友芝友生物製藥

WUHAN YZY BIOPHARMA CO., LTD.
武漢友芝友生物製藥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2496)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the "**Board**") of directors (the "**Directors**") of Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司) (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2024 (the "**Reporting Period**"), together with the comparative figures for the six months ended June 30, 2023 (the "**Corresponding Period**").

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

FINANCIAL SUMMARY

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

	As of June 30, 2024	As of December 31, 2023
	RMB'000	*RMB'000*
	(unaudited)	
Non-current assets	**49,018**	51,523
Current assets	**210,939**	250,101
Non-current liability	**40,275**	150
Current liabilities	**170,093**	173,820
Net assets	**49,589**	127,654

MANAGEMENT DISCUSSION AND ANALYSIS

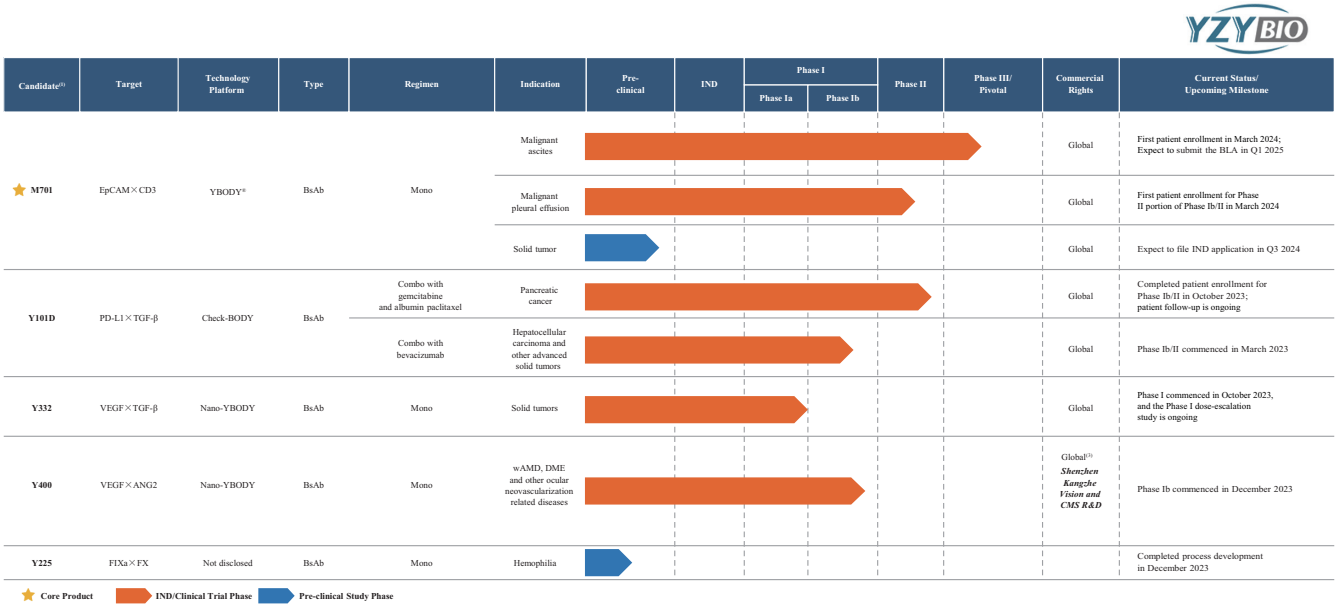
OVERVIEW

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

PRODUCT PIPELINE

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

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



Notes:

(1) All of our drug candidates are in-house developed.

(2) Specifically, we expect to hold a pre-BLA meeting with Center for Drug Evaluation (CDE) in the first quarter of 2025 as the initial phase of biologics license application (BLA) process.

(3) We have transferred all the rights and assets of Y400 to Shenzhen Kangzhe Vision and CMS R&D. We are entitled to receive an upfront payment, milestone payments upon the occurrence of certain pre-agreed milestone events, and tiered royalties based on net sales.

