ALPHAMAB ONCOLOGY
康寧傑瑞生物製藥

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9966)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The board (the "**Board**") of directors (the "**Directors**") of Alphamab Oncology (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2018. The consolidated financial statements of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the "**Audit Committee**") and audited by the Company's auditors.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Other income	**34,429**	783
Fair value change of convertible redeemable preferred shares	**(542,291)**	(26,284)
Research and development expenses	**(166,654)**	(65,608)
Administrative expenses	**(117,736)**	(25,857)
Reorganization related expenses	**–**	(69,416)
Finance costs	**(3,606)**	(1,507)
Listing expenses	**(36,561)**	(4,911)
Other losses	**(321)**	(9,833)
Loss before taxation	**(832,740)**	(202,633)
Income taxation	**–**	–
Loss for the year	**(832,740)**	(202,633)

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Non-current assets	**410,115**	170,790
Current assets	**2,444,468**	656,103
Non-current liabilities	**228,128**	1,011,121
Current liabilities	**200,530**	82,800
Net assets/(liabilities)	**2,425,925**	(267,028)

BUSINESS HIGHLIGHTS

Since December 12, 2019 (the "**Listing Date**") when the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we have been making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

- Successfully dosed the first patient in a phase II clinical trial of KN019, an immunosuppressant fusion protein drug candidate based on cytotoxic T-lymphocyte associated protein 4 ("**CTLA-4**"), for rheumatoid arthritis treatment.

- Completed the construction of the phase I of the new manufacturing facilities, located at No. 175, Fangzhou Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, the People's Republic of China (the "**PRC**", or "**China**"), with a 4,000L (2x2,000L) production capacity.

- Reached a regional collaborative partnership agreement among Jiangsu Alphamab Biopharmaceuticals Co., Ltd. (江蘇康寧傑瑞生物製藥有限公司) ("**Jiangsu Alphamab**", our wholly-owned subsidiary), TRACON Pharmaceuticals, Inc. (the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: TCON)) ("**Tracon**") and 3D Medicines (Beijing) Co., Ltd. (思路迪(北京)醫藥科技有限公司) ("**3D Medicines**") to develop and commercialize KN035, a recombinant humanized single domain antibody against programmed death ligand 1 ("**PD-L1**") invented by the Group, in the field of human therapeutic applications for sarcoma.

- Commenced investigator-sponsored phase II clinical trials of KN046 for second-line or later-line treatment of pancreatic cancer in the fourth quarter of 2019.

- Successfully issued and allotted additional 26,910,000 ordinary shares of the Company pursuant to the over-allotment option, representing approximately 15% of the maximum number of offer shares initially available under the global offering, at the offer price of HK$10.20 per share.

- Reached an agreement with Suzhou Zelgen Biopharmaceuticals Co., Ltd. ("**Zelgen**"), a company listed on the science and technology innovation board of The Shanghai Stock Exchange, stock code: 688266, for the clinical development of a combination therapy of KN046, and Donafenib Tosylate ("**Donafenib**"), a multi-target kinase inhibitor, for the treatment of malignant tumors such as advanced hepatocellular carcinoma.

- Successfully dosed the first patient in a phase II clinical trial of KN026 for first-line human epidermal growth factor receptor 2 ("**HER2**")-positive breast cancer (in combination with docetaxel) and late-line HER2-overexpressing breast cancer in China.

- The Food and Drug Administration of the United States of America ("**FDA**") awarded orphan drug designation ("**ODD**") to KN035 for the treatment of biliary tract cancer.

- Jiangsu Alphamab passed the on-site inspection of a European Union qualified person (the "**EU Qualified Person**").

- Four investigational new drug ("**IND**") applications of PD-L1/CTLA-4 bispecific antibody and HER2 bispecific antibody of the Group were accepted by the Center for Drug Evaluation ("**CDE**") of the National Medical Products Administration of China ("**NMPA**") in January and February, 2020 respectively.

- Jiangsu Alphamab and Pfizer Inc. ("**Pfizer**") entered into a clinical trial collaboration and supply agreement to advance a clinical trial investigating KN026 in combination with Pfizer's product, Ibrance® (Palbociclib), a kinase inhibitor , to treat HER2-positive breast cancer.

- Jiangsu Alphamab, Jiangsu Simcere Pharmaceutical Co., Ltd. (江蘇先聲藥業有限公司) ("**Simcere Pharmaceutical**") and 3D Medicines entered into a cooperation agreement (the "**Simcere Agreement**") on March 30, 2020 for the marketing and commercialization of KN035 for oncology indications in Mainland China.

- Jiangsu Alphamab and 3D Medicines entered into a supplemental agreement to the KN035 co-development agreements with 3D Medicines on March 30, 2020 for the allocation of gains generated from the collaboration of KN035 in the field of human therapeutic applications for sarcoma.

- Jiangsu Alphamab and 3D Medicines entered into another supplemental agreement to the KN035 co-development agreements on March 30, 2020 for the allocation of gains for KN035 sold in Mainland China.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a leading clinical-stage biopharmaceutical company in China with a fully-integrated proprietary biologics platform in bispecifics and protein engineering. Our mission is to deliver world-class innovative therapeutic biologics to treat patients globally by applying our unique drug discovery and development capabilities. We believe our unique drug discovery and development capabilities are demonstrated by our strong research and development ("**R&D**") track record and supported by our proprietary technologies, platforms and expertise.

