LAEKNA

Laekna, Inc.
來凱醫藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2105

2023
Interim Report

CONTENTS

DEFINITIONS

"AKT"	a serine/threonine protein kinase with 3 isoforms (AKT1, AKT2 and AKT3) that participate in multiple pathways regulating several cellular processes, including survival, proliferation, tissue invasion, and metabolism
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"CMC"	chemistry, manufacture and control
"Company" or "our Company"	Laekna, Inc. (來凱醫藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 29, 2016
"date of this report"	August 24, 2023
"Director(s)" or "our Director(s)"	the directors of the Company
"ESOP Trusts"	Laekna Halley Trust and Laekna Wonderland Trust, being the trusts set up by the Company to facilitate the administration of the Pre-IPO Share Option Scheme
"Family Trust"	Ealex LLC, a trust set up by Dr. Lu as settlor, The Bryn Mawr Trust Company of Delaware as trustee and Dr. Lu's certain family members as the beneficiaries
"FDA"	the United States Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"HR+/HER2-breast cancer"	the most common type of breast cancer with overexpression of HR and without overexpression of HER2

DEFINITIONS

"IND"	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials; also known as clinical trial application, or CTA, in China
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	June 29, 2023
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"mCRPC"	metastatic castration resistant prostate cancer
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, as amended or supplemented from time to time
"NDA"	new drug application
"NMPA"	the National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Novartis"	Novartis Pharma AG, a company organized under the laws of Switzerland and one of our Pre-IPO Investors
"PCC"	pre-clinical candidate
"PD-1"	programmed cell death protein 1
"PFS"	progression-free survival, the length of time during and after the treatment of a disease, such as cancer, that a patient lives without the disease getting worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
"Post-IPO Share Option Scheme"	the share option scheme adopted by our Company on June 9, 2023, as amended from time to time
"Pre-IPO Share Option Scheme"	the share option scheme adopted by our Company on April 11, 2018 and amended on October 30, 2019, April 20, 2021 and March 31, 2022, as amended from time to time
"PROC"	platinum resistant ovarian cancer
"Prospectus"	the prospectus of the Company dated June 16, 2023
"RP2D"	recommended Phase II dose
"Reporting Period"	the six months ended June 30, 2023

DEFINITIONS

"RMB"	Renminbi, the lawful currency of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Shareholder(s)"	holder(s) of Shares
"Share Option(s)"	the share option(s) granted or to be granted pursuant to the terms and conditions of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
"Share Subdivision"	the subdivision of each share in the Company's issued and unissued share capital with a par value of US$0.0001 each into 10 shares of the corresponding class with a par value of US$0.00001 each, effective upon completion of the Global Offering
"SOC"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
"South Korea"	the Republic of Korea
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TNBC"	triple-negative breast cancer, any breast cancer that tests negative for estrogen receptors, progesterone receptors, and excess HER2
"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

CORPORATE INFORMATION

COMPANY NAME

Laekna, Inc. (來凱醫藥有限公司)

DIRECTORS

Executive Directors

Dr. LU Chris Xiangyang *(Chairman and Chief Executive Officer)*
Ms. XIE Ling (謝玲)
Dr. GU Xiang-Ju Justin

Non-executive Directors

Dr. WANG David Guowei
Ms. JI Dongmei (吉冬梅)
Mr. SUN Yuan (孫淵)

Independent Non-executive Directors

Dr. YIN Xudong
Mr. CHAU Kwok Keung (鄒國強)
Dr. LI Min

AUDIT COMMITTEE

Mr. CHAU Kwok Keung (鄒國強) *(Chairperson)*
Dr. WANG David Guowei
Dr. LI Min

REMUNERATION COMMITTEE

Dr. YIN Xudong *(Chairperson)*
Ms. XIE Ling (謝玲)
Mr. CHAU Kwok Keung (鄒國強)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Dr. LU Chris Xiangyang *(Chairperson)*
Dr. YIN Xudong
Dr. LI Min

COMPANY SECRETARY

Mr. KE Chenyu (柯晨煜)
Ms. TANG Wing Shan Winza (鄧潁珊)

AUTHORIZED REPRESENTATIVES

Ms. XIE Ling (謝玲)
Ms. TANG Wing Shan Winza (鄧潁珊)

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISER

As to Hong Kong law:
Davis Polk & Wardwell
10th Floor
The Hong Kong Club Building
3A Chater Road
Hong Kong

REGISTERED OFFICE

4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman
KY1-1002
Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3-2-467, 5 Xingbin Road (Lin Li Center)
Sino-Italy Ningbo Ecological Park
Yuyao
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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

COMPLIANCE ADVISER

Huajin Corporate Finance (International) Limited

PRINCIPAL BANKS

Bank of Ningbo Shanghai Zhangjiang Branch
No. 350 Chunxiao Road
Pudong New District
Shanghai
PRC

China Merchants Bank Shanghai Zhangjiang Branch
1/F, Building 1
German Center
No. 88 Keyuan Road
Pudong New District
Shanghai
PRC

Citibank N.A., Hong Kong Branch
3 Garden Road
Central, Hong Kong

STOCK CODE

2105

COMPANY WEBSITE

www.laekna.com

BUSINESS HIGHLIGHTS

We have made significant progress with respect to our clinical and pre-clinical candidate development and expanding of our product pipeline. For the first half of 2023, we made the following milestones and achievements:

ADVANCING THE CLINICAL TRIALS

Afuresertib (LAE002) +Paclitaxel for PROC (PROFECTOR-II), Phase II pivotal

The patients have been fully enrolled and the topline data is expected to be available in the late fourth quarter of 2023. We will discuss with FDA and NMPA for NDA submission in the U.S. and in China, respectively, should the topline data meet the NDA criteria.

Afuresertib +Fulvestrant in HR+/HER2-breast cancer, Phase Ib/III

The patient enrollment has been completed for Phase Ib trial in April 2023. The study has showed promising early results and the results will be presented in the fourth quarter of 2023 in an academic cancer conference. We are currently in discussion with the regulatory agencies to initiate a Phase III pivotal trial.

Afuresertib +LAE001/prednisone in mCRPC, Phase II

We have completed the patient enrollment in the U.S. and in South Korea in March 2023. The study demonstrated promising treatment benefit for mCRPC patients. The study readouts will be presented in the upcoming European Society for Medical Oncology (ESMO) Congress 2023. A following pivotal trial design will be discussed with the regulatory agencies.

Afuresertib +LAE005+nab-paclitaxel in TNBC, Phase I

We have completed the dose escalation phase and determined RP2D. The study demonstrated promising treatment benefit for TNBC patients, and the detailed results will be orally presented in the upcoming Chinese Society of Clinical Oncology (CSCO) 2023.

Afuresertib +Sintilimab+paclitaxel in EC and CC, Phase I

We have completed three out of four cohorts of the dose escalation study and have observed high response rate in cervical and endometrial cancer patients who have been treated up to 3 lines of SOCs including PD-1 drugs and/or chemotherpy.

BUSINESS HIGHLIGHTS

DISCOVERY OF PRE-CLINICAL CANDIDATES

LAE102 IND approval

LAE102 is our first internally discovered antibody. We have obtained the IND approval from FDA in May 2023. We will first investigate LAE102 in cancer indications, and will explore LAE102 late on in other disease indications, such as obesity and metabolic diseases, pulmonary arterial hypertension, etc.

Pre-clinical candidates (PCC) declaration

We have advanced three PCC drug candidates from our internal discovery platform: LAE111, a LILRB1 and LILRB2 bispecific antibody; LAE113, a TIGIT-PVRIG bispecific antibody; and LAE112, a FGFR2b monoclonal antibody.

EXPECTED UPCOMING MILESTONES

Presenting Afuresertib+LAE005+nab-paclitaxel Phase I clinical study results as an oral presentation at the CSCO 2023 in Xiamen, China in September 2023.

Presenting Afuresertib+LAE001 Phase I/II clinical study results as a poster presentation at the ESMO 2023 in Madrid, Spain in October 2023.

Presenting LAE111/LILRB1-2 bispecific antibody as a poster presentation at the Society for Immunotherapy of Cancer's (SITC) 38th annual meeting in San Diego, California, U.S., in November 2023.

Presenting LAE113/TIGIT/PVRIG bispecific antibody as a poster presentation at the SITC 38th annual meeting in San Diego, California, U.S., in November 2023.

Presenting Afuresertib+fulvestrant Phase Ib clinical study results in the fourth quarter of 2023.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Research and development expenses	**102,337**	123,708
Administrative expenses	**35,965**	43,486
Fair value changes on financial instruments issued to investors	**71,210**	132,636
Loss for the period	**216,985**	301,925
Total comprehensive loss for the period	**285,759**	366,412

Our research and development expenses decreased by RMB21.4 million. Such decrease was primarily attributable to (i) decreased discovery research expenses as a result of the pre-clinical candidate LAE102 obtaining IND approval in early 2023, and (ii) decreased clinical development expenses primarily attributable to the decreased CMC-related service expenses.

Our administrative expenses decreased by RMB7.5 million, which was primarily attributable to the decrease in listing expenses.

