Akesobio

康方生物科技(開曼)有限公司
Akeso, Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號 : 9926

2021
INTERIM REPORT
中期報告

CONTENTS

COMPANY PROFILE

Akeso, Inc. is a biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of new innovative antibody drugs that are affordable to patients worldwide. Since the Company's establishment, the Company has established an end-to-end comprehensive drug development platform (ACE Platform) and system, encompassing fully integrated drug discovery and development functions, including target validation, antibody drug discovery and development, CMC production process development, and GMP compliant scale production. The Company has also successfully developed a bi-specific antibody drug development technology (Tetrabody technology). The Company currently has a pipeline of over 20 innovative drugs for the treatment of major diseases like tumors, autoimmune diseases, inflammation and metabolism diseases, 13 of which have entered clinical stage, including two first-in-class bi-specific antibody drugs (PD-1/CTLA-4 and PD-1/VEGF). The Company's vision is to become a global leading biopharmaceutical company through research and development of high efficacy and breakthrough new drugs that are first-in-class and best-in-class therapies.

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

"2021 ASCO GI"	ASCO Gastrointestinal Cancers Symposium 2021
"ACE Platform"	Akeso Comprehensive Exploration platform
"ASCO"	American Society of Clinical Oncology
"Audit Committee"	the audit committee of the Board
"BLA"	Biologics License Application
"Board of Directors" or "Board"	the board of Directors
"BVI"	British Virgin Islands
"CDE"	NMPA's Center for Drug Evaluation
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CMC"	chemistry, manufacturing and controls
"Company", "our Company"	Akeso, Inc. (康方生物科技(開曼)有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, as at the date of this report refers to Dr. XIA Yu
"CRO"	contract research organization
"CTLA-4"	cytotoxic T-lymphocyte-associated protein 4, which downregulates T cell immune response to cancer cells
"CTTQ"	Chia Tai Tianqing Pharmaceutical Group Co., Ltd., the principal subsidiary of Sino Biopharmaceutical Limited (stock code: 1177), is a multinational pharmaceutical company based in the PRC. It is one of the shareholders in our subsidiary, CTTQ-Akeso

"CTTQ-Akeso"	CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd. （正大天晴康方（上海）生物醫藥科技有限公司）, a limited liability company incorporated under the law of the PRC on August 30, 2019, one of our Group's subsidiaries
"Director(s)"	the director(s) of the Company
"dMMR"	mismatch repair deficient
"EMA"	European Medicines Agency
"ESMO 2021"	European Society for Medical Oncology Congress of 2021
"ESOP Trust"	a trust established by the Company by entering into a trust deed with Zedra Trust Company (Cayman) Limited, as trustee of the trust. Dr. XIA Yu as the enforcer of the trust is able to exercise voting rights attached to the Shares held by the ESOP Trust
"FDA"	the Food and Drug Administration of the United States
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GMP"	good manufacturing practice
"Group", "our Group", "our", "we" or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"HCC"	hepatocellular carcinoma
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hongtu Akeso"	Shenzhen Hongtu Akeso Investment Partnership (Limited Partnership)*（深圳市紅土康方投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on January 15, 2019, and a pre-IPO investor of our Company
"Hongtu Ventures"	Guangdong Hongtu Entrepreneurship Investment Limited Company*（廣東紅土創業投資有限公司), a limited liability company established in the PRC on March 27, 2012, and a pre-IPO investor of our Company

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"IPO"	the initial public offering of the Shares on the Main Board of the Stock Exchange on April 24, 2020
"LI LLC"	Kampfire LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. LI Baiyong
"LI Trust"	The Sunny Beach Living Trust, a trust created under the laws of California of the U.S. on June 19, 2019, with its trustee being Dr. LI Baiyong and its beneficiaries being certain of Dr. LI Baiyong's family members
"Listing Date"	April 24, 2020, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Merck"	Merck & Co.
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"MSCI"	Morgan Stanley Capital International
"MSI-H"	microsatellite instability-high
"NDA"	new drug application

"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)
"NSCLC"	non-small-cell lung cancer, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung carcinoma
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells, B-cells and macrophages. The normal function of PD-1 is to turn off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of T-cells attaches to certain proteins on the surface of a normal cell or cancer cell, T-cells will turn off its ability to kill the cell
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"Phaeton Capital"	Phaeton Capital Management, L.P.* (中山市迅翔股權投資管理企業(有限合夥)), a private fund manager enterprise registered with Asset Management Association of China, which manages Zhongshan Xunxiang and Zhongshan Xunying
"Prospectus"	the prospectus of the Company dated April 14, 2020
"R&D"	Research and Development
"Reporting Period"	the six months ended June 30, 2021
"Restricted Share Unit Scheme"	the restricted share unit scheme approved and adopted by our Company on August 29, 2019 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s)
"SCGC"	Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), a limited liability company established in the PRC on August 25, 1990, and a pre-IPO investor of our Company
"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) with nominal value of US$0.00001 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TETRABODY"	a portmanteau of the phrase "tetravalent antibody", refers to our proprietary technology for the design and production of innovative tetravalent bi-specific antibodies (with four antigen-binding sites in each antibody molecule)
"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"VEGF"	vascular endothelial growth factor, a family of cytokines critical for the growth and development of cancer cells. There are three main VEGF receptors and subtypes of VEGFs, including VEGFR-1, VEGFR-2 and VEGFR-3
"WANG LLC"	Blazing Rosewood LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. WANG Zhongmin Maxwell
"WANG Trust"	The Mahogany Living Trust, a trust created under the laws of California of the U.S. on June 19, 2019, with its trustee being Dr. WANG Zhongmin Maxwell and its beneficiaries being certain of Dr. WANG Zhongmin Maxwell's family members
"XELOX"	oxaliplatin and capecitabine
"XIA LLC"	Golden Oaks LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. XIA Yu
"XIA Trust"	The Gemstone Living Trust, a trust created under the laws of California of the U.S. on June 11, 2019, with its trustee being Dr. XIA Yu and its beneficiaries being certain of Dr. XIA Yu's family members
"Zhongshan Xunxiang"	Zhongshan Xunxiang Kangfang Equity Investment Partnership (Limited Partnership)*（中山市迅翔康方股權投資企業（有限合夥）), a limited liability partnership established in the PRC on July 22, 2015, and a Pre-IPO Investor of our Company
"Zhongshan Xunying"	Zhongshan Xunying Equity Investment Partnership (Limited Partnership)*（中山市迅盈股權投資企業（有限合夥）), a limited liability partnership established in the PRC on December 20, 2017, and a Pre-IPO Investor of our Company
"%"	per cent

* *For identification purpose only*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. XIA Yu *(Chairwoman, president, and chief executive officer)*
Dr. LI Baiyong
Dr. WANG Zhongmin Maxwell
Mr. XIA Yu (Ph.D.)

Non-executive Directors

Dr. ZHOU Yi
Mr. XIE Ronggang

Independent Non-executive Directors

Dr. ZENG Junwen
Dr. XU Yan
Mr. TAN Bo

AUDIT COMMITTEE

Mr. TAN Bo *(Chairman)*
Dr. ZENG Junwen
Dr. XU Yan

REMUNERATION COMMITTEE

Dr. ZENG Junwen *(Chairman)*
Dr. XIA Yu
Dr. XU Yan

NOMINATION COMMITTEE

Dr. XIA Yu *(Chairwoman)*
Dr. ZENG Junwen
Dr. XU Yan

JOINT COMPANY SECRETARIES

Mr. XI Xiaojie
Ms. SUEN Pui Chun Hannah

AUTHORIZED REPRESENTATIVES

Dr. XIA Yu
Ms. SUEN Pui Chun Hannah

AUDITOR

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

LEGAL ADVISER

As to Hong Kong and United States laws:
Davis Polk & Wardwell

As to Cayman Islands law:
Campbells

COMPLIANCE ADVISER

Somerley Capital Limited

PRINCIPAL BANKS

In Hong Kong:
CMB Wing Lung Bank Limited

In the PRC:
Industrial and Commercial Bank of China Limited, Zhongshan High-Tech Industrial Development Zone Technology Branch

China Merchants Bank Co., Limited, Zhongshan Branch

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

CORPORATE HEADQUARTERS

No. 6, Shennong Road
Torch Development Zone
Zhongshan City
Guangdong Province 528437
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

9926

COMPANY'S WEBSITE

www.akesobio.com

LISTING DATE

April 24, 2020

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue	**128,600**	–
Other income and gains, net	**65,097**	41,012
Research and development expenses	**(563,518)**	(240,708)
Loss for the period	**(446,163)**	(718,339)
Total comprehensive loss for the period	**(471,470)**	(728,709)
Adjusted total comprehensive loss for the period*	**(321,327)**	(216,745)

* Adjusted total comprehensive loss is not defined under IFRS, it represents the total comprehensive loss excluding the effect brought by equity-settled share award expenses, listing expenses and fair value changes on convertible redeemable preferred shares.

IFRS Measures:

- Revenue was RMB128.6 million for the six months ended June 30, 2021, which was generated from the receipt of the milestone payment in connection with our out-licensed product AK107.

- Other income and gains, net increased by RMB24.1 million from RMB41.0 million for the six months ended June 30, 2020 to RMB65.1 million for the six months ended June 30, 2021. The increase was primarily attributable to interests earned on the proceeds from the IPO and the placement of new shares in January 2021 and the increase in subsidies from local government for research and development activities.

- Research and development expenses increased by RMB322.8 million from RMB240.7 million for the six months ended June 30, 2020 to RMB563.5 million for the six months ended June 30, 2021. The increase was primarily attributable to (i) the clinical trial advancement of our 10 internally-development drug candidates, especially the promising progress made in our two bi-specific antibodies, AK104 and AK112; and (ii) increased staff costs as a result of further expansion in R&D staff base from 377 employees to 836 employees and pay rises.

- The loss for the period was RMB446.2 million for the six months ended June 30, 2021, representing a decrease by RMB272.1 million from RMB718.3 million for the six months ended June 30, 2020, primarily driven by (i) a non-cash, one time change of RMB412.4 million in the fair value of convertible redeemable preferred shares as required under the IFRS in the six months ended June 30, 2020; (ii) revenue of RMB128.6 million generated from licensing income; and (iii) the increase of RMB322.8 million in R&D investment.

Non-IFRS Measures:

Adjusted total comprehensive loss represents the total comprehensive loss excluding the effect brought by equity-settled share award expenses, listing expenses and certain non-cash items and one-time events, namely the fair value changes on convertible redeemable preferred shares.

The term adjusted total comprehensive loss is not defined under the IFRS. The table below sets forth a reconciliation of the total comprehensive loss to adjusted total comprehensive loss during the periods indicated:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Total comprehensive loss for the period	**(471,470)**	(728,709)
Added:		
Fair value changes on convertible redeemable preferred shares	**–**	412,421
Listing expenses	**–**	45,492
Equity-settled share award expenses	**150,143**	54,051
Adjusted total comprehensive loss for the period	**(321,327)**	(216,745)

BUSINESS HIGHLIGHTS

During the Reporting Period, we continued to make significant progress in our product pipeline and business operations, including the following milestones and achievements:

Oncology

- ***PD-1/CTLA-4 bi-specific antibody (Cadonilimab, AK104):***

  1. *Clinical Progress:*

     - In January 2021, successful dosing of the first patient with combination of AK104 and AK119 for treatment of advanced solid tumors in phase I clinical trial.

     - In February 2021, AK104 obtained orphan drug designation from the FDA for treating cervical cancer (except very early stage IA1).

     - In April 2021, AK104 obtained approval from the CDE to initiate global phase III clinical trial for first-line treatment of advanced cervical cancer.

  2. *Data Readouts:*

     - In January 2021, latest results of phase Ib/II study of AK104 for the first-line treatment of advanced gastric adenocarcinoma or gastroesophageal junction cancer in combination with chemotherapy published at 2021 ASCO GI.

- In June 2021, we presented the following information of AK104 at ASCO 2021:
  - Phase II study of AK104 (PD-1/CTLA-4 bispecific antibody) plus lenvatinib as first-line treatment of unresectable hepatocellular carcinoma.
  - A phase I study of AK119, an anti-CD73 monoclonal antibody, in combination with AK104, an anti-PD-1/CTLA-4 bispecific antibody, in patients with advanced or metastatic solid tumors.

- ***PD-1/VEGF bi-specific antibody (AK112):***

  1. *Clinical Progress:*
     - In May 2021, five clinical trials of AK112 have been initiated. The research includes:
       - AK112 as a monotherapy for treatment of advanced non-small cell lung cancer.
       - AK112 as a monotherapy for treatment of recurrent/metastatic gynecological tumors.
       - AK112 in combination with chemotherapy for treatment of advanced non-small cell lung cancer (including after treatment failure by first-line PD-1/L1 inhibitor and after treatment failure by tyrosine kinase inhibitor (TKI)).
       - AK112 in combination with chemotherapy for first-line treatment of extensive stage small cell lung cancer.
       - AK112 in combination with Poly ADP-ribose Polymerase (PARP) inhibitor for treatment of wild-type breast cancer gene (BRCA) platinum-sensitive recurrent ovarian cancer.
  2. *Data Readouts:*
     - In June 2021, we presented the following information of AK112 at ASCO 2021:
       - Safety and efficacy of AK112, an anti-PD-1/VEGF-A bispecific antibody, in patients with advanced solid tumors in a phase I dose escalation study.