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

Abbreviations: Mono refers to monotherapy; Combo refers to combination therapy; EpCAM refers to epithelial cell adhesion molecule; CD3 refers to cluster of differentiation 3; PD-L1 refers to programmed death ligand 1; TGF-β refers to transforming growth factor-β; VEGF refers to vascular endothelial growth factor; ANG2 refers to angiopoietin-2; wAMD refers to wet age-related macular degeneration; DME refers to diabetic macular edema.

BUSINESS REVIEW

As of the date of this announcement, the Company has made significant progress in its pipeline products and business operations. The following sets out the progress the Company has made during the Reporting Period.

M701

M701, our Core Product, is a recombinant BsAb targeting cancer cells expressing human EpCAM and T cells expressing human CD3. We are primarily developing M701 for the treatment for MA and MPE, which are severe complications of cancer characterized by the accumulation of fluids in the abdominal or chest cavity of cancer patients.

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

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

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

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

  As of the date of this announcement, we are looking for cooperation and commercialization opportunities in respect of M701 in China and overseas.

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

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

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

Y101D

Y101D, a recombinant anti-PD-L1 and anti-TGF-β humanized BsAb, is being developed for the treatment of solid tumors. Y101D is designed to simultaneously inhibit the programmed death receptor 1 (PD-1) and its ligand (PD-L1 axis) and the TGF-β signaling pathways, thus having the potential to unleash a synergistic anti-tumor activity and relieve drug resistance.

- **Pancreatic cancer**: We are conducting a Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of advanced/metastatic pancreatic cancer. We completed the patient enrollment for the Phase II portion of this Phase Ib/II clinical trial in October 2023. Currently, we are conducting the survival follow-up with patients.

- **HCC and other advanced solid tumors**: We are conducting a Phase Ib/II clinical trial of Y101D in combination therapy for the treatment of HCC and other advanced solid tumors.

Y332

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

Y400

Y400 is a recombinant anti-VEGF and anti-ANG2 BsAb. Y400 has a high concentration formulation which is an important factor for the success of such ophthalmic drugs. As a testament to our research and development capability, we have transferred all the rights and assets of Y400 to Shenzhen Kangzhe Vision and CMS R&D. The CDE approved the IND application for Y400 in April 2023 and the Phase I clinical trial of Y400 for the treatment of neovascular age-related macular degeneration has commenced. As of the date of this announcement, the preliminary results of this Phase I clinical trial show a favorable safety profile for Y400.

Y225

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

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that we may be able to ultimately develop and market M701, Y101D, Y332 and Y225 successfully. There is no assurance that Y400 may be ultimately developed and marketed successfully. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Manufacturing Facilities and Collaboration with CMOs/CDMOs

As of the date of this announcement, we maintain a manufacturing base of approximately 1,400 square meters with a scale of 500L (two 200L bioreactors and two 50L bioreactors) and a maximum annual production of 20-24 batches with single bioreactor to accommodate the manufacturing demands for our pre-clinical studies and earlier phases of clinical trials prior to the pivotal clinical trials for a majority of our drug candidates, including M701, Y332, and our pre-clinical candidates. In the first half of 2024, we have been conducting process characterization and process validation in respect of M701 and the technological development or transfer for project Y400 and multiple other drug candidates.

Besides manufacturing conducted at our own facilities, we currently also engage third-party CMOs/CDMOs for the sample production for pivotal clinical trials, process characterization and process validation of M701 and sample manufacture of other projects for clinical trials, and those projects require larger production volumes. We are responsible for the development of manufacturing process of our drug candidates, and CMOs/CDMOs are responsible for the manufacturing.

Commercialization

We plan to recruit capable marketing professionals and develop our capabilities of commercialization. As our current pipeline of drug candidates comes to the market, we will build an in-house commercialization team with medical and scientific background to maximize the reach of our product offering and expedite market acceptance of our products in China. We plan to seek collaboration and out-licensing opportunities to promote our drug candidates and brand in overseas markets.

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

FUTURE DEVELOPMENT

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

FINANCIAL REVIEW

Other Income

During the Reporting Period, our other income consisted of (i) government grants, (ii) bank interest income and (iii) others.

Government grants included grants received from various PRC government authorities mainly in connection with the enterprise development support and subsidies which had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition. Bank interest income included interest from bank deposits. Others included other miscellaneous non-operating income.

