檢查委員會) and the National Supervisory Commission of the People's Republic of China (中華人民共和國國家監察委員會), Dr. Guo Hongwei, a non-executive Director, is currently under disciplinary review and investigation for suspected serious violation of Party disciplinary rules and laws. For details, please refer to the Company's announcement dated August 27, 2024.

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 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 is 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 Reporting Period.

By order of the Board

Wuhan YZY Biopharma Co., Ltd.

Dr. Zhou Pengfei

Chairman of the Board, Executive Director and Chief Executive Officer

Wuhan, PRC

September 16, 2024

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

(incorporated in the People's Republic of China with limited liability)

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 39 to 56, which comprise the condensed consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. 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

August 29, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	NOTES	Six months ended June 30,	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Other income	5	4,786	6,919
Other gains and losses	6	2,201	1,351
Research and development expenses		(70,290)	(71,598)
Administrative expenses		(13,064)	(8,306)
Listing expenses		–	(13,499)
Finance costs	7	(2,029)	(1,435)
Loss before tax	8	(78,396)	(86,568)
Income tax expense	9	–	–
Loss for the period		(78,396)	(86,568)
Loss per share			
– Basic and diluted (RMB)	10	(0.40)	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024

	NOTES	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Non-current Assets			
Property and equipment	12	39,150	41,549
Right-of-use assets	12	8,660	8,830
Investment properties		470	492
Value-added tax recoverable		509	512
Prepayment for acquisition of property and equipment		229	140
		49,018	51,523
Current Assets			
Inventories	13	5,380	5,770
Prepayments, deposits and other receivables	14	43,058	31,615
Value-added tax recoverable		650	16,032
Cash and cash equivalents		161,851	196,684
		210,939	250,101
Current Liabilities			
Trade and other payables	15	50,252	42,373
Bank borrowings	16	79,500	89,500
Amount due to a related party	23	–	–
Lease liabilities		356	464
Deferred income	17	490	640
Advance from transfer agreement	18	39,495	40,843
		170,093	173,820
Net Current Assets		40,846	76,281
Total Assets Less Current Liabilities		89,864	127,804

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024

	NOTES	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Non-current Liabilities			
Bank borrowings	16	40,000	–
Lease liabilities		275	150
		40,275	150
Net Assets			
		49,589	127,654
Capital and Reserves			
Share capital	19	193,849	193,849
Reserves		(144,260)	(66,195)
Total Equity			
		49,589	127,654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024

	Share capital RMB'000	Share premium RMB'000	Share- based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2024 (audited)	193,849	345,009	1,584	(412,788)	127,654
Loss and total comprehensive expenses for the period (unaudited)	-	-	-	(78,396)	(78,396)
Recognition of equity-settled share-based payment (note 20) (unaudited)	-	-	331	-	331
At June 30, 2024 (unaudited)	193,849	345,009	1,915	(491,184)	49,589
At January 1, 2023 (audited)	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(58,173)	(72,318)
INVESTING ACTIVITIES		
Interest received from banks	2,161	182
Advance from transfer agreement	–	7,113
Gain on financial assets at fair value through profit or loss (“FVTPL”)	–	1,343
Purchase of property and equipment	(942)	(1,413)
Refund of transfer agreement	(5,728)	–
Purchase of financial assets at FVTPL	–	(439,000)
Redemption of financial assets at FVTPL	–	476,000
Net cash (used in) from investing activities	(4,509)	44,225
FINANCING ACTIVITIES		
New bank borrowing raised	80,000	20,000
Repayment of bank borrowings	(50,000)	(66,500)
Payments of lease liabilities	(122)	(513)
Issue cost paid	–	(534)
Interest paid on borrowings	(2,026)	(1,411)
Interest paid on lease liabilities	(3)	(24)
Net cash from (used in) financing activities	27,849	(48,982)
Net decrease in cash and cash equivalents	(34,833)	(77,075)
Cash and cash equivalents at the beginning of the period	196,684	153,520
Cash and cash equivalents at the end of the period	161,851	76,445

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

1. GENERAL INFORMATION

Wuhan YZY Biopharma Co., Ltd. (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 Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on September 25, 2023 (the “Listing”). The respective address of the registered office and the principal place of business 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 (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 tumors, ophthalmology and autoimmune diseases.

