# 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, 2020

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, 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2019. 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, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Other income | **111,136** | 34,429 |
| Fair value change of convertible redeemable preferred shares | **–** | (542,291) |
| Research and development expenses | **(331,241)** | (166,654) |
| Administrative expenses | **(78,208)** | (117,736) |
| Finance costs | **(11,826)** | (3,606) |
| Listing expenses | **–** | (36,561) |
| Other losses | **(117,627)** | (321) |
| **Loss before taxation** | **(427,766)** | (832,740) |
| Income taxation | **–** | – |
| **Loss for the year** | **(427,766)** | (832,740) |

| | As of December 31, | |
|---|---|---|
| | ***2020*** | *2019* |
| | ***RMB'000*** | *RMB'000* |
| Non-current assets | **440,294** | 410,115 |
| Current assets | **2,199,228** | 2,444,468 |
| Non-current liabilities | **36,903** | 228,128 |
| Current liabilities | **329,535** | 200,530 |
| **Net assets** | **2,273,084** | 2,425,925 |

## BUSINESS HIGHLIGHTS

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

### KN046

- Jiangsu Alphamab Biopharmaceuticals Co., Ltd. ("**Jiangsu Alphamab**"), a wholly-owned subsidiary of the Company, received an approval notification from the Food and Drug Administration ("**FDA**") of the United States (the "**U.S.**") that it is safe to proceed with a phase II clinical trial of KN046 for anti-PD-(L)1 refractory or relapsed non-small cell lung cancer ("**NSCLC**") in the U.S. on April 15, 2020.

- Jiangsu Alphamab submitted an investigational new drug application ("**IND**") to the Center for Drug Evaluation ("**CDE**") of the National Medical Products Administration of China ("**NMPA**") on February 10, 2020 for a phase II clinical trial to study KN046 in combination with KN026 for the treatment of human epidermal growth factor receptor 2 ("**HER2**") positive or expressing solid tumors, including but not limited to HER2-positive or expressing breast cancer, gastric cancer, esophageal cancer, colorectal cancer, pancreatic cancer, bile duct cancer, ovarian cancer, urothelial cancer and lung cancer. We received the IND approval from the CDE on May 12, 2020. In the second half of 2020, we have initiated a phase II clinical trial of KN026 in combination with KN046 for HER2-positive solid tumors.

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

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

- Jiangsu Alphamab and SLP entered into a new collaboration agreement to expand the original collaboration, pursuant to which both parties agreed to jointly develop an anti-tumor combination therapy of CT053 (Ningetinib Toluenesulfonate) and KN046 for solid tumor indications on May 28, 2020.

- We presented the preliminary efficacy and safety data of a dose escalation and expansion phase Ia/Ib clinical trial of KN046 in China in patients who have failed prior immune checkpoint inhibitors at the 2020 America Society of Clinical Oncology ("**ASCO**") Annual Meeting on May 29, 2020.

- Jiangsu Alphamab and Suzhou Sinovent Pharmaceutical Co., Ltd. ("**Sinovent**") entered into a partnership agreement to jointly develop the combination therapy of KN046 and XNW7201, a small molecule inhibitor targeting at Wnt pathway (an anti-tumor research target commonly seen in gastrointestinal tumors), in oncology indications on June 19, 2020.

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

- In August 2020, Jiangsu Alphamab officially launched ENREACH-LUNG-01, a multi-center phase III clinical trial to evaluate efficacy and safety of combination therapy of KN046 and platinum-based chemotherapy in patients with stage IV squamous NSCLC.

- In September 2020, KN046 was granted orphan drug designation by the FDA for the treatment of thymic epithelial tumors.

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

- In September 2020, Jiangsu Alphamab has achieved the first patient dosing in ENREACH-LUNG-01, a pivotal Phase Ⅲ clinical trial of KN046 in combination with chemotherapy for the treatment of NSCLC.

- In January 2021, the first patient was successfully dosed with KN046 in the ENREACH-Thymic pivotal trial for the treatment of thymic cancer.

- We presented new data from the phase II clinical study of KN046 in patients with metastatic NSCLC and preliminary safety and efficacy results in patients with rare thoracic tumors at the 2020 World Conference on Lung Cancer.

- We presented abstracts on the preliminary efficacy and safety of KN046 in combination with chemo-radiation therapy for the treatment of recurrent and metastatic esophageal squamous cell carcinoma at 2021 ASCO Gastrointestinal Cancers Symposium annual meeting in January 2021.

- In February 2021, the first patient dosing of KN046 in combination with Donafenib, an orally administered multikinase inhibitor developed by Suzhou Zelgen Biopharmaceuticals Co Ltd. ("**Zelgen**") was achieved. Zelgen is a company listed on the Shanghai Stock Exchange (SHA: 688266).

KN046 has been under clinical trials in Australia and China and has entered pivotal trial stages in 2020. Currently, there are around 20 clinical trials at multiple stages covering more than 10 types of tumors including NSCLC, pancreatic cancer, HCC, triple-negative breast cancer, esophageal squamous cell carcinoma and thymic carcinoma. The results of these clinical trials have demonstrated a preliminary profile of good safety and promising efficacy of KN046.

**KN026**

- Jiangsu Alphamab submitted an IND to the CDE on February 10, 2020 for a phase II clinical trial to study KN046 in combination with KN026 for the treatment of HER2 positive or expressing solid tumors, including but not limited to HER2-positive or expressing breast cancer, GC, esophageal cancer, colorectal cancer, pancreatic cancer, bile duct cancer, ovarian cancer, urothelial cancer and lung cancer. We received the IND approval from the CDE on May 12, 2020. In the second half of 2020, we have initiated a phase II clinical trial of KN026 in combination with KN046 for HER2-positive solid tumors.