PRODUCT PIPELINE

Our highly differentiated in-house pipeline consists of eight oncology drug candidates, including four in clinical stage. The following summarizes our product pipeline as of the date of this announcement:

Drug Candidate	Target(s)	Main Indications[1]	Therapeutic Biologic Product Classification	Commercial Rights	Status**					Expected First BLA Submission
					Pre-Clinical[2]	Dose Escalation Phase Ia/I	Dose Expansion Phase Ib/II	Pivotal Phase II/III	NCT Number	
KN046*	PD-L1/ CTLA4	Solid tumors[3] NSCLC, TNBC, GI cancers including pancreatic cancer	Category 1	Global[4]	China (the NMPA)[6][7]		Phase Ib/II		NCT03838848 NCT03872791 NCT03925870 NCT04054531 NCT03529526	3Q 2021
					Australia (the TGA)[8]		Phase Ib			
KN026	HER2/ HER2	HER2-overexpressing mBC and GC/GEJ	Category 1	Global[4]	China (the NMPA)[6]		Phase II		NCT03925974 NCT04165993 NCT03847168 NCT03619681	4Q 2022
					United States (the FDA)[9]	Phase I				
KN019	B7	RA, post-transplant kidney rejection	Category 7	Global[4]	China (the NMPA)[6]		Phase II		NCT04038970	Planning stage
KN035	PD-L1	BTC, MSI-H or dMMR solid tumors, HCC, GC	Category 1	Co-development[5]	China (the NMPA)[6]			Phase II/III	NCT03478488 NCT03667170 NCT02827968 NCT03248843	By the End of 2020
					Rest of the World[10]					
KN052	Undisclosed bispecifics[11]			Global					Not available	Not available
KN053				Global						
KN055				Global						
KN058				Global						

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

* Denotes Core Product.

** Denotes the most advanced ongoing clinical trials.

Notes:

(1) We also plan to develop (i) KN046 for esophageal squamous cell carcinoma; and (ii) KN046 in combination with KN026 for HER2-positive cancers, including gastric cancers/gastroesophageal cancer, other types of gastrointestinal cancers, breast cancer, urothelial cancer, non-small cell lung cancer and gynecological tumors, etc.

(2) Among the four pre-clinical bispecific candidates, two are at preliminary pre-clinical study stage and two are at lead optimization stage.

(3) The phase Ib study of KN046 targeted various types of solid tumors, with a focus on late-line unresectable metastatic nasopharyngeal carcinoma, urothelial cancer and melanoma. It should be noted that these indications are not major cancer indications in China, each with a relatively low cancer incidence and representing a small fraction of the total cancer population in China, according to the market research report prepared by China Insights Consultancy Limited. We plan to submit the first biologic license application ("**BLA**") for KN046 in China for nasopharyngeal carcinoma in 2021.

(4) No licensing partner as of February 28, 2020.

(5) We invented KN035 in-house and currently are jointly developing it with 3D Medicines. According to the co-development agreements with 3D Medicines, upon receiving the BLA approval for KN035, 3D Medicines would be responsible for its global commercialization. We own the right to manufacture and supply KN035 to 3D Medicines and are entitled to profit sharing.

(6) All of our clinical-stage drug candidates received Umbrella IND approvals from the NMPA. Some indications may not require a non-pivotal phase II clinical trial prior to beginning the pivotal phase II/III clinical trials in China. Based on our experience, the need for comparison studies for our drug candidates is considered on a case-by-case basis and based on communications with the NMPA.

(7) We conducted the China phase Ia clinical trial as a bridging study to leverage our clinical trial data in Australia.

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

(9) KN026 received the IND approval from the FDA in October 2018.

(10) Phase I clinical trials are ongoing in the United States (the "**U.S.**") and Japan. KN035 received the IND approvals from the FDA and the Japan Pharmaceuticals and Medical Devices Agency in November 2016 and May 2017, respectively. 3D Medicines is responsible for clinical trials and registration filings under the co-development agreements with 3D Medicines.

(11) Due to commercial sensitivity, we do not disclose additional details of these bispecific monoclonal antibody ("**BsAb**") drug candidates for oncology treatment.

The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including sdAbs and engineered proteins; (ii) proprietary charge repulsion improved bispecific platforms and charge repulsion induced antibody mixture platforms for bispecifics and antibody mixtures, respectively; and (iii) state-of-the-art manufacturing capability to be further strengthened by new facilities with an expected capacity of over 30,000L, designed and built to meet NMPA, European Union and FDA's current good manufacturing practice standards.

COMMERCIALIZATION

To date, we have not commercialized any products. We plan to build our own commercialization team in China with an initial focus on late-stage drug candidates and assemble a team of personnel dedicated to medical affairs and governmental affairs in 2020 to prepare for the upcoming launch of KN046 in 2021. After the launch of KN046, we plan to further expand our team to actively seek insurance and reimbursement opportunities from third-party payers and government reimbursement programs to support the ongoing commercial operations of KN046 and the upcoming launch of KN026. We expect our team to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to expand our team in anticipation of more product launches and more approved indications.

BUSINESS REVIEW

Events during the Reporting Period

The Company was successfully listed on the Main Board of the Stock Exchange on December 12, 2019. Since then, we have been making significant progress with respect to our drug pipeline and business operations.

- On December 16, 2019, the first patient was successfully dosed in a phase II clinical trial of KN019, a CTLA-4-based immunosuppressant fusion protein drug candidate self-developed by us, for rheumatoid arthritis treatment. Currently, the Company has performed comprehensive pre-clinical studies on KN019, and the phase I clinical trial for KN019 completed in China has exhibited favorable safety and Pharmacokinetics (PK) profiles and indicated good pharmacological effects in healthy subjects. For further details, please refer to the Company's announcement dated December 16, 2019.

- In December 2019, the construction of the phase I of the new manufacturing facilities, located at No. 175, Fangzhou Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, PRC with a 4,000L (2x2,000L) production capacity, was completed. Phase I of the new facilities has a commercial production capacity of 4,000L (2x2,000L) and a planned gross floor area of 53,867 square meters. For further details, please refer to the Company's announcement dated December 18, 2019.

- On December 20, 2019, we entered into a regional collaborative partnership agreement with Tracon and 3D Medicines to develop and commercialize KN035 in the field of human therapeutic applications for sarcoma (the "**Field**"), pursuant to which Tracon has been granted an exclusive and nontransferable license in the U.S., Canada, Mexico and each of their dependent territories (the "**Collaborative Territory**") for KN035 (the "**Tracon Agreement**"). Under the Tracon Agreement, Tracon is responsible for, among other things, develop and commercialize KN035 in the Field within the Collaborative Territory at its own cost, and 3D Medicines and Jiangsu Alphamab are in turn entitled to receive a royalty fee paid by Tracon at the amount of teens to mid-double digits percentage of the relevant net sales of KN035. Such royalty shall be split between 3D Medicines and Jiangsu Alphamab according to a ratio they mutually agree. Jiangsu Alphamab will supply KN035 to Tracon for its clinical trials and commercialization at pre-negotiated prices. For further details, please refer to the Company's announcement dated December 20, 2019.

