KeyMed Biosciences

Keymed Biosciences Inc.
康諾亞生物醫藥科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2162

2023
INTERIM REPORT

Contents

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Audit Committee"	the audit committee of the Board
"AZ" or "AstraZeneca"	AstraZeneca AB, a global pharmaceutical company, which to the best knowledge and belief of the Company, is an Independent Third Party
"BLA"	biologics license application
"Board of Directors" or "Board"	the board of Directors
"CDE"	the Center for Drug Evaluation of the National Medical Products Administration
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chengdu Kangnuoxing"	Chengdu Kangnuoxing Biopharma, Inc.* (成都康諾行生物醫藥科技有限公司), a subsidiary of the Company
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"cGMP" or "Current Good Manufacturing Practice"	the Current Good Manufacturing Practice regulations enforced by the FDA. cGMPs provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities. Adherence to the cGMP regulations assures the identity, strength, quality, and purity of drug products by requiring that manufacturers of medications adequately control manufacturing operations. This includes establishing strong quality management systems, obtaining appropriate quality raw materials, establishing robust operating procedures, detecting and investigating product quality deviations, and maintaining reliable testing laboratories
"Company" or "our Company"	Keymed Biosciences Inc. (formerly known as 2Health Biosciences, Inc.), an exempted company with limited liability incorporated in the Cayman Islands on April 23, 2018
"Core Product"	CM310, the designated "core product" as defined under Chapter 18A of the Listing Rules
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CSPC"	CSPC Pharmaceutical Group Limited, a company listed on the Stock Exchange (stock code: 1093), and, if the context requires, its affiliates

Definitions

"Director(s)"	the director(s) of the Company or any one of them
"Dr. Chen"	Dr. Bo CHEN, the chairman of the Board, an executive Director and the chief executive officer of our Company
"FDA"	the Food and Drug Administration of the United States
"FTD" or "Fast Track Designation"	the Fast Track Designation, the obtainment of which for drug candidates would provide the opportunity to accelerate the review process in various forms, including but not limited to (1) more communications and meetings with the FDA, to obtain closer guidance in drug development, clinical trial design and so on; (2) having the qualification of priority review and accelerating approval after meeting the relevant criteria; (3) rolling review
"FVTPL"	fair value through profit and loss
"Global Offering"	the offering of Shares for subscription as described in the Prospectus
"Group", "our Group", "our", "we", or "us"	the Company and its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S.
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"InnoCare"	Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), a limited liability company incorporated under the laws of PRC on December 13, 2013, a subsidiary of InnoCare Pharma Limited (HKSE: 9969), and an Independent Third Party
"JMT-Bio"	Shanghai JMT-Bio Technology Co., Ltd. (上海津曼特生物科技有限公司), a wholly-owned subsidiary of CSPC

Definitions

"KYM"	KYM Biosciences Inc., a 70% non-wholly owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Prospectus"	the prospectus of the Company dated June 25, 2021
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "USD" or "US$"	United States dollars, the lawful currency of the U.S.
"2021 RSU Scheme"	the restricted share unit scheme adopted by the Board on April 5, 2021
"2022 RSU Scheme"	the restricted share unit scheme adopted by the Board on January 21, 2022
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Bo CHEN
Dr. Changyu WANG
Dr. Gang XU

Non-executive Directors

Mr. Qi CHEN
Dr. Min Chuan WANG
Mr. Yilun LIU

Independent non-executive Directors

Prof. Xiao-Fan WANG
Prof. Yang KE
Mr. Cheuk Kin Stephen LAW
Prof. Linqing LIU *(retired on June 27, 2023)*

AUDIT COMMITTEE

Mr. Cheuk Kin Stephen LAW *(Chairperson)*
Mr. Qi CHEN
Prof. Yang KE *(appointed on June 27, 2023)*
Prof. Linqing LIU *(retired on June 27, 2023)*

REMUNERATION COMMITTEE

Prof. Xiao-Fan WANG *(Chairperson)*
Dr. Changyu WANG
Prof. Yang KE

NOMINATION COMMITTEE

Dr. Bo CHEN *(Chairperson)*
Prof. Xiao-Fan WANG
Mr. Cheuk Kin Stephen LAW
(appointed on June 27, 2023)
Prof. Linqing LIU *(retired on June 27, 2023)*

JOINT COMPANY SECRETARIES

Mr. Yanrong ZHANG
Ms. Vivien Pak Yu TAM

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. Bo CHEN
Dr. Changyu WANG

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

REGISTERED OFFICE

Floor 4, Willow House, Cricket Square
Grand Cayman KYI-9010
Cayman Islands

CORPORATE HEADQUARTERS

Building D2, No. 18 BioTown Middle Road
Tianfu International BioTown, Chengdu
Sichuan, 610219
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1701 Lippo Centre Tower 2
Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank
China Merchants Bank

COMPANY WEBSITE

www.keymedbio.com

STOCK CODE

2162

LISTING DATE

July 8, 2021

Management Discussion and Analysis

OVERVIEW

We are a biotechnology company focused on the in-house discovery and development of innovative biological therapies in the autoimmune and oncology therapeutic areas. We have multiple clinical-stage assets, each of them being the leading contender within its respective competitive landscape.

Based on a solid foundation in biomedical research, we have built in-house drug discovery and development technologies that are complemented by our collaboration with other pharmaceutical and biotechnology companies. These comprise an innovative antibody discovery platform and a proprietary novel T cell engager (nTCE) bispecific antibody platform. As of June 30, 2023, we have nine clinical stage and IND-enabling drug candidates in our internally-developed pipeline.

To accelerate the efficiency of our research and discovery, we have established a fully-integrated platform encompassing all of the key functions in the biologic drug development. These include target validation, lead molecule discovery and optimization, preclinical evaluation, process development, translational research, clinical development and manufacturing. This integrated platform has enabled us to rapidly and cost-effectively identify, build, expand and advance our diversified pipeline of innovative and differentiated antibody-based therapies, including monoclonal antibodies, antibody drug conjugates (ADCs) and bispecific antibodies.

Product Pipeline

Our proprietary product pipeline reflects our market insight and employs the most recent scientific findings. To complement our in-house R&D efforts, we also collaborate with third parties on the development and commercialization of our drug candidates through joint venture or out-licensing arrangements.

The following chart illustrates our pipeline and summarizes the development status of our clinical-stage drug candidates and selected IND-enabling stage candidates as of the end of the Reporting Period and up to the date of this report:

Management Discussion and Analysis

Abbreviations: AD = atopic dermatitis; ADC = antibody drug conjugate; AR = allergic rhinitis; CRS = chronic rhinosinusitis; CRSwNP = chronic rhinosinusitis with nasal polyposis; COPD = chronic obstructive pulmonary disease; GEJ = gastroesophageal junction; mAb = monoclonal antibody; MM = multiple myeloma; Ph = Phase; RRMM = relapsed or refractory multiple myeloma

BUSINESS REVIEW

- **CM310 (IL-4Rα antibody)**

  CM310, our Core Product as defined under Chapter 18A of the Listing Rules, is a humanized and highly potent antibody against interleukin-4 receptor α-subunit (IL-4Rα). It is the first domestically-developed IL-4Rα antibody that received IND approval from the NMPA. By targeting IL-4Rα, CM310 can lead to dual-blockade of interleukin-4 (IL-4) and interleukin-13 (IL-13) signaling. IL-4 and IL-13 are two critical cytokines for initiating type II inflammation. CM310 can potentially be effective for treating various type II immunological diseases in adults, adolescents and children, such as moderate-to-severe atopic dermatitis (AD), moderate-to-severe asthma, chronic rhinosinusitis with nasal polyposis (CRSwNP), allergic rhinitis, and potentially chronic obstructive pulmonary disease (COPD). It demonstrated favorable safety and encouraging efficacy in Phase Ia, Phase Ib/IIa and Phase IIb clinical trials for multiple indications. Previously, the CDE has granted CM310 breakthrough therapy designation for the treatment of moderate-to-severe AD.

  We continued proceeding with a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in adult subjects with moderate-to-severe AD in the first half of 2023. In March 2023, we completed the data unblinding and preliminary statistical analyses of the Phase III clinical study, which demonstrated that the primary efficacy endpoints of the study were successfully achieved, and the safety profiles were well and consistent with the historical results. The Group is in communication with the NMPA regarding the NDA which is expected to be submitted in 2023.

  We continued proceeding with a randomized, double-blinded, placebo-controlled Phase III clinical study to evaluate the efficacy and safety of CM310 in patients with CRSwNP in the first half of 2023, and the patient enrollment of the Phase III clinical study was completed in May 2023. The Phase III clinical study has been approved by CDE and plans to include 180 subjects. The co-primary efficacy endpoints were the changes from baseline in bilateral nasal endoscopic polyp score (NPS) and nasal congestion score (NCS) at week 24 during the treatment period. The NDA for this indication is expected to be submitted to the NMPA in 2024.

  In July 2023, the results of the CROWNS-1 study led by the team of Dr. Luo ZHANG (張羅) and Dr. Chengshuo WANG (王成碩) from Beijing Tongren Hospital, CMU, were officially published in eClinicalMedicine (IF: 15.1), a sub-journal of The Lancet. The CROWNS-1 study is a multi-center, randomized, double-blinded, placebo-controlled Phase II clinical trial of CM310 for the treatment of eosinophilic chronic rhinosinusitis with nasal polyps (eCRSwNP). The results showed that after 16 weeks of treatment with CM310, there was a significant reduction in the size of the nasal polyps, a significant relief of nasal congestion, a significant decrease in the Lund-Mackay CT score of sinus CT, and a reduction in the size of the sinus lesions, compared with placebo. At the same time, CM310 significantly improved the life quality of eCRSwNP patients. This study is the world's first multi-center RCT study of biologics for the treatment of CRSwNP using pathologic eosinophil count (nasal polyp tissue eosinophil count≥55/ high power field or eosinophil percentage≥27%) as the enrollment criteria. It has demonstrated for the first time that CM310 can significantly reduce the number of eosinophils in nasal polyp tissue of eCRSwNP patients after the treatment internationally, downregulate the level of type II inflammation, and thus reveal the internal mechanism of its therapeutic effect.

Management Discussion and Analysis

JMT-Bio, a wholly-owned subsidiary of CSPC, has the exclusive license to develop and commercialize CM310 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). As of the date of this report, CSPC has initiated the critical Phase II/III clinical study for the treatment of moderate-to-severe asthma, and the patient enrollment is currently in progress.