The following table sets forth a breakdown of our other income for the periods indicated:

	Six months ended June 30,			
	2024		2023	
	RMB'000	***%***	*RMB'000*	*%*
Government grants	**2,825**	**59.0**	6,726	97.2
Bank interest income	**1,950**	**40.8**	182	2.6
Others	**11**	**0.2**	11	0.2
Total	**4,786**	**100.0**	6,919	100.0

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

Other Gains and Losses

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

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

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

Note: the percentage ratio is less than 0.1%

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

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

Research and Development Expenses

During the Reporting Period, our research and development expenses consisted of (i) technical service fees, (ii) raw materials costs, (iii) employee benefit expenses, (iv) depreciation and amortization expenses and (v) others. Technical service fees are mainly related to our engagement with third party service providers including CROs, SMOs, CMOs/CDMOs, clinical trial sites and principal investigators, as well as other expenses incurred in connection with our pre-clinical studies and clinical trials. Raw materials costs mainly included expenses for procuring materials and consumables used to support our preclinical studies and clinical trials. Employee benefit expenses consisted of wages and salaries, bonuses and other employee benefits for research and development employees. Depreciation and amortization expenses mainly represented the depreciation and amortization of our right-of-use assets, property and equipment for research and development purposes. Others mainly included general expenses including utilities, traveling and transportation expenses and other miscellaneous expenses incurred for research and development purposes.

The following table sets forth breakdowns by activities of our research and development expenses in absolute amount and as percentages of our total research and development expenses for the periods indicated:

	Six months ended June 30,			
	2024		2023	
	RMB'000	***%***	*RMB'000*	*%*
Technical service fees	**47,782**	**68.0**	41,652	58.2
Raw material costs	**5,062**	**7.2**	12,816	17.9
Employee benefit expenses	**12,140**	**17.3**	12,432	17.3
Depreciation and amortization expenses	**2,771**	**3.9**	2,868	4.0
Others	**2,535**	**3.6**	1,830	2.6
Total	**70,290**	**100.0**	71,598	100.0

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

Administrative Expenses

During the Reporting Period, our administrative expenses consisted of (i) employee benefits expenses, (ii) professional parties' fees, (iii) depreciation and amortization expenses, (iv) business development fees, (v) freight and miscellaneous fees and (vi) others. Employee benefits expenses consisted of wages and salaries, bonuses and other employee benefits for administrative employees. Professional parties' fees represented our engagement fees of professional parties during our ordinary course of business. Depreciation and amortization expenses represented the depreciation and amortization of our right-of-use assets, property and equipment for administrative purposes. Business development expenses represented administrative fees incurred as a result of our business development activities. Freight and miscellaneous fees comprised of transportation expenses. Others mainly included short-term leases expenses, utility fees, traveling expenses, office consumables, and other miscellaneous expenses.

The following table sets forth breakdowns of our administrative expenses in absolute amount and as percentages of our total administrative expenses for the periods indicated:

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

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

Listing Expenses

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

Finance Costs

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

Income Tax Expense

For the Corresponding Period and the Reporting Period, we incurred no income tax expenses.

Loss and Total Comprehensive Expenses

As a result of the foregoing, our loss and total comprehensive expenses were RMB78.4 million for the Reporting Period, representing a decrease of RMB8.2 million as compared to RMB86.6 million for the Corresponding Period.

Liquidity and Capital Resources

Our primary sources of liquidity consisted of cash and cash equivalents, which we have historically generated primarily through capital contributions from our shareholders, private equity financing and bank loans. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding our drug candidate portfolio.

As of June 30, 2024, our cash and cash equivalents decreased to RMB161.9 million from RMB196.7 million as of December 31, 2023. The decrease was primarily attributable to funding the ongoing research and development of our drug candidates.

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

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

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

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

As part of our treasury management, we may consider investing in certain structured deposits and wealth management products to better utilize excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our treasury management activities, to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. We only allow investments in structured deposits and other principal-guaranteed wealth management products, if any, which are issued by large commercial banks in the PRC.