Fair value changes on financial instruments issued to investors were related to preferred shares and warrant. All preferred shares were automatically converted into ordinary shares of the Company upon the completion of the Listing, and the warrant was exercised on March 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a science-driven, clinical-stage biotechnology company committed to bringing novel therapies to cancer and liver fibrosis patients worldwide. As of June 30, 2023, we have initiated six clinical trials including one registration trial for Afuresertib (LAE002), LAE001 and LAE005 to address unmet medical needs in cancers. Among the six clinical trials, three are multi-regional clinical trials (MRCTs).

We have assembled a seasoned management team with extensive experience and expertise covering the full cycle of the drug discovery and development process, from pre-clinical asset discovery, clinical trial design and execution to regulatory process management and drug manufacturing. As of June 30, 2023, we are supported by a talented R&D team consisting of 66 employees, with 17 holding doctorate degrees and 34 holding master degrees. Our core management team has established a long track record of accomplishment, leadership and deep knowledge in their respective fields.

Since our inception in 2016, we have in-licensed global rights from Novartis on four drug candidates with a clinical proof-of-concept in certain oncology indications, internally discovered twelve drug candidates, and initiated six clinical trials and completed two clinical trials around the globe.

In the cancer area, we have built a comprehensive portfolio of drug candidates including Afuresertib, LAE001 and other nine drug candidates. Afuresertib is a potent pan-AKT inhibitor that inhibits all three AKT isoforms (AKT1, AKT2 and AKT3) as well as one of the only two AKT inhibitors in the pivotal-stage clinical development for anti-cancer treatment globally. Afuresertib has demonstrated several advantages compared to other AKT inhibitors, including higher efficacy, better potency, more significant tumor inhibition exposure and a better safety profile, based on public data. We continue to develop along with Novartis early phase clinical development, such as PROC, and expand the oncology indications by selecting additional combination therapies in different drug-resistant solid tumors that beyond Novartis early clinical development, such as HR+/HER2-breast cancer, mCRPC, TNBC, PD-1-resistant cervical cancer and endometrial cancer, etc. In serval clinical trials, the combination of Afuresertib with other therapeutics also exhibits favorable efficacy results.

For the internally discovered oncology drug candidates, we have received our first IND approval from FDA on LAE102, an ActRIIA-specific monoclonal antibody, in May 2023. LAE102 has also showed in the pre-clinical studies to increase skeletal muscle and decrease white fat, a potential drug candidate to be developed for obesity and other metabolic disease indications. Laekna has been pursuing strategic partnerships to accelerate the development and commercialization of LAE102 for such important indications with a great unmet medical need outside of the cancer therapeutic area. Several other projects in the pipeline are progressed to or near the PCC stage. These include the FGFR2b-specific mAb (LAE112), bispecific antibodies for LILRB1-B2 (LAE111) and for TIGIT-PVRIG (LAE113) that regulate the function of T/NK cells, and two LMW projects PARP1-selective inhibitors (LAE119) and USP1 inhibitors (LAE120).

In the liver fibrosis area, we have three pre-clinical drug candidates leveraging on aHSC depletion and conditional TGFß inhibition mechanisms. LAE104, LAE105 are bi-functional aHSC-NK engagers with aHSC killing and anti-fibrosis activity. LAE106 is a conditional TGFß inhibitor, active only in fibrotic tissues. All of these molecules have the potential to prevent or slow down the progression of liver fibrosis, and their therapeutical uses may be expanded to other fibrotic diseases.

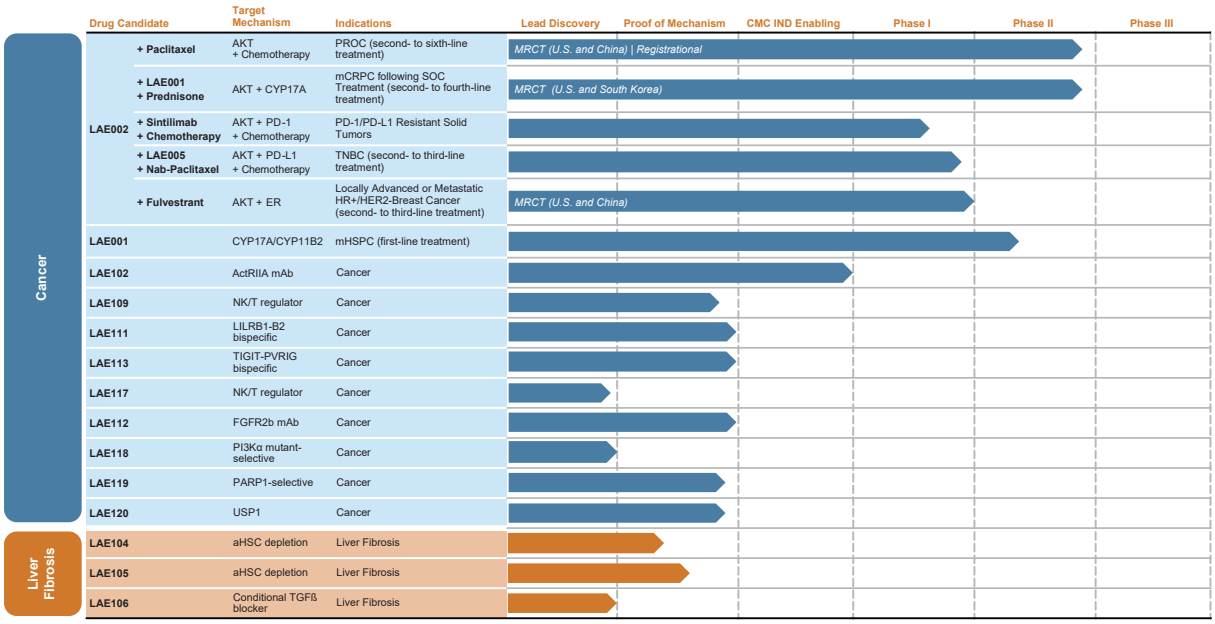
MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OPPORTUNITIES IN CANCER TREATMENT

Although the field of cancer treatment has progressed significantly in the past decade, a large proportion of cancer patients find themselves in the absence of effective or safe treatments. The quality of life of those patients is severely affected primarily attributable to SOC treatment resistance and/or intolerable toxicity, resulting in large unmet medical needs and socioeconomic burden. Among those cancers of unmet medical needs, platinum-resistant ovarian cancer (PROC), metastatic castration-resistant prostate cancer (mCRPC), HR+/HER2- metastatic breast cancer (HR+/HER2- mBC) and triple negative breast cancer (TNBC) are some of the diseases with limited SOC options and unsatisfactory treatment outcomes.

PIPELINE

The following chart summarizes the development status of our clinical-stage drug candidates and selected pre-clinical-stage drug candidates as of the date of this report:



Note:

We expect the commercialization of our core products will be achieved after registrational clinical trials and necessary marketing activities subject to customary regulatory approvals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was listed on the Stock Exchange on June 29, 2023. The Company has made significant progress in the first half of 2023 with respect to its drug pipeline and business operations, including the following milestones and achievements.

Afuresertib (LAE002)

- Afuresertib is an adenosine triphosphate (ATP) competitive AKT inhibitor. We in-licensed Afuresertib from Novartis in 2018. Prior to our in-licensing, 11 clinical trials had been conducted to demonstrate the safety and efficacy profiles of Afuresertib by Novartis and GSK. In pre-clinical studies, Afuresertib has demonstrated its ability to restore platinum/paclitaxel sensitivity in PROC cell lines.

- Afuresertib +Paclitaxel for PROC (PROFECTOR-II)

  PROC is broadly defined as ovarian cancer recurrence within six months of completing platinum-based chemotherapy, either in the primary or recurrent setting. PROC is generally associated with low response rates to standard chemotherapy with the ORR of 10% to 15%, and median PFS of 3.5 months only, indicating limited effective treatment options and poor prognosis. Treatment options are limited for PROC. According to Frost & Sullivan, the global and China incidence of ovarian cancer is expected to increase from 319.8 thousand and 56.2 thousand in 2021 to 374.2 thousand and 62.7 thousand in 2030, respectively.

  We have initiated a global MRCT Phase II registrational trial (PROFECTOR-II) in both the U.S. and China to treat PROC patients with Afuresertib plus paclitaxel. As of June 30, 2023, we had completed the enrollment of pre-defined number of subjects in both the U.S. and China. We expect to have the topline data in the late fourth quarter of 2023. We will discuss with FDA and NMPA for NDA submission in China and the U.S., should the topline data meet the NDA criteria. If the Phase II study cannot fulfil registrational purposes, we will then conduct a randomized, controlled, double blinded Phase III trial or another equivalent trial subjected to the top line results and our communication with the NMPA and the FDA.

- Afuresertib +Fulvestrant in HR+/HER2-breast cancer

  According to Frost & Sullivan, the global and China incidence of breast cancer is expected to increase from 2,301.2 thousand and 336.3 thousand in 2021 to 2,666.4 thousand and 372.4 thousand in 2030, respectively. It is estimated that more than 60% of patients with breast cancer have HR+/HER2- molecular signature in China. The endocrine/anti-estrogen therapies in combination with CDK4/6 inhibitors have emerged as the first- and/or the second-line treatment for patients with HR+/HER2-breast cancer. However, 15% to 20% of patients are intrinsically resistant to the treatment, and another 30% to 40% patients will develop acquired resistance to the treatment over time. HR+/HER2-breast cancer post CDK4/6 inhibitors and endocrine treatments remains as a huge unmet medical need and a multi-billion dollar market potential.