- **CM326 (TSLP antibody)**

  CM326 is a humanized and highly potent monoclonal antibody targeting thymic stromal lymphopoietin (TSLP). It is the first domestically-developed TSLP-targeting antibody in China, to have received IND approval. TSLP plays a critical role as an upstream cytokine mediating multiple inflammatory pathways, which provides a strong scientific rationale for the development of TSLP antibody to treat COPD and various allergic diseases, including moderate-to-severe asthma and CRSwNP. CM326 may also have synergistic effects with CM310.

  We continued proceeding with a randomized, double-blinded, placebo-controlled Phase II clinical study to evaluate the efficacy and safety of CM326 in adult patients with moderate-to-severe AD in the first half of 2023, and the patient enrollment of the Phase II clinical trial was completed in June 2023. In addition, we continued proceeding with a multi-center, randomized, double-blinded, placebo-controlled Phase Ib/IIa clinical trial to evaluate the safety, tolerability, pharmacokinetics/pharmacodynamics, immunogenicity, and preliminary efficacy of CM326 in subjects with CRSwNP in the first half of 2023, and the patient enrollment of the Phase Ib/IIa clinical trial was completed in February 2023.

  JMT-Bio, a wholly-owned subsidiary of CSPC, holds the exclusive license to develop and commercialize CM326 for the treatment of moderate-to-severe asthma, COPD and other respiratory diseases in China (excluding Hong Kong, Macau, or Taiwan). As of the date of this report, CSPC has initiated the Phase II clinical study for the treatment of moderate-to-severe asthma, and the patient enrollment is currently in progress.

- **CMG901 (Claudin 18.2 ADC)**

  CMG901 is a Claudin 18.2-targeting ADC comprising of a Claudin 18.2-specific antibody, a cleavable linker and a toxic payload, monomethyl auristatin E (MMAE). It is the first Claudin 18.2 ADC to have received IND approval in China and the U.S.. Claudin 18.2 is selectively and widely expressed in gastric cancer, pancreatic cancer and other solid tumors, which makes it an ideal tumor target for therapeutic development. Previously, CMG901 was granted the Fast Track Designation and the Orphan Drug Designation by the FDA for the treatment of relapsed/refractory gastric cancer and gastroesophageal junction adenocarcinoma, and was granted breakthrough therapy designation by the CDE for the treatment of Claudin 18.2-positive advanced gastric cancer that has failed or cannot be tolerated by first-line treatment or above. In the first half of 2023, we continued proceeding with the Phase I clinical study of CMG901 for the treatment of advanced solid tumors.

Management Discussion and Analysis

In January 2023, we presented, in the form of a poster, the latest data from the Phase Ia dose-escalation clinical study about CMG901 for the treatment of advanced solid tumors at the 2023 Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology. As of August 4, 2022, a total of 27 patients (13 with gastric cancer or gastroesophageal junction adenocarcinoma and 14 with pancreatic cancer) were enrolled in the CMG901 Phase Ia clinical study. The study results showed that CMG901 had a good safety and tolerability, with 3/27 (11.1%) patients experiencing grade 3 drug-related adverse events and no grade 4 or above drug-related adverse events. The dose was successfully increased to 3.4 mg/kg and the maximum tolerated dose (MTD) was not reached. Only one patient in the 2.2 mg/kg group had dose-limiting toxicity. In terms of efficacy, eight patients with Claudin 18.2-positive gastric cancer or gastroesophageal junction adenocarcinoma treated with CMG901 had an objective response rate of 75% and a disease control rate of 100%. Objective response rates were 100% for patients in the 2.6, 3.0 and 3.4 mg/kg cohorts. Median progression-free survival (mPFS) and median overall survival (mOS) were not reached.

In February 2023, KYM, a 70% non-wholly owned subsidiary of the Company, and AstraZeneca (a global pharmaceutical company, which to the best of the Company's knowledge and belief, is an Independent Third Party) have entered into a global exclusive license agreement. AstraZeneca has been granted a worldwide exclusive license to research, develop, register, manufacture and commercialize CMG901 and is responsible for all costs and activities associated with its further development and commercialization under the license agreement. According to the license agreement and subject to its terms and conditions, KYM will receive an upfront payment of US$63 million and additional potential payments of up to US$1,125 million upon completion of certain development, regulation and commercial milestones. In particular, the upfront payment of US$63 million was received on March 31, 2023. KYM is also entitled to collect tiered royalties from AstraZeneca on net sales. KYM has a responsibility to provide assistance and personnel to facilitate the transfer of technology and expertise. Unless otherwise agreed, AstraZeneca is responsible for all costs of development and regulatory affairs activities related to the ongoing experiments with respect to CMG901.

- **CM313 (CD38 antibody)**

CM313 is a humanized monoclonal antibody that targets CD38. CM313 is the first domestically-developed CD38 antibody with IND approval by the NMPA in China. Given the encouraging efficacy in preclinical studies, we believe CM313 has the potential to become an innovative treatment option for relapsed or refractory multiple myeloma (RRMM), lymphoma and other hematological malignancies.

Management Discussion and Analysis

In the first half of 2023, we continued proceeding with a multi-center, open-label Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetics, immunogenicity, and preliminary efficacy of CM313 monotherapy in hematological malignancies including multiple myeloma and lymphoma. In June 2023, we presented, in the form of a poster, the latest data from the Phase I clinical study of CM313 for the treatment of RRMM and relapsed/refractory lymphoma at the 28th Annual Congress of European Hematology Association (EHA). Such Phase I study (NCT04818372) is designed to evaluate the safety and preliminary efficacy of CM313 in the treatment of patients with RRMM and relapsed/refractory lymphoma (currently refer to Waldenström's macroglobulinemia and marginal zone lymphoma). As of October 10, 2022, a total of 34 patents (31 with RRMM and three with marginal zone lymphoma) were enrolled in the study. The safety assessments demonstrated that CM313 was well-tolerated. The dose was successfully escalated up to 16.0 mg/kg, and maximum tolerated dose was not reached. No dose-limiting toxicity was occurred. The most common drug-related adverse events (defined as occurring in ≥20% of patients) were infusion-related reactions and decreased cell counts in lymphocytes, white blood cells and neutrophils. The infusion-related reactions were grade 1 or 2 and occurred during the first two drugs. Among the 29 RRMM patients who had at least one post-baseline efficacy evaluation, the overall objective response rate (ORR) was 34.5%. The median progression-free survival (PFS) was 132 days, and the median overall survival (OS) was not reached. CM313 exhibited a good safety profile in general in this study. CM313 at dose levels of ≥2.0 mg/kg showed preliminary efficacy in the treatment of patients with RRMM.

In addition, given the observed outstanding clearance effect of CM313 on plasma cells, we believe CM313 has the potential to become an innovative treatment option for systemic lupus erythematosus (SLE). We are continuing proceeding with a randomized, double-blinded, placebo-controlled, dose-escalation, multiple-dose Phase Ib/IIa clinical study to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics, immunogenicity and preliminary efficacy of CM313 injection in subjects with systemic lupus erythematosus, and the patient enrollment is currently in progress.

- **CM338 (MASP-2 antibody)**

  CM338 is a humanized, highly potent antagonist antibody against mannose-binding lectin-associated serine protease-2 (MASP-2).

  In March 2023, we initiated a Phase II clinical study to evaluate the efficacy and safety of CM338 injection in subjects with immunoglobulin A nephropathy (IgAN), and the patient enrollment of the Phase II trial is currently in progress.

- **CM355/ICP-B02 (CD20xCD3 bispecific antibody)**

  CM355 is a CD20xCD3 bispecific antibody co-developed by us and InnoCare for the treatment of B-cell non-Hodgkin's lymphoma (NHL), and can be administrated through monotherapy or in combination with other therapies. In preclinical studies, it demonstrated stronger T-cell directed cellular cytotoxicity (TDCC) activities with less cytokine release as compared to its leading competitive products.

Management Discussion and Analysis

We are conducing a phase I/II clinical trial in China to assess the safety, tolerability, pharmacokinetics, and the preliminary anti-tumor activity of CM355 in relapsed or refractory NHL. Both intravenous infusion (IV) formulation and subcutaneous (SC) formulation are evaluated in dose-escalation for different administration options catering to patient preference and convenience. Encouragingly, our preliminary data of both IV and SC formulations has shown good efficacy of CM355 in patients with follicular lymphoma (FL) and diffuse large B cell lymphoma (DLBCL).

- **CM336 (BCMAxCD3 bispecific antibody)**

CM336 is a BCMAxCD3 bispecific antibody for treatment of multiple myeloma. BCMA is an attractive target for multiple myeloma immunotherapy due to its high expression on malignant plasma cells in multiple myeloma patients and normal expression restricted to plasma cells in healthy individuals. CM336 is designed to target BCMA on BCMA-positive tumor cells and the CD3 receptor on the surface of T cells, bridging them together and activating T cells to kill the cancer cells.

We internally discovered and developed CM336, which is currently in the dose-escalation of Phase I clinical study.

- **CM350 (GPC3xCD3 bispecific antibody)**

CM350 is a GPC3xCD3 bispecific antibody for the treatment of solid tumors, especially for hepatocellular carcinoma (HCC). CM350 is designed to target GPC3 on GPC3-positive tumor cells and the CD3 receptor on the surface of T cells, bridging them together and activating T cells to kill the cancer cells. The dual targeting of GPC3 and CD3 activates and redirects T cells to engage and eliminate target tumor cells.

We internally discovered and developed CM350, which is currently in the dose-escalation phase of Phase I clinical study.

- **CM369/ICP-B05 (CCR8 antibody)**

CM369 is an anti-C-C motif chemokine receptor 8 (CCR8) monoclonal antibody, a potential first-in-class drug co-developed by our Company and InnoCare as a monotherapy or in combination with other therapies for the treatment of various cancers. The studies have found that as a chemokine receptor with specificity overexpressed on tumor-infiltrating regulatory T cells (Tregs), CM369 binds to specificity of CCR8 on Tregs and eradicates immunosuppressive Tregs through antibody-dependent cell-mediated cytotoxicity (ADCC) action to relieve tumor suppression in the TME without affecting peripheral tissues. CM369 selectively removes Tregs from tumor microenvironment, which has more specificity than other immunotherapies and is expected to have synergistic effects with other therapies.

Currently, we are conducting the Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetic characteristics, and efficacy of CM369 in subjects with advanced liquid and solid tumors. Regarding liquid tumor, the IND for the treatment of NHL was approved in March 2023. For solid tumor, the first patient in was in the first quarter of 2023, three cohorts in subjects with solid tumor was completed by far with no DLTs observed. The preliminary results demonstrate favorable pharmacokinetics profile with sufficient exposure for target coverage and pharmacodynamics biomarker Tregs depletion was observed.