- ***CD47 monoclonal antibody (AK117):***

  1. *Clinical Progress:*
     - In May 2021, we obtained approval from the NMPA to initiate phase I/II clinical trial for the treatment of medium- to high-risk myelodysplastic syndromes (MDS).
  2. *Data Readouts:*
     - In June 2021, we presented the following information of AK117 at ASCO 2021:
       - Safety of AK117, an anti-CD47 monoclonal antibody, in patients with advanced or metastatic solid tumors in a phase I study.

- ***PD-1 monoclonal antibody (Penpulimab, AK105):***

  1. *Clinical Progress:*

     - In February 2021, the interim analysis of the phase III clinical trial of AK105 in combination with paclitaxel and carboplatin for first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer has reached key research endpoints.

     - In March 2021, AK105 obtained breakthrough therapy designation from the FDA for third-line treatment of metastatic nasopharyngeal carcinoma.

     - In May 2021, AK105 is selected under the new policy of real-time oncology review (RTOR) of the FDA and has submitted a BLA to the FDA for third-line treatment of metastatic nasopharyngeal carcinoma.

     - The Company jointly initiated or is initiating multiple phase II/III clinical trials of AK105 in combination with Anlotinib with CTTQ for various indications including:

       - Non-squamous non-small cell lung cancer (nsq-NSCLC);
       - Small cell lung cancer (SCLC);
       - Gastric cancer (GC);
       - Esophageal squamous cell carcinoma (ESCC);
       - Hepatocellular carcinoma (HCC);
       - Urothelial carcinoma (UC);
       - Head and neck cancer (HNC);
       - MSI-H or mismatch repair deficient (dMMR) solid tumor;
       - Neuroendocrine carcinoma, and etc.

  2. *Data Readouts:*

     - In January 2021, latest study of AK105 in combination with Anlotinib for first-line advanced HCC published at 2021 ASCO GI.

     - In June 2021, we presented the following information of AK105 at ASCO 2021:

       - Penpulimab in combination with Anlotinib as first-line treatment in advanced non-squamous non-small cell lung cancer.
       - A phase II study of Penpulimab, an anti-PD-1 antibody, in patients with relapsed or refractory classic Hodgkin lymphoma (cHL).
       - Penpulimab plus Anlotinib as second-line treatment for the small cell lung cancer after failure of platinum-based systemic chemotherapy.

- ***CD73 monoclonal antibody (AK119):***

  1. *Clinical Progress:*

     - In January 2021, the first patient was successfully dosed with AK104 in combination with AK119 for treatment of advanced solid tumors.

  2. *Data Readouts:*

     - In June 2021, we presented the following information of AK119 at ASCO 2021:

       - A phase I study of AK119, an anti-CD73 monoclonal antibody, in combination with AK104, an anti-PD-1/CTLA-4 bispecific antibody, in patients with advanced or metastatic solid tumors.

- ***IL-4R monoclonal antibody (AK120):***

  Clinical Progress:

  - In February 2021, the clinical trial application for AK120 was accepted by the NMPA.

  - In April 2021, AK120 was approved by the NMPA to initiate phase I clinical trials for treatment of moderate-to-severe atopic dermatitis.

- ***IL-12/IL-23 monoclonal antibody (AK101):***

  Clinical Progress:

  - In May 2021, phase III clinical trial of AK101 for treatment of moderate-to-severe psoriasis has submitted communication application to the NMPA and communication with the CDE is in progress.

- ***IL-17 monoclonal antibody (AK111):***

  Clinical Progress:

  - In February 2021, AK111 for treatment of axial spondylitis obtained clinical trial approval from the NMPA.

- ***PCSK9 monoclonal antibody (Ebronucimab, AK102):***

  Clinical Progress:

  - In February 2021, we completed the patient enrollment in phase II clinical trial of AK102 for the treatment of hypercholesterolemia.

RECENT DEVELOPMENT AFTER THE REPORTING PERIOD

We continued to make significant progress in our drug pipeline and business operations after the Reporting Period, including the following major milestones and achievements. As of the date of this report, we have 4, 28 and 9 clinical programs in phase Ia, Ib/II and pivotal/III studies, respectively. Moreover, we have received 16 IND approvals.

Clinical Progress:

In July 2021:

- AK105 in combination with chemotherapy for first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer has submitted the NDA to and was accepted by the NMPA.
- AK104 and AK109 in combination with/without chemotherapy has obtained approval to initiate phase Ib/II clinical trial for second-line treatment of advanced gastric adenocarcinoma or gastroesophageal junction cancer.
- AK104 in combination with the AK117 has completed patient enrollment of the first cohort for the treatment of selected solid tumors.
- AK117 has completed phase I dose escalation trial in Australia and obtained approval from the NMPA to initiate phase Ib/II clinical trial in combination with azacytidine for treatment of acute myeloid leukemia.

In August 2021:

- AK104 in combination with XELOX for first-line treatment of advanced gastric carcinoma or gastroesophageal junction cancer has received the approval from the NMPA to initiate a phase III clinical trial.
- AK104 in combination with AK109 for treatment of advanced solid tumors has received the approval from the NMPA to initiate a phase Ib/II clinical trial.
- The NDA of AK105 for third-line treatment of metastatic nasopharyngeal carcinoma has been submitted and was accepted by the NMPA.
- The anti PD-1 monoclonal antibody drug 安尼可® (generic name: Penpulimab monoclonal antibody injection) has been granted marketing approval by the NMPA for the treatment of patients with relapsed or refractory classic Hodgkin's lymphoma after at least second-line systemic chemotherapy treatment.
- Phase II pivotal clinical trial of AK104 for treatment of relapsed or metastatic cervical cancer has obtained approval from the CDE to submit NDA and was granted priority review designation.

OTHER HIGHLIGHTS

Human Resources Management

In order to fully support our continued growth, we continue to invest in attracting and retaining top talent, expand our talent pool and enhance our capabilities in various aspects of our operations including clinical development and commercialization.

The first half of 2021 has witnessed an continued expansion in our team, from 746 employees as of December 31, 2020 to 1,202 employees as of June 30, 2021 with the detailed breakdown by function as set out below:

Function	Number of employees	% of total
Research and Development	192	16.0
Clinical	358	29.8
Manufacturing	286	23.8
Sourcing	11	0.9
Selling, General and Administrative	355	29.5
Total	1,202	100

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

OVERVIEW

We are a clinical-stage biopharmaceutical company committed to in-house discovery, development and commercialization of first-in-class and best-in-class therapies. We are dedicated to addressing global unmet medical needs in oncology, immunology and other therapeutic areas.

Our vision is to become a global leader in developing, manufacturing and commercializing innovative, next-generation and affordable therapeutic antibodies for patients worldwide.

Our business is designed to drive success through both efficient and breakthrough R&D innovation. We believe that fully integrated in-house R&D capabilities are critical to achieving success in China.

Since our inception, we have had the foresight to develop an end-to-end platform, the ACE Platform, encompassing comprehensive drug discovery and development functionalities, including target validation, antibody drug discovery and development, CMC and GMP-compliant manufacturing. Through our ACE Platform, we have developed one of the richest and most diversified innovative antibody drug pipelines in China covering over 20 drug development programs, including 13 antibodies in clinical-stage development and 6 bi-specific antibodies.

In addition to the strong product portfolio, we have also utilized the scientific strengths of our clinical assets, and our management relationships, to conduct business development activities and forge landmark transactions repetitively in China's biotech industry including successful out-licensing of our CTLA-4 monoclonal antibody (AK107) to Merck for a total consideration of up to US$200 million, and our commercialization partnership with CTTQ, the principal subsidiary of Sino Biopharmaceutical Limited, a company listed on the Stock Exchange (stock code: 1177), for the joint development and commercialization of our PD-1 antibody drug candidate (Penpulimab, AK105).

During the Reporting Period, the Company has been included as a constituent stock of the MSCI China Index.

Product Pipeline

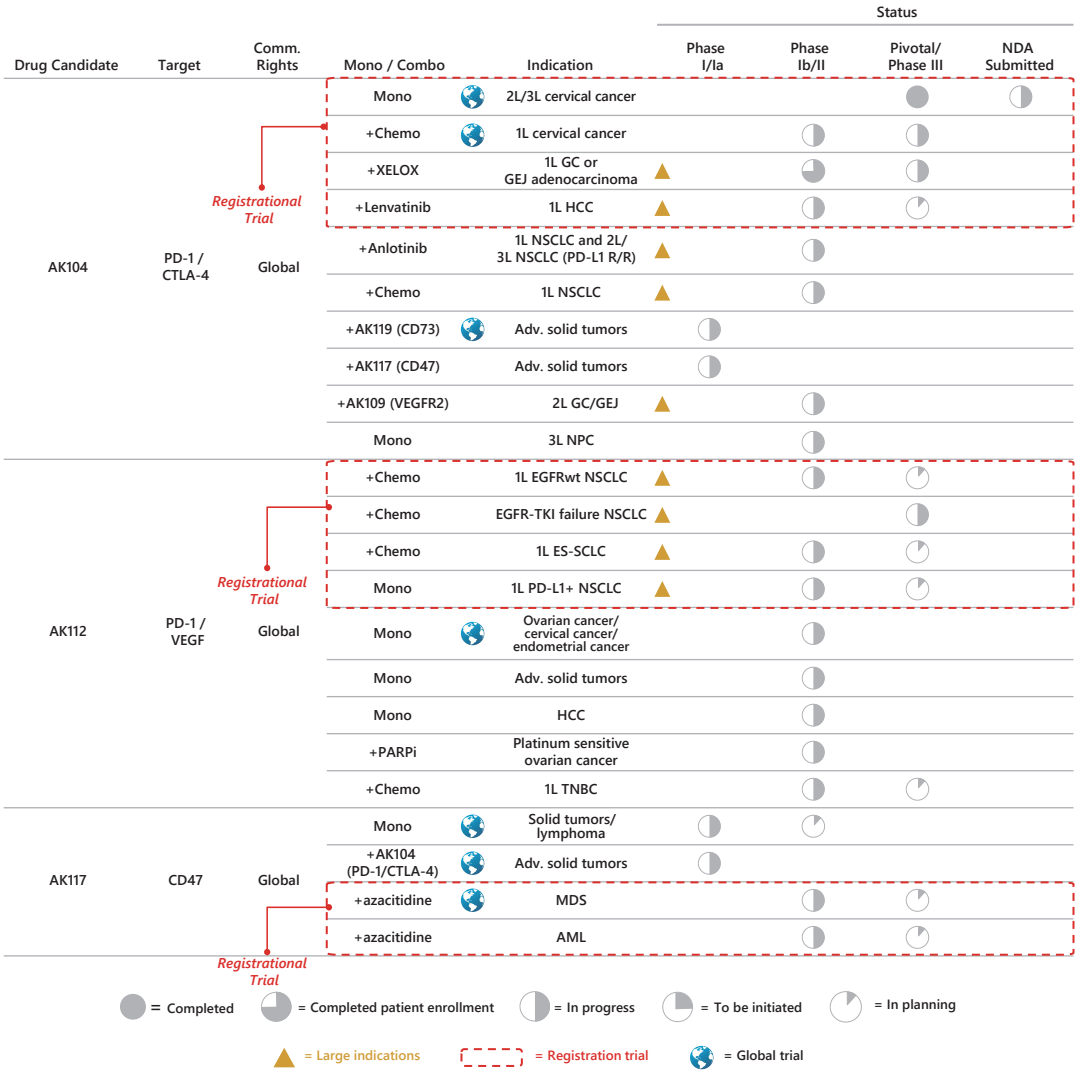
We have 13 clinical-stage drug candidates, including 10 drug candidates under internal development and 3 have been licensed out. Thereinto, we licensed out a CTLA-4 monoclonal antibody (AK107) to Merck in 2015 and 2 drug candidates to our commercial partners for continued clinical development in 2014 and 2016, respectively.

Oncology is one of our focused therapeutic areas. Our products in clinical trials include a PD-1/CTLA-4 bi-specific antibody (Cadonilimab, AK104), a PD-1/VEGF bi-specific antibody (AK112), a CD47 monoclonal antibody (AK117), a PD-1 monoclonal antibody (Penpulimab, AK105), a CD73 monoclonal antibody (AK119) and a VEGFR-2 monoclonal antibody (AK109). We believe that some of these candidates have the potential to become first-in-class or best-in-class therapies, as well as either important components or backbone of combination therapies.

We have also strategically developed an expertise in immunology since our inception, which positions us well to capture China's underserved and growing autoimmune disease market. In this therapeutic area, our products currently in clinical trials include a CD73 monoclonal antibody (AK119), an IL-4R monoclonal antibody (AK120), an IL-12/IL-23 monoclonal antibody (AK101) and an IL-17 monoclonal antibody (AK111).

In addition to oncology and immunology, we have several compounds targeting diseases in other therapeutic areas including a PCSK9 monoclonal antibody (Ebronucimab, AK102) in collaboration under a joint venture agreement with Dawnrays Pharmaceutical (Holdings) Limited.