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

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 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.

Other than additional/change in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended December 31, 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2024 for the preparation of the Group’s condensed consolidated financial statements:

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

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, 2024 (six months ended June 30, 2023: nil). As at June 30, 2024, all of the Group's non-current assets are located in the PRC.

5. OTHER INCOME

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Government grants (note)	2,825	6,726
Bank interest income	1,950	182
Others	11	11
	4,786	6,919

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,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Loss on disposal of property and equipment	–	(23)
Gain on termination of lease agreement	7	–
Gain from changes in fair value of financial assets at FVTPL	–	1,343
Foreign exchange gains	2,194	31
	2,201	1,351

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

7. FINANCE COSTS

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	2,026	1,411
Interest expenses on lease liabilities	3	24
	2,029	1,435

8. LOSS BEFORE TAX

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

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Loss before tax for the period has been arrived at after charging:		
Directors' and supervisors' emoluments	2,477	2,394
Other staff costs:		
– salaries and other allowances	10,895	10,606
– discretionary bonuses (note)	1,269	1,229
– retirement benefit scheme contributions	1,731	1,736
– share-based payments	331	–
Total staff costs	16,703	15,965
Depreciation of property and equipment	3,225	3,153
Depreciation of right-of-use assets	316	438
Depreciation of investment properties	22	23
Total depreciation	3,563	3,614
Cost of inventories recognized as an expense	5,062	12,816
Listing expenses	–	13,499

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, 2024

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current PRC enterprise income tax	–	–

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

As at June 30, 2024, the Group has unrecognized tax losses of approximately RMB1,016,744,000 (December 31, 2023: RMB903,871,000). As at June 30, 2024, the Group has deductible temporary differences of approximately RMB39,036,000 (December 31, 2023: RMB34,356,000). 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,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	(78,396)	(86,568)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	193,849	182,000
Loss per share		
– Basic and diluted (RMB)	(0.40)	(0.48)

No diluted loss per share for the six months ended June 30, 2024 and 2023 as there was no potential ordinary shares in issue for the six months ended June 30, 2024 and 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

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, 2023: nil).

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

During the six months ended June 30, 2023, the Group disposed of certain equipment with an aggregate carrying amount of RMB23,000 resulting in a loss on disposal of RMB23,000.

In addition, during the current interim period, the Group incurred RMB826,000 (six months ended June 30, 2023: RMB795,000) for acquisitions of furniture and fixture.

During the current interim period, the Group renewed one lease agreement of leased properties and entered into one new lease agreement with lease terms of 2 years. On date of lease modification, the Group recognised right-of-use assets of RMB722,000 (six months ended June 30, 2023: RMB1,211,000) and lease liabilities of RMB629,000 (six months ended June 30, 2023: RMB1,211,000).

During the current interim period, the Group terminated one lease agreement of leased properties. The Group derecognised right-of-use assets of approximately RMB576,000 and lease liabilities of approximately RMB583,000, resulting in gain on termination of approximately RMB7,000.