Capital Structure

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

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

Indebtedness

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

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

Gearing Ratio

Gearing ratio represents liability divided by equity as of the same dates and multiplied by 100%. Liability is defined as short-term loan and lease liabilities. Our gearing ratio increased from 70.6% as of December 31, 2023 to 161.6% as of June 30, 2024, primarily due to a decrease in equity mainly as a result of our loss and total comprehensive expense recorded for the first half of 2024.

Significant Investments Held

We did not make or hold any significant investments during the Reporting Period.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

We did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

As of the date of this announcement, we do not have any concrete future plans for material capital expenditure, investments or capital assets. We will make further announcement(s) in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

As of June 30, 2024, we did not have any contingent liabilities. As of the date of this announcement, there have been no material changes or arrangements to our contingent liabilities.

Capital Commitments

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

Charges on Group Assets

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

Foreign Exchange Exposure

Certain financial liabilities of respective group entities are denominated in foreign currency, which are exposed to foreign currency risk. We did not have a foreign currency hedging policy against our exposure to currency risk during the Reporting Period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employee Remuneration and Relations

As of June 30, 2024, the Group had a total of 114 employees with 90 employees for research and development and 24 employees for general and administrative.

We are committed to making sure that working conditions throughout our business network are safe and that employees are treated with care and respect. We believe we offer our employees competitive compensation packages, reflecting our stakeholder-centric ethos which we believe leads to sustainable and durable growth. As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurances, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. Our compensation package also comprises year-end bonuses, communication, transport and meal allowances, staff dormitory, paid leaves, and holiday benefits. In addition, we provide career development opportunities and promote an inventive, collaborative, and productive work environment, which we believe fosters strong and long-lasting self-motivation for our employees.

We offer employees a variety of professional development opportunities and encourage a performance-driven environment. We focus on creating a culture to encourage retention and engagement. Given our emphasis on our integrated in-house research and development capabilities, we attach great importance to internal talent growth. We continually pursue progression opportunities for our staff through various internal and external training and development programs, including pre-job training, on-the-job practice, cross-training, special skills training, and talent echelon development training.

In recognition of the contributions of our employees and to incentivize them to further promote our development, the Company had adopted the Wuhan Caizhi Employee Incentive Scheme of Wuhan YZY Biopharma Co., Ltd. (the "**Wuhan Caizhi Employee Incentive Scheme**") and the Caizhi No. 2 Employee Incentive Scheme of Wuhan YZY Biopharma Co., Ltd. (the "**Caizhi No. 2 Employee Incentive Scheme**") (collectively, the "**Employee Incentive Schemes**"). An award under the Employee Incentive Schemes (the "**Award(s)**") gives a participant in the Employee Incentive Schemes a right when granted the Award to obtain partnership interest in the employee incentive platforms (namely, Wuhan Caizhi, Caizhi No. 2, Huiyou Jucai and Huiyou Juzhi) as a limited partner. The Employee Incentive Schemes do not involve any grant of share options or awards after the Listing and therefore are not subject to the provisions of Chapter 17 of the Listing Rules. As of the date of this announcement, Wuhan Caizhi and Caizhi No. 2, in aggregate, directly hold 28,413,118 Shares (comprising of 22,602,913 Unlisted Shares and 5,810,205 H Shares) (representing approximately 14.66% of the total issued share capital of the Company as of the date of this announcement), while some of the participants indirectly held partnership interest in Wuhan Caizhi through holding partnership interest in Huiyou Jucai and/or Huiyou Juzhi. For details of the Employee Incentive Schemes, please refer to the section headed "Employee Incentive Schemes" in Appendix VI to the Prospectus.

Subsequent Events After the Reporting Period

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules.

During the Reporting Period, the Company has complied with the code provisions in the CG Code, except for code provision C.2.1 as explained below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Dr. Zhou Pengfei is the founder of the Group, the chairman of the Board and the chief executive officer of the Company who has been participating in the Group's business and overall strategic planning since its establishment. The Board believes that vesting the roles of both the chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the chairperson of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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

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

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

CHANGES SINCE DECEMBER 31, 2023

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, and provide advice and comments to the Board. The Audit Committee comprises three members, Ms. Fu Lili, Dr. Zhou Hongfeng and Dr. Deng Yuezhen, with Ms. Fu Lili (being our independent non-executive Director with the appropriate professional qualifications) as chairwoman of the Audit Committee.