- In the fourth quarter of 2019, we commenced investigator-sponsored phase II clinical trials of KN046 for second-line or later-line treatment of pancreatic cancer.

Events after the Reporting Period

- On January 4, 2020, the over-allotment option described in the prospectus of the Company dated December 2, 2019 (the "**Prospectus**") has been fully exercised by the international underwriters, pursuant to which the Company allotted and issued 26,910,000 ordinary shares of the Company, representing approximately 15% of the maximum number of offer shares initially available under the global offering, at the offer price of HK$10.20 per share.

- On January 7, 2020, Jiangsu Alphamab reached an agreement with Zelgen for the clinical development of a combination therapy of KN046, a recombinant humanized PD-L1/CTLA-4 bispecific antibody independently developed by Jiangsu Alphamab, and Donafenib, a multi-target kinase inhibitor, for the treatment of malignant tumors such as advanced hepatocellular carcinoma.

- On January 9, 2020, the first patient was dosed in the phase II clinical trial of KN026, an anti-HER2 bispecific antibody self-developed by us, for first-line HER2-positive breast cancer (in combination with docetaxel) and late-line HER2-overexpressing breast cancer in China.

- On January 18, 2020, FDA rewarded ODD to KN035 for the treatment of biliary tract cancer. The ODD is aimed at encouraging the development of innovative drugs to treat orphan diseases with a population of less than 200,000 target patients in the U.S. Drug candidates with ODD qualify for seven-year FDA-administered market orphan drug exclusivity (ODE). In addition, FDA also rewarded ODD drugs with comprehensive incentives including tax credit for clinical trial cost, waiver of BLA user fee, subsidies for R&D costs, protocol assistance and expedited regulatory approval pathway.

- On February 3, 2020, Jiangsu Alphamab passed the on-site inspection of the EU Qualified Person. The inspection is for the preparation of the reliable supply for global clinical trials and subsequent manufacturing for the commercialization of KN035. The EU Qualified Person conducted a comprehensive, strict and systematic inspection mainly on the quality control system and facilities in the biopharmaceutical production base of Jiangsu Alphamab located at Suzhou Industrial Park, Suzhou Area of Jiangsu Pilot Free Trade Zone, China. The scope of the inspection covers production workshops, warehouses and related support systems in the BioBay in Suzhou Industrial Park, as well as the new warehouse and the quality control laboratory located at No. 175, Fangzhou Road, Suzhou Industrial Park. For further details, please refer to the Company's announcement dated February 7, 2020.

- On January 23, 2020 and February 10, 2020, four IND applications of PD-L1/CTLA-4 bispecific antibody and HER2 bispecific antibody of the Group have been accepted by the CDE of the NMPA. The IND applications accepted by CDE are for anti-tumor pipeline projects involving KN046 (a BsAb immune checkpoint inhibitor) and/or KN026 (a BsAb anti-HER2 antibody). For further details, please refer to the Company's announcement dated February 20, 2020.

- On March 27, 2020, Jiangsu Alphamab and Pfizer entered into a clinical trial collaboration and supply agreement to advance a clinical trial investigating KN026 in combination with Pfizer's product, Ibrance® (Palbociclib), a kinase inhibitor. The clinical trial is a phase 1b/2, open-label and multi-center study to evaluate the efficacy, safety and tolerability of KN026 in combination with Ibrance® (Palbociclib) in patients with locally advanced unresectable or metastatic HER2-positive breast cancer. For further details, please refer to the Company's announcement dated March 27, 2020.

- On March 30, 2020, Jiangsu Alphamab, Simcere Pharmaceutical and 3D Medicines entered into the Simcere Agreement for the marketing and commercialization of KN035. Under the Simcere Agreement, Simcere Pharmaceutical was granted an exclusive marketing right in respect of oncology indications of KN035 and the rights of first refusal under in-licenses or transfers in Mainland China subject to the terms and conditions of the Simcere Agreement. Jiangsu Alphamab, as the exclusive manufacturer, is responsible for supplying KN035 to 3D Medicines at pre-negotiated prices and 3D Medicines will sell KN035 to the relevant customers in accordance with the instructions of Simcere Pharmaceutical, while Simcere Pharmaceutical will charge a marketing fee to 3D Medicines. For further details, please refer to the Company's announcement dated March 30, 2020.

- On March 30, 2020, Jiangsu Alphamab and 3D Medicines entered into a supplemental agreement to the KN035 co-development agreements, pursuant to which, both parties agreed that (1) the gains from drug supplies by Jiangsu Alphamab as a KN035 oncology drug producer shall be exclusively owned by Jiangsu Alphamab; (2) the gains to be shared by Jiangsu Alphamab and 3D Medicines under the Tracon Agreement and gains from transfer, delegation or otherwise disposal of the rights of KN035 in the Field within the Collaborative Territory under the Tracon Agreement shall be shared by Jiangsu Alphamab and 3D Medicines as to 65% and 35%, respectively. For further details, please refer to the Company's announcement dated March 30, 2020.

- On March 30, 2020, Jiangsu Alphamab and 3D Medicines entered into another supplemental agreement to the KN035 co-development agreements, pursuant to which, both parties agree that, among other matters, the gains for KN035 sold in Mainland China, payable by 3D Medicines to Jiangsu Alphamab, should be calculated based on the agreed method. For further details, please refer to the Company's announcement dated March 30, 2020.

The global epidemic of COVID-19 may have potential negative impact on the Group's business, including but not limited to the advancement of clinical trials, approval of regulatory registration and procurement of raw materials. The Group will continue to monitor the epidemic situation and react actively to such impact.