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

- On May 29, 2020, we presented the preliminary safety, efficacy and pharmacokinetics results of a first-in-human, open-label, phase I clinical trial of KN026 in China in patients with HER2-positive mBC at the 2020 ASCO Annual Meeting.

- On June 22, 2020, we presented abstracts on using a translational tumor growth inhibition model and pharmacokinetics analysis to predict efficacious doses for KN026 in patients with HER2-positive mBC at the 2020 AACR Annual Meeting.

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

- In November 2020, we presented clinical data from phase Ib trial of the combination therapy of KN026 plus KN046 at the 35th Annual Meeting of the Society for Immunotherapy of Cancer.

- In December 2020, Jiangsu Alphamab had the first patient successfully dosed in SEARCH-01 study, a phase II clinical trial of KN026 in combination with KN046.

- KN026 in combination with KN046 was granted orphan drug designation by FDA for the treatment of HER2-positive or low expressing gastric or gastroesophageal junction cancer in December 2020.

- In December 2020, our Company received from NMPA the approval for an IND application for combination therapies of KN026 and palbociclib or combination therapy of KN026, palbociclib and fulvestrant for the treatment of HER2-positive locally advanced unresectable and/or metastatic breast cancer in patients who have failed the treatment of Trastuzumab and Taxanes.

**KN035 (Envafolimab)**

- We presented clinical trial results of KN035 in patients with advanced tumors with microsatellite instability-high phenotype/mismatch-repair deficiency as monotherapy and a combination therapy with KN035 plus chemotherapy for advanced GC and gastroesophageal junction cancer which were accepted for poster presentation at the 2020 ASCO Annual Meeting.

- An IND application for a pivotal trial for KN035 in the soft tissue sarcoma subtypes (ENVASARC) of undifferentiated pleomorphic sarcoma and myxofibrosarcoma was submitted by TRACON Pharmaceuticals, Inc. ("**TRACON**", NASDAQ ticker symbol: TCON), our U.S. partner, on July 16, 2020. On August 14, 2020, TRACON received an approval notification from the FDA that the study may proceed in the U.S. The first patient dosing was successfully accomplished in the registration trail in the U.S. in December 2020.

- On November 16, 2020, the biologic license application of KN035, has been submitted to the NMPA.

- On December 17, 2020, the biologic license application for KN035 has been accepted by the NMPA.

- In January 2021, KN035 was granted priority review by CDE of the NMPA.

**Facilities**

- The phase I production lines (2x2,000L) of the new manufacturing facilities of Jiangsu Alphamab obtained drug production license issued by Jiangsu Drug Administration on July 6, 2020. The facility is designed to house over 30,000L capacity in total and future expansion is planned.

**Other Highlights**

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

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

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

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

- In July 2020, Dr. XU Ting, the chairman of the Board, executive Director and chief executive officer of the Company, won the sixth "Suzhou Outstanding Talent Award" awarded by the Suzhou Municipal Government. The "Suzhou Outstanding Talent Award" is a prominent talent award, which is awarded once every three years to ten recipients who have made significant contribution to economic and social development.

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

- On November 28, 2020, we were awarded as "2020 China Top 500 New Economy".

- At the end of November 2020, we were acknowledged as "Chinese Pharmaceutical Innovation Enterprises 100".

- Our Company has been included in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect, with effect from December 28, 2020.

- On January 6, 2021, our Company was awarded with "Most Valuable Medical and Pharmaceutical Company" in the 5th Annual Awards Ceremony of Hong Kong Golden Stock held in Shenzhen.

For details of any 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

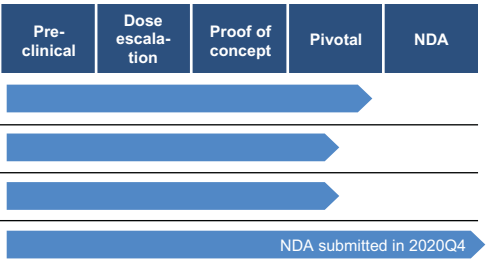
### Overview

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 these 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 fifteen tumor monoclonal antibodies and bispecific antibodies, and one COVID-19 multifunctional antibody. Among our pipeline products, we have one biologic license application submitted, three in late clinical stage, and two to three in schedule for IND submission in 2021. The following chart summarizes our product pipeline as of the date of this announcement:

| Stage | Drug Candidate | Target(s) | Platform | Commercial Rights | Key Indications |
|---|---|---|---|---|---|
| Late-stage | **KN046** | PD-L1/CTLA-4 bispecific | sdAb/ mAb | Global | NSCLC, Thymic, HCC, Pancreatic ESCC, TNBC |
| | **KN026** | HER2/HER2 bispecific | CRIB | Global | HER2-positive BC, GC/GEJ |
| | **KN026 +KN046** | Target therapy +IO combo | Biomarker driven | Global | HER2-positive solid tumors |
| | **KN035** | Subcu PD-L1 | sdAb/ mAb | Global Co-development | MSI-H, BTC, Sarcoma, TMB-H, MSS endometrial |
| Clinical/ IND | **KN019** | B7 | Fusion protein | Global | RA, lupus, renal transplant, GvHD |
| | **KN052** | PD-L1/OX40 bispecific | CRIB | Global | Solid tumors |
| | **KN062** | None RBD conformation bispecific | CRIB | Global | COVID-19 |
| | **JSKN-003** | HER2 ADC | BADC | Global | HER2-positive/low solid tumors |
| Pre-clinical | **JSKN-001** | Undisclosed | CRIB | Global | Solid tumors |
| | **JSKN-002** | Undisclosed | GIMC | Global | Solid tumors |
| | **JSKN-004** | Undisclosed | TIMC | Global | Solid tumors |
| | **JSKN-005** | Undisclosed | CIMC | Global | Solid tumors |
| | **JSKN-006** | Undisclosed | BIMC | Global | Solid tumors |
| | **KN053** | Undisclosed bispecific | sdAb/ mAb | Global | Solid tumors |
| | **KN055** | Undisclosed bispecific | sdAb/mAb fusion protein | Global | Solid tumors |
| | **KN058** | Undisclosed bispecific | sdAb/mAb fusion protein | Global | Solid tumors |
| | **KN138** | None-blocking CTLA-4 | sdAb/ mAb | Global | Solid tumors |




The depth and breadth of our in-house R&D and manufacturing capabilities are demonstrated by the following: (i) structure-guided protein engineering capability to develop protein building blocks in various formats, including single domain antibodies 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 the current Good Manufacturing Practice standards of NMPA, the European Medicines Agency and the FDA.