Management Discussion and Analysis

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company may not be able to ultimately develop and market CM310, CM326, CMG901, CM313, CM338, CM355, CM336, CM350, and CM369 successfully. As at the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

OUR R&D AND MANUFACTURING

Leveraging the expertise of our clinical development team, we are able to efficiently design and execute our clinical trials and demonstrate the advantages of our innovative drugs through outstanding clinical results. Our clinical development team achieves this goal through well-designed trial protocols and excellent trial execution. The team coordinates clinical development strategies and trial protocols for our drug candidates, and manages the trial implementation with the assistance of reputable CROs in a cost-effective manner. Our medical and translational research staff identify and validate biomarkers, direct patient selection, and analyze clinical data to guide clinical studies and preclinical evaluations. As our clinical-stage drug candidates are each among the first three domestically-developed for its target or in its class to have obtained IND approval in China and/or the U.S., we have attracted first-tier hospitals and leading principal investigators (PIs) to join our clinical trials. We believe the long-term relationships with these medical collaborators will bring us tremendous benefits.

To ensure production and supply of high-quality and affordable antibody drugs, we have always been committed to enhancing our in-house manufacturing capabilities. We have internally developed high-expressing cell lines to ensure high yield and low costs for our antibody manufacturing. As of the end of the Reporting Period, the production capacity of the production base in Chengdu has reached 18,600 litres in total, and all the designs thereof are in compliance with the requirements of cGMP of the NMPA and FDA.

R&D PLATFORMS

We have built fully-integrated platforms to enable our in-depth R&D in the areas of immunology and oncology. Our platforms are integrated seamlessly to support key drug development functionalities, including antibody screening, functional evaluation, in vivo preclinical studies and biomarker identification. We have the expertise and capability to independently complete the entire drug development process from drug discovery to preclinical research to clinical development and to NDA/BLA application. Our core platforms are as follows:

- **Novel T Cell Engager (nTCE) Platform**

  Our nTCE platform enables us to develop bispecific T cell engagers that are potent and highly tumor specific. In recent years, T cell engaging bispecific antibodies have attracted particular interest as a promising class of immunotherapies for the treatment of non-immunogenic tumors. Our technology is designed to overcome these limitations by maximizing T cell-mediated cell killing effects with minimal cytokine release syndrome, and high stability and productivity.

  Leveraging the nTCE platform, we are developing multiple T-cell engaging bispecific antibodies, including CM355, CM336 and CM350 which have entered the clinical-stage as of the date of this report. In preclinical studies, the above drug candidates have demonstrated encouraging T cell-mediated cell killing effects with low possibility of cytokine release syndrome.

Management Discussion and Analysis

- **Innovative Antibody Discovery Platform**

  Our innovative antibody discovery platform is a versatile platform for the discovery and evaluation of antibody drugs. This platform includes the following main functionalities: antibody screening, engineering and optimization. With these functions and technologies, we are able to develop antibody-based therapies with new modalities and new mechanisms of action, which potentially increase the efficacy and specificity of the therapies. Based on this platform, we have developed multiple drug candidates with different modalities in our pipeline, including bispecific antibodies, ADCs and fragment crystallisable region (Fc) engineered antibodies. This platform is also empowered by enhanced automatic antibody screening and discovery techniques, leading to cost-efficient discovery of drug candidates with high affinity, cross-species activity and improved developability.

- **Bio-evaluation Platform**

  Our bio-evaluation platform is responsible for effective assessment of antibody drug candidates. We have developed multiple cell-based assays using primary and engineered reporter cells, which enable us to quickly screen and select highly potent antibodies with desired biological activities. Building on our experience and expertise, we are also able to establish a variety of immunoassays to facilitate our immunology and oncology pipeline development. To further evaluate the efficacies of antibody drugs in vivo, we have developed a number of animal models in different species in collaboration with our CROs to support our target validation and lead molecule selection.

- **High-throughput Screening Platform for High Yield Antibody-expressing Cells**

  Leveraging the experience and know-how of our chemistry, manufacturing and controls (CMC) and manufacturing team, we have developed our high-throughput screening platform to identify high-yielding cell lines that have desirable characteristics for further cost-efficient development. With this platform, we have successfully identified the cell lines to produce drug candidates in three months. This allows us to rapidly advance our assets to the preclinical and clinical evaluation stage and accelerate the drug development process.

Management Discussion and Analysis

OTHER CORPORATE DEVELOPMENT

In January 2023, Chengdu Kangnuoxing entered into an asset transfer agreement with Chengdu Bio-Town Construction Co., Ltd.* (成都生物城建設有限公司) for the acquisition of a parcel of land located in Songbai Community No. 1 in Chengdu, consisting of three near-completed buildings situated on the parcel of land, which the Company proposed to use as its new headquarters and a manufacturing plant for its pipeline drug products. Please refer to the announcement of the Company dated January 18, 2023 for further information.

In February 2023, KYM entered into a global exclusive out-license agreement with AstraZeneca to develop and commercialize CMG901. Please refer to the section headed "Management Discussion and Analysis – Business Review – CMG901 (Claudin 18.2 ADC)" in this interim report and the announcement of the Company dated February 23, 2023 for further information.

In June 2023, Keymed Bioscience (Chengdu) Co., Ltd.* (康諾亞生物醫藥科技(成都)有限公司), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Chengdu High-tech New Economy Venture Capital Co., Ltd.* (成都高新新經濟創業投資有限公司) and Chengdu Bio-Town Equity Investment Co., Ltd.* (成都生物城股權投資有限公司) for the acquisition of 18.6992% equity interest in Chengdu Kangnuoxing, a non-wholly owned subsidiary of the Company, upon completion of which Chengdu Kangnuoxing became a wholly-owned subsidiary of the Company. This acquisition enabled the Group to take full control of Chengdu Kangnuoxing, which would continue to engage in the development and manufacturing of the Group's drug candidates, and benefit from its future developments. Please refer to the announcement of the Company dated June 26, 2023 for further information.

FUTURE DEVELOPMENT

We will continue to rapidly advance both ongoing and planned clinical programs for our pipeline products both in China and globally, including in the U.S., and prepare for the commercialization of our late-stage pipeline products. In the meantime, to expedite the commercialization of our drug candidates and maximize the commercial value, we will actively explore value-accretive strategic partnerships such as co-development, collaboration, and licensing both in China and globally.

In anticipation of increased production demands for our drug candidates, we plan to further expand our cGMP-compliant manufacturing capacity to improve the cost-effectiveness of our production. We are very pleased to see the rapid progress we achieved so far and the detailed development plan ahead of us. In line with our Company's vision, we are committed to developing, manufacturing and commercializing innovative biological therapies for patients worldwide.

Management Discussion and Analysis

FINANCIAL REVIEW

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**327,124**	100,000
Cost of sales	**(15,017)**	(2,537)
GROSS PROFIT	**312,107**	97,463
Other income and gains	**79,981**	130,259
Research and development expenses	**(249,757)**	(164,008)
Administrative expenses	**(82,372)**	(51,048)
Other expenses	**(381)**	–
Finance costs	**(9,336)**	(1,331)
Share of loss of a joint venture	**(2,097)**	(8,811)
PROFIT BEFORE TAX	**48,145**	2,524
Income tax expense	**–**	–
PROFIT FOR THE PERIOD	**48,145**	2,524
Attributable to:		
Owners of the parent	**46,967**	5,454
Non-controlling interests	**1,178**	(2,930)
	48,145	2,524
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**48,146**	2,524
Attributable to:		
Owners of the parent	**46,968**	5,454
Non-controlling interests	**1,178**	(2,930)
	48,146	2,524

Management Discussion and Analysis

1. Revenue and Cost of Sales

During the Reporting Period, the Group's revenue primarily consisted of collaboration income from AZ in respect of granting the relevant license. Cost of sales mainly represented R&D costs incurred under the out-licensing arrangement during the Reporting Period.

2. Other Income and Gains

During the Reporting Period, the Group's other income and gains primarily consisted of interest income and gain on exchange differences. The other income and gains of the Group decreased by RMB50 million to RMB80 million for the six months ended June 30, 2023, from RMB130 million for the six months ended June 30, 2022. The decrease was primarily attributable to the decrease in gain on exchange differences by RMB69 million, netted off increase in interest income by RMB22 million.

3. R&D Expenses

During the Reporting Period, the Group's R&D expenses primarily consisted of (i) expenses incurred in connection with pre-clinical and clinical studies, including third-party contracting costs with respect to the engagement of CROs, clinical trial sites and other service providers in connection with our R&D activities; (ii) staff costs for our R&D employees; (iii) expenses for procuring raw materials and consumables used in the R&D of our drug candidates; and (iv) depreciation and amortization of property, plant and equipment and other intangible assets related to R&D activities. For the six months ended June 30, 2023, the R&D expenses of the Group increased by RMB86 million to RMB250 million, from RMB164 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase of (i) clinical trial and pre-clinical study expenses by RMB37 million; (ii) staff costs by RMB27 million; (iii) raw materials by RMB11 million; and (iv) depreciation and amortization costs by RMB9 million.

4. Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of (i) staff costs for our administrative employees; (ii) depreciation and amortization of property, plant and equipment and other intangible assets related to administrative activities; (iii) professional services fees paid to legal counsel, agents, auditor, and other professional service providers; and (iv) travelling expenses. For the six months ended June 30, 2023, the administrative expenses of the Group increased by RMB31 million to RMB82 million, from RMB51 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase in staff costs by RMB21 million.

5. Finance Costs

During the Reporting Period, the Group's finance costs primarily consisted of interest on other financial liabilities and bank borrowings. For the Reporting Period, the finance costs of the Group increased by RMB8 million to RMB9 million, from RMB1 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase in interest on other financial liabilities and bank borrowings by RMB4 million and RMB4 million, respectively.

Management Discussion and Analysis

6. Share of Loss of a Joint Venture

During the Reporting Period, the shared loss from the 50%-owned joint venture, Beijing Tiannuo Pharma Tech Co., Ltd., amounted to RMB2 million. The decrease in loss was primarily attributable to the decreased expenses of clinical studies incurred by the joint venture during the Reporting Period.

7. Income Tax Expense

We did not recognize any income tax expense for the Reporting Period.

8. Selected Data from Interim Condensed Consolidated Statement of Financial Position

	As at June 30, 2023 ***RMB'000*** **(Unaudited)**	As at December 31, 2022 *RMB'000* (Audited)
Total current assets	**3,146,650**	3,309,974
Total non-current assets	**921,078**	622,342
Total assets	**4,067,728**	3,932,316
Total current liabilities	**228,953**	379,699
Total non-current liabilities	**464,482**	213,399
Total liabilities	**693,435**	593,098
Net assets	**3,374,293**	3,339,218

9. Liquidity and Capital Resources

As at June 30, 2023, our time deposits and cash and bank balances decreased by RMB231 million to RMB2,712 million from RMB2,943 million as at December 31, 2022. The decrease was primarily attributable to cash used in our daily operation, netted off cash received from out-licensing arrangement with AZ.