MANAGEMENT DISCUSSION AND ANALYSIS

We have initiated a Phase Ib/III trial in China and the U.S. for the treatment of locally advanced or metastatic HR+/HER2- breast cancer with Afuresertib, in a combination of a SOC treatment fulvestrant. We have completed the patient enrollment of Phase Ib trial in April 2023. The study has showed promising early results and we are following the patients for final analysis. We are discussing with regulatory agency and plan to initiate a pivotal Phase III study as soon as we may. In CAPItello-291 Phase III study conducted by AstraZeneca Plc., which targets the similar patient population, the median PFS for capivasertib (AKT inhibitor) combined with fulvestrant vs. placebo combined with fulvestrant was 7.2 months vs. 3.6 months in the overall population; giving an adjusted HR of 0.60 in favor of capivasertib + fulvestrant combination group. AstraZeneca Plc. has submitted NDA to FDA and was granted with a priority review in June 2023. Our Phase Ib results have shown promising efficacy and safety profile comparable to CAPItello-291, showing its high potential to be further developed through a registration trial to regulatory approval. We plan present the clinical results of Phase Ib study in the fourth quarter of 2023.

- Afuresertib +LAE001/prednisone in mCRPC

  According to Frost & Sullivan, the global and China incidence of prostate cancer is expected to increase from 1,451.5 thousand and 120.9 thousand in 2021 to 1,815.1 thousand and 199.3 thousand in 2030, respectively. Patients with prostate cancer that have relapsed after local therapy or that have distant metastasis usually respond to androgen deprivation therapy (ADT). However, despite receiving ADT, most of these patients eventually experience disease progression and develop castration-resistant prostate cancer (CRPC).

  We initiated a Phase II clinical trial of the MRCT study of LAE001 and prednisone plus Afuresertib or docetaxel/prednisone plus Afuresertib in patients with mCRPC following SOC treatment in the U.S. in June 2021, and South Korea in September 2022. We completed the patient enrollment in March 2023. The study already demonstrated promising treatment benefit for mCRPC patients. The detailed study readouts including efficacy and safety data will be presented in ESMO 2023. Furthermore, we plan to discuss with FDA and NMPA to design and initiate a registration clinical trial and expect to initiate this trial in the second half of 2023.

- In addition, we are also actively conducting other clinical trials to further expand the indications of Afuresertib in other cancers. We are collaborating with Innovent Biologics (Suzhou) Co. Ltd. in a combination therapy with sintilimab targeting patients with solid tumors progressed upon prior PD-1/PD-L1 treatments and/or chemotherapy. A Phase I study was initiated in June 2022 and currently under patient enrollment.

LAE001

- LAE001 is an androgen synthesis inhibitor that inhibits both CYP17A1 and CYP11B2. We in-licensed LAE001 from Novartis in 2017. According to Frost & Sullivan, LAE001 is the only dual CYP17A1/CYP11B2 inhibitor in clinical trials for the treatment of prostate cancer globally. As a dual CYP17A1/CYP11B2 inhibitor, LAE001 can block both androgen and aldosterone synthesis and potentially be administrated without prednisone, the short-term high dose or long-term exposure of which can lead to a variety of adverse events.

- We completed the Phase I clinical trial and initiated the Phase II clinical trial of a Phase I/II study in China to assess the safety and efficacy of LAE001 as a monotherapy at recommended Phase II dose (RP2D) in mCRPC.

MANAGEMENT DISCUSSION AND ANALYSIS

LAE005

- LAE005 is a high-affinity, ligand-blocking, humanized anti-PD-L1 IgG4 antibody. In the pre-clinical and clinical studies, LAE005 demonstrated its strong binding avidity to PD-L1 and compelling anti-tumor activities. Specifically, we are evaluating the therapeutic potential of the combination therapy of Afuresertib and LAE005 in patients with TNBC. We believe LAE005 has the potential to serve as an effective therapy for the treatment of TNBC when combined with other synergistic mechanisms. We have completed dose escalation phase and determined RP2D. The preliminary efficacy and safety data has been selected as an oral presentation at the CSCO 2023.

CAUTIONARY STATEMENT: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET THE RELEVANT PRODUCTS, OR ANY OF OUR PIPELINE PRODUCTS, SUCCESSFULLY.

FINANCIAL OVERVIEW

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this interim report.

Other Income

Our other income increased by RMB2.9 million from RMB0.3 million for the six months ended June 30, 2022, to RMB3.2 million for the six months ended June 30, 2023, which was primarily attributable to the increase in interest income from bank deposits for the six months ended June 30, 2023.

Other Losses

Our other losses increased by RMB8.2 million from RMB1.7 million for the six months ended June 30, 2022, to RMB9.9 million for the six months ended June 30, 2023, which was primarily attributable to the unrealized net foreign exchange losses due to fluctuations in foreign currency exchange rates.

Administrative Expenses

Our administrative expenses decreased by RMB7.5 million from RMB43.5 million for the six months ended June 30, 2022, to RMB36.0 million for the six months ended June 30, 2023. Such decrease was primarily attributable to the decrease in listing expenses.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Staff costs	**19,642**	18,059
Professional service expenses	**3,135**	5,482
Listing expenses	**10,951**	17,068
Others	**2,237**	2,877
Total	**35,965**	43,486

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

Our research and development expenses decreased by RMB21.4 million from RMB123.7 million for the six months ended June 30, 2022, to RMB102.3 million for the six months ended June 30, 2023. Such decrease was primarily attributable to (i) decreased discovery research expenses from RMB22.5 million for the six months ended June 30, 2022 to RMB11.2 million for the six months ended June 30, 2023 as a result of the pre-clinical candidate LAE102 obtained IND approval in early 2023, and (ii) decreased clinical development expenses from RMB63.9 million for the six months ended June 30, 2022 to RMB49.0 million for the six months ended June 30, 2023, which was primarily attributable to the decreased CMC related service expenses.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Staff costs	**37,835**	33,417
Discovery research expenses	**11,214**	22,548
Clinical development expenses	**49,040**	63,887
Others	**4,248**	3,856
Total	**102,337**	123,708

Fair Value Changes on Financial Instruments Issued to Investors

Our fair value changes on financial instruments issued to investors decreased from RMB132.6 million for the six months ended June 30, 2022, to RMB71.2 million for the six months ended June 30, 2023. Fair value changes on financial instruments issued to investors were related to preferred shares and warrant. All preferred shares were automatically converted into ordinary shares of the Company upon the completion of the Listing, and the warrant was exercised on March 31, 2022.

Liquidity and Financial Resources

As of June 30, 2023, the current assets of the Group were RMB916.8 million, including cash and cash equivalents of RMB837.1 million and other current assets of RMB79.7 million. Among them, the Group's cash and cash equivalents increased by RMB514.0 million to RMB837.1 million as of June 30, 2023 from RMB323.1 million as of December 31, 2022. As of June 30, 2023, the current liabilities of the Group were RMB91.9 million, including other payables of RMB50.2 million, interest-bearing bank loans of RMB39.8 million and current lease liabilities of RMB1.9 million.

Our cash and bank balances as of June 30, 2023 were RMB837.1 million, of which RMB34.1 million, RMB89.0 million and RMB714.0 million were denominated in RMB, USD, and HKD, respectively representing an increase of 159% as compared to RMB323.1 million as of December 31, 2022. The increase was primarily attributable to the proceeds from the Global Offering.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy, aiming to maintain an optimal financial position and minimal financial risks. We have formulated internal control measures to control our process of investment in wealth management products. Prior to making an investment, we ensure that there remains sufficient working capital for our operations, R&D activities and capital expenditures. For the six months ended June 30, 2023, we funded our operations primarily through equity financing and bank loans. With the continuing expansion of our business and development of new drug candidates, we will use the net proceeds raised from the Global Offering and may require further funding through public or private equity offerings, debt financing and other sources.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Loans and Other Borrowings

Our bank loans and other borrowings as of June 30, 2023 were RMB39.8 million (December 31, 2022: RMB19.8 million), all of which were denominated in RMB and carried fixed nominal interest rates ranging from 2.75% to 4.35% per annum. The Group had available unutilized bank loan facilities of approximately RMB10.2 million as of June 30, 2023, same as that as of December 31, 2022.

Current ratio

Current ratio (calculated by current assets divided by current liabilities) of the Group as of June 30, 2023, was 9.98 (December 31, 2022: 3.43).

Gearing ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of June 30, 2023, the Group was in a net cash position and thus, gearing ratio is not applicable.

Foreign Currency Risk

We have transactional currency exposures. Certain of our cash and bank balances, prepayments, other receivables and other payables are denominated in non-functional currencies and exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

Significant Investments Held

During the Reporting Period, the Group did not hold any significant investments in equity interest in any company.

Employees and Remuneration Policies

As of June 30, 2023, the Group had 93 employees. The total employee benefit expenses for the six months ended June 30, 2023, including share-based payment expenses, were RMB57.5 million, as compared to RMB51.5 million for the six months ended June 30, 2022.

Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions and other welfare payments. We have made contributions to our employees' social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds pursuant to applicable laws and regulations.

Material Acquisitions and Disposals

During the Reporting Period, the Group did not have any material acquisition or disposal of its subsidiaries, associates and joint ventures.