**Commercialization**

To date, we have not commercialized any products. We started to build our own core commercialization team in China with an initial focus on late-stage drug candidates and plan to hire key talents for medical affairs, governmental affairs and other related functions in 2021 to prepare for the upcoming launch of KN046 in 2022 and KN026 in 2024. We expect our team to cover major provinces and municipalities in China, especially the ones with relatively well-developed economies and high levels of discretionary income. We intend to continue to expand our team in anticipation of more product launches and more approved indications.

**Cautionary Statement required by Rule 18A.08(3) of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):** The Company cannot guarantee that it will be able to successfully develop, or ultimately market KN046 and KN026, our core products ("**Core Products**"). Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

The global outbreak of COVID-19 and the subsequent quarantine measures imposed by governments in 2020 have created challenges to the Group's business operations, including but not limited to the advancement of clinical trials, approval of regulatory registration and procurement of raw materials. Despite a temporary disruption in our business operations as a result of the restriction orders imposed by the local government to restrain COVID-19 outbreak, the pandemic had a limited impact on our business operations for 2020. However, the uncertainty in the development of global epidemic of COVID-19 may have potential negative impact on the Group's business. The Group has implemented comprehensive measures to minimize delays and disruptions to the business operations, including but not limited to implementing risk management measures, updating the standard operating procedures according to guidance issued by regulatory bodies, adjusting our research plans and status of clinical trials, providing alternative methods for safety and efficacy assessment and engaging in online meetings with our principal investigators for the clinical trials to track progress and identify any issues that may arise. The Group will continue to monitor the epidemic situation and react actively to such impact. In addition, the Group, through collaboration with academic institute, initiated R&D projects to address COVID-19 variants with bispecific and antibody engineering platforms.

**Future Development**

We kicked off 2020 with significant business advancement for the future and have witnessed numerous milestones despite impact of COVID-19 pandemics. We, together with the global pharmaceutical industry, have sought to implement and adhere to emergency management plans, social distancing guidelines and adjusted regulatory processes, while have continued to strive to develop and produce treatments and drug candidates that benefit patients.

In recent years, China has issued or amended a series of rules and policies with respect to, among others, priority review and patent compensation, quality control, sales, data protection of drug trials to support the research and development of pharmaceutical products. In 2020, the amended Measures for Administration of Drug Registration (《藥品註冊管理辦法》), the Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Clinical Practice of Pharmaceutical Products (《藥物臨床試驗質量管理規範》) and the Registration Category of Biological Products and the Information Requirements for Declaration (《生物製品註冊分類及申報資料要求》) came into effect to streamline the R&D and production process of new drugs and the application process under the drug marketing authorization holder mechanism, as well as to provide a clear classification for therapeutic biological products. These policies removed political barriers and sped up the R&D process for innovative new drugs, which along with innovative technologies has become a hotspot for industrial capital. The newly revised Patent Law of the People's Republic of China (《中華人民共和國專利法》), which will take effect on June 1, 2021, launches a protection term compensation system for new drugs, where a patent may be granted an extended patent term up to five years as compensation for the time taken up due to regulatory review and approval. As a result, pharmaceutical companies with strong R&D capabilities for innovative therapeutic biologics will stand out and they will have unprecedented opportunities for development. After the pandemic, the Company believes that there will be a stronger focus on R&D of innovative therapeutic biologics and heavier investments in new biotechnology. It is believed that in the next decade, the R&D of innovative therapeutic biologics in the People's Republic of China ("**PRC**") will drive the growth of the entire pharmaceutical industry.

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 in addition to 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 10 multi-specific 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 reduce the costs. To maximize the commercial value of our assets with global rights, we will also continue to actively seek strategic collaboration opportunities for our Core Products, such as co-development, collaboration in combination development, and out-licensing.

## FINANCIAL REVIEW

### Overview

For the year ended December 31, 2020, the Group recorded other income of RMB111.1 million, as compared with RMB34.4 million for the year ended December 31, 2019. We recorded other losses of RMB117.6 million for the year ended December 31, 2020, as compared to RMB0.3 million for the year ended December 31, 2019. Our total comprehensive expense amounted to RMB428.3 million for the year ended December 31, 2020, as compared with RMB832.9 million for the year ended December 31, 2019. The R&D expenses of the Group amounted to RMB331.2 million for the year ended December 31, 2020, as compared with RMB166.7 million for the year ended December 31, 2019. The fair value change of convertible redeemable preferred shares of the Group decreased to nil for the year ended December 31, 2020, as compared with RMB542.3 million for the year ended December 31, 2019. The administrative expenses amounted to RMB78.2 million for the year ended December 31, 2020 as compared with RMB117.7 million for the year ended December 31, 2019. The finance costs amounted to RMB11.8 million for the year ended December 31, 2020 as compared with RMB3.6 million for the year ended December 31, 2019.

### Revenue

We currently have no products for commercial sale. For the years ended December 31, 2019 and 2020, we did not generate any revenue from product sales.