The following chart summarizes the development status of our eight internally-developed, clinical-stage key antibody drug candidates as of the date of this report (only including clinical trials that have been initiated):



Drug Candidate	Target	Comm. Rights	Mono / Combo	Indication	Status: Phase I/Ia	Phase Ib/II	Pivotal/ Phase III	NDA Submitted
AK105	PD-1	Global	Mono	3L R/R cHL				●
			Mono	≥3L NPC				●
			+Chemo	1L sq-NSCLC ▲				●
			+Anlotinib	1L nsq-NSCLC ▲			◑	
			+Anlotinib	1L HCC ▲			◑	
			+Anlotinib	2L GC ▲			◑	
			+Chemo	1L nsq-NSCLC ▲			◑	
			+Anlotinib	dMMR		◑		
			+Anlotinib	NSCLC, SCLC, HNC, thyroid cancer, mesothelioma and thymic cancer		◑		
			+Anlotinib	ESCC, UC, GC/GEJ, cholangiocarcinoma, neuroendocrine tumor (NET)		◑		
			+Chemo +/- Anlotinib	1L NPC		◑		
AK120	IL-4R	Global	Mono	Moderate-to-severe atopic dermatitis		◑		
			Mono	Moderate-to-severe asthma		◔		
AK101	IL-12/IL-23	Global	Mono	Moderate-to-severe psoriasis	●	◕	◑	
			Mono	Moderate-to-severe ulcerative colitis	●	◑		
AK111	IL-17	Global	Mono	Moderate-to-severe psoriasis	●	◑	◔	
			Mono	Ankylosing spondylitis	●	◑		
AK102	PCSK9	Global	AK102 / Placebo+ Statin / Ezetimibe	Hypercholesterolemia		●	◑	
			AK102 / Placebo+ Statin / Ezetimibe	HeFH		◕		
			AK102 / Placebo+ Statin / Ezetimibe	HoFH		◑		

U.S. (Breakthrough Therapy Designation, Fast Track Designation, Orphan Drug Designation)

Registrational Trial

● = Completed ◕ = Completed patient enrollment ◑ = In progress ◔ = To be initiated ◔ = In planning

▲ = Large indications ⬚ = Registration trial 🌐 = Global trial

Abbreviations: 1L = first-line; 2L = second-line; 3L = third-line; Adv. = advanced; AML = acute myeloid leukemia; cHL = classic Hodgkin's lymphoma; Chemo = chemotherapy; Combo = combination therapy; Comm. = commercial; COVID-19 = Coronavirus Disease 2019; dMMR = mismatch repair deficient; EGFR-TKI = epidermal growth factor receptor tyrosine kinase inhibitors; EGFRwt = epidermal growth factor receptor wild type; ES = extensive stage; ESCC = esophageal squamous cell carcinoma; GC = gastric cancer; GEJ = gastroesophageal junction; HCC = hepatocellular carcinoma; HeFH = heterozygous familial hypercholesterolemia; HoFH = homozygous familial hypercholesterolemia; HNC = head and neck cancer; MDS = myelodysplastic syndrome; Mono = monotherapy; NPC = nasopharyngeal cancer; nsq-NSCLC = non-squamous non-small cell lung cancer; NSCLC = non-small cell lung cancer; PARPi = Poly ADP-ribose polymerase inhibitor; PD-L1+ = PD-1 ligand 1 positive; R/R = relapsed/refractory; SCLC = small cell lung cancer; sq-NSCLC = squamous non-small cell lung cancer; TNBC= triple-negative breast cancer; UC = urothelial carcinoma.

BUSINESS REVIEW

During the Reporting Period, we continued to make significant progress in our product pipeline and business operations, including the following milestones and achievements:

Our Product Candidates

Oncology

- **PD-1/CTLA-4 bi-specific antibody (Cadonilimab, AK104)**: AK104 is our first-in-class PD-1/CTLA-4 bi-specific antibody designed to achieve preferential binding to tumor infiltrating lymphocytes rather than normal peripheral tissue lymphocytes. It has demonstrated the clinical efficacy of the combination therapy of PD-1 and CTLA-4 monoclonal antibodies, together with a favorable safety profile that the combination therapy of PD-1 and CTLA-4 monoclonal antibodies has failed to offer.

  During the Reporting Period, we have achieved the following progress or milestone(s):

  1. *Clinical Progress:*

     — In January 2021, successful dosing of the first patient with combination of AK104 and AK119 for treatment of advanced solid tumors in phase I clinical trial.

     — In February 2021, AK104 obtained orphan drug designation from the FDA for treating cervical cancer (except very early stage IA1).

     — In April 2021, AK104 obtained approval from the CDE to initiate global phase III clinical trial for first-line treatment of advanced cervical cancer.

  2. *Data Readouts:*

     — In January 2021, latest results of phase Ib/II study of AK104 for the first-line treatment of advanced gastric adenocarcinoma or gastroesophageal junction cancer in combination with chemotherapy published at 2021 ASCO GI.

     — In June 2021, we presented the following information of AK104 at ASCO 2021:

       - Phase II study of AK104 (PD-1/CTLA-4 bispecific antibody) plus lenvatinib as first-line treatment of unresectable hepatocellular carcinoma.

       - A phase I study of AK119, an anti-CD73 monoclonal antibody, in combination with AK104, an anti-PD-1/CTLA-4 bispecific antibody, in patients with advanced or metastatic solid tumors.

The table below sets forth details of our clinical development plan for AK104 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
2L/3L cervical cancer*	Pivotal	Mono	September 2019	2H 2021	China/NMPA
3L NPC	Phase III	Mono	May 2020	—	China
1L GC or GEJ adenocarcinoma*	Phase III	Combo (with XELOX)	August 2021	—	China
1L HCC	Phase II	Combo (with Lenvatinib)	July 2020	—	China
1L NSCLC and 2L/3L NSCLC (PD-L1 R/R)**	Phase II	Combo (with Anlotinib)	November 2020	—	China
1L NSCLC	Phase II	Combo (with chemo)	December 2020	—	China
Advanced solid tumors	Phase Ia	Combo (with AK119 (CD73))	January 2021	—	Australia
Advanced solid tumors	Phase Ia	Combo (with AK117 (CD47))	July 2021	—	China
2L GC	Phase Ib/II	Combo (with AK109 (VEGFR2))	August 2021	—	China
1L cervical cancer	Phase III	Combo (with chemo)	April 2021	—	China

Abbreviations: 2H = second half; 1L = first-line; 2L = second-line; 3L = third-line; GC = gastric cancer; GEJ = gastroesophageal junction; HCC = hepatocellular carcinoma; NPC = nasopharyngeal cancer; NSCLC = non-small cell lung cancer; R/R = relapsed/refractory.

Notes:

(1) Denotes the date on which the first patient was or is expected to be enrolled.

* Denotes the indications evaluated in the basket trial No. 1.

** Denotes the indications evaluated in the basket trial No. 2. If promising efficacy signals are observed in these selected indications, we may expand these basket trials into a registrational trial or initiate a phase III trial (which may include the sites in the United States).

- **PD-1/VEGF bi-specific antibody (AK112)**: AK112 is a potential first-in-class PD-1/VEGF bi-specific antibody. Given the strong correlation between VEGF and PD-1 expression in the tumor microenvironment, the simultaneous blockade of these two targets by AK112 as a single agent might achieve higher target binding specificities and synergistically produce enhanced antitumor activity compared to co-administration of anti-PD-L1 and anti-VEGF therapies. Engineered with our TETRABODY technology, AK112 blocks PD-1 binding to PD-L1 and PD-L2, and blocks VEGF binding to VEGF receptors, thus inhibiting tumor cell proliferation and tumor angiogenesis.

  During the Reporting Period, we have achieved the following progress or milestone(s):

  1. *Clinical Progress:*

     — In May 2021, five clinical trials of AK112 have been initiated. The research includes:

     - AK112 as a monotherapy for treatment of advanced non-small cell lung cancer.
     - AK112 as a monotherapy for treatment of recurrent/metastatic gynecological tumors.
     - AK112 in combination with chemotherapy for treatment of advanced non-small cell lung cancer (including after treatment failure by first-line PD-1/L1 inhibitor and after treatment failure by tyrosine kinase inhibitor (TKI)).
     - AK112 in combination with chemotherapy for first-line treatment of extensive stage small cell lung cancer.
     - AK112 in combination with Poly ADP-ribose Polymerase (PARP) inhibitor for treatment of wild-type breast cancer gene (BRCA) platinum-sensitive recurrent ovarian cancer.

  2. *Data Readouts:*

     — In June 2021, we presented the following information of AK112 at ASCO 2021:

     - Safety and efficacy of AK112, an anti-PD-1/VEGF-A bispecific antibody, in patients with advanced solid tumors in a phase I dose escalation study.

The table below sets forth details of our clinical development plan for AK112 (only including clinical trials that have been initiated).

Indication	Clinical stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
1L EGFRwt NSCLC	Phase II	Combo (with chemo)	February 2021	—	China
EGFR-TKI failure NSCLC	Phase II	Combo (with chemo)	February 2021	—	China
1L ES-SCLC	Phase II	Combo (with chemo)	April 2021	—	China
1L PD-L1+ NSCLC	Phase II	Mono	May 2021	—	China
Ovarian cancer/cervical cancer/endometrial cancer	Phase II	Mono	April 2021	—	China
Advanced solid tumors	Phase II	Mono	February 2019	—	China
Hepatocellular carcinoma	Phase II	Mono	October 2020	—	China
Platinum sensitive ovarian cancer	Phase II	Combo (with PARPi)	June 2021	—	China
1L TNBC	Phase II	Combo (with chemo)	July 2021	—	China

Abbreviations: 1L = first-line; EGFR-TKI = epidermal growth factor receptor tyrosine kinase inhibitors; EGFRwt = epidermal growth factor receptor wild type; ES-SCLC = extensive stage-small cell lung cancer; NSCLC = non-small cell lung cancer; PARPi = Poly ADP-ribose polymerase inhibitor; PD-L1+ = PD-1 ligand 1 positive; TNBC = triple-negative breast cancer.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **CD47 monoclonal antibody (AK117)**: AK117 is a monoclonal antibody against CD47. We are evaluating this drug candidate for the treatment of cancer in combination with other therapies.

  During the Reporting Period, we have achieved the following progress or milestone(s):

  1. *Clinical Progress:*

     — In May 2021, we obtained approval from the NMPA to initiate phase I/II clinical trial for the treatment of medium- to high-risk myelodysplastic syndromes (MDS).

  2. *Data Readouts:*

     — In June 2021, we presented the following information of AK117 at ASCO 2021:

       - Safety of AK117, an anti-CD47 monoclonal antibody, in patients with advanced or metastatic solid tumors in a phase I study.

The table below sets forth details of our clinical development plan for AK117 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
Advanced solid tumors	Phase Ia	Combo (with AK104 (PD-1/CTLA-4))	July 2021	—	Australia
Solid tumors/lymphoma	Phase Ia	Mono	1H 2021	—	Australia/China
MDS	Phase II	Combo (with azacitidine)	May 2021	—	China
AML	Phase II	Combo (with azacitidine)	July 2021	—	China

Abbreviations: 1H = first half; AML = acute myeloid leukemia; MDS = myelodysplastic syndrome.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **PD-1 monoclonal antibody (Penpulimab, AK105)**: Penpulimab is an innovative, potentially best-in-class humanized monoclonal antibody against PD-1 we developed in house, and is currently jointly developed and commercialized by the joint venture — CTTQ-Akeso (established by the Company and CTTQ).

  We have initiated an array of clinical studies for AK105 in Australia and China, including seven on-going registrational trials in China and a focus on combination trials with Anlotinib. AK105 is differentiated from all of the currently marketed PD-1 antibodies with the key strengths including (1) differentiated structure design that (i) removes Fc-receptor-mediated effector function to increase anti-tumor activities and (ii) leads to slower off-rate and better receptor occupancy; (2) strong efficacy data and favorable safety profile observed in clinical trials. During the Reporting Period, we have achieved the following progress or milestone(s):

  1. *Clinical Progress:*

     — In February 2021, the interim analysis of the phase III clinical trial of AK105 in combination with paclitaxel and carboplatin for first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer has reached key research endpoints.

     — In March 2021, AK105 obtained breakthrough therapy designation from the FDA for third-line treatment of metastatic nasopharyngeal carcinoma.

     — In May 2021, AK105 is selected under the new policy of real-time oncology review (RTOR) of the FDA and has submitted a BLA to the FDA for third-line treatment of metastatic nasopharyngeal carcinoma.

— The Company jointly initiated or is initiating multiple phase II/III clinical trials of AK105 in combination with Anlotinib with CTTQ for various indications including:

- Non-squamous non-small cell lung cancer (nsq-NSCLC);
- Small cell lung cancer (SCLC);
- Gastric cancer (GC);
- Esophageal squamous cell carcinoma (ESCC);
- Hepatocellular carcinoma (HCC);
- Urothelial carcinoma (UC);
- Head and neck cancer (HNC);
- MSI-H or mismatch repair deficient (dMMR) solid tumor;
- Neuroendocrine carcinoma, and etc.

2. Data Readouts:

— In January 2021, latest study of AK105 in combination with Anlotinib for first- line advanced HCC published at 2021 ASCO GI.

— In June 2021, we presented the following information of AK105 at ASCO 2021:

- Penpulimab in combination with Anlotinib as first-line treatment in advanced non-squamous non-small cell lung cancer.
- A phase II study of Penpulimab, an anti-PD-1 antibody, in patients with relapsed or refractory classic Hodgkin lymphoma (cHL).
- Penpulimab plus Anlotinib as second-line treatment for the small cell lung cancer after failure of platinum-based systemic chemotherapy.