As of the date of this report, we did not have other plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE DEVELOPMENT

We will continue to build our product portfolio and advance the development of our existing drug candidates towards commercialization by continuously executing innovative and tailored clinical trial designs for each of our drug candidates and strengthening our relationships with key external parties, including PIs, KOLs, CROs, SMOs, CDMOs, hospitals and others. We expect to achieve and deliver major development milestones for our drug candidates, including Afuresertib, LAE001, LAE005 and LAE003 to further explore their therapeutic potential.

We will also continue to actively explore potential combination therapy opportunities among our pipeline and with existing approved drugs as well as conventional therapies. Our experience in executing and developing combination therapies among our pipeline, such as Afuresertib and LAE001, to treat the second-generation A/AR drug-resistant mCRPC has well demonstrated our ability to unleash the clinical value of our pipeline products. Our Afuresertib combination trial with Fulvestrant has demonstrated great clinical value to treat HR+/HER2- breast cancer patients who have failed prior standard care treatments of endocrine/anti-estrogen therapies including CDK4/6 inhibitors, a big unmet medical need with huge market potential.

Finally, we hope to expand our drug pipeline through our in-house discovery to address high unmet medical needs of broader underserved patients. We are developing multiple innovative drug candidates including small molecules, bispecific antibodies, and bifunctional NK engagers against cancer cells and activated hepatic stellate cells. These are in various stages of drug discovery and development, and we plan to have one drug candidate entering the clinical stage each year.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As far as the Company is aware, as at June 30, 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in our Company

Name of Director	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in our Company[1]
Dr. LU Chris Xiangyang ("**Dr. Lu**")	Beneficial interest	32,239,390[2]	8.26%
	Founder of a discretionary trust	20,000,000[2]	5.13%
Ms. XIE Ling (謝玲) ("**Ms. Xie**")	Interest in controlled corporation	7,500,000[3]	1.92%
	Other	34,118,770[3]	8.75%
	Beneficial interest	2,482,750[3]	0.63%
Dr. GU Xiang-Ju Justin ("**Dr. Justin Gu**")	Beneficial interest	6,500,000[4]	1.67%

Notes:

(1) The calculation is based on the total number of 390,100,350 Shares in issue as at June 30, 2023.

(2) Includes (i) Shares held by Dr. Lu beneficially under his own name and underlying Shares under the Share Options granted to him pursuant to the Pre-IPO Share Option Scheme; and (ii) Shares held by the Family Trust which Dr. Lu is the settlor. Accordingly, Dr. Lu is deemed to be interested in the Shares held by the Family Trust.

(3) Includes (i) Shares held by Ms. Xie through Linbell Technology Holdings Limited, a limited liability company incorporated in the BVI wholly-owned by her; (ii) Shares held by the ESOP Trusts, in which Futu Trustee Limited (trustee of the ESOP Trusts) will exercise its voting rights upon Ms. Xie's instructions under the trust deed. Accordingly, Ms. Xie is deemed to be interested in the Shares held by the ESOP Trusts under the SFO; and (iii) underlying Shares under the Share Options granted to Ms. Xie pursuant to the Pre-IPO Share Option Scheme.

(4) Includes the underlying Shares under the Share Options granted to Dr. Justin Gu pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above and to the best knowledge of our Directors, as at the date of this report, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at June 30, 2023, to the best of the knowledge of the Company and the Directors or the chief executive of our Company, the followings are the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interests in our Company[1]
OrbiMed Asia Partners III, L.P.[2]	Investment manager	59,774,239	15.32%
OrbiMed Asia GP III, L.P.[2]	Investment manager	59,774,239	15.32%
OrbiMed Advisors III Limited[2]	Investment manager	59,774,230	15.32%
GP Healthcare Capital, Inc.[3]	Beneficial interest	33,039,880	8.47%
GP Healthcare Capital Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司)[3]	Interest in controlled corporation	40,909,800	10.49%
Shanghai GP Healthcare Equity Investment Enterprise (Limited Partnership) (上海金浦醫療健康股權投資合夥企業(有限合夥))[3]	Interest in controlled corporation	33,039,880	8.47%
Sino-Italy Ningbo Ecological Park Holding Group Co., Ltd. (中意寧波生態園控股集團有限公司)[4]	Interest in controlled corporation	38,021,000	9.75%
Yuyao Yangming Equity Investment Fund Co., Ltd. (余姚陽明股權投資基金有限公司)[4]	Beneficial interest	38,021,000	9.75%
Futu Trustee Limited[5]	Trustee	34,118,770	8.75%
Laekna Wonderland Limited[5]	Beneficial interest	24,001,530	6.15%
Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥))[6]	Beneficial interest	28,519,030	7.31%
CS Capital Co., Ltd. (國投招商投資管理有限公司)[6]	Interest in controlled corporation	28,519,030	7.31%
Mrs. Liu Zeng (劉增) ("**Mrs. Liu**")[7]	Interest in controlled corporation	23,600,550	6.05%
Ningbo Yanchuang Houde Investment Group Co., Ltd. (寧波燕創厚德投資集團有限公司)[7]	Interest in controlled corporation	22,016,050	5.64%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interests in our Company[1]
Ningbo Yaoshang Yanchuang Shouren Equity Investment Co., Ltd. (寧波姚商燕創守仁股權投資有限公司)[7]	Interest in controlled corporation	20,114,650	5.16%
Ningbo Yaoshang Yanchuang Private Equity Fund Management Co., Ltd. (寧波姚商燕創私募基金管理有限公司)[7]	Interest in controlled corporation	20,114,650	5.16%
Ms. Liu Ying (劉穎) ("**Ms. Liu**")[8]	Interest in controlled corporation	22,535,040	5.78%
Beijing Anlong Venture Capital Fund (Limited Partnership) (北京安龍創業投資基金(有限合夥))[8]	Interest in controlled corporation	22,535,040	5.78%
Beijing Chunlin Information Consultancy Center (Limited Partnership) (北京春林信息諮詢中心(有限合夥))[8]	Interest in controlled corporation	22,535,040	5.78%
Ealex LLC[9]	Beneficial interest	20,000,000	5.13%

Notes:

(1) The calculation is based on the total number of 390,100,350 Shares in issue as at June 30, 2023.

(2) OrbiMed Asia Partners III, L.P. is a venture capital fund operated by OrbiMed and registered as exempted limited partnerships in the Cayman Islands. The general partner of OrbiMed Asia Partners III, L.P., is OrbiMed Asia GP III, L.P., whose general partner is OrbiMed Advisors III Limited. Accordingly, each of OrbiMed Asia GP III, L.P. and OrbiMed Advisors III Limited is deemed to be interested in the shares held by OrbiMed Asia Partners III, L.P. under the SFO.

(3) GP Healthcare Capital, Inc. is interested in 33,039,880 Shares. GP Healthcare Capital, Inc. is an exempted company incorporated in the Cayman Islands and its sole shareholder is Shanghai GP Healthcare Equity Investment Enterprise (Limited Partnership) (上海金浦醫療健康股權投資合夥企業(有限合夥)), whose general partner is GP Healthcare Capital Co., Ltd. (上海金浦醫療健康股權投資基金管理有限公司).

Further, Shanghai GP Healthcare Phase III Equity Investment Fund Partnership (Limited Partnership) is interested in 7,869,920 Shares. Shanghai GP Healthcare Phase III Equity Investment Fund Partnership (Limited Partnership) is a limited liability partnership established in the PRC and its general partner is GP Healthcare Capital Co., Ltd.. As such, GP Healthcare Capital Co., Ltd. is deemed to be interested in the shares held by GP Healthcare Capital, Inc. and Shanghai GP Healthcare Phase III Equity Investment Fund Partnership (Limited Partnership).

(4) Yuyao Yangming Equity Investment Fund Co., Ltd. (余姚陽明股權投資基金有限公司) is interested in 38,021,000 Shares, and is wholly-owned by Sino-Italy Ningbo Ecological Park Holding Group Co., Ltd. (中意寧波生態園控股集團有限公司). It is held indirectly as to 85% by Sino-Italy Ningbo Ecological Park Administration Committee (中意寧波生態園管理委員會), a subordinate of the Ningbo Municipal People's Government.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(5) Laekna Wonderland Limited is wholly owned by Futu Trustee Limited, the trustee of Laekna Wonderland Trust which was set up to facilitate the administration of the Pre-IPO Share Option Scheme.

(6) Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥) ("**FIIF**") is interested in 28,519,030 Shares, and the general partner of FIIF is CS Capital Co., Ltd. (國投招商投資管理有限公司).