### Other Income

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

For the year ended December 31, 2020, the Group's other income increased by RMB76.7 million to RMB111.1 million, compared to RMB34.4 million for the year ended December 31, 2019, primarily due to the significant increase in interest income and government grants income. Our interest income of RMB64.7 million during the Reporting Period refers to the interest we generated from bank balances, which primarily consisted of time deposits of proceeds from our pre-IPO financing and global offering. In 2020, we recorded government grants of RMB44.9 million during the Reporting Period, primarily including: (i) subsidies from the PRC local government in support of oncology drug development and successful IPO of the Company; and (ii) unconditional subsidies from the Australian government which are specifically for supporting the R&D activities carried out in Australia.

### Other Losses

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

For the year ended December 31, 2020, we recorded RMB117.6 million of other losses, compared to RMB0.3 million of other losses for the year ended December 31, 2019, mainly due to the impact of foreign currency fluctuation, in particular, the exchange rates amongst RMB and 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, 2020, we did not record fair value losses of convertible redeemable preferred shares, compared to RMB542.3 million of the fair value losses for the year ended December 31, 2019, primarily because all preferred shares were automatically converted to the ordinary shares upon the Company's listing on the Main Board of the Stock Exchange in December 2019 and the Company no longer issued any convertible redeemable preferred shares during the Reporting Period.

**R&D Expenses**

The Group's R&D expenses were primarily comprised of (i) third-party contracting costs related to services provided by contract research organizations, contract manufacturing organizations, clinical trial sites, clinical research coordinators, 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 logistics expenses of drug samples for clinical trials.

For the year ended December 31, 2020, our R&D expenses increased significantly by RMB164.5 million to RMB331.2 million, compared to RMB166.7 million for the year ended December 31, 2019, primarily due to (i) the increase in the number of ongoing clinical trials; (ii) the expansion of the scale of our clinical studies; (iii) the advancement of clinical trials of our drug candidates; and (iv) the increase in staff cost due to the increase in our R&D 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,** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***(RMB in thousands, except percentages)*** | | | |
| Third-party contracting costs | **161,258** | **48.7%** | 77,451 | 46.5% |
| Staff costs | **65,706** | **19.8%** | 43,040 | 25.8% |
| Raw material costs | **61,429** | **18.6%** | 28,486 | 17.1% |
| Office rental costs, utilities, and depreciation and amortization | **31,408** | **9.5%** | 12,279 | 7.4% |
| Others | **11,440** | **3.5%** | 5,398 | 3.2% |
| **Total** | **331,241** | **100.00%** | 166,654 | 100.00% |

**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 decreased by RMB39.5 million to RMB78.2 million for the year ended December 31, 2020, from RMB117.7 million for the year ended December 31, 2019, primarily because a substantial portion of the pre-IPO share options granted by the Company under the pre-IPO share option schemes were materialized as share-based payment expenses in 2019 due to the successful completion of our IPO in 2019, which was one of the conditions for the materialization of relevant pre-IPO share options and no longer incurred in 2020. In 2020, we recorded share-based payment expenses primarily according to the timing schedules and R&D milestones as stipulated in the share option grant letters.

**Finance Costs**

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

Our finance costs amounted to RMB11.8 million for the year ended December 31, 2020, as compared to RMB3.6 million for the year ended December 31, 2019, primarily because the construction of our new manufacturing, R&D facilities was completed in late 2019 and therefore no further capitalization on interest expenses from bank borrowings was incurred onwards.

**Listing Expenses**

No listing expenses were incurred for the year ended December 31, 2020, as compared to RMB36.6 million for the year ended December 31, 2019, primarily because we completed 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 BVI and a direct wholly-owned subsidiary of our Company, is exempted from taxation under the laws of the BVI.

Our PRC subsidiaries are subject to income tax rate of 25% under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**"). Jiangsu Alphamab was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020.

Alphamab Oncology (HK) Limited, a limited liability company incorporated in Hong Kong on May 11, 2018, is subject to the two-tiered profits tax rates regime in Hong Kong. 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%.

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 RMB504.5 million and RMB1,028.1 million available for set off against future profits as of December 31, 2019 and 2020, respectively. No deferred tax asset was recognized in respect of the unused tax losses as of December 31, 2019 and 2020 due to the unpredictability of future profit.

**Loss for the Year**

As a result of the above factors, the loss of the Company decreased by RMB404.9 million to RMB427.8 million for the year ended December 31, 2020 from RMB832.7 million for the year ended December 31, 2019.

**Property, Plant and Equipment**

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

Our property, plant and equipment increased by RMB29.0 million to RMB361.0 million as of December 31, 2020, compared to RMB332.0 million as of December 31, 2019, primarily attributable to the procurement of new equipment and machinery in 2020, which was primarily prepared for the continuous construction of our new facilities.

**Right-of-use Assets**

Under International Financial Reporting Standard ("**IFRS**") 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 decreased by RMB10.4 million to RMB32.0 million as of December 31, 2020, compared to RMB42.4 million as of December 31, 2019, primarily due to the amortization of right-of-use assets.

**Deposits Paid for Acquisition of Property, Plant and Equipment**

Deposits paid for acquisition of property, plant and equipment increased by RMB8.5 million to RMB12.8 million as of December 31, 2020, compared to RMB4.3 million as of December 31, 2019, primarily due to an increase in deposits for the procurement of equipment and machinery in 2020, which was primarily prepared for the continuous construction of our new facilities.

**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 RMB18.4 million to RMB44.3 million as of December 31, 2020, compared to RMB25.9 million as of December 31, 2019, primarily due to the increased raw materials and other consumables for our R&D activities.

**Other Receivables, Deposits and Prepayments**

The Group's other receivables, deposits and prepayments primarily consist of (i) other receivables 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; (ii) deposits and interest receivables mainly related to our time deposits; and (iii) value-added tax ("**VAT**") recoverable in connection with the procurement of raw materials and third-party services for our R&D activities, 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 RMB51.7 million to RMB119.3 million as of December 31, 2020, compared to RMB67.6 million as of December 31, 2019, primarily because of (i) the increase in other receivables and prepayments related to increased purchases of raw materials and third-party services for clinical trials; and (ii) the increase in deposits and interest receivables related to our time deposits.