FINANCIAL REVIEW

Overview

For the year ended December 31, 2019, the Group recorded other income of RMB34.4 million, as compared with RMB0.8 million for the year ended December 31, 2018, and the loss and total comprehensive expense of RMB832.7 million, as compared with RMB202.6 million for the year ended December 31, 2018. The R&D expenses of the Group amounted to RMB166.7 million for the year ended December 31, 2019, as compared with RMB65.6 million for the year ended December 31, 2018. The fair value change of convertible redeemable preferred shares of the Group amounted to RMB542.3 million for the year ended December 31, 2019, as compared with RMB26.3 million for the year ended December 31, 2018. The administrative expenses amounted to RMB117.7 million for the year ended December 31, 2019 as compared with RMB25.9 million for the year ended December 31, 2018. The finance costs amounted to RMB3.6 million for the year ended December 31, 2019 as compared with RMB1.5 million for the year ended December 31, 2018.

We currently have no products for commercial sale. For the year ended December 31, 2019, we did not generate any revenue from product sales.

Other Income

The Group's other income primarily consists of interest income, government grants and other miscellaneous income including income generated from sterile drug products packaging service.

For the year ended December 31, 2019, the Group's other income increased by RMB33.6 million to RMB34.4 million, compared to RMB0.8 million for the year ended December 31, 2018, primarily due to the increase in interest income and government grants. Our interest income of RMB29.4 million during the Reporting Period refers to the interest we generated from bank balances, which primarily consisted of bank deposits of proceeds from our pre-IPO investments and global offering. In 2019, we recorded government grants of RMB5.0 million for our oncology drug development programs during the Reporting Period, primarily including (i) subsidies from the PRC local government in support of oncology drug development and successful initial public offering of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the research and development activities carried out in Australia.

Other Losses

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

For the year ended December 31, 2019, we recorded RMB0.3 million of other losses, compared to RMB9.8 million of other losses for the year ended December 31, 2018, mainly due to the impact of foreign currency translation, in particular, the exchange rates amongst the RMB, the Hong Kong dollar and the U.S. dollar.

Fair Value Change of Convertible Redeemable Preferred Shares

The Group's fair value change of convertible redeemable preferred shares refers to the fair value losses of the series A preferred shares we issued in October 2018 and series B preferred shares we issued in May 2019, which takes into account exchange rate changes.

For the year ended December 31, 2019, we recorded RMB542.3 million of the fair value losses of convertible redeemable preferred shares, compared to RMB26.3 million of the fair value losses for the year ended December 31, 2018, primarily attributable to the automatic conversion of all preferred shares in the ordinary shares upon the listing of shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"). After the automatic conversion, we do not recognize any further loss or gain on fair value changes from preferred shares.

R&D Expenses

The Group's R&D expenses were primarily comprised of (i) third-party contracting costs related to services provided by contract research organizations, contract manufacturing organizations, clinical trial sites, consultants and other service providers during the R&D of our pipeline products; (ii) staff costs for our R&D staff, including salary, bonus and share option incentives; (iii) raw materials costs in relation to the R&D of our drug candidates; (iv) office rental costs, utilities and depreciation and amortization; and (v) other miscellaneous expenses, which primarily include expenses for patent application registration services and transportation expenses of drug samples for clinical trials.

For the year ended December 31, 2019, our R&D expenses increased by RMB101.0 million to RMB166.7 million, compared to RMB65.6 million for the year ended December 31, 2018, primarily due to (i) the increase in the number of ongoing clinical trials, (ii) the expansion of the scale of our clinical studies, (iii) the advancement of clinical trials of our drug candidates, and (iv) the increase in staff cost due to the increase in our R&D staff and the increase in the compensation mainly due to options rewarded to the staff. The following table sets forth the breakdown of our R&D expenses by nature for the years indicated.

	For the year ended December 31,			
	2019		2018	
	(RMB in thousands, except percentages)			
Third-party contracting costs	**77,451**	**46.5%**	34,096	52.0%
Staff costs	**43,040**	**25.8%**	10,713	16.3%
Raw material costs	**28,486**	**17.1%**	7,673	11.7%
Office rental costs, utilities, and depreciation and amortization	**12,279**	**7.4%**	9,988	15.2%
Others	**5,398**	**3.2%**	3,138	4.8%
Total	**166,654**	**100.0%**	65,608	100.0%

Administrative Expenses

The Group's administrative expenses primarily comprise staff costs for our administrative staff, including salary, bonus and share option incentives.

Our administrative expenses increased by RMB91.9 million to RMB117.7 million for the year ended December 31, 2019, from RMB25.9 million for the year ended December 31, 2018, primarily because (i) we further increased our headcount to expand our clinical operation, manufacturing capability, quality control and other key business functions and (ii) we recorded significantly increased share-based payment expenses in relation to the pre-IPO share options granted by the Company under the pre-IPO share option schemes.

Finance Costs

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

Our finance costs amounted to RMB3.6 million for the year ended December 31, 2019, as compared to RMB1.5 million for the year ended December 31, 2018, primarily because of the interest expenses on bank borrowings incurred for the construction of our new manufacturing facilities, which was completed in late 2019.

Listing Expenses

We recorded listing expenses of RMB4.9 million and RMB36.6 million for the years ended December 31, 2018 and 2019, respectively, reflecting the increase of fees paid to professional parties engaged in preparation for our Listing in 2019.

Income Taxation

The Company is exempted from taxation under the laws of the Cayman Islands. Alphamab Oncology (BVI) Ltd., a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of our Company, is exempted from taxation under the laws of the British Virgin Islands.

Our PRC subsidiaries are subject to a standard China enterprise income tax ("**EIT**") rate of 25% under the PRC Enterprise Income Tax Law ("**EIT Law**"). We have made all the required tax filings with the relevant tax authorities in the PRC. Jiangsu Alphamab was entitled to a deduction of 175% of qualifying R&D expenses since January 2018.

Alphamab Oncology (HK) Limited, a limited liability company incorporated in Hong Kong on May 11, 2018, is subject to Hong Kong profits tax at a rate of 16.5% on estimated assessable profit. We made no provision for taxation in Hong Kong as we had no assessable profits in Hong Kong during the Reporting Period.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as "small business entities" are eligible for the lower corporate tax rate at 27.5%. Alphamab (Australia) Co Pty Ltd, a company incorporated in Australia and a direct wholly-owned subsidiary of Jiangsu Alphamab, is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

We had unused tax losses of RMB245.0 million and RMB504.5 million available for set off against future profits as of December 31, 2018 and 2019, respectively. No deferred tax asset was recognized in respect of the unused tax losses as of December 31, 2018 and 2019 due to the unpredictability of future profit.