As at June 30, 2023, the current assets of the Group were RMB3,147 million, including cash and bank balances of RMB1,115 million, time deposits of RMB1,597 million and other current assets of RMB435 million. As at June 30, 2023, the current liabilities of the Group were RMB229 million, including trade payables of RMB34 million, other payables and accruals of RMB165 million, interest-bearing bank borrowings of RMB12 million and other current liabilities of RMB18 million. As at June 30, 2023, the Group had available unutilized bank loan facilities of RMB173 million.

For the six months ended June 30, 2023, our net cash flows from operating activities amounted to RMB40 million, while net cash flows used in operating activities amounted to RMB165 million for the six months ended June 30, 2022. The increase was primarily attributable to the receipt of upfront payment from AZ under the out-licensing arrangement.

Management Discussion and Analysis

For the six months ended June 30, 2023, our net cash flows from investing activities amounted to RMB444 million, while net cash flows used in investing activities amounted to RMB343 million for the six months ended June 30, 2022. The increase was primarily attributable to the decrease in time deposits.

For the six months ended June 30, 2023, our net cash flows used in financing activities amounted to RMB4 million, while net cash flows from financing activities amounted to RMB64 million for the six months ended June 30, 2022. The decrease was primarily attributable to the acquisition of non-controlling interest in a non-wholly owned subsidiary.

As part of our treasury management, we invest in certain 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 investment activities. Under our investment policy, we generally limit our purchases to low-risk, short-term products from reputable commercial banks which must not interfere with our daily operation and business prospects.

We recorded these investments as financial assets at FVTPL of RMB267 million as of June 30, 2023. We manage and evaluate the performance of these investments on a fair value basis in accordance with our risk management and investment strategy. Therefore, these investments in wealth management products were designated as financial assets at FVTPL as of June 30, 2023.

10. Indebtedness

As at June 30, 2023, our interest-bearing bank borrowings amounted to RMB283 million (none of which are borrowed at fixed interest rates) and unutilized credit facilities amounted to RMB173 million.

As at June 30, 2023, the lease liabilities increased by RMB17 million to RMB49 million as the result of the increase of right-of-use assets.

As at June 30, 2023, the other financial liabilities decreased by RMB146 million to RMB nil as the result of the acquisition of non-controlling interest in a non-wholly owned subsidiary.

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as of June 30, 2023 was 17%, representing an increase of 2 percentage points from the gearing ratio of 15% as at December 31, 2022.

Management Discussion and Analysis

11. Significant Investments, Material Acquisitions and Disposals

In January 2023, Chengdu Kangnuoxing entered into an asset transfer agreement with Chengdu Bio-Town Construction Co., Ltd.* (成都生物城建設有限公司) for the acquisition of a parcel of land located in Songbai Community No. 1 in Chengdu, consisting of three near-completed buildings situated on the parcel of land, which the Company proposes to use as its new headquarters and a manufacturing plant for its pipeline drug products, at a consideration of RMB253,543,600.

In June 2023, Keymed Bioscience (Chengdu) Co., Ltd.* (康諾亞生物醫藥科技(成都)有限公司), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Chengdu High-tech New Economy Venture Capital Co., Ltd.* (成都高新新經濟創業投資有限公司) and Chengdu Bio-Town Equity Investment Co., Ltd.* (成都生物城股權投資有限公司) for the acquisition of 18.6992% equity interest in Chengdu Kangnuoxing, a non-wholly owned subsidiary of the Company, at a consideration of RMB150,598,904, upon completion of which Chengdu Kangnuoxing became a wholly-owned subsidiary of the Company. This acquisition enabled the Group to take full control of Chengdu Kangnuoxing, which would continue to engage in the development and manufacturing of the Group's drug candidates, and benefit from its future developments.

Save as disclosed above, the Group did not have other material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2023, and the Group also did not hold any significant investments for the six months ended June 30, 2023.

12. Contingent Liabilities

As of June 30, 2023 and up to the date of this report, the Group did not have any contingent liabilities.

13. Capital Commitments

As of June 30, 2023, the Group had capital commitments contracted, but not yet provided, of RMB19 million, which were related to the purchase of property, plant and equipment for the manufacture plant.

Management Discussion and Analysis

14. Pledge of Assets

As of June 30, 2023, the Group committed to pledge a total of RMB430 million equipment, buildings and land-use right with a total net carrying values of RMB234 million to secure its bank borrowings.

15. Foreign Exchange Exposure

During the Reporting Period, the Group mainly operated in China and the majority of our transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. The Group's borrowings are made in Renminbi, while cash and cash equivalents are primarily held in Renminbi, Hong Kong dollars and US dollars. The Group is exposed to foreign currency risk as a result of certain cash and bank balances, time deposits and financial assets at FVTPL denominated in non-functional currency. Therefore, the fluctuations in the exchange rate of functional currency against non-functional currency could affect the Group's results of operations. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

As of June 30, 2023, we had 750 full-time employees in total, including six employees who were employed overseas and the remaining in China. In strict compliance with the relevant labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and opportunity to participate in share incentive schemes to our employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

Our Company has adopted the 2021 RSU Scheme on April 5, 2021 (further details of which are set forth in our Prospectus) and the 2022 RSU Scheme on January 21, 2022 (further details of which are set forth in the Company's announcements dated January 21, 2022 and January 28, 2022). During the Reporting Period, restricted share units underlying 430,535 Shares and nil Shares had been awarded under the 2021 RSU Scheme and 2022 RSU Scheme, respectively.

Supplementary Information

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Under the code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Chen is the chairman of the Board and the chief executive officer of the Company. With extensive experience in the pharmaceutical industry and having served in the Company since its establishment, Dr. Chen is in charge of overall strategic planning, business direction and operational management of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board and our senior management, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Dr. Chen), three non-executive Directors and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in part 2 of the CG Code during the Reporting Period and up to the date of this report.

Code provision F.2.2 of part 2 of the CG code provides that the chairman of the Board should attend the annual general meeting and that the chairmen of the audit, remuneration, nomination and any other committees of the Board should be invited to attend the annual general meeting, in their absence, the chairman of the Board should invite other members of the committee or other duly appointed delegate to attend. Dr. Chen (being the chairman of the Board and chairman of the nomination committee), Mr. Qi CHEN (being a member of the Audit Committee), Dr. Changyu WANG (being a member of the remuneration committee) and Dr. Gang XU attended the Company's annual general meeting on June 27, 2023.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

Supplementary Information

INTERIM DIVIDEND

The Board did not propose any interim dividend for the six months ended June 30, 2023.

REVIEW OF INTERIM RESULTS

The Board has established the Audit Committee which comprises two independent non-executive Directors and one non-executive Director, namely Mr. Cheuk Kin Stephen LAW (Chairperson), Mr. Qi CHEN and Prof. Yang KE. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has reviewed this interim report and the unaudited condensed interim financial information of the Group for the six months ended June 30, 2023 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

In addition, the Company's external auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the Reporting Period 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. Based on their review, Ernst & Young confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGES TO DIRECTORS' INFORMATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this interim report.

Supplementary Information

USE OF PROCEEDS FROM GLOBAL OFFERING

In connection with the Global Offering, 67,004,000 Shares were issued at a price of HK$53.3 per share for a total cash consideration, after deduction of the underwriting fees and expenses, of approximately RMB2,841 million. Dealings in the shares of the Company on the Stock Exchange commenced on July 8, 2021. The Group will apply such proceeds in a manner consistent with the intended use of proceeds as set out in the Prospectus.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at June 30, 2023:

Business objective as stated in the Prospectus	**Planned applications** *RMB million*	**Balance as at December 31, 2022** *RMB million*	**Actual utilisation during the Reporting Period** *RMB million*	**Balance as at June 30, 2023** *RMB million*	**Expected timeline for unutilized amount**
R&D and commercialization of the Company's Core Product and key drug candidates	1,705	1,276	165	1,111	By the end of 2025
Preclinical evaluation and clinical development of the Company's other pipeline products	426	242	83	159	By the end of 2024
Payment of lease for the Company's new manufacturing and R&D facilities and procurement of machinery and equipment	426	24	24	–	By the end of June 2023
General corporate and working capital purposes	284	147	35	112	By the end of 2024
Total	2,841	1,689	307	1,382	

SUBSEQUENT EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this interim report.

Supplementary Information

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

As of June 30, 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Name of Director/ Chief executive	**Capacity/Nature of Interest**	**Number of Shares[1]**	**Approximate Percentage of Shareholding in the Company** (%)
Dr. Bo CHEN	Interest in controlled corporation[2]	77,951,482(L)	27.87

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Bo CHEN is interested in approximately 65.36% of the shareholdings of Moonshot Holdings Limited ("**Moonshot**"). Dr. Changyu WANG, Dr. Gang XU and Dr. Qian JIA, through their respective family trust, are interested in 13.31%, 13.31% and 8.02% of the equity interest in Moonshot, respectively.

Save as disclosed above, as of June 30, 2023, to the best knowledge of the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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 short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information

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

As of June 30, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding in the Company (%)
Moonshot[2]	Beneficial interest	77,951,482(L)	27.87
Boyu Capital Group Holdings Ltd.[3]	Interest in controlled corporation	15,080,479(L)	5.39
XYXY Holdings Ltd.[3]	Interest in controlled corporation	15,080,479(L)	5.39
Xiaomeng TONG[3]	Interest in controlled corporation	15,080,479(L)	5.39
Eagle Hero Management Limited[4]	Beneficial interest	14,891,557(L)	5.32
Trident Trust Company (HK) Limited[4]	Trustee	14,891,557(L)	5.32

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Bo CHEN is interested in approximately 65.36% of the shareholdings of Moonshot. Dr. Changyu WANG, Dr. Gang XU and Dr. Qian JIA, through their respective family trust, are interested in 13.31%, 13.31% and 8.02% of the equity interest in Moonshot, respectively.

(3) Boyu Capital Group Holdings Ltd., XYXY Holdings Ltd. and Xiaomeng TONG, by virtue of their interest in controlled corporations, are interested in the 13,623,979 Shares held by Spring Aquila Limited and 1,456,500 Shares held by Boyu Capital Opportunities Master Fund.

(4) Keymed Talent Success Trust, a trust established for the purposed of facilitating the administration of the 2021 RSU Scheme, is the sole shareholder of Eagle Hero Management Limited, which holds the Shares underlying the 2021 RSU Scheme. Trident Trust Company (HK) Limited is the trustee for the 2021 RSU Scheme.