The table below sets forth details of our clinical development plan for penpulimab (AK105) (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
3L R/R cHL	NDA approved	Mono	January 2019	May 2020	China/NMPA
≥3L NPC	NDA submitted	Mono	March 2019	August 2021	US/FDA China/NMPA
1L sq-NSCLC	NDA submitted	Combo (with chemo)	December 2018	July 2021	China/NMPA
1L nsq-NSCLC	Phase III	Combo (with chemo)	July 2019	2022	China/NMPA
1L nsq-NSCLC	Phase III	Combo (with Anlotinib)	January 2020	2022	China/NMPA
1L HCC	Phase III	Combo (with Anlotinib)	2H 2020	2H 2022	China/NMPA
2L GC	Phase III	Combo (with Anlotinib)	2H 2020	—	China/NMPA
dMMR	Phase II	Combo (with Anlotinib)	2H 2020	—	China/NMPA
NSCLC, SCLC, HNC, thyroid cancer, mesothelioma and thymic cancer	Phase II	Combo (with Anlotinib)	May 2020	—	China/NMPA
ESCC, urothelial carcinoma, GC or GEJ adenocarcinoma, cholangiocarcinoma, neuroendocrine tumor (NET)	Phase II	Combo (with Anlotinib)	May 2020	—	China/NMPA
1L NPC	Phase II	Combo (with chemo+/- Anlotinib)	2H 2020	—	China/NMPA

Abbreviations: 2H = second half; 1L = first-line; 2L = second-line; 3L = third-line; cHL = classic Hodgkin's lymphoma; dMMR = mismatch repair deficient; ESCC = esophageal squamous cell carcinoma; GC = gastric cancer; GEJ = gastroesophageal junction; HCC = hepatocellular carcinoma; HNC = head and neck cancer; NPC = nasopharyngeal cancer; nsq-NSCLC = non-squamous non-small cell lung cancer; NSCLC = non-small cell lung cancer; R/R = relapsed or refractory; SCLC = small cell lung cancer; sq-NSCLC = squamous non-small cell lung cancer.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **CD73 monoclonal antibody (AK119)**: AK119 is a monoclonal antibody against CD73 and is a full antagonist of CD73 activity. Complete blockade of CD73 activity by AK119 causes strong B cell activation and enhanced antibody production. Enhanced antibody production in COVID-19 patients may potentially augment their ability to destroy SARS-CoV-2 virus. We believe that AK119 can potentially be the effective treatment to be used for COVID-19 illness. AK119 may also result in more long-term immunity to SARS-CoV-2 virus, and potentially be used in conjunction with vaccination of healthy people to enhance the efficacy of vaccines. During the Reporting Period, we have achieved the following progress or milestone(s):

  1. *Clinical Progress:*

     — In January 2021, the first patient was successfully dosed with AK104 in combination with AK119 for treatment of advanced solid tumors.

  2. *Data Readouts:*

     — In June 2021, we presented the following information of AK119 at ASCO 2021:

       - A phase I study of AK119, an anti-CD73 monoclonal antibody, in combination with AK104, an anti-PD-1/CTLA-4 bispecific antibody, in patients with advanced or metastatic solid tumors.

The table below sets forth details of our clinical development plan for AK119 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
COVID-19	Phase Ib	Mono	1H 2021	—	Global
Solid tumors	Phase Ia	Mono	1H 2021	—	Global
Solid tumors	Phase Ia	Combo (with AK104 (PD-1/CTLA-4))	January 2021	—	Global

Abbreviation: COVID-19 = Coronavirus Disease 2019.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **VEGFR-2 monoclonal antibody (AK109)**: AK109 is a fully human monoclonal IgG1 antibody against VEGFR-2. AK109 blocks VEGF binding to VEGFR-2, inhibiting VEGF mediated biological processes including angiogenesis. We are evaluating this drug candidate for the treatment of solid tumor.

  We have obtained the IND approval from the NMPA for AK109 and is conducting a phase Ia/Ib dose escalation and extension trial in China. After the dose escalation and extension trial, we plan to conduct a series of clinical trials to evaluate AK109 in combination with either AK104 or AK105 for the treatment of different types of solid tumors, such as non-small cell lung cancer and liver cancer.

The table below sets forth details of our clinical development plan for AK109 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
Advanced solid tumors	Phase Ib	Mono	2H 2021	—	China
2L GC	Phase II	Combo (with AK104 (PD-1/ CTLA-4))	July 2021	—	China

Abbreviations: 2H = second half; 2L = second-line; GC = gastric cancer.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

Immunology and Other Therapeutic Areas

- **IL-4R monoclonal antibody (AK120)**: AK120 is a monoclonal antibody against IL-4R and blocks the biological activities of cytokines IL-4 and IL-13.

  We are evaluating this drug candidate as a monotherapy for the treatment of atopic dermatitis and asthma. During the Reporting Period, we have achieved the following progress or milestone(s):

  Clinical Progress:

  — In February 2021, the clinical trial application for AK120 was accepted by the NMPA.

  — In April 2021, AK120 was approved by the NMPA to initiate phase I clinical trials for treatment of moderate-to-severe atopic dermatitis.

The table below sets forth details of our clinical development plan for AK120 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
Moderate-to-severe atopic dermatitis	Phase II	Mono	2H 2021	—	Global
Moderate-to-severe asthma	Phase II	Mono	2H 2021	—	China

Abbreviations: 2H = second half.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **IL-12/IL-23 monoclonal antibody (AK101)**: AK101 is potentially the first domestically-developed monoclonal antibody against the validated second-generation autoimmune disease target IL-12/IL-23, which is superior in terms of efficacy, safety and ease of use to the first-generation target, tumor necrosis factor (TNF-α). AK101 has the same target as Johnson & Johnson's Stelara (ustekinumab).

  We have completed the patient enrollment of phase IIb clinical trial of AK101 in moderate-to-severe psoriasis patients in China. Based on the current clinical development plan, we expect to initiate a phase III trial for moderate-to-severe psoriasis in the second half of 2021. During the Reporting Period, we have achieved the following progress or milestone(s):

  Clinical Progress:

  — In May 2021, phase III clinical trial of AK101 for treatment of moderate-to-severe psoriasis has submitted communication application to the NMPA and communication with the CDE is in progress.

The table below sets forth details of our clinical development plan for AK101 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
Moderate-to-severe psoriasis	Phase III	Mono	2H 2021	1H 2023	China/NMPA
Moderate-to-severe ulcerative colitis	Phase II	Mono	December 2020	—	China

Abbreviations: 1H = first half; 2H = second half.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **IL-17 monoclonal antibody (AK111)**: AK111 is a humanized IL-17 monoclonal antibody intended for the treatment of psoriasis, ankylosing spondylitis (AS) and axial spondyloarthritis (axSpA). AK111 has the same target as Novartis's Cosentyx (secukinumab).

  We have completed a phase I clinical trial of AK111 in New Zealand and have obtained an IND approval for psoriasis in China. During the Reporting Period, we have achieved the following progress or milestone(s):

  Clinical Progress:

  — In February 2021, AK111 for treatment of axial spondylitis obtained clinical trial approval from the NMPA.

The table below sets forth details of our clinical development plan for AK111 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
Moderate-to-severe psoriasis	Phase II	Mono	1H 2021	—	China
Ankylosing spondylitis	Phase II	Mono	1H 2021	—	China

Abbreviation: 1H = first half.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **PCSK9 monoclonal antibody (Ebronucimab, AK102)**: AK102 is potentially the first domestically-developed PCSK9 monoclonal antibody to reach the market in China. We are evaluating AK102 for the treatment of hyperlipidemias, HoFH and HeFH. AK102 has the same target as Amgen's Repatha (evolocumab) and Sanofi/Regeneron's Praluent (alirocumab).

  We are enrolling the patients in China for Ebronucimab (AK102) to treat HoFH, HeFH, hypercholesterolemia patients with a very high or high risk of cardiovascular disease, respectively. During the Reporting Period, we have achieved the following progress or milestone(s):

  Clinical Progress:

  — In February 2021, we completed the patient enrollment in phase II clinical trial of AK102 for the treatment of hypercholesterolemia.

The table below sets forth details of our clinical development plan for AK102 (only including clinical trials that have been initiated).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date[1]	Expected NDA submission date	Location and competent authority
Hypercholesterolemia (for patients with very high/high cardiovascular risk)	Phase III	Ebronucimab (AK102)/Placebo plus Statin and/or Ezetimibe	2H 2021	2022	China
HoFH	Phase II	Ebronucimab (AK102)/Placebo plus Statin and/or Ezetimibe	May 2019	—	China
HeFH	Phase II	Ebronucimab (AK102)/Placebo plus Statin and/or Ezetimibe	December 2019	—	China

Abbreviations: 2H = second half; HeFH = heterozygous familial hypercholesterolemia; HoFH = homozygous familial hypercholesterolemia.

Note: (1) Denotes the date on which the first patient was or is expected to be enrolled.

- **Warning under Rule 18A.08(3) of the Listing Rules**:
  There is no assurance that Cadonilimab (AK104), AK112, AK117, Penpulimab (AK105), AK119, Ebronucimab (AK102), AK120, AK101, AK111 and AK109 will ultimately be successfully developed, marketed and/or commercialized by the Company. As at the date of this report, no material adverse change had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

Our Selected IND-enabling Drug Candidates

In addition to our clinical-stage drug candidates, as of June 30, 2021, we are also developing over four drug candidates in IND-enabling stage, including but not limited to:

Assets	Target(s)	Monotherapy/ Combo-therapy	Therapeutic Areas	Commercialization Rights
AK127	TIGIT	Monotherapy	Oncology	Global
AK131	PD-1/CD73	Monotherapy	Oncology	Global
AK130	TIGIT/TGFbeta	Monotherapy	Oncology	Global
AK129	PD-1/LAG3	Monotherapy	Oncology	Global

We meticulously evaluate these drug candidates' toxicity and pharmacological effects in a variety of pre-clinical studies using in vitro and in vivo laboratory animal testing techniques, and we proactively explore the opportunities of their clinical development in China and other areas.

Our Discovery Stage Candidates

In addition to our clinical-stage and IND-enabling stage drug candidates, we are also developing over ten discovery-stage drug candidates. Each of these candidates has been approved by our science committee, which reviews all proposals for research programs before they enter into discovery and development. Our drug discovery platform has allowed us to maintain and expand a strong discovery-stage drug pipeline in potentially important areas, such as oncology and immunology/inflammation. These are mostly novel targets with few or no available clinical data for proof of concept.

RESEARCH AND DEVELOPMENT

Our ACE Platform encompasses comprehensive modern biologic drug discovery and development capabilities and processes, which enables us to operate with minimal dependence on external vendor services. These in-house capabilities are grouped in five main functions: (1) drug discovery; (2) process development; (3) pre-clinical development; (4) GMP-compliant manufacturing; and (5) clinical development.

Our ACE Platform incorporates our proprietary TETRABODY technology, expertise in crystallography and structure-based antibody design and engineering, superior in-house CMC capability, and adherence to global standard throughout the drug development process. These, together with our fully integrated approach, have allowed us to consistently innovate and produce new drug candidates. We have built a highly efficient operation system for these individual functional platforms, laying a solid foundation for bringing our strong pipelines of innovative drugs from inception through development, manufacturing and commercialization.

MANUFACTURING FACILITIES

We develop and manufacture all drug candidates by our in-house capacity, which enables us to have greater control over the production process of our drug candidates, thereby increasing our production efficiency, reducing costs, and allowing us to effectively manage our development processes and schedules.

From our inception, we have focused on establishing manufacturing facilities that are designed to meet rigorous international GMP standards. Our GMP-compliant manufacturing facilities are designed and validated following the regulations of the FDA, the EMA, and the NMPA, in order to support the full process of drug development, from drug discovery to process development, GMP-compliant pilots and commercial manufacturing. We have manufactured 13 clinical stage drug candidates for clinical trials. Our manufacturing facilities comprised of the following sites:

- **GMP Pilot Plant**: Our GMP Pilot Plant currently houses our early-stage production with 50 L, 200 L and 250 L disposable bioreactors.

- **FDA/NMPA Compliant GMP Manufacturing Facility in Zhongshan**: Our Zhongshan facility enables GMP-compliant manufacturing capacity of 3,500 L. The Zhongshan facility also features a 6,000 vial/hour (10 mL and 2 mL vials) fill/finish line.

- **Commercialization Manufacturing Base in Guangzhou**: This facility has a maximum manufacturing capacity of 40,000 L in total, accommodating our growth for drug supply in the future. In the first phase, the facility has installed bioreactors with maximum capacity of 20,000 L, together with two fill/finish lines for vials and pre-filled syringes, respectively, which are expected to have an annual production capacity of ten million dose units (vials and syringes). We expect this facility to also serve as our bio-analysis center with comprehensive quality control and micro-testing functions. A development laboratory with pilot plant will be established, enabling late-stage process development and full manufacturing support. The construction of the first phase of the facility has completed and commenced operation in early 2021. Meanwhile, the second phase of this facility has commenced construction, which is expected to have an additional manufacturing capacity of 20,000 L.

- **Commercialization Manufacturing Base in Cuiheng, Zhongshan**: This facility will be built on a piece of land with an area of 111,218 square meters and has a maximum manufacturing capacity of 100,000 L in total, empowering our growth for drug supply in the future. In the first phase, we plan to house up to 60,000 L bioreactors with an anticipated annual production capacity of twenty million dose units (vials and syringes). The first phase of the facility was in construction during the Reporting Period.