**Derivative Financial Instruments**

We recorded RMB5.9 million of derivative financial instruments for the year ended December 31, 2020, as compared to nil for the year ended December 31, 2019, primarily because we entered into several foreign exchange forward contracts with banks in order to manage our foreign currency exposure in relation to U.S. dollars against RMB and did not elect to adopt hedge accounting for those contracts.

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

Our cash and cash equivalents mainly comprise of (i) cash at banks and on hand; and (ii) time deposits within original maturity less than three months. Our cash and cash equivalents decreased significantly from RMB1,867.9 million as of December 31, 2019 to RMB185.3 million as of December 31, 2020, while our time deposits with original maturity over three months significantly increased from RMB502.9 million as of December 31, 2019 to RMB1,835.4 million as of December 31, 2020, primarily because a majority of our time deposits with original maturity less than three months were converted into deposits with original maturity over three months.

**Financial Assets Measured at Financial assets 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 RMB11.7 million as of December 31, 2019 to RMB43.5 million as of December 31, 2020, primarily due to the purchase of non-principal-guaranteed wealth management products as our financial investments.

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

**Trade and Other Payables**

The Group's trade and other payables primarily consist of payables for outsourcing certain manufacturing activities of our drug candidates to industry-recognized independent third party contract manufacturing organizations in China and the United States. 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) trade payables to suppliers of raw materials and third-party services; and (ii) interest payables.

Our trade and other payables decreased from RMB146.0 million as of December 31, 2019 to RMB121.9 million as of December 31, 2020, primarily because (i) we no longer accrued listing expenses in relation to the global offering completed in 2019; and (ii) a decrease in payables in connection with the procurement of property and equipment as we settled the payment for construction in 2020.

**Amount Due to a Related Company**

Our amount due to a related company, Suzhou Alphamab Co., Ltd. ("**Suzhou Alphamab**"), increased from RMB0.8 million as of December 31, 2019 to RMB3.8 million as of December 31, 2020. The increase in the amounts due to Suzhou Alphamab as of December 31, 2020 were primarily due to the rental fees and utility fees as well as the accrued development processing fees 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. 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 decreased from RMB23.2 million as of December 31, 2019 to RMB13.5 million as of December 31, 2020, primarily because we settled the lease payments under the relevant lease contracts and therefore the lease liabilities decreased.

## Contract Liabilities

We recorded contract liabilities of RMB11.7 million and RMB12.7 million as of December 31, 2019 and 2020, respectively. Our contract liabilities primarily consist of upfront payment we received from 3D Medicines (Beijing) Co., Ltd. ("**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 financing and bank borrowings at reasonable market rates. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with the qualified banks and international banks with good reputation. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As of December 31, 2020, there was a balance of unutilized net proceeds from the global offering, pre-IPO financing and bank borrowings. For details on the net proceeds from the global offering, please refer to the section headed "Use of Net Proceeds from Global Offering" in this announcement. The Company believes that it has sufficient funds to satisfy our working capital and capital expenditure requirements for 2021.

## Borrowings

As of December 31, 2020, our bank borrowings of RMB209.4 million, had effective interest rates of 3.40-4.10%. As of December 31, 2020, our bank borrowings were secured by property, plant and equipment of RMB272.0 million and land use rights in our right-of-use assets of RMB22.2 million.

## Key Financial Ratios

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

| | As of December 31, | |
|---|---|---|
| | **2020** | 2019 |
| Current ratio[(1)] | **6.67** | 12.19 |
| Quick ratio[(2)] | **6.54** | 12.06 |
| Gearing ratio[(3)] | **0.01** | (0.68) |

Notes:

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

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

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. For avoidance of doubt, ratios in brackets represent negative numbers.

## Material Investments

The Group did not hold any material investments during the year ended December 31, 2020. In order to meet the increasing research demands and the international operational needs, the Company is considering to construct and develop a new R&D and operational center in Shanghai. Currently, the Company has no concrete plan. Save as disclosed in this announcement, there is no current plan of the Group for material investments or additions of material capital assets.

## Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures for the year ended December 31, 2020.

## Pledge of Assets

As of December 31, 2020, the Group had a total RMB272.0 million of property, plant and equipment and RMB22.2 million of land use rights pledged to secure its loans and banking facilities.

## Contingent Liabilities

As of December 31, 2020, 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, 2020, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of December 31, 2020, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances and cash, other receivables, and trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2020.

**Employees and Remuneration**

As of December 31, 2020, the Group had 334 employees. The total remuneration cost incurred by the Group for the year ended December 31, 2020 was RMB114.8 million, as compared to RMB146.8 million for the year ended December 31, 2019.

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

The Company also has adopted Pre-IPO Share Option Plans and Post-IPO Share Option Scheme to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information – D. Pre-IPO Share Option Plans" in Appendix V to the Prospectus and the Company's circular dated April 22, 2020 for further details.