The Audit Committee has considered and reviewed the unaudited interim financial information for the Reporting Period and the accounting principles and practices adopted by the Group as set out in this announcement, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited interim financial information of the Group for the Reporting Period is in compliance with the relevant accounting standards, laws and regulations.

The unaudited interim financial information of the Group for the Reporting Period has been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDENDS

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the Company's website at www.yzybio.com and the website of the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be available on the above-mentioned websites of the Company and the Stock Exchange and will be dispatched to the requesting shareholders of the Company in due course.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024

	NOTES	**At June 30, 2024** ***RMB'000*** **(unaudited)**	At December 31, 2023 *RMB'000* (audited)
Non-current Assets			
Property and equipment		**39,150**	41,549
Right-of-use assets		**8,660**	8,830
Investment properties		**470**	492
Value-added tax recoverable		**509**	512
Prepayment for acquisition of property and equipment		**229**	140
		49,018	51,523
Current Assets			
Inventories		**5,380**	5,770
Prepayments, deposits and other receivables	*12*	**43,058**	31,615
Value-added tax recoverable		**650**	16,032
Cash and cash equivalents		**161,851**	196,684
		210,939	250,101
Current Liabilities			
Trade and other payables	*13*	**50,252**	42,373
Bank borrowings	*14*	**79,500**	89,500
Amount due to a related party		**–**	–
Lease liabilities		**356**	464
Deferred income		**490**	640
Advance from transfer agreement		**39,495**	40,843
		170,093	173,820
Net Current Assets		**40,846**	76,281
Total Assets Less Current Liabilities		**89,864**	127,804
Non-current Liabilities			
Bank borrowings	*14*	**40,000**	–
Lease liabilities		**275**	150
		40,275	150
Net Assets		**49,589**	127,654
Capital and Reserves			
Share capital		**193,849**	193,849
Reserves		**(144,260)**	(66,195)
Total Equity		**49,589**	127,654

1. GENERAL INFORMATION

Wuhan YZY Biopharma Co., Ltd. (the "**Company**") was established in the People's Republic of China (the "**PRC**") on July 8, 2010, as a limited liability company. On January 13, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC, with its name changed from Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司) to Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on September 25, 2023 (the "**Listing**"). The respective address of the registered office and the principal place of business is No. 666 Gaoxin Avenue, Wuhan East Lake New Technology Development District, Wuhan, Hubei Province, PRC.

The principal activities of the Company and its subsidiaries (the "**Group**") are mainly committed to develop bispecific antibody (BsAb)-based targeted and immune-oncology therapies to address the significant unmet medical needs of patients with tumors, ophthalmology and autoimmune diseases.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidated financial statements have been prepared on the historical cost basis.

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

Application of amendments to IFRSs

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

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

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

4. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the discovering, developing and commercializing new class of innovative medicines in respect to anti-tumor bispecific antibody.

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker ("**CODM**"), reviews the overall results and financial position of the Group as a whole and no further analysis of the single segment is presented.

Geographical information

The Group did not generate any revenue for the six months ended June 30, 2024 (six months ended June 30, 2023: nil). As at June 30, 2024, all of the Group's non-current assets are located in the PRC.

5. OTHER INCOME

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

Note: The amounts represent government grants received from various PRC government authorities as incentives for the Group's research and development activities. Some subsidies had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition.

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. LOSS BEFORE TAX

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

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

Note: Discretionary bonuses are determined based on the duties and performances of the relevant individuals and the operating result of the Group.

9. INCOME TAX EXPENSE

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

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

As at June 30, 2024, the Group has unrecognized tax losses of approximately RMB1,016,744,000 (December 31, 2023: RMB903,871,000). As at June 30, 2024, the Group has deductible temporary differences of approximately RMB39,036,000 (December 31, 2023: RMB34,356,000). No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

10. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	**(78,396)**	(86,568)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**193,849**	182,000
Loss per share		
– Basic and diluted (RMB)	**(0.40)**	(0.48)

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

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended June 30, 2023: nil).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Note: Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of drugs.