13. INVENTORIES

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Materials for research and development project	5,380	5,770

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Prepayments for research and development services (note)	35,461	30,743
Receivables from transfer agreement (note 18)	6,752	–
Advance to staff	180	180
Others	665	692
	43,058	31,615

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 June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Trade payables for research and development expenses	3,458	2,954
Accrued research and development expenses	38,199	29,559
Other payables to government (note)	3,600	3,600
Accrued staff costs and benefits	3,013	4,384
Accrued listing expenses	–	106
Accrued professional fees	1,325	1,050
Other tax payables	367	500
Payables for acquisition of property and equipment	–	27
Others	290	193
	50,252	42,373

Note: 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, 2023 and June 30, 2024. Therefore, the amount was repayable to the respective PRC government authority on demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

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, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
0-30 days	2,111	1,415
31-90 days	433	914
91-180 days	560	101
181-365 days	35	220
Over 365 days	319	304
	3,458	2,954

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, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
GBP	17	–
US\$	4	28
CHF	95	361
	116	389

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB80,000,000 (six months ended June 30, 2023: RMB20,000,000). The loans carry interest at fixed market rates ranging from 3.4% to 3.5% per annum and are repayable within seven months to three years. The proceeds were used to finance the research and development activities.

The new bank loan of RMB50,000,000 (six months ended June 30, 2023: RMB11,000,000) was secured and unguaranteed, the new bank loan of RMB30,000,000 was unsecured, unguaranteed. Such loan was secured by the Group's property and equipment, right-of-use assets and investment properties with carrying amount of RMB5,530,000, RMB7,969,000 and RMB470,000 respectively as at June 30, 2024.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

17. DEFERRED INCOME

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Subsidies related to research and development activities (note)	490	640

Note: Subsidies are in relation to research and development activities of the Group and the Company. The subsidies can be regarded as fully granted until certain conditions are fulfilled. As at December 31, 2023 and June 30, 2024, 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, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Upfront fee received from transfer agreement	39,495	40,843

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. The Transferee settled the upfront fee and milestone fee in October 2022 and June 2023, respectively.

In April 2024, the Company entered into a supplemental agreement of the Agreement (the "Supplemental agreement") with the Transferee and a subsidiary of the Transferee (the "Subsidiary of transferee"). Pursuant to the Supplemental agreement, all rights and assets relating to the drug candidates in Mainland China, Hong Kong Special Administrative Region, Macao Special Administrative Region was transferred to the Transferee, while rights and assets relating to the drug candidates in other territories of the world was transferred to the Subsidiary of transferee. In addition, the total amount of received upfront fee and milestone fee (collectively referred as the "Upfront Fee") was modified from USD6,000,000 to RMB39,495,000 (excluding value-added tax). The Upfront Fee amounting to RMB35,115,000 and RMB6,752,000 (including value-added tax) should be paid by the Transferee and the Subsidiary of transferee respectively, since the Transferee already paid RMB40,843,000, the Company should refund RMB5,728,000 to the Transferee. As at June 30, 2024, the Company refunded RMB5,728,000 to the Transferee and the Upfront Fee due from the Subsidiary of transferee was remained outstanding.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

19. SHARE CAPITAL

Share capital as at December 31, 2023 and June 30, 2024 represented the issued share capital of the Company.

Share capital

	Number of shares	Nominal value of shares RMB'000
Authorized and issued		
At December 31, 2023 (audited) and June 30, 2024 (unaudited)	193,849,200	193,849

20. SHARE-BASED PAYMENT TRANSACTIONS

Restricted shares ("RS") plan under Caizhi I RS Scheme

The Company adopted equity incentive plan ("ESOP Plan") in order to provide incentives to employees and directors to promote the success of the business of the Group.

To implement the ESOP plan, the founders of the Company established an employee stock ownership platform, namely Caizhi in August 2015, to hold the Company's paid-in capital of RMB16,500,000, which was transferred from the founders. Upon exercise of the options, eligible employees and directors shall subscribe for partnership interest of Caizhi at a consideration price ranges from RMB0.8 to RMB6.36 for RMB1 registered capital and indirectly hold the equity interests of the Company. In August 2021, the Company terminated the ESOP Plan and all the share options granted. The share options which account for RMB3,285,000 of the Company's paid-in capital, have been exercised in Caizhi before termination.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted shares (“RS”) plan under Caizhi I RS Scheme (Continued)