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

| | NOTES | For the year ended December 31, 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Other income | 5 | **111,136** | 34,429 |
| Other losses | 6 | **(117,627)** | (321) |
| Fair value change of convertible redeemable preferred shares | | **–** | (542,291) |
| Research and development expenses | 7 | **(331,241)** | (166,654) |
| Administrative expenses | | **(78,208)** | (117,736) |
| Finance costs | 8 | **(11,826)** | (3,606) |
| Listing expenses | | **–** | (36,561) |
| Loss before taxation | | **(427,766)** | (832,740) |
| Income taxation | 9 | **–** | – |
| Loss for the year | 10 | **(427,766)** | (832,740) |
| **Other comprehensive expense for the year** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of a foreign operation | | **(506)** | (154) |
| Total comprehensive expense for the year | | **(428,272)** | (832,894) |
| Loss per share in RMB | 11 | | |
| – Basic | | **(0.46)** | (1.55) |
| – Diluted | | **(0.46)** | (1.55) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | NOTES | As of December 31, 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **361,030** | 331,951 |
| Right-of-use assets | 13 | **31,991** | 42,353 |
| Deposits paid for acquisition of property, plant and equipment | | **12,797** | 4,321 |
| Other receivables and deposits | 15 | **34,476** | 31,490 |
| | | **440,294** | 410,115 |
| **Current assets** | | | |
| Inventories | 14 | **44,321** | 25,918 |
| Other receivables, deposits and prepayments | 15 | **84,795** | 36,115 |
| FVTPL | | **43,530** | 11,680 |
| Derivative financial instruments | 16 | **5,863** | – |
| Time deposits with original maturity over three months | | **1,835,398** | 502,889 |
| Cash and cash equivalents | | **185,321** | 1,867,866 |
| | | **2,199,228** | 2,444,468 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **121,939** | 145,962 |
| Amount due to a related company | 18 | **3,765** | 787 |
| Lease liabilities – current portion | | **10,146** | 13,081 |
| Bank borrowings – current portion | | **188,000** | 28,750 |
| Contract liabilities – current portion | 19 | **469** | – |
| Deferred income – current portion | 20 | **5,216** | 11,950 |
| | | **329,535** | 200,530 |
| **Net current assets** | | **1,869,693** | 2,243,938 |
| **Total assets less current liabilities** | | **2,309,987** | 2,654,053 |
| **Non-current liabilities** | | | |
| Lease liabilities – non-current portion | | **3,309** | 10,095 |
| Contract liabilities – non-current portion | 19 | **12,244** | 11,733 |
| Bank borrowings – non-current portion | | **21,350** | 201,250 |
| Deferred income – non-current portion | 20 | **–** | 5,050 |
| | | **36,903** | 228,128 |
| **Net assets** | | **2,273,084** | 2,425,925 |

| | As of December 31, | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| **Capital and reserves** | | |
| Share capital | **13** | 12 |
| Reserves | **2,273,071** | 2,425,913 |
| **Total equity (equity deficiency)** | **2,273,084** | 2,425,925 |

## 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 Law 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 is an investment holding company. 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 PRESENTATION AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2019 present the results, changes in equity and cash flows of the entities comprising the Group and the oncology business ("**Oncology Business**") of Suzhou Alphamab, a company controlled by Dr. XU Ting, our controlling shareholder of the Company, on the basis as if the Oncology Business had been operated under the Group throughout the year ended December 31, 2020 or since the respective dates of incorporation which is a shorter period, with consideration of the controlling interests held by Dr. XU Ting in these entities and the Oncology Business.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "**IASB**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period.

## 3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

**Amendments to IFRSs that are mandatorily effective for the current year**

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

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

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The directors of the Company anticipate that the application of the new and amendments to IFRSs which have been issued but are not yet effective will have no material impact on the 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 party receiving financing in the contract, as well as any collateral or security provide by the customer or the entity, including assets transferred in the contract. As this accrual increases the amount of the contract liabilities during the period of development of KN035 drug candidate, it increases the amount of revenue to be recognized when the Group commences the manufacturing of the product and the transfer of control of goods to 3D Medicines for commercialization.

***Unsatisfied performance obligations***

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Co-development and commercialization of KN035 *(Note)* | **12,244** | 11,733 |
| Others | **469** | – |
| | **12,713** | 11,733 |

*Note:* 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***

Substantially all of the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

## 5. OTHER INCOME

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income | **64,660** | 29,352 |
| Government grants income *(Note)* | **44,898** | 4,992 |
| Others | **1,578** | 85 |
| | **111,136** | 34,429 |

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% (2019: 43.5%) refund on the R&D expenditures incurred for the year ended 31 December 2020. 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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Exchange losses, net | **(122,148)** | (106) |
| Gain on derivative financial instruments | **6,778** | – |
| Others | **(2,257)** | (215) |
| | **(117,627)** | (321) |

## 7. RESEARCH AND DEVELOPMENT EXPENSES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Outsourcing service fees | **161,258** | 77,451 |
| Staff costs | **65,706** | 43,040 |
| Raw material costs | **61,429** | 28,486 |
| Office rental costs, utilities, and depreciation and amortization | **31,408** | 12,279 |
| Others | **11,440** | 5,398 |
| | **331,241** | 166,654 |

## 8. FINANCE COSTS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest expenses on: | | |
| Bank borrowings | **10,439** | 8,228 |
| Contract liabilities | **511** | 1,733 |
| Lease liabilities | **876** | 855 |
| | **11,826** | 10,816 |
| Less: Interest capitalized in construction in progress | **–** | (7,210) |
| | **11,826** | 3,606 |

Borrowing costs capitalized during the years ended December 31, 2019 arose on the specific bank borrowings for the construction of new facilities. The construction was completed in December 2019 so no further capitalization on interest expenses was incurred onwards.

## 9. INCOME TAXATION

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

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% (2019: 25%). On 11 July 2020, Jiangsu Alphamab was accredited as a "high-tech enterprise" in Suzhou Free Trade Zone and is entitled to obtain a refund from the local government of Suzhou Free Trade Zone for a three-year period since 2020.

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

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 March 28, 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 Company and its subsidiaries either had no assessable profit or incurred tax losses in all relevant places of operation for both years.