Loss for the Year

As a result of the above factors, the loss of the Company increased by RMB630.1 million to RMB832.7 million for the year ended December 31, 2019 from RMB202.6 million for the year ended December 31, 2018.

Property, Plant and Equipment

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

Our property, plant and equipment increased by RMB227.1 million to RMB332.0 million as of December 31, 2019, compared to RMB104.9 million as of December 31, 2018, primarily attributable to the construction of our new facilities in 2019.

Right-of-use Assets

Under International Financial Reporting Standard 16, we recognize right-of-use assets with respect to our property leases. Our right-of-use assets are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter.

Our right-of-use assets increased by RMB14.5 million to RMB42.4 million as of December 31, 2019, compared to RMB27.9 million as of December 31, 2018, primarily due to increases in right-of-use assets for the lease of our office premises in Suzhou, Shanghai and Beijing in 2019.

Deposits for Acquisition of Property, Plant and Equipment

Deposits for acquisition of property, plant and equipment decreased by RMB22.7 million to RMB4.3 million as of December 31, 2019, compared to RMB27.0 million as of December 31, 2018, primarily due to the completion of the construction of phase I of our new facilities in late 2019.

Inventories

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

Our inventories increased by RMB18.8 million to RMB25.9 million as of December 31, 2019, compared to RMB7.1 million as of December 31, 2018, primarily due to the increased raw materials and other consumables in our inventory for our R&D activities.

Other Receivables, Deposits and Prepayments

The Group's other receivables, deposits and prepayments primarily consist of (i) other receivables, deposits and prepayments mainly related to prepayments made in connection with our purchase of raw materials and payments to contract research organizations and other third parties for services relating to our clinical trials; and (ii) value-added tax ("**VAT**") recoverable in connection with the procurement of raw materials, third-party services, machinery and equipment for our new facilities, which can offset the VAT to be incurred upon commercialization.

Our other receivables, deposits and prepayments increased by RMB41.3 million to RMB67.6 million as of December 31, 2019, compared to RMB26.3 million as of December 31, 2018, primarily because of (i) the increase in VAT recoverables due to the increased procurement of machinery and equipment for our new facilities, as well as raw materials and third-party services for our R&D activities; and (ii) the increase in other receivables, deposits and prepayments related to increased purchases of raw materials and third-party services for clinical trials.

Cash and Cash Equivalents and Time Deposits with Original Maturity Over Three Months

Our cash and cash equivalents mainly comprise of (i) cash at banks and on hand and (ii) time deposits within original maturity less than three months. As of December 31, 2019, the Group's cash and cash equivalents increased to RMB1,867.9 million from RMB633.7 million as of December 31, 2018. The increase primarily resulted from the proceeds of the global offering.

The Group's cash at banks and on hand amounted to RMB54.1 million as of December 31, 2019, compared to RMB95.5 million as of December 31, 2018. To enjoy higher interest rates on the proceeds from our financings, we also placed our cash in time deposits with licensed commercial banks in China and Hong Kong. Time deposits of RMB538.3 million and RMB1,813.8 million as of December 31, 2018 and 2019, respectively, had maturities of less than three months and were recorded as cash and cash equivalents. We also had time deposits of RMB502.9 million as of December 31, 2019 which had maturities of over three months.

Financial Assets Measured at Fair Value through Profit or Loss ("FVTPL")

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

Our financial assets measured at FVTPL increased from nil as of December 31, 2018 to RMB11.7 million as of December 31, 2019, primarily due to the purchase of non-principal-guaranteed wealth management products as our financial investments.

We believe that we can make better use of our cash by utilizing wealth management products, such as structured deposits, to enhance our income without interfering with our business operations or capital expenditures. We make investment decisions based on our estimated capital requirements for the next three months and our annual budget, taking into account the duration, expected returns and risks of the wealth management product. We generally limit purchases to low-risk, short-term products from reputable commercial banks. Our finance department is responsible for the purchase of wealth management products, which is reviewed by our senior management team. In the future, we intend to continue taking a disciplined approach regarding purchasing low-risk wealth management products with a short maturity period based on our operational needs.

Trade and Other Payables

The Group's trade and other payables primarily consist of payables for the construction of our new facilities and the procurement of equipment and machinery for our new facilities. Our trade and other payables also include accrued R&D expenses and staff costs, which largely relate to staff costs payable to R&D personnel. We also recorded (i) accrued listing expenses and new share issuance costs for the professional parties engaged for the global offering, (ii) trade payables to suppliers of raw materials and third-party services, and (iii) interest payables.

Our trade and other payables increased from RMB67.2 million as of December 31, 2018 to RMB146.0 million as of December 31, 2019, primarily due to (i) accrued listing expenses in relation to the global offering; (ii) an increase in trade payables in connection with our clinical trials; (iii) an increase in payables in connection with the procurement of property and equipment; and (iv) an increase in accrued staff costs as we provisioned more salaries and benefits in line with our increased headcount in 2019.

Amount Due to a Related Company

Our amount due to a related company, Suzhou Alphamab Co., Ltd. (蘇州康寧傑瑞生物科技有限公司) ("**Suzhou Alphamab**"), decreased from RMB5.1 million as of December 31, 2018 to RMB0.8 million as of December 31, 2019. Our amounts due to Suzhou Alphamab as of December 31, 2018 and 2019 were primarily rent and utilities payable to Suzhou Alphamab.

Lease Liabilities

The Group's lease liabilities are in relation to properties we leased for our manufacturing and R&D activities and our office premises. We recognize a lease liability with respect to all lease agreements in which we are the lessee, except for short term leases and leases of low value assets. For these leases, we generally recognize the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at present value that are not paid at the commencement date of the lease and subsequently adjusted by interest accretion and lease payments.

Our lease liabilities increased from RMB11.0 million as of December 31, 2018 to RMB23.2 million as of December 31, 2019, primarily due to entering into new lease for business operations, manufacturing and R&D activities in 2019.