As a replacement for the ESOP Plan, the Company has formulated restricted shares scheme (“Caizhi I RS Scheme”). To implement Caizhi I RS Scheme, another two employee stock ownership platforms, namely Nanjing Huiyou Jucai Enterprise Management Partnership (Limited Partnership) (“Huiyou Jucai”) and Nanjing Huiyou Juzhi Enterprise Management Partnership (Limited Partnership) (“Huiyou Juzhi”) were established in August 2021. On the date of establishment, Caizhi transferred the Company’s paid-in capital of RMB8,375,000 and RMB4,840,000 to Huiyou Jucai and Huiyou Juzhi respectively, and the Company’s paid-in capital of RMB3,285,000 were retained in Caizhi.

Under the Caizhi I RS Scheme, eligible employees and directors shall subscribe for partnership interest of Huiyou Jucai and Huiyou Juzhi at a consideration price ranges from RMB1.58 to RMB6.36 for RMB1 registered capital and indirectly hold the incentive shares of the Company.

The RS issued under Caizhi I RS Scheme have been vested upon issuance in August 2021.

During the six months ended June 30, 2024, several granted employees terminated their employments with the Company and transferred the partnership interests of Huiyou Juzhi which representing 550,000 ordinary shares of the par value of RMB1 each in the share capital of the Company to Dr. Zhou Pengfei, the general partner of Huiyou Juzhi, at the original grant price.

In February 2024, 275,000 RSs in Huiyou Juzhi were granted to certain selected employees who make contribution to the development of the Company with the price of RMB6.36 each share, 25% of RSs granted are vested on each of the first, second, third and fourth anniversary of the grant date respectively.

The directors of the Company estimated fair values of the RSs at the grant date based on the market trading price of the share. During the six months ended June 30, 2024, amount of RMB108,000 share-based payment expenses has been recognised by the Company (six months ended June 30, 2023: nil), related to the Caizhi I RS scheme.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Restricted shares plan under Caizhi II Enterprise Management

In August 2021, Mr. Yuan Qian and Mr. Zhou Hongfeng, two of the founders and investors who entered into investment agreements with the Company in December 2020 ("Series A investors") of the Company established an employee stock ownership platform, namely Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) ("Caizhi II") to hold the Company's paid-in capital of RMB11,418,000, to implement RS scheme ("Caizhi II RS Scheme").

Under the Caizhi II RS Scheme, eligible employees and directors shall subscribe for partnership interest of Caizhi II at a consideration of RMB6.36 for RMB1.00 registered capital and indirectly hold the incentive shares of the Company.

All restricted shares issued under Caizhi II RS Scheme have been vested upon issuance in August 2021.

During the six months ended June 30, 2024, one granted employee terminated his employment with the Company and transferred the 575,000 RSs back to Caizhi II at the original grant price.

In February 2024, 575,000 RSs in Caizhi II were granted to certain selected employees who make contribution to the development of the Company with the price of RMB6.36 each share, 25% of RSs granted are vested on each of the first, second, third and fourth anniversary of the grant date respectively.

The directors of the Company estimated fair values of the RSs at the grant date based on the market trading price of the share. During the six months ended June 30, 2024, amount of RMB223,000 share-based payment expenses has been recognised by the Company (six months ended June 30, 2023: nil), related to the Caizhi II RS scheme.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

21. CAPITAL COMMITMENT

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements:		
– Property and equipment	279	27

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

There is no Group's financial assets and financial liabilities are measured at fair value at the end of June 30, 2024 and December 31, 2023. The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements, however, approximate their fair values.

23. 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,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
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")	41	271

(b) Related party balances

As at June 30, 2024 and December 31, 2023, the Group has no outstanding balances with related parties.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2024

23. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(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,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries and other benefits	3,094	3,230
Discretionary bonuses	338	230
Retirement benefit scheme contributions	163	132
Share-based payments	194	–
	3,789	3,592

* English name is for identification purpose only.