HUMAN RESOURCES MANAGEMENT

As of June 30, 2021, we had a total of 1,202 employees with detailed breakdown as set out below, representing an increase of 162.4% from 458 employees as of June 30, 2020.

Function	Number of employees	% of total
Research and Development	192	16.0
Clinical	358	29.8
Manufacturing	286	23.8
Sourcing	11	0.9
Selling, General and Administrative	355	29.5
Total	1,202	100

Additionally, we continue to invest in setting up full-fledged commercialization capabilities through internal development. In light of the upcoming approvals and launches of our pipeline candidates, we plans to build a dedicated in-house sales team of over 500 sales talents by the end of 2021.

RECENT DEVELOPMENT AFTER THE REPORTING PERIOD

We continued to make significant progress in our drug pipeline and business operations after the Reporting Period, including the following major milestones and achievements. As of the date of this report, we have 4, 28 and 9 clinical programs in phase Ia, Ib/II and pivotal/III studies, respectively. Moreover, we have received 16 IND approvals.

Clinical Progress:

In July 2021:

- AK105 in combination with chemotherapy for first-line treatment of locally advanced or metastatic squamous non-small cell lung cancer has submitted the NDA to and was accepted by the NMPA.
- AK104 and AK109 in combination with/without chemotherapy has obtained approval to initiate phase Ib/II clinical trial for second-line treatment of advanced gastric adenocarcinoma or gastroesophageal junction cancer.
- AK104 in combination with the AK117 has completed patient enrollment of the first cohort for the treatment of selected solid tumors.
- AK117 has completed phase I dose escalation trial in Australia and obtained approval from the NMPA to initiate phase Ib/II clinical trial in combination with azacytidine for treatment of acute myeloid leukemia.

In August 2021:

- AK104 in combination with XELOX for first-line treatment of advanced gastric carcinoma or gastroesophageal junction cancer has received the approval from the NMPA to initiate a phase III clinical trial.
- AK104 in combination with AK109 for treatment of advanced solid tumors has received the approval from the NMPA to initiate a phase Ib/II clinical trial.
- The NDA of AK105 for third-line treatment of metastatic nasopharyngeal carcinoma has been submitted and was accepted by the NMPA.
- The anti PD-1 monoclonal antibody drug 安尼可® (generic name: Penpulimab monoclonal antibody injection) has been granted marketing approval by the NMPA for the treatment of patients with relapsed or refractory classic Hodgkin's lymphoma after at least second-line systemic chemotherapy treatment.
- Phase II pivotal clinical trial of AK104 for treatment of relapsed or metastatic cervical cancer has obtained approval from the CDE to submit NDA and was granted priority review designation.

For details, please refer to the relevant announcements of the Company published on the websites of the Stock Exchange and the Company.

IMPACT OF COVID-19 AND RESPONSE

Global Outbreak of COVID-19

It is expected that our clinical tests in China and overseas will not be significantly affected by the outbreak of COVID-19. Based on information available as of the date of this report, we believe that the outbreak of COVID-19 will not cause material interruption to our business operation and will not have a significant impact on our financial status and financial results.

We are unable to predict if and when the COVID-19 will be suppressed. The above conclusion is based on the information about COVID-19 available for the time being. We cannot be sure that if the COVID-19 will not worsen and our operation results will not be materially and adversely affected.

FUTURE DEVELOPMENT

We will speed up the submission of new drugs for regulatory assessment and approval, the preparation for industrialization and commercialization of drugs as well as the global development of our business. We will continue to push forward the clinical test of the existing and proposed pipeline products in China and overseas (including the United States), and to prepare for the commercialization of the pipeline products.

We will also publish a study on the mechanism of AK105 in the form of oral presentation, while a clinical trial of AK104 in combination with Anlotinib for first-line treatment of NSCLC and a clinical trial of AK105 for treatment of nasopharyngeal carcinoma will be published in the form of posters at ESMO 2021. Further data readouts of other drugs in the pipeline, including Cadonilimab (AK104, PD-1/CTLA-4), AK112 (PD-1/VEGF), AK117 (CD47), Penpulimab (AK105, PD-1), AK119 (CD73), Ebronucimab (AK102, PCSK9), AK120 (IL-4R), AK111 (IL-17), are expected to be available in the next six months.

Currently, the Company has a total of 9 research projects in pivotal/phase III clinical stage, together with a total of 28 research projects in phase Ib/II clinical stage. Because of the increased number of clinical research projects, we will focus more on the research projects related to key drug's important indications in terms of resource allocation strategy, in order to push forward the clinical plan with higher efficiency.

We have initiated the preparation of launching Cadonilimab in 2022 by proactively recruiting sales and marketing staffs to enhance our commercialization capability. We have scheduled to put together a commercialization team with abundant experience, strong capability, as well as sufficient knowledge of local markets by the end of 2021, in which the team's size will consist of approximately 500 staffs.

In addition, we will closely study the cutting-edge biotechnology. We will push forward our pre-clinical plan to discover, verify and select targets through our ACE Platform to enrich our product offering, in particular products related to cancer immunology and immunotherapy.

Meanwhile, in order to speed up the commercialization process and to maximize the commercial value of our drugs, we will spend more efforts in identifying strategic partners in China and overseas with high value-added potential to cooperate in business development, joint venture and licensing arrangement.

We anticipate that the demand of our drug candidates will increase and intend to expand our GMP production capacity in accordance with the requirements of the United States, China, Japan and European Union. Among them, the first phase of manufacturing facilities in Guangzhou has been installed with bioreactors with a maximum capacity of 20,000 L, in which the manufacturing capacity will further be expanded. Meanwhile, we will also accelerate the construction process of our technology centre in Kangfang Bay of Cuiheng New District in Zhongshan. According to our initial plan, the new manufacturing facilities will have an additional production capacity of 60,000 L.

We are pleased to witness the rapid development of the Company and have proposed detailed development plan for the future. It is our mission and vision to become a global biopharmaceutical company dedicated to the development, production and commercialization of innovative antibody drugs that are affordable to patients worldwide.

FINANCIAL REVIEW

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**128,600**	–
Other income and gains, net	**65,097**	41,012
Administrative expenses	**(72,522)**	(99,521)
Research and development expenses	**(563,518)**	(240,708)
Other expenses, net	**(206)**	(230)
Fair value changes on convertible redeemable preferred shares	**–**	(412,421)
Finance costs	**(3,614)**	(6,471)
Loss for the period	**(446,163)**	(718,339)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**12,465**	(10,952)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(37,772)**	582
Other comprehensive loss for the period, net of tax	**(25,307)**	(10,370)
Total comprehensive loss for the period	**(471,470)**	(728,709)
Non-IFRS Measures		
Adjusted total comprehensive loss for the period	**(321,327)**	(216,745)

1. Revenue

For the six months ended June 30, 2021, the Group recorded revenue of RMB128.6 million in connection with receipt of milestone payment related to AK107, namely the CTLA-4 monoclonal antibody (Quavonlimab, MK1308) we out-licensed to Merck, which did not occur in the first half of 2020.

2. Other Income and Gains, net

The Group's other income and gains primarily consisted of government grants, bank interest income, investment income from financial products, foreign exchange differences and net changes in fair value of financial assets at fair value through profit or loss. The government grants consist of (i) subsidies from local government for compensation on expenditure arising from research and development activities; and (ii) awards for new drug development and capital expenditure incurred on certain projects including construction of manufacturing facilities.

For the six months ended June 30, 2021, the other income and gains of the Group increased by RMB24.1 million from RMB41.0 million for the six months ended June 30, 2020 to RMB65.1 million. The increase was primarily attributable to (i) interests earned on the proceeds from the IPO and the placement of new shares in January 2021; and (ii) the increase in subsidies from local government for research and development activities.

3. Research and Development Expenses

The Group's research and development expenses primarily consisted of: (i) the costs of clinical trials for our drug candidates including third-party contracting costs with the engagement of CROs, clinical trial sites and other service providers in connection with clinical trials; (ii) employee salaries and related benefit costs in connection with our research and development activities; (iii) third-party contracting costs relating to testing expenses for pre-clinical programs; and (iv) costs associated with purchasing raw materials for research and development of our drug candidates.

For the six months ended June 30, 2021, the research and development expenses of the Group increased by RMB322.8 million, or 134.1%, to RMB563.5 million from RMB240.7 million for the six months ended June 30, 2020. The increase was mainly driven by (i) the clinical trial advancement of our 10 internally-development drug candidates, especially the promising progress made in our two bi-specific antibodies, AK104 and AK112; and (ii) increased staff costs as a result of further expansion in R&D staff base from 377 employees to 836 employees and pay rises.

The following table sets forth the components of the Group's research and development expenses for the periods indicated:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Clinical trial costs	**287,026**	154,828
Salaries and benefits	**206,174**	52,304
Testing expenses	**28,593**	12,937
Raw material costs	**3,942**	6,979
Depreciation and amortization	**10,698**	5,996
Others	**27,085**	7,664
	563,518	240,708

4. Administrative Expenses

Administrative expenses primarily consisted of (i) listing expense; (ii) employee salaries and benefits; (iii) depreciation and amortization expenses; and (iv) professional fees. Other administrative expenses include travel expenditures and other expenses in connection with administration activities.

For the six months ended June 30, 2021, the administrative expenses of the Group decreased by RMB27.0 million to RMB72.5 million from RMB99.5 million for the six months ended June 30, 2020, which was mainly caused by (i) the decrease in listing expenses in connection with the IPO from RMB45.5 million to nil; and (ii) the decreased share-based payment expenses, partially offset by the increase in other employee salaries and related benefits.

5. Fair Value Changes on Convertible Redeemable Preferred Shares

For the six months ended June 30, 2020, fair value changes on convertible redeemable preferred shares decreased from RMB412.4 million to nil for the six months ended June 30, 2021, as all of the Company's preferred shares were converted to ordinary shares upon the Listing Date, and no such fair value changes incurred since then.

6. Finance Costs

Finance costs consisted of finance cost on lease liabilities and interest expense on bank and other borrowings net of capitalized interest related to construction in progress.

For the six months ended June 30, 2021, the finance costs of the Group decreased by RMB2.9 million to RMB3.6 million from RMB6.5 million for the six months ended June 30, 2020, which was primarily attributable to an increase in capitalized interest portion as a result of the encouraging progress in our manufacturing facilities.

7. Loss for the Period

For the reasons discussed above, loss for the period of the Group decreased by RMB272.1 million from RMB718.3 million for the six months ended June 30, 2020 to RMB446.2 million for the six months ended June 30, 2021.

8. Non-IFRS Measure

To supplement the Group's interim condensed consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted total comprehensive loss for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that these adjusted measures provide useful information to the Shareholders and potential investors in understanding and evaluating the Group's interim condensed consolidated results of operations in the same manner as they help the Company's management.

Adjusted total comprehensive loss for the period represents the total comprehensive loss for the period excluding the effect of equity-settled share award expenses, listing expense and certain non-cash items and one-time events, namely fair value changes on convertible redeemable preferred shares. The term adjusted total comprehensive loss for the period is not defined under the IFRS. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance. The adjusted total comprehensive loss for the period, as the management of the Group believes, is accepted and adopted in the industry in which the Group is operating in. However, the presentation of the adjusted total comprehensive loss for the period are not intended to be (and should not be) considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. Shareholders and potential investors of the Company should not view the non-IFRS measures (i.e. the adjusted total comprehensive loss for the period) on a stand-alone basis or as a substitute for results under the IFRS, or as being comparable to results reported or forecasted by other companies.

The table below sets forth a reconciliation of the total comprehensive loss for the period to adjusted total comprehensive loss for the period during the periods indicated:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Total comprehensive loss for the period	**(471,470)**	(728,709)
Added:		
Fair value changes on convertible redeemable preferred shares	**–**	412,421
Listing expenses	**–**	45,492
Equity-settled share award expenses	**150,143**	54,051
Adjusted total comprehensive loss for the period	**(321,327)**	(216,745)

Selected Data from Interim Condensed Consolidated Statement of Financial Position

	As at June 30, 2021 *RMB'000* Unaudited	As at December 31, 2020 *RMB'000* Audited
Total current assets	**3,632,769**	3,001,326
Total non-current assets	**1,167,526**	854,843
Total Assets	**4,800,295**	3,856,169
Total current liabilities	**210,971**	169,971
Total non-current liabilities	**482,100**	235,759
Total liabilities	**693,071**	405,730
Net current assets	**3,421,798**	2,831,355

9. Liquidity and Source of Funding and Borrowing

As at June 30, 2021, the Group's cash and cash equivalents increased by RMB479.4 million to RMB3,163.9 million from RMB2,684.5 million as at December 31, 2020. The increase primarily resulted from the proceeds from the placement of new shares in January 2021, partially offset by continued investment in R&D activities and manufacturing facilities.

As at June 30, 2021, the current assets of the Group were RMB3,632.8 million, including cash and cash equivalents of RMB3,163.9 million, financial assets at fair value through profit or loss of RMB181.8 million and other current assets of RMB287.1 million.

As at June 30, 2021, the current liabilities of the Group were RMB211.0 million, including trade payables of RMB106.2 million, other payables and accruals of RMB90.2 million, bank and other borrowings of RMB5.5 million and other current liabilities of RMB9.1 million.