Fair Value of Convertible Redeemable Preferred Shares

The fair value of our convertible redeemable preferred shares decreased from RMB900.6 million as of December 31, 2018 to nil as of December 31, 2019, primarily due to the automatic conversion of all preferred shares into ordinary shares upon the Listing.

Contract Liabilities

We recorded contract liabilities of RMB10.0 million and RMB11.7 million as of December 31, 2018 and 2019, respectively. Our contract liabilities represented the RMB10.0 million upfront payment we received from 3D Medicines and such amount is adjusted for the effects of the time value of money at a discount rate of 4.35% taking into consideration of the credit characteristics of the Group. We own the right to manufacture and supply KN035 to 3D Medicines. After the approval and commercialization of KN035, we will recognize revenue on the upfront payment received. None of the contract liabilities were recognized as revenue during the Reporting Period.

Liquidity and Source of Funding

Our primary uses of cash are to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through proceeds from the global offering, pre-IPO investments and bank borrowings. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

Borrowings

As of December 31, 2019, our bank borrowings of RMB230 million, had effective interest rates of 4.99%. As of December 31, 2019, our bank borrowings were secured by property, plant and equipment of RMB276.7 million and land use rights in our right-of-use assets of RMB22.7 million.

Key Financial Ratios

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

	As of December 31,	
	2019	2018
Current ratio[(1)]	**12.19**	7.92
Quick ratio[(2)]	**12.06**	7.84
Gearing ratio[(3)]	**0.68**	NM[(4)]

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(4) Gearing ratio is not meaningful as our total equity was negative (deficiency of total equity) as of December 31, 2018.

Material Investments

The Group did not make any material investments during the year ended December 31, 2019. In addition, other than the manufacturing facility construction plan as disclosed in sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, there is no current plan of the Group for material investments or additions of material capital assets as of December 31, 2019.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended December 31, 2019.

Pledge of Assets

As of December 31, 2019, the Group had a total RMB276.7 million of property, plant and equipment and RMB22.7 million of land use rights pledged to secure its loans and banking facilities.

Contingent Liabilities

As of December 31, 2019, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Foreign Exchange Exposure

During the year ended December 31, 2019, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of December 31, 2019, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars and Hong Kong dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances and cash, other receivables, trade and other payables, and other financial liabilities denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2019.

Employees and Remuneration

As of December 31, 2019, the Group had 224 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2019 was RMB146.8 million, as compared to RMB28.2 million for the year ended December 31, 2018.

The remuneration package of our employees includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted pre-IPO share option plans. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Prospectus for further details.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Other income	5	**34,429**	783
Other losses	6	**(321)**	(9,833)
Fair value change of convertible redeemable preferred shares		**(542,291)**	(26,284)
R&D expenses		**(166,654)**	(65,608)
Administrative expenses		**(117,736)**	(25,857)
Reorganization related expenses		**–**	(69,416)
Finance costs	7	**(3,606)**	(1,507)
Listing expenses		**(36,561)**	(4,911)
Loss before taxation		**(832,740)**	(202,633)
Income taxation	8	**–**	–
Loss for the year	9	**(832,740)**	(202,633)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(154)**	40
Total comprehensive expense for the year		**(832,894)**	(202,593)
Loss for the year attributable to:			
Owners of the Company		**(832,740)**	(149,843)
Non-controlling interests		**–**	(52,790)
		(832,740)	(202,633)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(832,894)**	(149,803)
Non-controlling interests		**–**	(52,790)
		(832,894)	(202,593)
Loss per share	11		
– Basic in RMB		**(1.55)**	(0.42)
– Diluted in RMB		**(1.55)**	(0.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at December 31, 2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**331,951**	104,944
Right-of-use assets	*13*	**42,353**	27,912
Deposits paid for acquisition of property, plant and equipment		**4,321**	26,965
Other receivables and deposits	*15*	**31,490**	10,969
		410,115	170,790
Current assets			
Inventories	*14*	**25,918**	7,068
Other receivables, deposits and prepayments	*15*	**36,115**	15,323
Financial assets at FVTPL		**11,680**	–
Time deposits with original maturity over three months		**502,889**	–
Cash and cash equivalents		**1,867,866**	633,712
		2,444,468	656,103
Current liabilities			
Trade and other payables	*17*	**145,962**	67,208
Amount due to a related company	*16*	**787**	5,090
Lease liabilities – current portion		**13,081**	10,502
Bank borrowings – current portion		**28,750**	–
Deferred income	*18*	**11,950**	–
		200,530	82,800
Net current assets		**2,243,938**	573,303
Total assets less current liabilities		**2,654,053**	744,093
Non-current liabilities			
Lease liabilities – non-current portion		**10,095**	518
Contract liabilities		**11,733**	10,000
Bank borrowings – non-current portion		**201,250**	100,000
Convertible redeemable preferred shares		**–**	900,603
Deferred income	*18*	**5,050**	–
		228,128	1,011,121
Net assets (liabilities)		**2,425,925**	(267,028)

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**12**	7
Reserves	**2,425,913**	(267,035)
Total equity (equity deficiency)	**2,425,925**	(267,028)

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 28, 2018 under the Companies Laws of the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange since December 12, 2019. The addresses of the registered office and principal place of business of the Company will be disclosed in the corporate information section to the Company's annual report.

The Company, an investment holding company, indirectly owns the subsidiaries which run all of the business. The Group is principally engaged in R&D, manufacturing and commercialization of biologics of oncology.

The consolidated financial statements are presented in RMB, which is also the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in Note 3 which conform with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the principle of merger accounting applicable to group reorganization (the "**Reorganization**").

3. APPLICATION OF IFRSs

The Group has consistently applied all the new and amendments to IFRSs, International Accounting Standards ("**IASs**"), and interpretations issued by the IASB which are effective for the accounting periods beginning on January 1, 2019.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Co-development agreement with 3D Medicines in relation to KN035 drug candidate

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

In addition, the Group considers the non-refundable upfront payment of RMB10 million from 3D Medicines contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money at a discount rate of 4.35% per annum taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of development of KN035 drug candidate, it increases the amount of revenue to be recognised when the Group commences the manufacturing of the product and the transfer of control of goods to 3D Medicines for commercialization.