(7) Ningbo Yaoshang Yanchuang Private Equity Fund Management Co., Ltd. (寧波姚商燕創私募基金管理有限公司) ("**Yaoshang Yanchuang**") is the general partner of Ningbo Yanyuan Innovation Venture Capital Investment Partnership (LP) (寧波燕園創新創業投資合夥企業(有限合夥)), Ningbo Rongshun Yanyuan Venture Capital Investment Partnership (LP) (寧波榮舜燕園創業投資合夥企業(有限合夥)), Ningbo Yaoshang Yanchuang Chenkai Venture Capital Partnership (Limited Partnership) (寧波姚商燕創宸凱股權投資合夥企業(有限合夥)), Ningbo Yanchuang Yaoshang Yangming Venture Capital Investment Partnership (LP) (寧波燕創姚商陽明創業投資合夥企業(有限合夥)) and Ningbo Yanchuang Borong Venture Capital Partnership (Limited Partnership) (寧波燕創勃榮創業投資合夥企業(有限合夥)) ("**Yanchuang Borong**"). Yaoshang Yanchuang owns 45% interests in Hangzhou Yanyuan Fangrong Investment Management Co., Ltd. (杭州燕園方融投資管理有限公司) ("**Yanyuan Fangrong**"), and Yanyuan Fangrong is the general partner of Jiangsu Yanyuan Oriental Venture Capital Investment Partnership (LP) (江蘇燕園東方創業投資合夥企業(有限合夥)). Yaoshang Yanchuang is wholly owned by Ningbo Yaoshang Yanchuang Shouren Equity Investment Co., Ltd. (寧波姚商燕創守仁股權投資有限公司) ("**Yanchuang Shouren**"). Yanchuang Shouren is the general partner of Yanchuang Borong. Ningbo Yanchuang Houde Investment Group Co., Ltd. (寧波燕創厚德投資集團有限公司) ("**Yanchuang Houde**") holds 58.77% of interests of Yanchuang Shouren. Mrs. Liu holds 90% of interests of Yanchuang Houde. Yanchuang Houde holds 95% of interests of Shanghai Yanchuang Deheng Private Equity Fund Management Co., Ltd. (上海燕創德恒私募基金管理有限公司) ("**Yanchuang Deheng**"). Yanchuang Deheng is the general partner of Ningbo Yanchuang Xiangshang Venture Capital Partnership (Limited Partnership) (寧波燕創象商創業投資合夥企業(有限合夥)). Yanchuang Future (BVI) Limited ("**YF BVI**") is wholly owned by Mrs. Liu, and YF BVI owns 100% interests in Yanchung Future Cayman Corp. ("**YF Cayman**"). YF Cayman is the general partner of Yanchuang Biotech Investment L.P..

(8) Shanghai Haoyao Information Technology Partnership (Limited Partnership) (上海灝藥信息科技合夥企業(有限合夥)) and Beijing Longmaide Venture Capital Fund (Limited Partnership) (北京龍脈得創業投資基金(有限合夥)) is interested in 16,913,670 and 5,621,370 Shares respectively, and the general partner of which is Beijing Anlong Venture Capital Fund (Limited Partnership) (北京安龍創業投資基金(有限合夥)) ("**Beijing Anlong**"). Beijing Chunlin Information Consultancy Center (Limited Partnership) (北京春林信息諮詢中心(有限合夥)) holds 60% of interests of Beijing Anlong, which is ultimately controlled by Ms. Liu.

(9) Ealex LLC is a family trust set up by Dr. Lu as the settlor, which is in turn wholly-owned by The Bryn Mawr Trust Company of Delaware as trustee.

Save as disclosed above and to the best knowledge of our Directors, as at the date of this report, no person (other than the Directors and chief executive of the Company) had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, during the Reporting Period and up to the date of this report, none of the Company or any of its subsidiaries were a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE INCENTIVE PLANS

Pre-IPO Share Option Scheme

We adopted the Pre-IPO Share Option Scheme on April 11, 2018, and amended it on October 30, 2019, April 20, 2021 and March 31, 2022. The scheme is not subject to Chapter 17 of the Listing Rules and will not involve the grant of options by our Company to subscribe for new shares after Listing. Upon Listing, we will not make any new grants of options under the Pre-IPO Share Option Scheme and the terms of the Pre-IPO Share Option Scheme are not subject to Chapter 17 of the Listing Rules.

As at the date of this report, the number of Share Options outstanding under the Pre-IPO Share Option Scheme is 34,019,770.

1. Summary of Terms

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Eligible Participants

We may grant Share Options to employees, officers, directors, contractors, advisors or consultants of the Group (the "**Eligible Participant(s)**").

(c) Maximum Number of Shares

There will not be no more new grants of awards under the Pre-IPO Share Option Scheme upon the Listing. The maximum aggregate number of Shares in respect of the Share Options which may be issued pursuant to the Pre-IPO Share Option Scheme shall not exceed 56,999,430 Shares (subject to adjustment to reflect any rights issue, consolidation, share splits, or similar transactions).

(d) Maximum Entitlement of a Participant

No Eligible Participant shall be granted in aggregate Share Options which exceeds ten percent (10%) of the aggregate number of Shares for the time being issued and issuable under the Pre-IPO Share Option Scheme.

(e) Exercise Period

Except as otherwise provided in an offer letter, any Share Option shall become exercisable upon vesting until the tenth anniversary of the adoption date thereof. Notwithstanding the foregoing, the exercise shall be conditional upon full compliance of the grantee and the Company with all applicable laws and regulations. In the event the grantee ceases to be an employee by reason of his/her death, disability or for any other reason that the Board or a duly authorized committee of the Board (if any) (the "**Administrator**") considers valid, before exercising the Share Option in full, the grantee's vested Share Option may be assigned to its representative (to the extent not already exercised).

(f) Vesting Schedule

Unless otherwise approved by the Administrator and set forth in an offer letter, the vesting schedule of the Share Options granted shall be a 60-month vesting schedule consisting of a cliff vesting of forty percent (40%) after twenty-four (24) months from the commencement date as indicated in the offer letter and, thereafter, quarterly vesting of equal installments over the remaining twelve (12) quarters.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(g) Duration and Remaining Life

The Pre-IPO Share Option Scheme shall automatically terminate on the expiration of the 10-year period measured from the date the Pre-IPO Share Option Scheme was adopted by the Board. Therefore, as at the date of this report, the remaining life of the Pre-IPO Share Option Scheme was approximately four years and eight months.

(h) Exercise Price

The exercise price of the Share Options granted shall be approved by the Board from time to time and shall be set out in the offer letter. The basis of determining the exercise price is, among others, service term and work performance.

(i) Amount Payable on Application or Acceptance of the Option

No cash consideration was paid by the grantees for the outstanding options granted.

2. Options Granted

Movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the Reporting Period are set out below:

Name or category of grantee	Outstanding as at June 6, 2023[1]	Granted during the Reporting Period[1]	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Exercised during the Reporting Period	Outstanding as at the ending of the Reporting Period	Date of Grant	Exercise price (US$ per share)	Vesting period	Exercise period	Closing price of shares immediately before the date on which the options were granted	Weighted average closing price of the shares immediately before the dates on which the options were exercised	Fair value of options at the date of grant during the Reporting Period (US$)[11]
DIRECTORS AND SENIOR MANAGEMENT													
Dr. Lu *(Director)*	2,635,520	2,635,520	–	–	–	2,635,520	February 15, 2023	0.452	Note 2	Note 6	N/A[7]	N/A	2,339,894
Ms. Xie *(Director)*	2,482,750	–	–	–	–	2,482,750	March 1, 2021, June 15, 2021, and March 31, 2022	0.05	Note 2	Note 6	N/A[7]	N/A	–
Dr. Justin Gu *(Director)*	5,500,000	–	–	–	–	5,500,000	January 4, 2020, March 2, 2020, and June 15, 2021	0.234	Note 2	Note 6	N/A[7]	N/A	–
	500,000	–	–	–	–	500,000	March 31, 2022	0.452	Note 2	Note 6	N/A[7]	N/A	–
	500,000	500,000	–	–	–	500,000	February 15, 2023	0.452	Note 2	Note 6	N/A[7]	N/A	443,915
Dr. YUE Yong *(chief medical officer)*	5,000,000	–	–	–	–	5,000,000	August 31, 2018 and January 18, 2019	0.234	Note 3	Note 6	N/A[7]	N/A	–
	1,500,000	–	–	–	–	1,500,000	March 2, 2020, and June 15, 2021	0.234	Note 2	Note 6	N/A[7]	N/A	–
	500,000	–	–	–	–	500,000	March 31, 2022	0.452	Note 2	Note 6	N/A[7]	N/A	–
Subtotal	**18,618,270**	**3,135,520**	**–**	**–**	**–**	**18,618,270**							
CONSULTANTS													
Four consultants and two former consultants of the Group	252,500	–	–	–	–	252,500	July 16, 2018, March 31, 2022, and October 1, 2022	0.234, 0.452	Note 4	Note 6	N/A[7]	N/A	–
Subtotal	**252,500**	**–**	**–**	**–**	**–**	**252,500**							
EMPLOYEE PARTICIPANTS OF THE GROUP													
Other grantees (including one senior management member, 86 employees and four former employees)[8]	15,248,000	1,440,000	–	–	–	15,248,000	April 11, 2018 to January 31, 2023	0.03 to 0.452	Note 5	Note 6	N/A[7]	N/A	1,558,823

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

(1) Being the latest practicable date for ascertaining information in the Prospectus (the "**Latest Practicable Date**"). As the Company was not listed on the Stock Exchange until June 29, 2023, the particulars of the outstanding Share Options at the beginning of the Reporting Period (i.e. January 1, 2023) are not applicable. The grants were all made before the Latest Practicable Date. No option was granted under the Pre-IPO Share Option Scheme from the Latest Practicable Date to the end of the Reporting Period.

(2) The vesting schedule for these Share Options is: (i) 40% to be vested two years from the date of grant; and (ii) 5% to be vested every quarter thereafter.

(3) The vesting schedule for these Share Options is: (i) 20% to be vested one year from the date of grant; and (ii) 5% to be vested every quarter thereafter.