As at June 30, 2021, the Group had available unutilized bank loan facilities of approximately RMB1,791.0 million, as compared to RMB362.5 million as at December 31, 2020.

As at June 30, 2021, the Group had short term loans of approximately RMB5.5 million (as at December 31, 2020: approximately RMB13.8 million) and had long term loans of approximately RMB434.0 million (as at December 31, 2020: approximately RMB178.6 million).

Such borrowings bear interest at fixed annual interest rates ranging from 3.5% to 6.5%. There was no material influence of seasonality on the Group's borrowing needs.

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks involved.

10. Pledge of Assets

As at June 30, 2021, the Group had total RMB183.5 million of buildings and land use right pledged to secure its loans and banking facilities and RMB2.0 million of time deposits pledged as security for the procurement for the machinery and equipment and the execution of the land use right contract.

11. Key Financial Ratios

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

	As at June 30, 2021	As at December 31, 2020
Quick ratio[1]	**16.7**	17.3
Gearing ratio[2]	**Not meaningful[2]**	Not meaningful[2]

Notes:

(1) Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as of such date.

(2) Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents was negative.

12. Significant Investments

As at June 30, 2021, the Group did not hold any significant investments. Save as disclosed in this report, the Group did not have other plans for significant investments or capital assets as of the date of this report.

13. Material Acquisitions and Disposals

The Group did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2021.

14. Contingent Liabilities

Save as disclosed in Note 22 to the Interim Condensed Consolidated Financial Information, the Group did not have any material contingent liabilities as at June 30, 2021.

15. Capital Commitment

The capital commitments of the Group as at June 30, 2021 were RMB593.5 million, representing an increase of RMB114.6 million as compared with that of RMB478.9 million as at December 31, 2020, primarily attributable to the commencement of the construction of our technology centre in Kangfang Bay of Cuiheng New District in Zhongshan in early 2021.

16. Foreign Exchange Exposure

During the six months ended June 30, 2021, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at June 30, 2021, a significant amount of the Group's cash and cash equivalents was denominated in Hong Kong dollars. Except for certain cash and cash equivalents, other receivables, financial assets at fair value through profit and loss and trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at June 30, 2021. Our Group manages its foreign exchange risk by performing regular reviews of our net foreign exchange exposures and uses forward contracts to eliminate the foreign exchange exposures.

17. Employees and Remuneration

As at June 30, 2021, the Group had a total of 1,202 employees. The following table sets forth the total number of employees by function as of June 30, 2021:

Function	Number of employees	% of total
Research and Development	192	16.0
Clinical	358	29.8
Manufacturing	286	23.8
Sourcing	11	0.9
Selling, General and Administrative	355	29.5
Total	1,202	100

The total remuneration cost incurred by the Group for the six months ended June 30, 2021 was RMB250.9 million, as compared to RMB95.8 million for the six months ended June 30, 2020. The increase of RMB155.1 million was primarily attributable to (i) further expansion in our staff headcount; and (ii) the increase in employee salaries and benefits including equity-settled share award.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and equity-settled share award expenses. In accordance with applicable PRC laws, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

The Company has also adopted the Restricted Share Unit Scheme on August 29, 2019. For details, please refer to the paragraph headed "D. Share Incentive Schemes — 1. Restricted Share Unit Scheme" in Appendix IV to the Prospectus and the section headed "Restricted Share Unit Scheme" in this report.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to the Shareholders for the Reporting Period (six months ended June 30, 2020: Nil).

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the code provisions as set out in the CG Code as its own code to govern its corporate governance practices.

The Company has adopted and complied with all applicable code provisions contained in the CG code throughout the Reporting Period with the exception of code provision A.2.1.

Under the code provision A.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. Under the current organisation structure of the Company, Dr. XIA Yu is the chairwoman and chief executive officer of the Company. With her extensive experience in the industry, the Board believes that vesting the roles of both chairwoman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Dr. XIA Yu performs both the roles of chairwoman and chief executive officer, the division of responsibilities between the chairwoman and chief executive officer is clearly established. In general, the chairwoman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Dr. XIA Yu distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group'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 throughout the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group throughout the Reporting Period.

USE OF NET PROCEEDS

(a) Use of Net Proceeds from Global Offerings

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of Over-allotment Option of approximately HK$2,894.1 million (equivalent to approximately RMB2,647.2 million).

The following table sets forth the status of use of net proceeds from the IPO and over-allotment as at June 30, 2021:

	% of total proceeds	Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus *HK$' million*	Proceeds utilized as at June 30, 2021 *HK$' million*	Proceeds unutilized as at June 30, 2021 *HK$' million*
Research and development and commercialization of products	75%	2,170.6	586.5	1,584.1
Development of the manufacturing and research and development facilities in Guangzhou and Zhongshan, China	15%	434.1	158.4	275.7
General corporate and working capital purposes	10%	289.4	73.6	215.8
Total		2,894.1	818.4	2,075.7

The remaining balance of the net proceeds (approximately HK$2,075.7 million) have been deposited in banks. The Group expects that the remaining net proceeds shall be utilized gradually in accordance to the actual business needs and in the manner stated in the Prospectus, and they shall be fully utilized within the upcoming 18 months (by December 31, 2022). This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and may be subject to change based on current and future development of market conditions and actual business needs.

(b) Use of Net Proceeds from 2021 Placing

On January 14, 2021, an aggregate of 30,000,000 new shares were issued at a price of HK$39.60 per share to not less than six Independent Third Parties pursuant to the share placing agreement (the "**Placing Agreement**") dated January 7, 2021 (the "**2021 Placing**"), representing approximately 3.67% of the enlarged issued share capital of the Company immediately following the 2021 Placing.

The placing price of HK$39.60 per share represents (i) a discount of approximately 4.58% to the closing price of HK$41.50 per Share as quoted on the Stock Exchange on January 6, 2021, being the trading day immediately preceding the date of the Placing Agreement; and (ii) a discount of approximately 1.02% to the average closing price of HK$40.01 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Placing Agreement.

The net price per share for the subscription after deducting related costs and expenses is approximately HK$39.04 per share and the net proceeds raised from the 2021 Placing were HK$1,171.3 million (equivalent to RMB978.1 million). The 2021 Placing is being taken for the funding of the intended purposes as set out below.

As disclosed in the announcement of the Company dated January 7, 2021, the Company intends to apply such net proceeds to i) build the Group's commercialization team to prepare for the launch of AK104 (PD-1/CTLA-4) in 2022, and to continue to recruit and retain talents in both international and domestic markets; ii) build and develop new production facilities in Guangzhou and Zhongshan Cuiheng New District in the PRC for additional capacity to commensurate with the Group's growth; iii) fund increased international clinical trial needs for leading oncology programs including PD-1/CTLA-4, PD-1/VEGF, CD47, and non-oncology programs; iv) fund and expedite the development of other clinical programs including, among others, PCSK9, IL12/IL23; and for v) other general corporate purposes where appropriate.

The subscription of shares has a market value of approximately HK$1,257 million based on the closing price of HK$41.9 per share as at January 7, 2021 and an aggregate nominal value of US$300.

Further details of the 2021 Placing are set out in the announcements of the Company dated January 7, 2021 and January 14, 2021, respectively.

As at the date of this report, none of the net proceeds from the 2021 Placing has been used and there is no change in the intended use net proceeds. The Company expects such net proceeds shall be utilized within the upcoming 18 months (by December 2022). This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

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

Save as disclosed in "Use of Net Proceeds from 2021 Placing" in this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REVIEW OF INTERIM RESULTS

The Audit Committee, comprising Mr. TAN Bo, Dr. XU Yan and Dr. ZENG Junwen, has jointly reviewed with the management the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information of the Group for the Reporting Period and this interim report). In addition, the Company's independent auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

So far as the Directors are aware and save as disclosed in this report, there has been no other change in the Board and the information of Directors since the date of annual report 2020 of the Company and as of the date of this report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at June 30, 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage of shares in issue[2]
Dr. XIA Yu	Interest in controlled corporation[3]	21,000,000 (L)	2.57%
	Trustee and settlor of a discretionary trust[4]	59,771,042 (L)	7.32%
	Enforcer[5]	32,559,029 (L)	3.98%
	Interest held though voting powers entrusted by other persons[6]	136,841,582 (L)	16.75%
Dr. LI Baiyong	Interest in controlled corporation[7]	10,934,640 (L)	1.34%
	Trustee and settlor of a discretionary trust[8]	43,738,554 (L)	5.35%
Dr. WANG Zhongmin Maxwell	Interest in controlled corporation[9]	31,492,881 (L)	3.85%
	Trustee and settlor of a discretionary trust[10]	15,746,442 (L)	1.93%

Notes:

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

(2) Based on a total of 817,057,176 shares in issue of the Company as at June 30, 2021.

(3) XIA LLC is a company incorporated in the United States, with all of its voting shares held by Dr. XIA Yu. Dr. XIA Yu is deemed to be interested in the Shares held by XIA LLC.

(4) Dr. XIA Yu is the settlor and trustee of XIA Trust, with certain of her family members as beneficiaries. She is therefore deemed to be interested in the Shares held by XIA Trust under the SFO.

(5) Aquae Hyperion Limited holds the Shares underlying the awards under the RSU Scheme for the ESOP Trust. Dr. XIA Yu acts as the settlor and enforcer and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited.

(6) Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell, Dr. ZHANG Peng, and their controlled corporations entered into agreement with Dr. XIA Yu to entrust her with their voting rights in 136,841,582 Shares.

(7) LI LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. LI Baiyong. Dr. LI Baiyong is deemed to be interested in the Shares held by LI LLC.

(8) Dr. LI Baiyong is the settlor and trustee of LI Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by LI Trust under the SFO.

(9) WANG LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. WANG Zhongmin Maxwell. Dr. WANG Zhongmin Maxwell is deemed to be interested in the Shares held by WANG LLC.

(10) Dr. WANG Zhongmin Maxwell is the settlor and trustee of WANG Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by WANG Trust under the SFO.

Save as disclosed in this report and to the best knowledge of the Directors, as at June 30, 2021, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at June 30, 2021, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage of shares in issue[2]
鄭遜	Interest in controlled corporation[3]	65,340,000 (L)	7.99%
Phaeton Capital	Interest in controlled corporation[3]	65,340,000 (L)	7.99%
Cantrust (Far East) Limited	Trustee of a discretionary trust and interest in controlled corporation[5]	49,335,282 (L)	6.04%
HTKF Investments Limited	Beneficial owner[4]	45,960,000 (L)	5.63%
Hongtu Ventures	Interest in controlled corporation[4]	45,960,000 (L)	5.63%
SCGC	Interest in controlled corporation[4]	45,960,000 (L)	5.63%
Hongtu Akeso	Interest in controlled corporation[4]	45,960,000 (L)	5.63%
Zhongshan Xunying	Beneficial owner[3]	45,600,000 (L)	5.58%

Notes:

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

(2) Based on a total of 817,057,176 shares in issue of the Company as at June 30, 2021.

(3) Zhongshan Xunying and Zhongshan Xunxiang which are controlled by Phaeton Capital, holds 45,600,000 Shares and 19,740,000 Shares respectively. Phaeton Capital is controlled by 鄭遜. Phaeton Capital and 鄭遜 are therefore deemed to be interested in the Shares held by Zhongshan Xunying and Zhongshan Xunxiang.

(4) HTKF Investments Limited which is controlled by Hongtu Akeso, holds 45,960,000 Shares. Hongtu Akeso is controlled by Hongtu Ventures which is in turn controlled by SCGC.

(5) Waterband Limited, which holds 34,929,065 Shares, is wholly-owned by Woodband Limited which in turn is beneficially owned by Woodband Trust, as established by Dr. ZHANG Peng as settlor with Cantrust (Far East) Limited as trustee. NineSuns Holding Limited, which holds 14,406,217 Shares, is wholly-owned by Fourxi Limited which is in turn beneficially owned by Fourxi Trust, as established by Mr. LUO Wenfeng as settlor and Cantrust (Far East) Limited as trustee.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2021, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Restricted Share Unit Scheme

The Company adopted the Restricted Share Unit Scheme on August 29, 2019, the principal terms of which are set out in the section headed "D. Share Incentive Schemes — 1. Restricted Share Unit Scheme" in Appendix IV to the Prospectus.

The purpose of the Restricted Share Unit Scheme is to recognize and motivate the contributions the grantees under the Restricted Share Unit Scheme, provide incentives for them to remain with the Company, and attract suitable personnel for further development of the Company. As the Restricted Share Unit Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new shares.

In order to facilitate the administration of the Restricted Share Unit Scheme, the Company has established the ESOP Trust by entering into a trust deed with Zedra Trust Company (Cayman) Limited, as trustee of the trust. Dr. XIA Yu as the enforcer of the trust is able to exercise voting rights attached to the Shares held by the ESOP Trust.

The scheme limit of shares that can be delivered under the Restricted Share Unit Scheme are 45,270,499 Shares. As at June 30, 2021, the total number of RSUs which remain outstanding under the RSU Scheme was 21,345,641.

During the six months ended June 30, 2021, 100,000 RSUs and 259,000 RSUs at a consideration of HK$1.00 each and HK$0.001 each, respectively, were granted to employees, and 5,019,296 RSUs were granted to a Director at a consideration of HK$0.001 each. 4,274,496 RSUs have been vested and no RSUs have been forfeited under the RSU Scheme during the six months ended June 30, 2021.