## 10. LOSS FOR THE YEAR

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss for the year has been arrived at after charging: | | |
| Directors' remuneration | **23,738** | 55,405 |
| Other staff costs: | | |
| Salaries and other allowances | **67,511** | 41,759 |
| Retirement benefits scheme contributions | **5,722** | 6,533 |
| Share-based payment expenses | **17,788** | 43,096 |
| Total staff costs | **114,759** | 146,793 |
| Auditor's remuneration | **2,690** | 2,460 |
| Cost of inventories included in R&D expenses | **61,429** | 28,486 |
| Outsourcing service fees included in R&D expenses | **161,258** | 77,451 |
| Issue costs paid for Series B Preferred Shares included in administrative expenses | **–** | 348 |
| Short-term lease expenses | **344** | 226 |
| Depreciation of property, plant and equipment | **18,980** | 1,828 |
| Depreciation of right-of-use assets | **11,147** | 10,400 |
| Less: capitalization in construction in progress ("**CIP**") | **–** | (455) |
| | **11,147** | 9,945 |

## 11. LOSS PER SHARE

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

| | **2020** | 2019 |
|---|---|---|
| | ***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 | **(427,766)** | (832,740) |
| **Number of shares ('000):** | | |
| Weighted average number of shares for the purposes of basic and diluted loss per share | **929,749** | 536,531 |

The computations of basic and diluted loss per share for the year ended December 31, 2019 are based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Company's share subdivision had been in effect on 1 January 2019.

The calculation of diluted loss per share for the year ended December 31, 2020 and 2019, has not considered, where appropriate, the convertible redeemable preferred shares issued by the Company, the share options awarded under the pre-IPO share option scheme for the year ended December 31, 2020 and 2019 and the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares on the Stock Exchange as their inclusion would be anti-dilutive.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | **Buildings** *RMB'000* | **Plant and machinery** *RMB'000* | **Leasehold improvements** *RMB'000* | **Furniture and other equipment** *RMB'000* | **CIP** *RMB'000 (Note)* | **Total** *RMB'000* |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| As at 1 January 2019 | – | – | 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 31 December 2019 | 231,581 | 21,584 | 408 | 13,309 | 67,270 | 334,152 |
| Additions | – | 1,433 | – | 2,259 | 44,367 | 48,059 |
| Transfer | 6,155 | 63,937 | – | 18,123 | (88,215) | – |
| **As at 31 December 2020** | **237,736** | **86,954** | **408** | **33,691** | **23,422** | **382,211** |
| DEPRECIATION | | | | | | |
| As at 1 January 2019 | – | – | 135 | 238 | – | 373 |
| Provided for the year | 913 | 1 | 77 | 837 | – | 1,828 |
| As at 31 December 2019 | 913 | 1 | 212 | 1,075 | – | 2,201 |
| Provided for the year | 10,951 | 3,264 | 114 | 4,651 | – | 18,980 |
| **As at 31 December 2020** | **11,864** | **3,265** | **326** | **5,726** | **–** | **21,181** |
| CARRYING VALUES | | | | | | |
| **As at 31 December 2020** | **225,872** | **83,689** | **82** | **27,965** | **23,422** | **361,030** |
| As at 31 December 2019 | 230,668 | 21,583 | 196 | 12,234 | 67,270 | 331,951 |

The above items of property, plant and equipment other than interest capitalized in construction in progress 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 | 4.75% |
| Plant and machinery | 9.50% |
| Leasehold improvements | Over the shorter of the term of the relevant lease or 20% |
| Furniture and other equipment | 19% – 31.67% |

## 13. RIGHT-OF-USE ASSETS

| | **Land use rights** *RMB'000* | **Property, plant and equipment** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| As at 1 January 2019 Carrying amounts | 23,164 | 4,748 | 27,912 |
| As at 31 December 2019 Carrying amounts | 22,669 | 19,684 | 42,353 |
| As at 31 December 2020 Carrying amounts | 22,175 | 9,816 | 31,991 |
| For the year ended 31 December 2019 Depreciation charge | 495 | 9,905 | 10,400 |
| For the year ended 31 December 2020 Depreciation charge | 494 | 10,653 | 11,147 |

| | **2020** ***RMB'000*** | 2019 *RMB'000* |
|---|---|---|
| Total cash outflow for leases *(Note)* | **11,736** | 13,766 |
| Additions to right-of-use assets | **785** | 24,841 |

*Note:*

The total cash outflows for leases amounted to RMB11,736,000 for the year ended December 31, 2020 (2019: RMB13,766,000), out of which RMB10,066,000 was paid to Suzhou Alphamab (2019: RMB12,383,000).

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

As at December 31, 2019 and 2020, 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 RMB466,000 (2019: RMB983,000) and (ii) plant and equipment of RMB9,350,000 (2019: RMB18,701,000).

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

## 14. INVENTORIES

| | **2020** ***RMB'000*** | 2019 *RMB'000* |
|---|---|---|
| Raw materials and other consumables | **44,321** | 25,918 |

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deposits | **1,302** | 467 |
| Interest receivables | **41,853** | 10,011 |
| Prepayments | **41,290** | 25,570 |
| Other receivables | **1,097** | 80 |
| Value-added tax recoverable | **33,729** | 31,477 |
| Total trade and other receivables | **119,271** | 67,605 |
| Presented as non-current assets | **34,476** | 31,490 |
| Presented as current assets | **84,795** | 36,115 |
| | **119,271** | 67,605 |

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Derivatives (not under hedge accounting) | | |
| Foreign currency forward contracts | **5,863** | – |

The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to US$ against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at December 31, 2020 presented in the consolidated financial statements are as follows:

| | **Average strike rate as at December 31, 2020** | **Foreign currency as at December 31, 2020** ***US$'000*** | **Notional value as at December 31, 2020** ***RMB'000*** | **Fair value assets as at December 31, 2020** ***RMB'000*** |
|---|---|---|---|---|
| **Sell US$** | | | | |
| 7 to 12 months | **6.7861** | **45,000** | **305,375** | **5,863** |