13. TRADE AND OTHER PAYABLES

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

Note: This amount was asset related government subsidy and attached with conditions that the construction of the buildings should be completed and approved by the respective PRC government authority before December 31, 2016. The Group has not fulfilled the conditions attached to this subsidy at December 31, 2023 and June 30, 2024. Therefore, the amount was repayable to the respective PRC government authority on demand.

The credit period on purchases of goods/services of the Group is 0 to 90 days.

The following is an aging analysis of trade payables of the Group based on the invoice dates at the end of each reporting period:

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

14. BANK BORROWINGS

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

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

DEFINITIONS AND GLOSSARIES

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

"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"Caizhi No. 2"	Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) (南京才智二號企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 27, 2021 and one of our employee incentive platforms
"CDMO(s)"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairman" or "Chairman of the Board"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CMO(s)"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CMS R&D"	CMS RESEARCH & DEVELOPMENT PTE. LTD. (formerly known as SOTER BIOPHARMA PTE. LTD.), an indirect wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK)

"Company," "our Company," or "the Company"	Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司), a joint stock company established in the PRC with limited liability on January 13, 2022, or, where the context requires (as the case may be), its predecessor, Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司), a limited liability company established in the PRC on July 8, 2010
"Corresponding Period"	for the six months ended June 30, 2023
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contractual basis
"Director(s) "	the director(s) of our Company
"Domestic Share(s) "	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"Global Offering"	the offer of Shares for subscription as described in the Prospectus
"Group," "our Group," "we," "us," or "our"	our Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"H Share(s) "	ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocyte malignant transformation
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Huiyou Jucai"	Nanjing Huiyou Jucai Enterprise Management Partnership (Limited Partnership) (南京匯友聚才企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 26, 2021 and one of our employee incentive platforms
"Huiyou Juzhi"	Nanjing Huiyou Juzhi Enterprise Management Partnership (Limited Partnership) (南京匯友聚智企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 27, 2021 and one of our employee incentive platforms
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the United States
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NSCLC"	non-small cell lung cancer
"Prospectus"	the prospectus of the Company dated September 13, 2023
"R&D"	research and development
"Reporting Period"	for the six months ended June 30, 2024
"RMB" or "Renminbi"	the lawful currency of the PRC
"Shareholder(s) "	shareholder(s) of the Company
"Share(s) "	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
"Shenzhen Kangzhe Vision"	Shenzhen Kangzhe Vision Pharmaceutical Development Co., Ltd. (深圳市康哲維盛醫藥發展有限責任公司) (formerly known as Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited (深圳康哲醫藥發展有限公司)), an indirect wholly-owned subsidiary of China Medical System Holdings Limited (0867.HK)
"SMO(s)"	site management organization, an organization that provides clinical trial-related services

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s) "	member(s) of the supervisory committee of the Company
"Unlisted Foreign Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each which is/are held by foreign investors and not listed on any stock exchange
"Unlisted Shares"	Domestic Shares and Unlisted Foreign Shares
"Wuhan Caizhi"	Wuhan Caizhi Investment Management Partnership (Limited Partnership) (武漢才智投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 21, 2015 and one of our employee incentive platforms
"%"	per cent

In this announcement, unless otherwise indicated, the terms "affiliate", "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial Shareholder" shall have the meanings given to such terms in the Listing Rules.

By order of the Board
Wuhan YZY Biopharma Co., Ltd.
Dr. Zhou Pengfei
Chairman of the Board, Executive Director and Chief Executive Officer

Wuhan, PRC, August 29, 2024

As of the date of this announcement, the Board comprises Dr. Zhou Pengfei as executive Director, Dr. Yuan Qian, Dr. Zhou Hongfeng, Mr. Pang Zhenhai, Dr. Hui Xiwu, Ms. Liang Qian, Dr. Guo Hongwei and Mr. Xie Shouwu as non-executive Directors, and Dr. Cheng Bin, Ms. Fu Lili, Dr. Deng Yuezhen and Dr. Chen Bin as independent non-executive Directors.