As of June 30, 2021, RSUs for an aggregate of 23,924,858 Shares have been granted to certain eligible participants by the Company under the Restricted Share Unit Scheme. 16,809,758 out of the 23,924,858 RSUs have been vested to grantees according to their respective vest schedule as of June 30, 2021.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, as of the date of this report, the Group had no significant events after the Reporting Period.

On behalf of the Board

XIA Yu
Chairwoman

Hong Kong, August 31, 2021

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the board of directors of Akeso, Inc. 康方生物科技（開曼）有限公司
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information of Akeso, Inc. 康方生物科技(開曼)有限公司 (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 78, which comprises the condensed consolidated statement of financial position as at 30 June 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, the changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

31 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	**128,600**	–
Cost of sales		**–**	–
Gross profit		**128,600**	–
Other income and gains, net	4	**65,097**	41,012
Administrative expenses		**(72,522)**	(99,521)
Research and development expenses		**(563,518)**	(240,708)
Other expenses, net		**(206)**	(230)
Fair value changes on convertible redeemable preferred shares	5	**–**	(412,421)
Finance costs	6	**(3,614)**	(6,471)
LOSS BEFORE TAX	5	**(446,163)**	(718,339)
Income tax expense	7	**–**	–
LOSS FOR THE PERIOD		**(446,163)**	(718,339)
OTHER COMPREHENSIVE LOSS			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**12,465**	(10,952)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**(37,772)**	582
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(25,307)**	(10,370)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(471,470)**	(728,709)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss attributable to:			
Owners of the parent		**(424,904)**	(672,793)
Non-controlling interests		**(21,259)**	(45,546)
		(446,163)	(718,339)
Total comprehensive loss attributable to:			
Owners of the parent		**(450,211)**	(683,163)
Non-controlling interests		**(21,259)**	(45,546)
		(471,470)	(728,709)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted			
— For loss for the period		**RMB(0.52) yuan**	RMB(1.13) yuan

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**852,033**	608,251
Right-of-use assets	*11(a)*	**157,108**	150,916
Intangible assets		**3,177**	1,230
Advance payments for property, plant and equipment		**155,208**	94,446
Total non-current assets		**1,167,526**	854,843
CURRENT ASSETS			
Inventories		**116,992**	61,235
Prepayments, other receivables and other assets	*12*	**168,153**	143,639
Financial assets at fair value through profit or loss	*13*	**181,810**	110,000
Pledged deposits	*14*	**1,950**	1,953
Cash and cash equivalents	*14*	**3,163,864**	2,684,499
Total current assets		**3,632,769**	3,001,326
CURRENT LIABILITIES			
Trade payables	*15*	**106,184**	112,607
Other payables and accruals	*16*	**90,196**	39,567
Interest-bearing bank and other borrowings	*17*	**5,548**	13,811
Lease liabilities	*11(b)*	**7,921**	2,864
Tax payable		**1,122**	1,122
Total current liabilities		**210,971**	169,971
NET CURRENT ASSETS		**3,421,798**	2,831,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,589,324**	3,686,198

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	**433,962**	178,614
Lease liabilities	11(b)	**5,884**	3,702
Deferred income	18	**42,254**	53,443
Total non-current liabilities		**482,100**	235,759
Net assets		**4,107,224**	3,450,439
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	**57**	55
Reserves	20	**3,863,533**	3,185,491
		3,863,590	3,185,546
Non-controlling interests		**243,634**	264,893
Total equity		**4,107,224**	3,450,439

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021

	Attributable to owners of the parent								
	Share capital *RMB'000* *Note 19*	Share premium* *RMB'000* *Note 19*	Capital reserve* *RMB'000* *Note 20*	Share award reserve* *RMB'000* *Note 21*	Exchange fluctuation reserve* *RMB'000* *Note 20*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021 (audited)	55	2,631,599	2,112,912	347,151	(231,833)	(1,674,338)	3,185,546	264,893	3,450,439
Loss for the period	–	–	–	–	–	(424,904)	(424,904)	(21,259)	(446,163)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	12,465	–	12,465	–	12,465
Translation from functional currency to presentation currency	–	–	–	–	(37,772)	–	(37,772)	–	(37,772)
Total comprehensive loss for the period	–	–	–	–	(25,307)	(424,904)	(450,211)	(21,259)	(471,470)
Issue of shares	2	992,026	–	–	–	–	992,028	–	992,028
Share issue expenses	–	(13,916)	–	–	–	–	(13,916)	–	(13,916)
Equity-settled share award	–	–	–	150,143	–	–	150,143	–	150,143
At 30 June 2021 (unaudited)	57	3,609,709	2,112,912	497,294	(257,140)	(2,099,242)	3,863,590	243,634	4,107,224

Six months ended 30 June 2021

	Attributable to owners of the parent								
	Share capital *RMB'000* *Note 19*	Share premium* *RMB'000* *Note 19*	Capital reserve* *RMB'000* *Note 20*	Share award reserve* *RMB'000* *Note 21*	Exchange fluctuation reserve* *RMB'000* *Note 20*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020 (audited)	34	–	490,796	–	104	(497,287)	(6,353)	222,058	215,705
Loss for the period	–	–	–	–	–	(672,793)	(672,793)	(45,546)	(718,339)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	(10,952)	–	(10,952)	–	(10,952)
Translation from functional currency to presentation currency	–	–	–	–	582	–	582	–	582
Total comprehensive loss for the period	–	–	–	–	(10,370)	(672,793)	(683,163)	(45,546)	(728,709)
Issue of shares	13	2,714,517	–	–	–	–	2,714,530	–	2,714,530
Share issue expenses	–	(82,918)	–	–	–	–	(82,918)	–	(82,918)
Conversion of Preferred Shares into ordinary shares**	8	–	1,596,116	–	–	–	1,596,124	–	1,596,124
Equity-settled share award	–	–	–	54,051	–	–	54,051	–	54,051
Capital injection from non-controlling shareholders of subsidiaries	–	–	26,000	–	–	–	26,000	186,363	212,363
At 30 June 2020 (unaudited)	55	2,631,599	2,112,912	54,051	(10,266)	(1,170,080)	3,618,271	362,875	3,981,146

* These reserve accounts comprise the consolidated reserves of RMB3,863,533,000 and RMB3,618,216,000 in the interim condensed consolidated statement of financial position as at 30 June 2021 and 2020, respectively.

** All preferred shares were converted into ordinary shares upon the completion of the initial public offering (the "IPO") of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(446,163)**	(718,339)
Adjustments for:			
Bank interest income	*4*	**(9,364)**	(8,382)
Investment income from financial products	*4*	**(2,768)**	(2,316)
Fair value changes on convertible redeemable preferred shares	*5*	**–**	412,421
Loss upon early termination of a lease	*5*	**–**	127
Covid-19-related rent concessions from lessors	*11(b)*	**(30)**	–
Depreciation of property, plant and equipment	*5*	**14,203**	7,197
Depreciation of right-of-use assets	*5*	**4,113**	2,800
Amortisation of intangible assets	*5*	**428**	211
Reversals of the write-down of inventories to net realisable value	*4*	**(1,376)**	–
Net changes in fair value of financial assets at fair value through profit or loss	*4*	**(1,812)**	(1,138)
Government grant released	*4*	**(43,133)**	(27,434)
Foreign exchange differences, net	*4*	**(5,682)**	(1,584)
Equity-settled share award expenses	*21*	**150,143**	54,051
Finance costs	*6*	**3,614**	6,471
		(337,827)	(275,915)
Increase in inventories		**(54,381)**	(13,902)
Increase in prepayments, other receivables and other assets		**(24,514)**	(21,134)
Increase in trade payables		**7,196**	36,057
Increase in other payables and accruals		**21,755**	46,854
Increase in deferred income in respect of government grants related to income	*18*	**31,944**	15,350
Cash used in operations		**(355,827)**	(212,690)
Bank interest received		**9,364**	10,698
Net cash flows used in operating activities		**(346,463)**	(201,992)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(298,160)**	(173,889)
Purchases of intangible assets		**(2,375)**	(1,181)
Purchases of land use rights		**–**	(3,028)
Proceeds from disposal of fixed assets		**8**	26
Purchases of financial assets at fair value through profit or loss		**(600,000)**	(803,500)
Proceeds from disposal of financial assets at fair value through profit or loss		**532,768**	504,272
Net cash flows used in investing activities		**(367,759)**	(477,300)

Six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**294,986**	155,082
Proceeds from issuance of shares		**992,028**	2,714,530
Repayment of bank and other borrowings		**(53,380)**	(23,700)
Principal portion of lease payments		**(3,295)**	(1,482)
Capital injection from non-controlling shareholders of subsidiaries		**–**	212,363
Share issue expenses		**(13,916)**	(78,670)
Interest paid		**(3,215)**	(2,151)
Net cash flows from financing activities		**1,213,208**	2,975,972
NET INCREASE IN CASH AND CASH EQUIVALENTS		**498,986**	2,296,680
Cash and cash equivalents at beginning of period		**2,684,499**	1,186,029
Effect of foreign exchange rate changes, net		**(19,621)**	4,668
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,163,864**	3,487,377
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	*14*	**3,163,864**	3,487,377
Cash and cash equivalents as stated in the consolidated statement of cash flows		**3,163,864**	3,487,377

30 June 2021

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2019. The address of the registered office of the Company is Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. The Company's principal place of business in Hong Kong is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries were involved in research and development of biological products.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 April 2020.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. The unaudited interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB30,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decision about resources allocation and preformation assessment.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
United States of America (the "USA")	**128,600**	–

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

(b) Non-current assets

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**1,165,874**	852,780
Hong Kong	**1,529**	1,930
USA	**90**	102
Other countries/regions	**33**	31
	1,167,526	854,843

The non-current asset information above is based on the locations of the assets.

Information about a major customer

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**128,600**	–

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Revenue from licencing fee income	**128,600**	–

Disaggregated revenue information

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Transferred at a point in time	**128,600**	–

Other income and gains, net

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**9,364**	8,382
Investment income from financial products	**2,768**	2,316
Government grant released*	**43,133**	27,434
Net income from lab testing services	**919**	158
Foreign exchange differences, net	**5,682**	1,584
Net changes in fair value of financial assets at fair value through profit or loss	**1,812**	1,138
Reversals of the write-down of inventories to net realisable value	**1,376**	–
Others	**43**	–
	65,097	41,012

* The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drug development and capital expenditure incurred on certain projects.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
Wages and salaries		**108,214**	33,952
Pension scheme contributions		**14,200**	1,579
Equity-settled share award expenses		**27,569**	54,051
		149,983	89,582
Depreciation of property, plant and equipment	*10*	**14,203**	7,197
Depreciation of right-of-use assets	*11(a)*	**4,113**	2,800
Amortisation of intangible assets*		**428**	211
Loss upon early termination of a lease**		**–**	127
Lease payments not included in the measurement of lease liabilities	*11(c)*	**704**	347
Fair value changes on convertible redeemable preferred shares***		**–**	412,421
Listing expenses		**–**	45,492

* Included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

** Included in "Other expenses, net" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

*** Amount represented the fair value changes for the convertible and redeemable preferred shares designated as financial liabilities at fair value through profit or loss, which were converted into ordinary shares upon the completion of the IPO.

6. FINANCE COSTS

	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Finance cost on lease liabilities	**262**	169
Interest on bank and other borrowings	**8,784**	10,100
Total interest expense on financial liabilities not at fair value through profit of loss	**9,046**	10,269
Less: Interest capitalised	**(5,432)**	(3,798)
	3,614	6,471

30 June 2021

7. 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 operated.

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

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on any estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits are determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 except for 中山康方生物醫藥有限公司 (Akeso Biopharma Co., Ltd.^) which was qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for the six months ended 30 June 2021 and 2020.

The subsidiary incorporated in the USA is subject to American federal and California income tax. America federal income tax was provided at the rate of 21% and California income tax was provided at the rate of 8.84% for the six months ended 30 June 2021 and 2020 on the estimated assessable profits arising in the USA.

The subsidiary incorporated in the Australia is subject to Australia income tax. Australia corporate income tax has been provided at the rate of 30% on the estimated assessable profits arising in Australia.

The income tax expense of the Group for the periods presented is analysed as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current		
Charge for the period	**–**	–
Deferred	**–**	–
Total tax charge for the period	**–**	–

8. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 and subsequent to the end of the reporting period (six months ended 30 June 2020: Nil).

^ The English name is for identification purposes only.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 814,902,480 (six months ended 30 June 2020: 469,088,509) in issue, during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021. As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2020 in respect of a dilution as the impact of the conversion of the convertible redeemable preferred shares had an anti-dilutive effect on the basic loss per share amounts presented. Accordingly, the dilutive loss per share amounts for the period ended 30 June 2020 are the same as the basic loss per share amounts.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the parent	**(424,904)**	(672,793)
Add: Loss attributable to preferred shareholders	**–**	140,677
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(424,904)**	(532,116)

	Number of shares Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**814,902,480**	469,088,509

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10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
At beginning of period:		
Cost	**657,716**	247,896
Accumulated depreciation	**(49,465)**	(33,891)
Net carrying amount	**608,251**	214,005
At beginning of period, net of accumulated depreciation	**608,251**	214,005
Additions	**252,563**	400,618
Interest capitalised	**5,432**	9,273
Disposals	**(8)**	(9)
Depreciation provided during the period	**(14,203)**	(15,627)
Exchange realignment	**(2)**	(9)
At end of period, net of accumulated depreciation	**852,033**	608,251
At end of period:		
Cost	**915,701**	657,716
Accumulated depreciation	**(63,668)**	(49,465)
Net carrying amount	**852,033**	608,251

At 30 June 2021, the Group's buildings with net carrying amounts of approximately RMB51,435,000 (31 December 2020: RMB56,356,000) were pledged to secure bank loans (note 17).