Save as disclosed above, as at June 30, 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Supplementary Information

RESTRICTED SHARE UNIT SCHEMES

2021 RSU Scheme

Our Company has adopted the 2021 RSU Scheme by a board resolution on April 5, 2021. The following is a summary of the principal terms of the 2021 RSU Scheme.

(a) Purpose of the 2021 RSU Scheme

The purposes of this 2021 RSU Scheme is to incentivize eligible participants in the 2021 RSU Scheme (the RSU Participants as defined below) for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

(b) Participants

Subject to the requirements under Chapter 17 of the Listing Rules, persons eligible to receive RSUs under the 2021 RSU Scheme are employees or officers of the Group, including executive, non-executive and independent non-executive directors, any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its Subsidiaries (the "**RSU Participant(s)**", for the purpose of this sub-section only).

(c) Awards

An award pursuant to the 2021 RSU Scheme (an "**Award(s)**", for the purpose of this sub-section only) gives a RSU Participant a conditional right when the relevant restricted share unit (an "**RSU(s)**", for the purpose of this sub-section only) vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSU, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share.

(d) Term

Subject to the termination provision of the 2021 RSU Scheme, it shall remain valid and effective until July 7, 2031. Upon the expiry of the 2021 RSU Scheme, no further Awards will be granted, but the provisions of the 2021 RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the term of the 2021 RSU Scheme may continue to be exercisable in accordance with their terms of issue.

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2021 RSU Scheme and in such event no further Awards will be granted but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSU which are granted during the life of the 2021 RSU Scheme and which remain unvested immediately prior to the termination of the operation of the scheme.

Supplementary Information

(e) Grant and Acceptance of Awards

On and subject to the terms of the 2021 RSU Scheme and the terms and conditions that the Board imposes pursuant thereto, the Board shall be entitled at any time during the life of the 2021 RSU Scheme to make a grant to any RSU Participant, as the Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of their RSU to the attainment or performance of milestones by any member of the Group, the grantee or any group of RSU Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the 2021 RSU Scheme.

A grant shall be made to a RSU Participant in such form as the Board may from time to time determine (the "**Notice of Grant**", for the purpose of this sub-section only) and such grant shall be subject to the terms as specified in the 2021 RSU Scheme. The RSU Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the 2021 RSU Scheme. Such Award shall remain open for acceptance by the RSU Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after July 7, 2031 or after the RSU Scheme has been terminated in accordance with the provisions hereof. To the extent that the Award is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

If the RSU Participant accepts the offer of grant of RSU(s) by signing the Notice of Grant, he is required to sign an acceptance notice and return it to the Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the RSU Participant of a duly executed acceptance notice, the RSU(s) is deemed granted to such RSU Participant from the date of the Notice of Grant, and the RSU Participant becomes a grantee (the "**Grantee**", for the purpose of this sub-section only) in the 2021 RSU Scheme. The Notice of Grant sets out that the RSU Participants should undertake that they will not, inter alia, offer, sell or otherwise transfer or dispose of any vested Shares for a period ending on a date which is 365 days after the vesting of any Shares under the 2021 RSU Scheme.

(f) Vesting

The Board has the sole discretion to determine the vesting criteria, conditions and the time for any grant of Award(s) to any Grantee (including, if applicable, a purpose price of shares awarded), which may also be adjusted and re-determined by the Board from time to time. If the vesting conditions are not satisfied or waived by the Board, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

Supplementary Information

(g) Restriction on Grant of Awards

The Board may not grant any Awards where (a) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained; (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the 2021 RSU Scheme, unless the Board determines otherwise; (c) where granting the Award would result in a breach by the Company, its subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or (d) where such grant of Award would result in a breach of the limits of the 2021 RSU Scheme. Any Awards granted under the 2021 RSU Scheme and any other share scheme (as defined under the Listing Rules) to a specific participant (excluding any options and awards lapsed in accordance with the terms of such scheme) in a 12-month period up to and including the date of an Award shall not exceed 1% of the total issued Shares of the Company unless such Award is approved by the Shareholders (with the Participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting).

Further, no grant shall be made to, nor shall any grant be capable of acceptance by, any RSU Participant at a time when the RSU Participant would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws. In particular, where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

(a) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Any grant of an Award to any connected person (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

Supplementary Information

(h) General and Maximum Limit

The maximum number of Shares which may be granted under the RSU Scheme is 17,976,153, representing approximately 6.43% of the number of issued Shares of the Company as of June 30, 2023. As of January 1, 2023 and June 30, 2023, the total number of Shares available to be awarded under the 2021 RSU Scheme is 10,602,305 Shares and 10,798,329 Shares (representing approximately 3.86% of the issued Shares as at the date of this interim report), respectively. All of the Shares were held by Keymed Talent Success Trust, a trust established for the administration of the 2021 RSU Scheme, through Eagle Hero Management Limited. No new Shares may be allotted pursuant to the 2021 RSU Scheme.

The below sets out particulars of the Awards granted pursuant to the 2021 RSU Scheme:

			Number of Awards					
Participant	Grant time	Year of grant	Unvested as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested as of June 30, 2023
Employees (excluding Directors)[1]	Apr 5, 2021 – Dec 24, 2021[2]	2021	3,405,506	–	1,041,285	79,811	–	2,284,410
	Jan 4, 2022 – Dec 23, 2022[2]	2022	2,747,021	–	396,528	546,748	–	1,803,745
	April 3, 2023[2][3]	2023	–	430,535	–	–	–	430,535
		Total	6,152,527	430,535	1,437,813	626,559	–	4,518,690
Including: top five highest paid employees	Apr 5, 2021 – Oct 26, 2021[2]	2021	690,351	–	212,732	–	–	477,619
	Jan 4, 2022 – Apr 14, 2022[2]	2022	1,041,091	–	260,274	–	–	780,817
	Apr 3, 2023[2][3]	2023	–	364,809	–	–	–	364,809
		Total	1,731,442	364,809	473,006	–	–	1,623,245

Notes:

(1) None of the grantees were Directors, chief executive or substantial shareholders of the Company, or their respective associates.

(2) The RSUs have vesting terms of 4 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% of the total number of RSUs shall be vested in three substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on up to the fourth anniversary of the grant date. The RSUs are granted with the purchase price of zero. The weighted average closing price of the awards exercised during the Reporting Period was HK$55.25.

Supplementary Information

(3) During the Reporting Period, the details of the closing price of Shares and fair value of awards at the date of grant per Share are as follows:

Date of grant	Closing price of Shares immediately before date of grant *(HKD)*	Fair value of awards at the date of grant per Share *(HKD)*
2023/04/03	58.00	55.25

The accounting standard and policy adopted to estimate the fair value of the awards at the date of grant per Share is the same as that of financial year ended December 31, 2022. Please refer to the 2022 annual report of the Company for details.

2022 RSU Scheme

Our Company has adopted the 2022 RSU Scheme by a board resolution on January 21, 2022. The following is a summary of the principal terms of the 2022 RSU Scheme.

(a) Purpose of the 2022 RSU Scheme

The purposes of the 2022 RSU Scheme are to recognize and motivate the contributions by Participants (as defined below) of the 2022 RSU Scheme and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of the Group.

(b) Participants

Participants of the 2022 RSU Scheme includes employees or officers (including directors) of the Group, including any prospective employees (who receives the Grant as an inducement to join the Group) (collectively, the "**Participant(s)**", for the purpose of this sub-section only).

(c) Awards

The 2022 RSU Scheme is subject to the administration of the 2022 ESOP scheme management committee (the "**Committee**", for the purpose of this sub-section only) as appointed by the Board. The Committee may at any time during the term of the 2022 RSU Scheme make an award (the "**Award(s)**", for the purpose of this sub-section only) of conditional rights to either Shares or equivalent value of cash (the "**RSU(s)**", for the purpose of this sub-section only) to any selected Participant at its absolute discretion. An Award shall be made to a Participant by a notice of grant setting out, among other things, the terms and conditions of such Award. Any Award to the Directors or senior management of the Group must first be approved by the Remuneration Committee of the Board. If a Participant accepts the Award, he/she is required to sign the acceptance notice and return it to the Company within the period specified and in a manner prescribed in the notice of grant. Each Participant shall pay RMB1.00 as the award price to accept the Awards granted to such Participant.

Supplementary Information

(d) Term

The 2022 RSU Scheme shall remain valid and effective until the termination date, which shall be on the earlier of (i) January 20, 2032; or (ii) such date of early termination as determined by the Board or the Committee provided that no further RSUs will be offered after such termination but in all other respects the provisions of the 2022 RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the 2022 RSU Scheme and which remain unvested immediately prior to the termination of the operation of the 2022 RSU Scheme.

(e) Vesting

The Committee may, from time to time while the RSUs are in force and subject to all applicable laws, determine in its sole discretion such vesting criteria and conditions or periods for the Award to be vested. All of such vesting conditions (including payment of any exercise price) and periods (including the vesting date) shall be set out in the relevant notice of grant issued to each Grantee. The Committee may determine at its sole discretion, the exercise price as may be applicable to each RSU.

For the purposes of vesting of the RSU(s), the Committee may direct and procure the trustee (the "**Trustee**", for the purpose of this sub-section only) of the 2022 RSU Scheme to release from the underlying trust (the "**Trust**", for the purpose of this sub-section only) of the 2022 RSU Scheme the RSU(s) to the Grantee by transferring the number of the RSUs to the Grantee in such manner as determined by it from time to time. The Committee will send a vesting notice to the relevant Grantee and upon receiving such notice, the Grantee must execute certain documents set out in such notice for the purposes of vesting of the RSU(s). The Committee shall thereafter inform the Trustee of the number of the RSU(s) or the amount of cash equivalent being transferred, paid and/or released to the Grantee in the manner as determined by the Committee.

An unvested RSU shall lapse and be cancelled automatically upon certain events, including the termination of the Grantee's employment or service with the Company. The Committee may in its absolute discretion decide that any RSU shall not be cancelled or determined subject to such conditions or limitations as the Committee may decide. In certain circumstances such as when the Grantee's employment or services with the Group is terminated for cause, the Company shall have a right to instruct the Trustee to repurchase the Shares from the Grantee at the higher of (1) the par value of the Shares on the date the RSUs were granted; and (2) the exercise price (if any) paid by the Grantee for vesting of the relevant RSUs.

(f) Restriction on Grant of Awards

A Grant must not be made after inside information has come to the Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules, this include the period of:

(a) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Supplementary Information

In the course of administering the 2022 RSU Scheme, the Company and the Committee will also comply with the applicable provisions of the Model Code and applicable rules on insider dealing. No instructions will therefore be given to the Trustee to acquire Shares under the 2022 RSU Scheme at a time when any Director is in possession of unpublished inside information or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time ("**Relevant Time**", for the purpose of this sub-section only). As the Trustee will be acquiring the Shares on the instruction of the Committee, the Trustee will also not acquire any Shares during the Relevant Time. The Company and the Committee will administer the scheme such that the (i) Grant of Awards under the 2022 RSU Scheme, (ii) purchase of Shares by the Trustee; and (iii) the Committee giving instruction to the Trustee to purchase Shares for the administration of the 2022 RSU Scheme will be conducted in accordance with the applicable provisions of the Model Code.