(4) Among the 252,500 Share Options to the external consultants of our Group, the vesting schedule for 50,000 Share Options is: (i) 40% to be vested two years from the date of grant; and (ii) 5% to be vested every quarter thereafter; and the vesting schedule for 202,500 Share Options is: (i) 20% to be vested one year from the date of grant; and (ii) 5% to be vested every quarter thereafter.

(5) Among the 15,248,000 Share Options to other grantees, the vesting schedule for 12,012,000 Share Options is: (i) 40% to be vested two years from the date of grant; and (ii) 5% to be vested every quarter thereafter; and the vesting schedule for 3,236,000 Share Options is: (i) 20% to be vested one year from the date of grant; and (ii) 5% to be vested every quarter thereafter.

(6) The exercise period of these options commences from the vesting date of the relevant options.

(7) Such options were granted before the Listing Date and therefore the share closing price immediately before the date of grant of the options is not applicable.

(8) Four former employees were granted and have vested Share Options to subscribe for an aggregate of 548,000 Shares during the period when they were employed by the Group.

(9) All of the grants under the Pre-IPO Share Option Scheme were made without any performance targets.

(10) Save as disclosed here (i.e. our Director Dr. Justin Gu and chief medical officer Dr. YUE Yong), none of the grant to any participant was in excess of 1% individual limit.

(11) Please refer to Note 16 to the unaudited interim financial report for further details of the accounting standard and policy adopted.

Post-IPO Share Option Scheme

We adopted the Post-IPO Share Option Scheme on June 9, 2023, which was immediately prior to Listing. The scheme constitutes a share scheme governed by Chapter 17 of the Listing Rules.

As the Post-IPO Share Option Scheme was not effective until the Listing Date, the numbers of Share Options available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the Reporting Period are Nil and 39,010,035, respectively.

As of the date of this report, no Share Option was granted under the Post-IPO Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

1. Summary of Terms

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to incentivize and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Eligible Participants

We may grant Share Options to (a) an employee (whether full time or part-time) or a Director or any of its subsidiaries and (b) a consultant who provides services to the Group (such as in respect of research and development, product commercialization, marketing and investor relations in investment environment of the Group) on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group.

(c) Maximum Number of Shares

Scheme mandate limit
The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not in aggregate exceed 10% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 39,010,035 Shares, which also represents 10% of the issued shares as at the end of the Reporting Period.

Eligible consultant sublimit
The total number of Shares which may be issued upon exercise of all options to be granted to eligible consultants shall not exceed 1% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being 3,901,003 Shares.

The above limits may be refreshed by Shareholders at general meeting in accordance with Rule 17.03C of Chapter 17 of the Listing Rules.

(d) Maximum Entitlement of a Participant

Except with the approval of Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting, no option may be granted to any one person such that the total number of Shares underlying the Post-IPO Share Option Scheme and any other schemes of the Company issued and to be issued upon exercise of all options or awards over the underlying Shares (including exercised, cancelled and outstanding options or awards) granted and to be granted to such person in any 12-month period up to and including the date of the latest grant exceeds 1% of the Shares in issue from time to time.

(e) Exercise Period

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Board to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is accepted or deemed to be accepted but shall end in any event not later than 10 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Share Option Scheme or the relevant document of grant or other notification issued by the Board. In any event, the minimum period for which an option must be held before it can be exercised shall be 12 months subject to a shorter vesting period otherwise permitted under the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(f) Vesting Period

The vesting period shall be determined by the Board or a duly authorized committee thereof in an offer letter from time to time, subject to any acceleration of the vesting schedule at the Board's discretion, provided that any acceleration shall be subject to the minimum vesting period of 12 months, as well as a shorter vesting period as permitted under the Listing Rules.

(g) Duration and Remaining Life

The Post-IPO Share Option Scheme shall automatically terminate on the expiration of the 10-year period measured from the Listing Date. Therefore, as at the date of this report, the remaining life of the Post-IPO Share Option Scheme was approximately nine years and ten months.

(h) Subscription Price

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board or a duly authorized committee thereof at its absolute discretion and notified to any eligible participant, which shall be not less than the highest of: (i) the nominal value of a Share; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(i) Amount Payable on Application or Acceptance of the Option

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the option duly signed by the grantee together with a payment to the Company and/or any of its subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the Company and/or its subsidiaries operate, as the Board or a duly authorized committee thereof may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the option. Such remittance shall not be refundable.

For further details of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, please refer to the sections headed "Statutory and General Information — Pre-IPO Share Option Scheme" and "Statutory and General Information — Post-IPO Share Option Scheme" in Appendix IV to the Prospectus.

As no new shares will be issued for the grant of options and awards during the Reporting Period, the number of Shares that may be issued in respect of options and awards granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS UNDER RULE 13.51(B) OF THE LISTING RULES

The Company was incorporated in the Cayman Islands on July 29, 2016 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on June 29, 2023.

In accordance with Rule 13.51(B)(1) of the Listing Rules, the details of the changes in information of Directors during the Reporting Period are set out below:

On June 14, 2023, Mr. CHAU Kwok Keung (鄒國強), an independent non-executive Director, resigned as an independent non-executive director and the chairman of the audit committee of Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司) (a company listed on the Stock Exchange, stock code: 2170).

Save as disclosed above, as at the date of this report, there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors are of the view that from the Listing Date to the date of this report, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Lu has served as our chairman since May 2018 and Chief Executive Officer since April 2017. Dr. Lu is the founder of our Group and has extensive experience in the business operations and management of our Group. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned, Dr. Lu is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our Chief Executive Officer. Our Board also believes that the combined role of chairman and chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Directors consider that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this report. In addition, the Company is not aware of any non-compliance of the Model Code by the employees of the Company who are likely to be in possession of inside information of the Company during the period from the Listing Date to the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee, comprising Mr. CHAU Kwok Keung, Dr. WANG David Guowei and Dr. LI Min, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

In addition, the Company's independent auditor, KPMG, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this report and as at the date of this report, there were no material subsequent events after the Reporting Period.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend to the Shareholders for the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On June 29, 2023, 63,728,000 shares of US$0.00001 each were issued at a price of HK$12.41 per share in connection with the Company's listing on the Main Board of the Stock Exchange. We intend to apply the net proceeds of HK$726.5 million from the Global Offering as set out in the Prospectus (after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering).

For the period from the Listing Date up to the date of this report, the Company has not utilized the net proceeds raised from the Global Offering. As of the date of this report, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds" as follows:

Intended use of net proceeds	Net proceeds from the Global Offering (HK$ million)	Approximate % of total net proceeds	Utilized net proceeds from the Global Offering as of the date of this report (HK$ million)	Unutilized net proceeds from the Global Offering as of the date of this report (HK$ million)	Expected timeline of full utilization of the unutilized net proceeds [1]
For rapidly advancing the clinical development and approval of our Core Products, i.e. LAE001 and LAE002	409.0	56.3%	0	409.0	Before December 31, 2025
For accelerating the research and development of other existing pipeline products and continuously advancing and improving our pipeline products	151.1	20.8%	0	151.1	Before December 31, 2025
For improving our production capabilities and developing our manufacturing capacities	71.9	9.9%	0	71.9	Before December 31, 2025
For business development activities and enhancing our global reach	55.2	7.6%	0	55.2	Before December 31, 2025
For working capital and other general corporate purposes	39.3	5.4%	0	39.3	Before December 31, 2025

Note:

(1) The expected timeline is based on the best estimation made by the Group on future market condition and may change with the future market condition and future development.

INDEPENDENT REVIEW REPORT

Review report to the board of directors of Laekna, Inc.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 31 to 48 which comprises the consolidated statement of financial position of Laekna, Inc. (the "Company") as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
Other income	4	**3,243**	260
Other losses		**(9,928)**	(1,739)
Administrative expenses		**(35,965)**	(43,486)
Research and development expenses		**(102,337)**	(123,708)
Loss from operations		**(144,987)**	(168,673)
Finance costs	5(a)	**(788)**	(616)
Fair value changes on financial instruments issued to investors	15	**(71,210)**	(132,636)
Loss before taxation	5	**(216,985)**	(301,925)
Income tax	6	**–**	–
Loss for the period		**(216,985)**	(301,925)
Other comprehensive income for the period (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**(40,350)**	(37,643)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		**(28,424)**	(26,844)
Total comprehensive income for the period		**(285,759)**	(366,412)
Loss per share	7		
Basic and diluted (RMB)		**(2.63)**	(4.08)

The notes on pages 35 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		**4,535**	5,273
Intangible assets	8	**127,160**	123,631
Right-of-use assets		**7,378**	8,246
Other non-current assets	9	**7,315**	8,083
		146,388	145,233
Current assets			
Prepayments and other receivables	10	**7,355**	11,561
Financial assets measured at fair value through profit or loss	11	**72,309**	–
Cash and cash equivalents	12	**837,146**	323,070
		916,810	334,631
Current liabilities			
Bank loans	13	**39,828**	19,782
Other payables	14	**50,180**	75,868
Lease liabilities		**1,865**	1,859
		91,873	97,509
Net current assets		**824,937**	237,122
Total assets less current liabilities		**971,325**	382,355
Non-current liabilities			
Lease liabilities		**5,905**	6,660
Deferred income		**3,500**	3,500
Financial instruments issued to investors	15	**–**	2,277,281
		9,405	2,287,441
NET ASSETS/(LIABILITIES)		**961,920**	(1,905,086)
CAPITAL AND RESERVES	17		
Share capital		**27**	5
Treasury shares		**(2)**	–
Reserves		**961,895**	(1,905,091)
TOTAL EQUITY/(DEFICIT)		**961,920**	(1,905,086)

Approved and authorised for issue by the board of directors on 24 August 2023.