Unsatisfied performance obligations

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

	2019	2018
	RMB'000	*RMB'000*
Co-development and commercialization of KN035	**11,733**	10,000

Deferred revenue included in contract liabilities will be recognized over the period of KN035 product life cycle with reference to the budgeted manufacture order from 3D Medicines (i.e. when 3D Medicines receives and consumes the benefits during the commercialization stage).

Segment information

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

The Group did not record any revenue during the years ended December 31, 2019 and 2018 and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income	**29,352**	423
Government grants income *(Note)*	**4,992**	353
Others	**85**	7
	34,429	783

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

Pursuant to the R&D tax incentive program launched by the Australia Taxation Office, Alphamab (Australia) Co Pty Ltd. enjoys a 43.5% refund on the R&D expenditures incurred for the years ended December 31, 2019 and 2018. Upon enjoyment of such incentive, the relevant R&D expenditures will not be qualified as tax losses and will be treated as non-deductible expenses.

6. OTHER LOSSES

	2019	2018
	RMB'000	*RMB'000*
Exchange losses, net	**(106)**	(8,736)
Loss on disposal of property, plant and equipment	**–**	(2)
Others	**(215)**	(1,095)
	(321)	(9,833)

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**8,228**	3,039
Amount due to a related company	**–**	54
Contract liabilities	**1,733**	–
Lease liabilities	**855**	379
	10,816	3,472
Less: Interest capitalized in construction in progress	**(7,210)**	(1,965)
	3,606	1,507

Borrowing costs capitalized during the years ended December 31, 2019 and 2018 arose on the specific bank borrowings for the construction of new facilities.

8. INCOME TAXATION

The Company is exempted from taxation under the laws of the Cayman Islands.

Under the EIT Law of the PRC and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entities who qualify as a small business entity are eligible for a lower corporate tax rate at 27.5%. Alphamab (Australia) Co Pty Ltd is qualified as a small business entity and is subject to a corporate tax rate of 27.5%.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for income taxation has been made as the Group either had no assessable profit or incurred tax losses in all relevant places of operation for both years.

9. LOSS FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration	**55,405**	3,509
Other staff costs:		
Salaries and other allowances	**41,759**	21,439
Retirement benefits scheme contributions	**6,533**	2,956
Share-based payment expenses	**43,096**	263
Total staff costs	**146,793**	28,167
Auditor's remuneration	**2,460**	88
Cost of inventories included in R&D expenses	**28,486**	7,673
Outsourcing service fees included in R&D expenses	**77,451**	34,096
Issue costs paid for the series A convertible redeemable preferred shares included in reorganization related expenses	**–**	4,963
Issue costs paid for the series B convertible redeemable preferred shares included in administrative expenses	**348**	–
Short-term lease expenses	**226**	394
Depreciation of property, plant and equipment	**1,828**	2,172
Depreciation of right-of-use assets	**10,400**	7,637
Less: capitalization	**(455)**	(495)
	9,945	7,142

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company since its incorporation and up to the end of the reporting period, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Loss:		
Loss for the year attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	**(832,740)**	(149,843)
Number of shares ('000):		
Weighted average number of shares for the purposes of basic and diluted loss per share	**536,531**	354,186

The computations of basic and diluted loss per share for the years ended December 31, 2019 and 2018 are based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Reorganization and the share subdivisions of the Company.

The computations of basic and diluted loss per share for the years ended December 31 excluded the restricted shares and ordinary shares already cancelled by the Company as part of the Reorganization.

As the Group incurred losses for the year ended December 31, 2019, for the purpose of calculation of diluted loss per share for the year ended December 31, 2019, the convertible redeemable preferred shares issued by the Company, the convertible redeemable preferred shares issued by the Company, the share options awarded under the pre-IPO share option scheme and the exercise of the Company's over-allotment options granted pursuant to the Listing were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

As the Group incurred losses for the year ended December 31, 2018, for the purpose of calculation of diluted loss per share for the year ended December 31, 2018, the convertible redeemable preferred shares issued by the Company and the shares options awarded under the pre-IPO share option scheme were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

Accordingly, diluted loss per share for the years ended December 31, 2019 and 2018 is the same as basic loss per share of the respective years.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Leasehold improvements *RMB'000*	Furniture and other equipment *RMB'000*	Construction in progress ("CIP") *RMB'000* (Note)	Total *RMB'000*
COST						
As at January 1, 2018	–	–	116	150	10,937	11,203
Additions	–	–	88	973	93,075	94,136
Transfer	–	–	–	142	(142)	–
Disposals	–	–	–	(22)	–	(22)
As at December 31, 2018	–	–	204	1,243	103,870	105,317
Additions	–	31	204	2,898	225,702	228,835
Transfer	231,581	21,553	–	9,168	(262,302)	–
As at December 31, 2019	231,581	21,584	408	13,309	67,270	334,152
DEPRECIATION						
As at January 1, 2018	–	–	73	45	–	118
Provided for the year	–	–	62	204	–	266
Eliminated on disposals	–	–	–	(11)	–	(11)
As at December 31, 2018	–	–	135	238	–	373
Provided for the year	913	1	77	837	–	1,828
As at December 31, 2019	913	1	212	1,075	–	2,201
CARRYING VALUES						
As at December 31, 2019	230,668	21,583	196	12,234	67,270	331,951
As at December 31, 2018	–	–	69	1,005	103,870	104,944

Note: The CIP primarily consists of new facilities for manufacturing, R&D and office premises in the PRC. The construction was completed in December 2019.

The above items of property, plant and equipment other than CIP are depreciated over their estimated useful lives, using straight-line method after taking into account the residual values, at the following rates per annum or over the following period:

Buildings	5%
Plant and machinery	10%
Leasehold improvements	Over the shorter of the term of the relevant lease or 20%
Furniture and other equipment	19% to 31.67%

13. RIGHT-OF-USE ASSETS

	Land use rights *RMB'000*	Property, plant and equipment *RMB'000*	Total *RMB'000*
As at January 1, 2018			
Carrying amounts	23,659	–	23,659
As at December 31, 2018			
Carrying amounts	23,164	4,748	27,912
As at December 31, 2019			
Carrying amounts	22,669	19,684	42,353
For the year ended December 31, 2018			
Depreciation charge	495	6,296	6,791
For the year ended December 31, 2019			
Depreciation charge	495	9,905	10,400

	2019 ***RMB'000***	2018 *RMB'000*
Total cash outflow for leases	**13,766**	670
Additions to right-of-use assets	**24,841**	11,044

The Group leased various property, plant and equipment to operate its R&D activities. The lease terms range from 6 months to 3 years.