(g) General and Maximum Limit

The Shares in the share pool under the Scheme will be purchased from the secondary market. The aggregated amount of existing Shares to be purchased by the Trustee under the Scheme shall be no more than 5,594,711 Shares, representing approximately 2.0% of the number of total issued Shares of the Company as of June 30, 2023. The Shares acquired for the share pool will be funded out of the Company's internal resources, excluding the proceeds from Global Offering. The maximum number of Shares which may be subject to an Award or Awards to a selected Participant shall not in aggregate exceed 1% of the total issued Shares of the Company as of January 21, 2022 (being 279,735,566 Shares), and shall also be subject to any shareholders approval requirement as required under the Listing Rules. As of June 30, 2023, the total number of Shares available to be awarded under the 2022 RSU Scheme is 5,594,711 Shares (representing approximately 2.0% of the issued Shares as at the date of this interim report). 3,040,000 Shares had been purchased from the market and held by the Trustee as of June 30, 2023. No new Shares may be allotted pursuant to the 2022 RSU Scheme.

At no time shall the Trustee be holding more than 10% of the total number of Shares in issue. The Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected person of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules. The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust.

As of June 30, 2023, no award was granted pursuant to the 2022 RSU Scheme.

SHARE OPTION SCHEME

During the Reporting Period and up to the date of this interim report, the Company did not have any share option scheme which was required to be disclosed.

Independent Review Report

To the board of directors of KEYMED BIOSCIENCES INC.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed financial information set out on pages 35 to 66 which comprises the condensed consolidated statement of financial position of KEYMED BIOSCIENCES INC. (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
24 August 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	**2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Revenue	*4*	**327,124**	100,000
Cost of sales		**(15,017)**	(2,537)
GROSS PROFIT		**312,107**	97,463
Other income and gains	*5*	**79,981**	130,259
Research and development expenses		**(249,757)**	(164,008)
Administrative expenses		**(82,372)**	(51,048)
Other expenses		**(381)**	–
Finance costs	*6*	**(9,336)**	(1,331)
Share of losses of a joint venture		**(2,097)**	(8,811)
PROFIT BEFORE TAX	*7*	**48,145**	2,524
Income tax expense	*8*	**–**	–
PROFIT FOR THE PERIOD		**48,145**	2,524
Attributable to:			
Owners of the parent		**46,967**	5,454
Non-controlling interests		**1,178**	(2,930)
		48,145	2,524
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic		**RMB0.18**	RMB2.08 cents
Diluted		**RMB0.18**	RMB2.04 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	**2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
PROFIT FOR THE PERIOD		**48,145**	2,524
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**1**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**1**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**48,146**	2,524
Attributable to:			
Owners of the parent		**46,968**	5,454
Non-controlling interests		**1,178**	(2,930)
		48,146	2,524

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2023

	Notes	**As at 30 June 2023 RMB'000 (Unaudited)**	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**777,730**	553,556
Right-of-use assets		**98,912**	30,878
Other intangible assets		**1,303**	1,496
Prepayments, other receivables and other assets	*12*	**17,889**	15,841
Equity investments designated at fair value through other comprehensive income ("FVTOCI")	*13*	**16,771**	10,001
Investment in a joint venture	*14*	**8,473**	10,570
Total non-current assets		**921,078**	622,342
CURRENT ASSETS			
Account receivables	*15*	**5,621**	–
Contract assets		**2,680**	–
Inventories		**80,431**	44,495
Prepayments, other receivables and other assets	*12*	**79,168**	90,153
Financial assets at fair value through profit or loss ("FVTPL")	*16*	**266,854**	232,188
Time deposits		**1,596,701**	2,339,068
Cash and cash equivalents		**1,115,195**	604,070
Total current assets		**3,146,650**	3,309,974
CURRENT LIABILITIES			
Trade payables	*17*	**34,067**	14,913
Other payables and accruals	*18*	**165,101**	146,208
Amounts due to related parties	*26*	**–**	225
Other financial liabilities	*19*	**–**	146,112
Interest-bearing bank borrowings	*20*	**11,758**	61,163
Lease liabilities, current		**18,027**	11,078
Total current liabilities		**228,953**	379,699
NET CURRENT ASSETS		**2,917,697**	2,930,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,838,775**	3,552,617

Interim Condensed Consolidated Statement of Financial Position (continued)

As at June 30, 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income	*21*	**162,865**	163,671
Lease liabilities		**30,515**	20,928
Interest-bearing bank borrowings	*20*	**271,102**	28,800
Total non-current liabilities		**464,482**	213,399
NET ASSETS		**3,374,293**	3,339,218
EQUITY			
Equity attributable to owners of the parent			
Share capital	*22*	**169**	170
Treasury shares	*22*	**2**	1
Reserves	*24*	**3,374,014**	3,340,117
		3,374,185	3,340,288
Non-controlling interests		**108**	(1,070)
TOTAL EQUITY		**3,374,293**	3,339,218

Bo Chen
Director

Changyu Wang
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

For the six months ended 30 June 2023

	Attributable to owners of the parent								
	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium* *RMB'000*	Share-based payments reserve* *RMB'000*	Other reserves* *RMB'000*	Accumulated losses* *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2023	170	1	8,485,153	144,970	1	(5,290,007)	3,340,288	(1,070)	3,339,218
Profit for the period	–	–	–	–	–	46,967	46,967	1,178	48,145
Other comprehensive income for the period:									
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax *(note 13)*	–	–	–	–	1	–	1	–	1
Total comprehensive income for the period	–	–	–	–	1	46,967	46,968	1,178	48,146
Share-based payment *(note 23)*	–	–	–	15,683	–	–	15,683	–	15,683
Shares repurchased *(note 22)*	(1)	1	(28,754)	–	–	–	(28,754)	–	(28,754)
Exercise of restricted share units	–	–	24,662	(24,662)	–	–	–	–	–
At 30 June 2023 (Unaudited)	169	2	8,481,061	135,991	2	(5,243,040)	3,374,185	108	3,374,293

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended June 30, 2023

For the six months ended 30 June 2022

	Attributable to owners of the parent							
	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium* *RMB'000*	Share-based payments reserve* *RMB'000*	Accumulated losses* *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2022	171	–	8,515,868	116,823	(4,981,892)	3,650,970	(5,588)	3,645,382
Profit for the period	–	–	–	–	5,454	5,454	(2,930)	2,524
Other comprehensive income for the period:								
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	5,454	5,454	(2,930)	2,524
Share-based payment *(note 23)*	–	–	–	23,196	–	23,196	–	23,196
Shares repurchased	(1)	1	(38,606)	–	–	(38,606)	–	(38,606)
Exercise of restricted share units	–	–	15,956	(15,956)	–	–	–	–
At 30 June 2022 (Unaudited)	170	1	8,493,218	124,063	(4,976,438)	3,641,014	(8,518)	3,632,496

* These reserve accounts compromise the consolidated reserves of RMB3,374,014,000 (30 June 2022: RMB3,640,843,000) in consolidated statements of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Notes	**For the six months ended 30 June 2023 (Unaudited) *RMB'000***	For the six months ended 30 June 2022 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**48,145**	2,524
Adjustments for:			
Finance costs	*6*	**9,336**	1,331
Interest income	*5*	**(37,558)**	(15,261)
Foreign exchange gains, net	*5*	**(31,110)**	(99,692)
Interest income on financial assets at FVTPL	*5*	**(4,524)**	(2,005)
Depreciation of property, plant and equipment		**18,498**	8,731
Amortization of other intangible assets		**193**	150
Depreciation of right-of-use assets		**8,114**	6,021
Government grants		**–**	(2,024)
Equity-settled share-based payments	*23*	**15,683**	23,196
Share of losses of a joint venture	*14*	**2,097**	8,811
Disposal of property, plant and equipment		**7**	270
		28,881	(67,948)
Decrease/(increase)in prepayments, other receivables and other assets		**11,049**	(46,257)
Increase in inventories		**(35,936)**	(21,578)
Increase in account receivables		**(5,621)**	–
(Increase)/decrease in contract assets		**(2,680)**	3,980
Increase in trade payables		**19,154**	7,058
Increase/(decrease) in other payables and accruals		**25,601**	(40,633)
Decrease in deferred income		**(806)**	–
Net cash flows from/(used in) operating activities		**39,642**	(165,378)

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended June 30, 2023

	Notes	**For the six months ended 30 June 2023 (Unaudited) *RMB'000***	For the six months ended 30 June 2022 (Unaudited) *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**37,558**	15,261
Purchases of property, plant and equipment		**(249,881)**	(186,734)
Purchases of land-use right		**(49,809)**	–
Receipts of government grants related to property, plant and equipment		**–**	79,279
Purchases of intangible assets		**–**	(598)
Purchase of an unlisted equity investment		**(6,769)**	(10,000)
Purchases of wealth management products		**(139,458)**	(399,000)
Proceeds from disposal of wealth management products		**109,316**	351,361
Placement of time deposits with maturity dates over three months		**(477,378)**	(192,681)
Withdrawal of time deposits with maturity dates over three months		**1,219,745**	–
Decrease in advances to employees		**976**	–
Net cash flows from/(used in) investing activities		**444,300**	(343,112)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments		**(10,740)**	(7,058)
Repurchase of shares		**(28,754)**	(38,606)
Acquisition of non-controlling interests	*19*	**(150,599)**	–
Rental deposits paid		**(2,595)**	–
Interests paid		**(3,924)**	–
New bank loans		**257,000**	110,000
Repayment of bank loans		**(64,090)**	–
Repayment to related parties		**(225)**	–
Net cash flows (used in)/from financing activities		**(3,927)**	64,336
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**480,015**	(444,154)
Cash and cash equivalents at beginning of the period		**604,070**	1,520,619
Effect of foreign exchange rate changes, net		**31,110**	99,692
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,115,195**	1,176,157
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the interim condensed consolidated statements of financial position		**1,115,195**	1,176,157

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

1. CORPORATE INFORMATION

Keymed Biosciences Inc. (the "Company") was incorporated in the Cayman Islands ("Cayman") on 23 April 2018 as a limited liability company. The registered office of the Company is located at the offices of Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. During the reporting period, the Group were involved in the research and development of biotechnology and pharmaceutical products.