Chris Lu Xiangyang

Directors

Xie Ling

The notes on pages 35 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 — unaudited

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total deficit *RMB'000*
Balance at 1 January 2022		4	–	32,935	42,025	(1,186,133)	(1,111,169)
Changes in equity for the six months ended 30 June 2022							
Total comprehensive income for the period		–	–	–	(64,487)	(301,925)	(366,412)
Equity settled share-based payment	5(b)	–	–	11,976	–	–	11,976
Shares issued upon exercise of the warrant		1	81,764	–	–	–	81,765
Shares issued under share option scheme		–*	11,443	(11,389)	–	–	54
Balance at 30 June 2022 and 1 July 2022		5	93,207	33,522	(22,462)	(1,488,058)	(1,383,786)
Changes in equity for the six months ended 31 December 2022							
Total comprehensive income for the period		–	–	–	(56,116)	(479,669)	(535,785)
Equity settled share-based payment		–	–	14,485	–	–	14,485
Balance at 31 December 2022		5	93,207	48,007	(78,578)	(1,967,727)	(1,905,086)

* The balance represents an amount less than RMB1,000.

	Note	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total (deficit)/ equity *RMB'000*
Balance at 1 January 2023		5	–	93,207	48,007	(78,578)	(1,967,727)	(1,905,086)
Changes in equity for the six months ended 30 June 2023								
Total comprehensive income for the period		–	–	–	–	(68,774)	(216,985)	(285,759)
Equity settled share-based payment	5(b)	–	–	–	13,326	–	–	13,326
Shares issued to trusts under share option scheme	17(a)	2	(2)	–	–	–	–	–
Shares issued through initial public offering, net of issuance costs	17(a)	5	–	704,594	–	–	–	704,599
Conversion of preferred shares into ordinary shares	17(a)	15	–	2,434,825	–	–	–	2,434,840
Balance at 30 June 2023		27	(2)	3,232,626	61,333	(147,352)	(2,184,712)	961,920

The notes on pages 35 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 — unaudited

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Operating activities		
Cash used in operations	**(155,769)**	(144,130)
Net cash used in operating activities	**(155,769)**	(144,130)
Investing activities		
Payment for purchase of property, plant and equipment	**(101)**	(2,291)
Payment for purchase of intangible assets	**–**	(436)
Interest received from bank deposits	**2,973**	145
Payment for purchase of wealth management products	**(71,349)**	(12,729)
Proceeds from disposal of wealth management products upon maturity	**–**	12,752
Net cash used in investing activities	**(68,477)**	(2,559)
Financing activities		
Proceeds from bank loans	**29,800**	–
Repayment of bank loans	**(9,932)**	(2,000)
Interest paid for bank loans	**(595)**	(4)
Proceeds from issuance of preferred shares	**–**	301,028
Proceeds from shares issued under share option scheme	**–**	54
Proceeds from issuance of ordinary shares through initial public offering, net of issuance costs	**714,281**	(1,747)
Payment for capital element of lease liabilities	**(749)**	(239)
Payment for interest element of lease liabilities	**(193)**	(228)
Net cash generated from financing activities	**732,612**	296,864
Net increase in cash and cash equivalents	**508,366**	150,175
Cash and cash equivalents at 1 January	**323,070**	296,412
Effect of foreign exchange rate changes	**5,710**	20,595
Cash and cash equivalents at 30 June	**837,146**	467,182

The notes on pages 35 to 48 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

Laekna, Inc. (the "Company"), was incorporated in the Cayman Islands on 29 July 2016 as an exempted company with limited liability under the law of the Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in discovering, development and commercialising innovative therapies for cancer and liver diseases in the People's Republic of China (the "PRC"), the United States of America (the "USA"), Europe and South Korea.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") on 29 June 2023.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 24 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 30.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to this interim financial report for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income from bank deposits	**2,973**	145
Net unrealised and realised gain on wealth management products	**51**	23
Government grants	**219**	92
	3,243	260

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**595**	4
Interest on lease liabilities	**193**	612
	788	616

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**41,653**	37,352
Contributions to defined contribution retirement plan	**2,498**	2,148
Equity settled share-based payment expenses	**13,326**	11,976
	57,477	51,476

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Amortisation of intangible assets	**922**	394
Depreciation charge		
— property, plant and equipment	**840**	1,391
— right-of-use assets	**868**	1,649
	1,708	3,040
Listing expenses	**10,951**	17,068
Research and development expenses (i)	**102,337**	123,708
Net foreign exchange loss	**7,803**	1,738

(i) During the six months ended 30 June 2023 and 2022, research and development expenses include staff costs, depreciation and amortisation expenses of RMB40,251,000 and RMB35,965,000 respectively, in which the respective amounts are also disclosed separately above.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

6 INCOME TAX

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

(i) The Cayman Islands

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

(ii) Hong Kong

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profit tax has been made for the six months ended 30 June 2023 and 2022 as there were no assessable profits.

(iii) The USA

The Company's subsidiary incorporated in the USA is subject to Federal Tax at a rate of 21% and State Profits Tax at a rate of 0.75% — 9.99%. Operations in the USA have incurred net accumulated operating losses for income tax purposes, and no income tax provisions has been made for the six months ended 30 June 2023 and 2022.

(iv) Mainland China

Pursuant to the Corporate Income Tax Law of the PRC (the "CIT"), the Company's PRC subsidiaries are subject to the CIT at a rate of 25%.

According to the new tax incentive policies promulgated by the State Tax Bureau of the PRC in March 2023, effective from 1 January 2023, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

7 LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2023 is based on the loss attributable to ordinary equity shareholders of the Company of RMB216,985,000 (six months ended 30 June 2022: RMB301,925,000) and the weighted average of 82,489,000 ordinary shares (six months ended 30 June 2022: 73,982,000 shares, after adjusting for the effect of the share subdivision) in issue during the interim period.

The calculation of diluted loss per share for the six months ended 30 June 2023 and 2022 has not included the potential effects of the deemed conversion of the preferred shares and share options issued by the Company, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2023 and 2022 are the same as basic loss per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8 INTANGIBLE ASSETS

	In-licensed rights *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2023	**118,698**	**6,153**	**124,851**
Exchange adjustments	**4,451**	**–**	**4,451**
At 30 June 2023	**123,149**	**6,153**	**129,302**
Accumulated amortisation:			
At 1 January 2023	**–**	**(1,220)**	**(1,220)**
Charge for the period	**–**	**(922)**	**(922)**
At 30 June 2023	**–**	**(2,142)**	**(2,142)**
Net book value:			
At 30 June 2023	**123,149**	**4,011**	**127,160**
At 1 January 2023	**118,698**	**4,933**	**123,631**
Cost:			
At 1 January 2022	108,661	1,804	110,465
Additions	–	1,283	1,283
Exchange adjustments	5,721	–	5,721
At 30 June 2022	114,382	3,087	117,469
Accumulated amortisation:			
At 1 January 2022	–	(150)	(150)
Charge for the period	–	(394)	(394)
At 30 June 2022	–	(544)	(544)
Net book value:			
At 30 June 2022	114,382	2,543	116,925
At 1 January 2022	108,661	1,654	110,315

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8 INTANGIBLE ASSETS (Continued)

(a) In-licensed rights

The balance of in-licensed rights represents payments made to acquire development and commercialization rights of drug products from third parties and are not available for commercial use. Due to the inherent uncertainties in the research and development processes, these assets are particularly at risk of impairment if the project is not expected to result in a commercialised product. Key terms of these licenses are set out below:

(i) LAE001

On 30 June 2017, the Group entered into a license agreement with Novartis Pharma AG ("Novartis"), pursuant to which Novartis granted the Group an exclusive license to develop, manufacture and commercialise the licensed product LAE001 world widely.

Under the terms of the agreement, the Group made an one-time and non-refundable upfront payment of USD1 million (equivalent to RMB6.6 million) and granted 776,437 ordinary shares of the Company to Novartis (equaling to 7,764,370 shares after adjusting for the effect of the share subdivision upon the Listing). The Group capitalised a total amount of USD1.8 million (equivalent to RMB12.2 million). The Group also agreed to make regulatory milestone payment, as well as royalty payment on net sales to Novartis.

(ii) LAE002 & LAE003

On 9 May 2018, the Group entered into a license agreement with Novartis, pursuant to which Novartis granted the Group an exclusive license to develop, manufacture and commercialise the licensed products LAE002 and LAE003 world widely.

Under the terms of the agreement, the Group made an one-time and non-refundable upfront payment of USD5 million (equivalent to RMB31.9 million) and granted 165,200 ordinary shares of the Company to Novartis (equaling to 1,652,000 shares after adjusting for the effect of the share subdivision upon the Listing). The Group capitalised a total amount of USD5.2 million (equivalent to RMB33.5 million). The Group also agreed to make regulatory milestone payments, sales milestone payment, as well as royalty payment on net sales to Novartis.