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings, machinery and land use rights with lease terms of 2 to 50 years used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Plant and buildings *RMB'000*	Machinery *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
At 1 January 2020 (audited)	**2,746**	**3,508**	**46,151**	**52,405**
Additions	**2,908**	**–**	**102,291**	**105,199**
Depreciation charged	**(1,973)**	**(1,053)**	**(3,004)**	**(6,030)**
Remeasurement resulting from early termination of a lease	**(658)**	**–**	**–**	**(658)**
At 31 December 2020 and 1 January 2021 (audited)	**3,023**	**2,455**	**145,438**	**150,916**
Additions	**10,326**	**–**	**–**	**10,326**
Depreciation charged	**(2,083)**	**(528)**	**(1,502)**	**(4,113)**
Exchange realignment	**(21)**	**–**	**–**	**(21)**
As at 30 June 2021 (unaudited)	**11,245**	**1,927**	**143,936**	**157,108**

At 30 June 2021, the Group's land use rights with net carrying values of approximately RMB132,106,000 (31 December 2020: RMB100,245,000) was pledged to secure bank loans (note 17).

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Carrying amount at 1 January	**6,566**	7,340
New leases	**10,326**	2,908
Accretion of interest recognised during the period/year	**262**	356
Covid-19-related rent concessions from lessors	**(30)**	(54)
Payments	**(3,295)**	(3,391)
Remeasurement resulting from early termination of a lease	**–**	(593)
Exchange realignment	**(24)**	–
Carrying amount at 30 June/31 December	**13,805**	6,566

11. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Lease liabilities:		
Current portion	**7,921**	2,864
Non-current portion	**5,884**	3,702
	13,805	6,566

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on lease liabilities *(note 6)*	**262**	169
Depreciation charge of right-of-use assets	**4,113**	2,800
Expenses relating to short-term leases *(note 5)*	**704**	347
Covid-19-related rent concessions from lessors	**(30)**	–
	5,049	3,316

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Value-added tax recoverable	**131,440**	96,218
Prepayments	**29,206**	42,441
Deposits	**2,864**	1,947
Other receivables	**4,643**	3,033
	168,153	143,639

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The balances are interest-free and are not secured with collateral.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

Other receivables and deposits had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of each period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the six months ended 30 June 2021 and the year ended 31 December 2020, the Group estimated that the expected loss rate for other receivables and deposits is minimal.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Investments in financial products, at fair value	**181,810**	110,000

The above investments represented investment in financial products which were issued by banks with expected interest rates ranging from 1.0% to 3.3% per annum. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected interest.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Cash and bank balances	**2,297,412**	2,685,734
Deposits	**868,402**	718
	3,165,814	2,686,452
Less: Pledged time deposits		
Restricted cash*	**(1,950)**	(1,953)
Cash and cash equivalents	**3,163,864**	2,684,499
Denominated in:		
RMB	**993,628**	1,073,688
United States dollars ("USD")	**806,040**	474,785
Hong Kong dollars ("HKD")	**1,350,860**	1,131,981
Australian dollars	**13,336**	4,045
Cash and cash equivalents	**3,163,864**	2,684,499

* The restricted cash as at 30 June 2021 and 31 December 2020 was pledged as security for the procurement of machinery and equipment as required by a supplier of the Group and for the execution of the land use right contract of a subsidiary of the Group entered into with the local authority in Mainland China during the year ended 2019.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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15. TRADE PAYABLES

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

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Within 3 months	**99,254**	98,145
3 to 6 months	**5,634**	6,256
6 months to 1 year	**842**	5,790
Over 1 year	**454**	2,416
	106,184	112,607

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Payroll payable	**52,132**	33,419
Accruals	**32**	428
Other tax payables	**2,411**	1,106
Receipt in advance	**–**	566
Other payables	**35,621**	4,048
	90,196	39,567

Other payables are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each reporting period approximated to their fair values due to their short-term maturities.

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17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2021 (Unaudited)			As at 31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Current portion of long term bank loans — secured	**4.83–5.39**	**2021–2022**	**5,548**	5.23–5.39	2021	13,811
Non-current						
Bank loans — secured	**4.70–5.39**	**2022–2031**	**183,866**	5.23–5.39	2022–2028	28,614
Convertible loans — secured	**note (c)**	**note (c)**	**165,589**	note (c)	note (c)	150,000
Loans from a non-controlling shareholder — unsecured	**3.50**	**2026**	**84,507**	–	–	–
			433,962			178,614
			439,510			192,425

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**5,548**	13,811
In the second year	**3,880**	6,860
In the third to fifth years, inclusive	**32,300**	15,754
Beyond five years	**147,686**	6,000
	189,414	42,425
Other borrowings repayable:		
In the third to fifth years, inclusive	**250,096**	150,000
	439,510	192,425

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) buildings and construction in progress of the Group, which had net carrying values at the end of the reporting period of approximately RMB51,435,000 (31 December 2020: RMB56,356,000);

(ii) land use rights of the Group, which had net carrying values of approximately RMB132,106,000 (31 December 2020: RMB100,245,000);

(iii) the equity interest of a subsidiary held by the Group.

(b) On 23 July 2019, a subsidiary of the Group entered into a convertible loan agreement with its non-controlling shareholder and borrowed a convertible loan amounting to RMB75,000,000. The subsidiary further borrowed convertible loans of an aggregate amount of RMB75,000,000 under the agreement in 2020. According to the loan agreement, the convertible loans bear interest at 6.5% per annum and are secured by the equity interest of the subsidiary held by the Group as at 30 June 2021 and 31 December 2020. The convertible loans are due on 31 December 2023. Under the loan agreement, an option (the "Convertible Right") to convert the unpaid principal and the related interest into ordinary shares of the subsidiary will be granted to its non-controlling shareholder under certain conditions. The fair value of the Convertible Right was assessed to be minimal for the six months ended 30 June 2021 and the year ended 31 December 2020.

(c) All borrowings were denominated in RMB as at 30 June 2021 and 31 December 2020.

18. DEFERRED INCOME

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
Government grant	**42,254**	53,443

The movements in deferred income for the reporting periods are as follows:

	30 June 2021 *RMB'000* (Unaudited)	31 December 2020 *RMB'000* (Audited)
At beginning of period/year	**53,443**	60,149
Grants received during the period/year	**31,944**	63,739
Unutilised fund returned to government	**–**	(1,250)
Amount released	**(43,133)**	(69,195)
At end of period/year	**42,254**	53,443

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, award for the new drugs development and capital expenditure incurred on certain projects.

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19. SHARE CAPITAL

Ordinary shares and preferred shares

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Issued and fully paid:		
817,057,176 (31 December 2020: 787,057,176) ordinary shares of USD0.00001 each	**USD8,171**	USD7,871
Equivalent to	**RMB57,000**	RMB55,000

A summary of movements in the Company's share capital is as follows:

	Numbers of preferred shares	Numbers of ordinary shares	Share capital amount *RMB'000*	Share Premium *RMB'000*	Total *RMB'000*
At 1 January 2020 (Audited)	197,986,800	284,879,340	34	–	34
Issue of shares in connection with the IPO *(note a)*	–	183,419,000	13	2,714,517	2,714,530
Share issue expenses	–	–	–	(82,918)	(82,918)
Transfer from preferred shares to ordinary shares *(note b)*	(197,986,800)	318,758,836	8	–	8
At 31 December 2020 and 1 January 2021 (Audited)	–	787,057,176	55	2,631,599	2,631,654
Issue of shares *(note c)*	–	30,000,000	2	992,026	992,028
Share issue expenses *(note c)*	–	–	–	(13,916)	(13,916)
At 30 June 2021 (Unaudited)	–	817,057,176	57	3,609,709	3,609,766

Notes:

(a) In connection with the IPO, 183,419,000 ordinary shares of a par value of US$0.00001 each were issued at a price of HKD16.18 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HKD2,967,719,000 (approximately RMB2,714,530,000).

(b) All the preferred shares were converted into ordinary shares upon the completion of IPO.

(c) On 14 January 2021, 30,000,000 new shares were placed at a price of HKD39.60 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of HKD1,188,000,000 (equivalent to RMB992,028,000). The related transaction costs amounting to HKD16,665,000 (equivalent to RMB13,916,000) were netted off against the cash proceeds. The net proceeds were intended to be used for the business development of the Group. Details have been set out in the announcements of the Company dated 7 and 14 January 2021, respectively.

20. RESERVES

The amounts of the Group's reserves and the movements therein for the periods are presented in the interim condensed consolidated statement of changes in equity of the Group.

Capital reserve

The Group's capital reserve mainly includes the share premium of the ordinary shares issued and share issue expenses, the share premium of the ordinary shares transferred from preferred shares, equity-settled share award and the accumulated effects of the other equity transactions (i.e. the changes in non-controlling interests without losing control of a subsidiary).

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

21. SHARE AWARD

Restricted Share Unit Scheme

The Company adopted a restricted share unit scheme on 29 August 2019 (the "RSU Scheme"). The purpose of the RSU Scheme is to recognise and motivate the contributions of the grantees under the RSU Scheme, provide incentives for them to remain with the Group, and attract suitable personnel for the further development. Eligible participants of the RSU Scheme include employees or officers (including executive, non-executive and independent non-executive directors of the Group) as well as other core technical personnel, key personnel or other natural persons or entities that were or will be important to the development of the Group.

During the six months ended 30 June 2021, equity interest in the Company was granted to employees of 100,000 RSUs (year ended 31 December 2020: 1,291,917) at a consideration of HKD1.00 each, 259,000 RSUs (year ended 31 December 2020: 17,254,645) at a consideration of HKD0.001 each, and to a director of 5,019,296 RSUs (year ended 31 December 2020: Nil) at a consideration of HKD0.001 each, respectively.

The vesting periods of these RSUs ranged from 1 month to 4.5 years. There is no other performance target required except the eligible participant remains as employees of the Group during the vesting period. 4,274,496 RSUs have been vested under the RSU Scheme during the six months ended 30 June 2021 (year ended 31 December 2020: 12,535,262). As at 30 June 2021, the total number of RSUs which remain outstanding under the RSU Scheme was 21,345,641 (31 December 2020: 26,723,937). No RSUs have been forfeited under the RSU Scheme during the six months ended 30 June 2021 (year ended 31 December 2020: Nil).

During the six months ended 30 June 2021, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised share award expenses of approximately RMB150,143,000 which was charged to the statement of profit or loss and other comprehensive income (six months ended 30 June 2020: RMB54,051,000). The fair value of the share awards is measured at the grant date at the market value of the shares. Except for the RSUs granted on 26 March 2020 of which the market value is determined using an option pricing model, the market values of the RSUs granted after the completion of IPO are determined using the closing prices of listed shares as at the grant dates.

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22. CONTINGENT ASSETS/LIABILITIES

In February 2019, a subsidiary of the Group brought a breach of contract claim against Sichuan Kelun Drug Research Institute Co., Ltd. ("Sichuan Kelun") based on Sichuan Kelun's failure to perform its contractual obligations pursuant to the collaboration agreement entered between the subsidiary and Sichuan Kelun (the "Kelun Collaboration Agreement"). In this claim, the subsidiary of the Group sought an aggregate amount of approximately US$1.8 million (equivalent to RMB12.3 million). Taking into account the opinion of the Group's legal counsel that it was premature to speculate the outcome of such claim as at the date of this report, the Directors considered that the amount receivable in respect of the claim cannot be reliably measured and therefore no such asset was recognised during the reporting periods.

In July 2019, Sichuan Kelun filed a counterclaim and alleged that the subsidiary did not perform its contractual obligations under the Kelun Collaboration Agreement. In this claim, Sichuan Kelun sought for the return of RMB1 million the subsidiary received and an aggregate amount of approximately RMB20.2 million for compensation. Taking into account the opinion of the Group's legal counsel that the suit had not entered into substantive hearing stage as at the date of this report, the Directors believed that the subsidiary had a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

23. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings and overdrafts and contract execution are included in notes 10, 11(a), 14 and 17, respectively, to the interim condensed consolidated financial information.

24. COMMITMENTS

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Plant and machinery	**593,522**	478,905

25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the reporting periods:

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**9,279**	4,704
Pension scheme contributions	**11**	2
Equity-settled share award expenses	**122,574**	–
Total compensation paid to key management personnel	**131,864**	4,706

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair value	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Financial assets at fair value through profit or loss	**181,810**	110,000	**181,810**	110,000

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

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the reporting periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the non-current portion of interest-bearing bank and other borrowings and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2021 and 31 December 2020 were assessed to be insignificant.

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

The fair values of the financial products issued by the banks have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2021 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable markets (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	**–**	**181,810**	**–**	**181,810**

As at 31 December 2020 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable markets (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	–	110,000	–	110,000

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 August 2021.


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