The interim condensed financial information comprise the interim condensed consolidated statements of financial position as at 30 June 2023, the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The interim condensed financial information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.1 BASIS OF PREPARATION

The interim condensed financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed financial information does not include all of the information required for a complete set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

IFRS 17	Insurance Contracts
Amendments to IFRS 17	Insurance Contracts
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior years.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. There's no quantitative impact on the financial information as the deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset by the deferred tax asset arising from other deductible temporary differences in the statement of financial position for presentation purposes.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

3. OPERATING SEGMENT INFORMATION

Operating segment information

The Group is engaged in biopharmaceutical research and development, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Overseas	**326,450**	–
Mainland China	**674**	100,000
	327,124	100,000

The revenue information above is based on the location of the customers.

(b) Non-current assets

Majority of the Group's non-current assets were located in Mainland China as at 30 June 2023, geographical segment information in accordance with IFRS 8 Operation Segments is presented.

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Hong Kong	**1,097**	141
United States of America	**2,393**	–
Mainland China	**917,588**	622,201
	921,078	622,342

Information about major customers

Revenue of RMB326,450,000 (six months ended 30 June 2022: RMB100,000,000) was derived from collaborations with a pharmaceutical company. Further details are set out in note 4.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

4. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of services		
Collaboration revenue	**327,124**	100,000
Timing of revenue recognition		
Services transferred at a point in time	**319,598**	100,000
Services transferred overtime	**7,526**	–

(b) Performance obligations

License-out of CM326

In November 2021, the Group entered into an exclusive licence agreement (the "CSPC Agreement") with Shanghai JMT-Bio Technology Co., Ltd. ("JMT-Bio"), an affiliate of CSPC Pharmaceutical Group Limited, to develop, use, sell, contract and commercialize TSLP antibody ("CM326") for the treatment of moderate and severe asthma, COPD and other respiratory diseases in Mainland China (excluding Hong Kong, Macau or Taiwan). Pursuant to the CSPC Agreement, the Group is entitled to receive upfront payment, milestone payment and royalty payment. In January 2022, JMT-Bio paid the Group a one-time and non-refundable upfront payment of RMB100 million.

The Group recognised collaboration revenue related to CM326 of RMB433,000 during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB100,000,000).

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

4. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

License-out of CMG901

In February 2023, KYM Biosciences Inc. ("KYM"), a 70% non-wholly owned subsidiary of the Group (the remaining 30% ownership is held by affiliates of Lepu Biopharma Co., Ltd. ("Lepu")), entered into a global exclusive out-license agreement (the "AZ Agreement") with AstraZeneca AB ("AZ"), for research, development, registration, manufacturing, and commercialization of Claudin 18.2-targeting anti-body drug conjugate ("CMG901"). Pursuant to the AZ Agreement and subject to its terms and conditions, KYM was entitled to receive a one-time and non-refundable upfront payment of USD63,000,000 from AZ, USD44,100,000 of which was attributable to the Group and USD18,900,000 to Lepu. KYM was also entitled to receive milestone and royalty payments for the licensing and payments for clinical support. In March 2023, AZ paid KYM the one-time and non-refundable upfront payment of USD63,000,000.

The Group recognised collaboration revenue related to CMG901 of RMB326,450,000 during the six months ended 30 June 2023.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**6,585**	13,301
Interest income	**37,558**	15,261
Interest income on financial assets at FVTPL	**4,524**	2,005
Others	**204**	–
Other gains		
Gain on exchange differences, net	**31,110**	99,692
	79,981	130,259

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Implicit interest on other financial liabilities	**4,487**	406
Interest expense on bank borrowings	**3,911**	–
Interest on lease liabilities	**938**	925
	9,336	1,331

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment		**18,498**	8,731
Depreciation of right-of-use assets		**8,114**	6,021
Amortization of other intangible assets		**193**	150
Lease payments not included in the measurement of lease liabilities		**289**	449
Government grants	*5*	**(6,585)**	(13,301)
Auditor's remuneration		**640**	650
Interest income	*5*	**(37,558)**	(15,261)
Finance costs	*6*	**9,336**	1,331
Foreign exchange gains, net	*5*	**(31,110)**	(99,692)
Interest income on financial assets at FVTPL	*5*	**(4,524)**	(2,005)
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
– Wages and salaries		**84,552**	46,186
– Pension scheme contributions		**21,645**	10,151
– Staff welfare expenses		**17,700**	7,185
– Share-based payment expenses		**15,683**	23,196
		139,580	86,718

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the subsidiaries incorporated in the BVI are not subject to any income tax.

United States of America (the "USA")

The subsidiaries incorporated in Delaware, the USA, are subject to the statutory federal corporate income tax at a rate of 21%, during the reporting period.

Mainland China

Most subsidiaries incorporated in Mainland China are subject to the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law. Chengdu Kangnuoxing Biopharma, Inc. ("Chengdu Kangnuoxing"), a subsidiary of the Group, is subject to the statutory rate of 15% as it obtained the Certificate of High-tech Enterprise in 2022.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the reporting period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting period.

The Group had no taxable income during the reporting period.

9. DIVIDENDS

No dividends have been declared and paid by the Company during the reporting period.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the earnings for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue (excluding treasury shares reserved under the restricted share units scheme) during each reporting period.

The calculation of the basic and diluted earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the period attributable to ordinary equity holders of the parent	**46,967**	5,454
Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**261,285,620**	261,689,314
Effect of dilution		
– Restricted share units	**4,236,241**	5,655,662
Number of shares		
Weighted average number of ordinary shares outstanding for the computation of diluted earnings per share	**265,521,861**	267,344,976

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group purchased fixed assets at a cost of RMB242,680,000 (30 June 2022: RMB261,600,000).

Assets with a net book value of RMB7,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB270,000).

No impairment loss was recognised during the six months ended 30 June 2023 (30 June 2022: Nil).

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Non-current:		
Prepayments for property, plant and equipment	**12,524**	12,031
Rental deposits	**4,835**	2,540
Advances to employees	**530**	1,270
	17,889	15,841
Current:		
Prepayments for		
– Research and development expenses	**41,960**	37,671
– Raw materials	**5,678**	6,837
– Value-added tax recoverable	**5,321**	29,904
– Others	**5,943**	6,045
Other receivables		
– Receivable for CDM service income	**480**	480
– Advances to employees	**2,624**	2,860
– Rental deposits	**2,553**	2,253
– Individual income tax for share-based payment	**7,330**	–
– Other receivables	**7,279**	4,103
	79,168	90,153

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

The balances are interest-free, unsecured and repayable on demand.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Unlisted equity investments	**16,771**	10,001

During the reporting period, the Group subscribed for insignificant equity interests in Rona Therapeutics Inc. at a consideration of RMB6,769,000 (2022: Shanghai Duoning Biotechnology Co., Ltd. at a consideration of RMB10 million) in cash. The unlisted equity investment is measured at fair value through other comprehensive income. The change in fair value of the investments up to 30 June 2023 amounted to RMB1,000.

14. INVESTMENT IN A JOINT VENTURE

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cost of investment in a joint venture	**21,000**	21,000
Share of accumulated losses of a joint venture	**(12,527)**	(10,430)
	8,473	10,570

The joint venture is indirectly held by the Company and is accounted for using the equity method in the consolidated financial statements.

Particulars of the Group's joint venture is as follows:

Name	Place of Registration and business	Ownership interest	Percentage Voting power	Profit sharing	Principle activity
Beijing Tiannuo Pharma Tech Co., Ltd. ("Tiannuo Pharma")	Mainland China	50%	50%	50%	Clinical research

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

14. INVESTMENT IN A JOINT VENTURE (Continued)

Up to 30 June 2023, Tiannuo Pharma was still a start-up company involved in research and development of biotechnology and pharmaceutical products. The following table illustrates the financial information of the joint venture, which is not material to the consolidated financial statements of the Group:

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Share of a joint venture's loss for the period/year	**(2,097)**	(9,711)
Share of a joint venture's total comprehensive loss for the period/year	**(2,097)**	(9,711)
Aggregate carrying amount of the Group's investment in a joint venture	**8,473**	10,570

15. ACCOUNT RECEIVABLES

An ageing analysis of the account receivables as at the end of the reporting period, based on the invoice date and net loss allowance, is as follows:

	30 June 2023 ***RMB'000*** **(Unaudited)**
Within 1 month	**5,132**
Over 3 months	**489**
	5,621

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Wealth management products	**266,854**	232,188

The investments measured at FVTPL are wealth management products denominated in RMB, USD and HKD. The above wealth management products were issued by banks in Mainland China and Hong Kong. The principals and yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarchy.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

17. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Within 3 months	**31,014**	4,995
3 to 6 months	**1,288**	4,358
6 months to 1 year	**1,113**	5,495
Over 1 year	**652**	65
	34,067	14,913

Trade payables are not interest-bearing and are normally settled on terms of 30 to 60 days.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Payroll payable	**21,149**	35,437
Accrued research and development expenses	**78,064**	53,873
Accrued professional fees	**640**	1,680
Other tax payables	**995**	1,026
Other payables:		
– Payables for property, plant and equipment	**45,325**	52,033
– Others	**18,928**	2,159
	165,101	146,208

Other payables and accruals are not interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables at the end of each reporting period approximate to their fair value due to their short-term maturities.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

19. OTHER FINANCIAL LIABILITIES

In July 2019, Chengdu Kangnuoxing entered into an investment agreement (the "Hi-tech Investment Agreement") with Chengdu Hi-tech New Economy Venture Capital Co., Ltd.(成都高新新經濟創業投資有限公司, "Hi-tech"). Pursuant to the Hi-tech Investment Agreement, Hi-tech subscribed for 16.6667% interests of Chengdu Kangnuoxing for a cash consideration of RMB100,000,000 (the "Hi-tech Investment Principal").

In March 2020, Chengdu Kangnuoxing entered into an investment agreement (the "Bio-town Investment Agreement") with Chengdu Bio-town Equity Investment Co., Ltd. (成都生物城股權投資有限公司, "Bio-town"). Pursuant to the Bio-town Investment Agreement, Bio-town subscribed for 2.4390% interests of Chengdu Kangnuoxing for a cash consideration of RMB15,000,000 (the "Bio-town Investment Principal").

At the request of Hi-tech and Bio-town (collectively the "Onshore Investors"), Chengdu Kangnuoxing shall repurchase all or portion of their outstanding ownership from time to time on or upon, amongst others, the fifth anniversary of the receiving date.