The lease agreement did not contain any contingent rent nor any extension or purchase option for the Group as a lessee.

As of December 31, 2018 and 2019, all right-of-use assets are located in the PRC. Included in property, plant and equipment of the right-of-use assets are i.) offices of RMB983,000 (2018: RMB1,385,000) and ii.) plant and equipment of RMB18,701,000 (2018: RMB3,363,000).

14. INVENTORIES

	2019 ***RMB'000***	2018 *RMB'000*
Raw materials and other consumables	**25,918**	7,068

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	RMB'000	*RMB'000*
Other receivables, deposits and prepayments	**36,128**	13,827
Deferred issue costs	**–**	1,637
Value-added tax recoverable	**31,477**	10,828
Total trade and other receivables	**67,605**	26,292
Presented as non-current assets	**31,490**	10,969
Presented as current assets	**36,115**	15,323
	67,605	26,292

16. AMOUNT DUE TO A RELATED COMPANY

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

The following is an aged analysis of the amount due to Suzhou Alphamab which is trade in nature:

	2019	2018
	RMB'000	*RMB'000*
Over 90 days	**787**	5,090

17. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**6,853**	766
Accrued expenses		
– Outsourcing service fees	**15,284**	5,891
– Other R&D expenses	**2,174**	–
– Listing expenses	**16,296**	3,641
– Issue costs	**13,541**	1,213
– Staff costs	**11,434**	7,049
– Interest expenses	**351**	152
– Others	**4,571**	186
	63,651	18,132
Payables for acquisition of property, plant and equipment	**73,119**	45,964
Other payables	**2,339**	2,346
Total	**145,962**	67,208

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

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

	2019	2018
	RMB'000	*RMB'000*
0 – 90 days	**6,853**	580
Over 90 days	**–**	186
	6,853	766

18. DEFERRED INCOME

During the year ended December 31, 2019, the Group received a government subsidy of RMB17 million in advance from the local government for the purpose of supporting the R&D activities on certain new pharmaceutical products, and the amount is presented as deferred income in the Group's consolidated statement of financial position.

The amount of deferred income will be recognized in the same period as the related R&D activities are carried out and expenses are incurred.

The directors of the Company did not expect such activities amounting to RMB5,050,000 will happen within twelve months from the end of the reporting period. Therefore, such amounts were classified as non-current liabilities.

FUTURE DEVELOPMENT

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

FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on March 28, 2018 as an exempted company with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on December 12, 2019.

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. XU Ting currently serves as the chairman of the Board and the chief executive officer of the Company. He is one of the founders of the Group and has been operating and managing the Group since its establishment. Our Directors believe that it is beneficial to the business operations and management of the Group that Dr. XU Ting continues to serve as both the chairman of the Board and the chief executive officer of the Company.

Pursuant to code provision A.1.1 of the Corporate Governance Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. As the Company was only listed on December 12, 2019, no Board meeting was held during the period from December 12, 2019 to December 31, 2019. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

Pursuant to code provision C.3.3(e)(i) of the Corporate Governance Code, members of the audit committee should liaise with the board and senior management and the audit committee must meet, at least twice a year, with the Company's auditor. As the Company was only listed on December 12, 2019, no Audit Committee meeting was held during the period from December 12, 2019 to December 31, 2019. Going forward, the Audit Committee will fully comply with the requirement under code provision C.3.3(e)(i) of the Corporate Governance Code to convene at least 2 meetings in each financial year and meet the external auditor.

Save as the above, the Company has applied the principles and code provisions as set out in the Corporate Governance Code and has complied with the code provisions in the Corporate Governance Code from the Listing Date to December 31, 2019.

Full details of the Company's corporate governance practices will be set out in the Company's annual report.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2019.

The Company's relevant employees, who are likely to be in possession of unpublished price-sensitive information ("**Inside Information**") of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company from the Listing Date to December 31, 2019.

The Company has also established a policy on Inside Information to comply with its obligations under the Securities and Futures Ordinance and the Listing Rules.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the period from the Listing Date to December 31, 2019.

Audit Committee

The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. WEI Kevin Cheng (the chairman of the Audit Committee), Mr. WU Dong and Mr. QIU Yu Min, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the Group's annual results for the year ended December 31, 2019, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended December 31, 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Use of Proceeds from the Global Offering

The net proceeds from the global offering amounted to approximately HK$2,042.5 million. As of December 31, 2019, the Company did not utilize any of the proceeds from the global offering. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Company expects that approximately 10% to 15% of the net proceeds of the global offering will be utilized in 2020 and plans to utilize the balance of net proceeds of the global offering by the end of 2022.

Subsequent Events

Save as disclosed in the section headed "Business Review – Events after the Reporting Period" above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2019 and up to the date of this announcement.

Principal Risks and Uncertainties

Our business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed "Risk Factors" of the Prospectus.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Monday, May 25, 2020 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company (the "**Shareholders**") in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, May 20, 2020 to Monday, May 25, 2020, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Monday, May 25, 2020. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, May 19, 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.alphamabonc.com**).

The annual report for the year ended December 31, 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2020.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

Cautionary Statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to successfully develop, or ultimately market our drug candidates, namely, KN046, KN026, KN019, KN035, KN052, KN053, KN055 and KN058. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

By order of the Board
Alphamab Oncology
Dr. Xu Ting
Chairman and Executive Director

Hong Kong, March 31, 2020

As at the date of this announcement, the Board comprises Dr. XU Ting as the Chairman and Executive Director and Ms. LIU Yang as Executive Director, Mr. XU Zhan Kevin and Mr. QIU Yu Min as Non-executive Directors, and Dr. JIANG Hualiang, Mr. WEI Kevin Cheng and Mr. WU Dong as Independent Non-executive Directors.