(iii) LAE005

On 4 February 2020, the Group entered into a license agreement with Novartis, pursuant to which Novartis granted the Group an exclusive license to develop, manufacture and commercialise the products LAE005 world widely.

Under the terms of the agreement, the Group made an one-time and non-refundable upfront payment of USD10 million (equivalent to RMB69.4 million) to Novartis and capitalised such payment. The Group also agreed to make regulatory milestone payments, sales milestone payment, as well as royalty payment on net sales to Novartis.

(iv) Impairment test

The Group did not perform quantitative impairment test for above intangible assets as at 30 June 2023, since the Group's accounting policy is to perform impairment test annually at 31 December, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with IAS 36, *Impairment of assets*. The Group did not identify any indication that the intangible assets were impaired as at 30 June 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9 OTHER NON-CURRENT ASSETS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Value-add tax recoverable	**4,683**	3,251
Prepayments for equipment	**1,841**	4,110
Long-term rental deposits	**615**	615
Others	**176**	107
	7,315	8,083

10 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Prepayments to suppliers	**6,167**	4,267
Deferred listing expenses	**–**	5,780
Other debtors and deposits	**1,188**	1,514
	7,355	11,561

11 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Wealth management products	**72,309**	–

The Group's financial assets at fair value through profit or loss mainly represent wealth management products issued by various financial institutions with a floating return.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 18.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

12 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at banks	**767,431**	267,333
Deposits with banks	**69,715**	55,737
	837,146	323,070

As at 30 June 2023, cash and cash equivalents of the Group held in banks and financial institutions in the PRC amounted to RMB610,191,000 (2022: RMB63,180,000).

13 BANK LOANS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Unsecured bank loans due within 1 year	**39,828**	19,782

At 30 June 2023, the Group has entered into loan agreements with certain banks with the principal amount of RMB39,650,000, with interest rates of 3.40%-4.35% per annum.

The Group also entered into supplier finance arrangement with China Merchants Bank, under which the Group obtained credit in respect of the amounts due to certain suppliers. Under this arrangement, the bank pays suppliers the amounts owed by the Group on the original due dates, and then the Group settles the bank 6 months later than the original due dates with the suppliers, with an interest rate of 2.75% per annum. In the consolidated statement of financial position, the Group has presented payables to the bank under this arrangement as "Bank loans", having compared the nature and function of such liabilities with trade payables to suppliers. In the consolidated statements of cash flows, payments to the banks are included within financing cash flows based on the nature of this arrangement, and payments to the suppliers by the bank amounting to RMB178,000 (2022: RMB132,000) are non-cash transactions.

14 OTHER PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Payroll payables	**4,893**	14,700
Accrued research and development expenses	**23,995**	51,595
Other payables and accrued charges	**21,292**	9,573
	50,180	75,868

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

15 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Preferred shares	–	2,277,281
Warrant	–	–
	–	2,277,281

(a) Preferred shares

In accordance with the Group's accounting policy, the preferred shares are initially recognised at fair value on the date of issuance and are subsequently re-measured to their fair value at the end of each reporting period. Movements of preferred shares for the six months ended 30 June 2023 and 2022 are set out below:

	Preferred shares *RMB'000*
At 1 January 2023	**2,277,281**
Fair value changes	**71,210**
Exchange adjustments	**86,349**
Conversion of preferred shares into ordinary shares	**(2,434,840)**
At 30 June 2023	**–**
At 1 January 2022	1,402,113
Issuance of preferred shares	326,006
Fair value changes	123,888
Exchange adjustments	93,273
At 30 June 2022	1,945,280

All preferred shares were automatically converted into ordinary shares of the Company upon the completion of the Listing.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

15 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (Continued)

(b) Warrant

In accordance with the Group's accounting policy, the warrant is initially recognised at fair value on the date of issuance and is subsequently re-measured to their fair value at the end of each reporting period. Movements of the warrant for the six months ended 30 June 2023 and 2022 are set out below:

	Warrant *RMB'000*
At 1 January 2022	98,429
Fair value changes	8,748
Exchange adjustments	(434)
Exercise of the warrant	(106,743)
At 30 June 2022	–

On 31 March 2022, the warrant was exercised. Accordingly, the Company issued 1,166,525 ordinary shares and 338,273 preferred shares to the investor.

16 EQUITY SETTLED SHARE-BASED PAYMENT

The Company adopted an employee share option scheme ("Pre-IPO Share Option Scheme") on 11 April 2018 (which was subsequently amended on 30 October 2019, 20 April 2021 and 31 March 2022), pursuant to which, 42,453,520 ordinary shares (after adjusting for the effect of the share subdivision) of the Company are authorised for issuance of share options to employees, directors, and advisors of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Contractual life of options
Options granted to directors	11,618,270	10 years
Options granted to employees	22,248,000	10 years
Options granted to advisors	252,500	10 years
Total share options granted	34,118,770	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16 EQUITY SETTLED SHARE-BASED PAYMENT (Continued)

(a) The terms and conditions of the grants are as follows: (Continued)

Unless otherwise approved by the Board of Directors, the Company adopted three vesting conditions for the above share options granted:

(i) 20% of the share options are expected to vest after twelve months of the grant date, and the remaining are expected to vest ratably over the following sixteen quarters;

(ii) 40% of the share options are expected to vest after twenty-four months of the grant date, and the remaining are expected to vest ratably over the following twelve quarters; or

(iii) 100% of the share options are expected to vest upon the grant date.

(b) The movement of the number of share options are as follows:

	Six months ended 30 June	
	2023	2022
	'000	'000
Outstanding at the beginning of the period	**2,954**	3,376
Effect of the share subdivision	**26,589**	–
Granted during the period	**4,576**	411
Exercised during the period	**–**	(833)
Forfeited during the period	**–**	(17)
Outstanding at the end of the period	**34,119**	2,937
Exercisable at the end of the period	**–**	–

All the share options granted are exercisable upon vesting and after the occurrence of an initial public offering ("IPO") of the Company's shares unless otherwise approved by the Board of Directors, and will expire on or before the latter of (1) the third anniversary after the aforementioned occurrence of IPO, and (2) the tenth anniversary after the granting date. As at 30 June 2023 and 31 December 2022, the weighted average remaining contractual life for the share options granted was 7.3 years and 7.5 years respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital and share premium

As at 30 June 2023, the authorised share capital of the Company was USD50,000 divided into 5,000,000,000 ordinary shares with par value of USD0.00001 each.

Details of the movement of the issued and fully paid share capital of the Company are as follows:

	No. of shares '000	Share capital *RMB'000*	Treasury shares *RMB'000*
Ordinary shares, issued and fully paid:			
At 1 January 2023	**7,942**	**5**	**–**
Effect of the share subdivision (i)	**71,474**	**–**	**–**
Shares issued to trusts under share option scheme (ii)	**34,119**	**2**	**(2)**
Share issued upon the completion of initial public offering, net of transaction costs (iii)	**63,728**	**5**	**–**
Conversion of preferred shares into ordinary shares (iv)	**212,837**	**15**	**–**
At 30 June 2023	**390,100**	**27**	**(2)**
At 1 January 2022	5,942	4	–
Shares issued under share option scheme	833	–*	–
Shares issued upon exercise of the warrant	1,167	1	–
At 30 June 2022	7,942	5	–

* The balance represents an amount less than RMB1,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

17 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Share capital and share premium (Continued)

(i) Pursuant to a board resolution dated 9 June 2023, each share in the Company's issued and unissued share capital with a par value of USD0.0001 was subdivided into 10 shares of the corresponding class with a par value of USD0.00001 each.

(ii) Pursuant to a board resolution dated 12 June 2023, 34,118,770 ordinary shares (after adjusting for the effect of the share subdivision) were allotted and issued to Laekna Halley Trust and Laekna Wonderland Trust under share option scheme. The shares held in the trusts are accounted for as treasury shares of the Company.

(iii) On 29 June 2023, the Company issued 63,728,000 ordinary shares at an offer price of HK$12.41 per share through the Listing. Net proceeds from the Listing amounted to RMB704,599,000 equivalent, after deducting all capitalised listing expenses. Out of the net proceeds, RMB5,000 and RMB704,594,000 were credited to the Company's share capital and share premium account, respectively.

(iv) Upon the completion of the Listing, 21,283,721 preferred shares were converted into 212,837,210 ordinary shares of the Company in aggregate (after adjusting for the effect of the share subdivision), resulting in a transfer of the carrying amount of financial instruments issued to investors of RMB2,434,840,000 to ordinary share capital of RMB15,000 and share premium of RMB2,434,825,000, respectively.

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	Fair value measurements categorised into			
	Fair value at 30 June 2023 *RMB'000*	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*
Recurring fair value measurement				
Financial assets measured at fair value through profit or loss				
— Wealth management products	**72,309**	**–**	**72,309**	**–**

	Fair value at 31 December 2022 *RMB'000*	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Recurring fair value measurement				
Financial instruments issued to investors				
— Preferred shares	2,277,281	–	–	2,277,281

During the six months ended 30 June 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is determined by the financial institution based on the observable quoted price of the underlying investment portfolio.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

19 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report were as follows:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Contracted for acquisition of property, machinery, and equipment	**3,496**	10,723
Authorised but not contracted for acquisition of property, machinery, and equipment	**48,588**	43,551
	52,084	54,274