## 17. TRADE AND OTHER PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **1,512** | 6,853 |
| Accrued expenses | | |
| – Outsourcing service fees | **51,150** | 15,284 |
| – Other R&D expenses | **4,711** | 2,174 |
| – Listing expenses | **–** | 16,296 |
| – Accrued issue costs | **–** | 13,541 |
| – Staff costs | **15,858** | 11,434 |
| – Interest payable | **238** | 351 |
| – Others | **5,650** | 4,571 |
| | **77,607** | 63,651 |
| Payables for acquisition of property, plant and equipment | **38,831** | 73,119 |
| Other payables | **3,989** | 2,339 |
| Total | **121,939** | 145,962 |

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:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 90 days | **1,512** | 6,853 |

The Group's trade payables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| US$ | **727** | 78 |
| Great Britain Pound | **287** | – |

## 18. AMOUNT DUE TO A RELATED COMPANY

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

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 90 days | **3,765** | 787 |

## 19. CONTRACT LIABILITIES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts received in advance for co-development and commercialization of KN035 | **12,244** | 11,733 |
| Others | **469** | – |
| | **12,713** | 11,733 |
| Analyzed for reporting purposes as: | | |
| Current *(Note ii)* | **469** | – |
| Non-current *(Note i)* | **12,244** | 11,733 |

As at January 1, 2019, contract liabilities amounted to RMB10,000,000.

*Notes:*

(i) The Directors expected the performance obligation in respect of co-development and commercialization of KN035 will not be fully satisfied within twelve months from the end of the reporting period. Therefore, the amounts were classified as non-current liabilities.

(ii) The Directors expected the performance obligation of the related contract will be fully satisfied within twelve months from the end of the reporting period. Therefore, the amounts were classified as current liabilities.

## 20. DEFERRED INCOME

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Income related government grants | **5,216** | 17,000 |

Movements of government grants:

| | Total |
|---|---|
| | *RMB'000* |
| At January 1, 2019 | – |
| Government grants received | 17,000 |
| At January 1, 2020 | **17,000** |
| Government grants received | **15,000** |
| Credited to profit or loss | **(26,784)** |
| At December 31, 2020 | **5,216** |

## 21. DIVIDENDS

No dividend was proposed or paid to ordinary shareholders of the Company since its incorporation and up to the end of the Reporting Period, nor has any dividend been proposed by the Board since the end of the Reporting Period and up to the date of this announcement.

## FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2020.

## 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 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.

Save as disclosed 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 during the Reporting Period.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices.

Full details of the Company's corporate governance practices will be set out in the 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 during the Reporting Period.

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 during the Reporting Period.

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 Reporting Period.

## Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has established the Audit Committee and has formulated its written terms of reference, which have from time to time been modified, in accordance with the prevailing provisions of the Corporate Governance Code.

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. The principal duties of the Audit Committee include, among others, the review and supervision of the Group's financial reporting system and internal control systems; review of the Group's financial information; review of the relationship with the external auditor of the Company; and performance of the corporate governance functions delegated by the Board.

The Group's annual results for the year ended December 31, 2020 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Deloitte Touche Tohmatsu.

## 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, 2020 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 Company's Shares were listed on the Main Board of the Stock Exchange on December 12, 2019. The net proceeds from the global offering amounted to approximately HK$2,042.5 million. As of December 31, 2020, approximately HK$80.2 million (equivalent to RMB66.7 million) of the net proceeds of the global offering had been utilized as follows:

| | **Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus** | | **Proceeds from the global offering utilized as of December 31, 2020** | | **Amounts not yet utilized as of December 31, 2020** |
|---|---|---|---|---|---|
| | ***HK$ million*** | ***Percentage*** | ***HK$ million*** | ***Percentage*** | ***HK$ million*** |
| **Key drug development programs** | | | | | |
| **the R&D and commercialization of KN046** | | | | | |
| – the ongoing and planned clinical trials of, and preparation of registration filings for, KN046 | 817.0 | 40% | 14.5 | 18% | 802.5 |
| – the launch and, subject to regulatory approval, commercialization of KN046 | 204.3 | 10% | – | – | 204.3 |
| ***Subtotal*** | ***1,021.3*** | ***50%*** | ***14.5*** | ***18%*** | ***1,006.8*** |
| **the R&D and commercialization of KN026** | | | | | |
| – the ongoing and planned clinical trials of, and preparation of registration filings for, KN026 | 326.8 | 16% | 5.1 | 6% | 321.7 |
| – the launch and, subject to regulatory approval, commercialization of KN026 | 81.7 | 4% | – | – | 81.7 |
| ***Subtotal*** | ***408.5*** | ***20%*** | ***5.1*** | ***6%*** | ***403.4*** |
| **the R&D of KN019** | 102.1 | 5% | – | – | 102.1 |
| ***Subtotal*** | ***1,531.9*** | ***75%*** | ***–*** | ***–*** | ***1,512.3*** |
| **The construction of our new manufacturing and R&D facilities in Suzhou** | **306.4** | **15%** | **60.6** | **76%** | **245.8** |
| **The early-stage pipeline and our working capital and general corporate purposes** | **204.3** | **10%** | **–** | **–** | **204.3** |
| **Total** | **2,042.5** | **100%** | **80.2** | **100%** | **1,962.3** |

The Company expects that approximately HK$700.0 million to HK$1,000.0 million, accounting for approximately 37.0% to 55.0% of the net proceeds of the global offering, will be utilized by end of 2021 and plans to utilize the balance of net proceeds of the global offering by the end of 2022. The expected timeline for utilizing the net proceeds from the global offering is based on the best estimation of future market conditions made by the Company and subject to changes in accordance with our actual business operation. Going forward, the net proceeds will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

**Subsequent Events**

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2020 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 (the "**AGM**") is scheduled to be held on Friday, June 11, 2021. 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 Tuesday, June 8, 2021 to Friday, June 11, 2021, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, June 11, 2021. 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 Monday, June 7, 2021.

## 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, 2020 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 2021.

## 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.

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

Hong Kong, March 23, 2021

*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.*