In June 2023, Keymed Biosciences (Chengdu) Co., Ltd.(康諾亞生物醫藥科技(成都)有限公司) ("Chengdu Keymed"), the parent company of Chengdu Kangnuoxing entered into an equity transfer agreement with Onshore Investors, pursuant to which Chengdu Keymed agreed to purchase 18.6992% equity interest in Chengdu Kangnuoxing from Onshore Investors. The consideration for the acquisition was RMB150,599,000. The acquisition was completed by the end of June 2023 and Chengdu Kangnuoxing then became a wholly-owned subsidiary within the Group. The Group has recorded finance cost of RMB4,487,000 (unaudited) and RMB406,000 (unaudited) associated with the changes in the present value of the exercise price, which are regarded as implicit interests included in finance costs in profit or loss for the six months ended 30 June 2023 and 2022, respectively.

20. INTEREST-BEARING BANK BORROWINGS

	30 June 2023		
	Effective interest rate (%)	Maturity	*RMB'000* (Unaudited)
Current			
Bank loans – secured	Loan Prime Rate ("LPR")-1.2	2023/12/21-2024/6/21	11,758
Non-current			
Bank loans – secured	LPR-1.2	2024-2027	271,102
			282,860

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

20. INTEREST-BEARING BANK BORROWINGS (Continued)

	31 December 2022		
	Effective interest rate (%)	Maturity	*RMB'000* (Audited)
Current			
Bank loans – unsecured	3.5	2023/6/29	50,000
Bank loans – secured	LPR-1.2	2023/6/21	613
Bank loans – secured	LPR-1.2	2023/12/21	600
Bank loans-unsecured	LPR+0.2	2023/12/29	9,950
			61,163
Non-current			
Bank loans – secured	LPR-1.2	2024-2027	28,800
			89,963

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Analysed into:		
Bank loans:		
Within one year or on demand	**11,758**	61,163
In the second year	**25,587**	2,700
In the third to fifth years, inclusive	**245,515**	26,100
	282,860	89,963

Notes:

(a) As of 30 June 2023, the Group committed to secure its bank borrowings amounted to RMB282,860,000 (2022: RMB30,000,000) by:

(i) mortgages over the Group's machinery equipment of a total of RMB430,000,000 (2022: RMB430,000,000) within six months upon receiving the loan;

(ii) mortgages over the Group's buildings and land use right situated in Chengdu Biotown (成都生物城) by the end of 2023, which had net carrying amount at the end of the reporting period of approximately RMB234,000,000 (2022: Nil).

(b) All borrowings are denominated in RMB.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

21. DEFERRED INCOME

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Government grants	**162,865**	163,671

The movements in deferred income during the period ended 30 June 2023 are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of the year	**163,671**	10,331
Grants received during the period/year	**–**	155,851
Amounts released to profit or loss during the period/year	**(806)**	(2,511)
At end of the period/year	**162,865**	163,671

The grants were mostly government subsidies received from local government authorities related to property, plant and equipment to support the Group's research and development activities and will be released to profit or loss over the expected useful life of the relevant property, plant and equipment.

22. SHARE CAPITAL/TREASURY SHARES

Issued and fully paid

	Number of shares in issue	Number of shares fully paid	For the six months ended 30 June 2023 RMB'000	2022 RMB'000
Ordinary shares of USD0.0001 each	279,735,566	261,759,413	**169**	170

Among these 279,735,566 issued ordinary shares, 17,976,153 shares remained unpaid as of 30 June 2023.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

22. SHARE CAPITAL/TREASURY SHARES (Continued)

Share Capital

	Number of shares in issue	Share Capital *RMB'000*
At 1 January 2023 and at 31 December 2022	277,386,066	170
Share repurchased for Restricted Share Units("RSUs") Scheme	(690,500)	(1)
At 30 June 2023	276,695,566	169

Treasury Shares

	Number of shares	Treasury Shares *RMB'000*
At 1 January 2023 and at 31 December 2022	2,349,500	1
Share repurchased	690,500	1
At 30 June 2023	3,040,000	2

During the reporting period, the Company repurchased 690,500 shares with the total amount of RMB28,754,000 from the open market, which are held by Bright Season Enterprises Limited, a trust controlled by the Company established for the 2022 Restricted Share Unit Scheme.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

23. SHARE-BASED PAYMENTS

Restricted Share Units ("RSUs") Scheme

Pursuant to a written shareholders' resolution of the Company passed on 5 April 2021, a Restricted Share Unit Scheme (the "2021 RSU Scheme") has been approved for the purpose of providing incentives to eligible participants who contribute to the success of the Group's operation. Up to 17,976,153 shares of the Company were authorised and approved under the 2021 RSU Scheme. The number of RSUs granted, the grant date, and the vesting period under the 2021 RSU Scheme will be determined at the discretion of the Company's board of directors. The Scheme shall be valid and effective for the period of ten years commencing on the listing date of 8 July 2021.

Pursuant to a written board resolution passed by the Company on 21 January 2022, a Restricted Share Unit Scheme (the "2022 RSU Scheme") has been approved to recognize and incentivize the grantee's contributions and to retain and further develop to attract outstanding employees. Under the 2022 RSU Scheme, the authorized and approved shares of the Company will not exceed 2% of the total issued share capital of the Company as at the adoption date (i.e., not more than 5,594,711 shares). The number of RSUs granted, the grant date, and the vesting period under the 2022 RSU Scheme, shall be determined by the Company's board of directors. The 2022 RSU scheme was effective on 21 January 2022 and is valid for ten years.

Up to 30 June 2023, 3,040,000 shares were repurchased from the open market and held under the 2022 RSU Scheme.

The RSUs have respective vesting terms over 4 years from the grant date. The RSUs shall be vested according to the vesting schedule: 25% of the total number of RSUs shall be vested on the first anniversary of the grant date and the remaining 75% of the total number of RSUs shall be vested in three substantially equal annual instalments, with the first instalment vested on the second anniversary of the grant date, and then on up to the fourth anniversary of the grant date. The RSUs are granted with the subscription price of zero.

The following RSUs were outstanding during the period ended 30 June 2023:

	Number of RSUs
At 1 January 2023	6,152,527
Granted during the period	430,535
Exercised during the period	(1,437,813)
Forfeited during the period	(626,559)
At 30 June 2023 (Unaudited)	4,518,690

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

23. SHARE-BASED PAYMENTS (Continued)

Restricted Share Units ("RSUs") Scheme (Continued)

The fair values of RSUs for granted during the reporting periods were determined with reference to the closing price of ordinary shares of the Company traded publicly on the Hong Kong Stock Exchange at the grant date or the previous trading day, and hence no inputs were applicable.

The Group recognised share-based payment expenses of RMB15,683,000 under the 2021 RSU Scheme for the period ended 30 June 2023 (six month ended 30 June 2022: RMB23,196,000).

24. RESERVES

The Group

The amounts of the Group's deficits and the movements therein for the six months ended 30 June 2023 are presented in the consolidated statement of changes in equity on page 39 of the consolidated financial statements.

Share premium

The share premium of the Group represents: 1) conversion of redeemable convertible preferred shares into ordinary shares upon IPO, 2) the issue of ordinary shares upon IPO and exercise of over-allotment option, and 3) the transfer of share-based payments to share premium resulting from the exercise of RSUs.

Share-based payments reserve

The share-based payments reserve of the Group represents the share-based payments reserve in respect of equity-settled share awards.

Other reserve

The other reserve of the Group represents the changes in fair value of equity investments measured at fair value through other comprehensive income.

25. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Contracted, but not provided for:		
Purchase of property, plant and equipment	**19,218**	897

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

26. RELATED PARTY TRANSACTIONS

The Directors are of the opinion that the following parties are related parties that had material transactions or balances with the Group during the reporting period.

(a) Name and relationships of the related parties

Name	Relationship
Dr. Qian Jia	Key management personnel

(b) Outstanding balances with related parties:

The Group

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Amounts due to related parties, non-trade		
Dr. Qian Jia	–	225
	–	225

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, bonuses, allowances and benefits in kind	**9,534**	6,520
Pension scheme contributions	**402**	326
Equity-settled share-based payments	**6,959**	9,034
Performance related bonuses	**1,081**	–
	17,976	15,880

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

As at 30 June 2023 (Unaudited)

	Financial assets at amortised cost *RMB'000*	Financial assets at FVTPL *RMB'000*	Financial assets at FVTOCI *RMB'000*	Total *RMB'000*
Account receivables	5,621	–	–	5,621
Contract assets	2,680	–	–	2,680
Financial assets included in prepayments, other receivables and other assets	25,631	–	–	25,631
Other investments classified as financial assets at FVTPL				
– Wealth management products	–	266,854	–	266,854
Equity investments designated at FVTOCI	–	–	16,771	16,771
Time deposits	1,596,701	–	–	1,596,701
Cash and cash equivalents	1,115,195	–	–	1,115,195
	2,745,828	266,854	16,771	3,029,453

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)

As at 31 December 2022 (Audited)

	Financial assets at amortised cost *RMB'000*	Financial assets at FVTPL *RMB'000*	Financial assets at FVTOCI *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, other receivables and other assets	13,506	–	–	13,506
Other investments classified as financial assets at FVTPL – Wealth management products investment	–	232,188	–	232,188
Equity investments designated at FVTOCI	–	–	10,001	10,001
Time deposits	2,339,068	–	–	2,339,068
Cash and cash equivalents	604,070	–	–	604,070
	2,956,644	232,188	10,001	3,198,833

Financial liabilities

As at 30 June 2023 (Unaudited)

	Financial liabilities at amortised cost *RMB'000*	**Total** *RMB'000*
Trade payables	34,067	34,067
Interest-bearing bank borrowings	282,860	282,860
Financial liabilities included in other payables and accruals	64,253	64,253
	381,180	381,180

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

27. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities (Continued)

As at 31 December 2022 (Audited)

	Financial liabilities at amortised cost *RMB'000*	Financial liabilities at present value of repurchase price *RMB'000*	Total *RMB'000*
Trade payables	14,913	–	14,913
Interest-bearing bank borrowings	89,963	–	89,963
Financial liabilities included in other payables and accruals	54,192	–	54,192
Amounts due to related parties	225	–	225
Other financial liabilities	–	146,112	146,112
	159,293	146,112	305,405

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the Chief Finance Officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the Chief Finance Officer for the six months ended 2022 and 2023. The finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Other investments classified as financial assets at FVTPL				
– Wealth management products investment	–	266,854	–	266,854
Equity investments designated at FVTOCI	–	–	16,771	16,771
	–	266,854	16,771	283,625

Notes to Interim Condensed Consolidated Financial Information (continued)

For the six months ended June 30, 2023

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2022 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Other investments classified as financial assets at FVTPL				
– Wealth management products investment	–	232,188	–	232,188
Equity investments designated at FVTOCI	–	–	10,001	10,001
	–	232,188	10,001	242,189

29. APPROVAL OF INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the Company's Board of Directors on 24 August 2023.