



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

INTERIM REPORT 中期報告

2022



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Akesobio
康方药业

COMPANY PROFILE

Akeso, Inc. is a biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of innovative antibody drugs that are affordable to patients worldwide. Since the Company's inception, the Company has established an end-to-end comprehensive drug development platform (ACE Platform), encompassing fully integrated drug discovery and development functions, including target validation, antibody drug discovery and development, CMC production process development, and GMP compliant production. The Company has also successfully developed a bi-specific antibody drug development technology (TETRABODY technology), which helps us overcome three CMC challenges in the development and manufacture of bi-specific antibodies, including low expression levels, process development hurdles, and antibody stability and druggability. The Company currently has a pipeline of over 30 innovative drugs for the treatment of major diseases like cancers, autoimmune diseases, inflammation and metabolic diseases, 15 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 highly effective and innovative new drugs that are either first-in-class or best-in-class therapies.

DEFINITIONS

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

"2021 Placing"	Issuance of an aggregate of 30,000,000 new shares at a price of HK\$39.60 per share to not less than six Independent Third Parties pursuant to the share placing agreement dated January 7, 2021 on January 14, 2021
"2021 RSU Scheme"	the restricted share unit scheme approved and adopted by our Company on December 6, 2021 as amended from time to time
"2022 Placing"	Issuance of an aggregate of 24,000,000 new shares at a price of HK\$24.27 per share to not less than six Independent Third Parties pursuant to the share placing agreement dated July 8, 2022 on July 15, 2022
"AACR"	American Association for Cancer Research
"ACE Platform"	Akeso Comprehensive Exploration platform
"Anniko [®] ", "Penpulimab" or "AK105"	Penpulimab antibody injection, a new PD-1 monoclonal antibody with IgG1 subtype and Fc segment modification, which is structurally stable and less prone to aggregation
"ASCO"	American Society of Clinical Oncology
"ASCO GI"	American Society of Clinical Oncology Gastrointestinal Cancers Symposium
"Audit Committee"	the audit committee of the Board
"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
"Chipscreen Biosciences"	Shenzhen Chipscreen Biosciences Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock code: 688321.SH)
"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

Definitions

“CSCO”	Chinese Society of Clinical Oncology Annual Meeting
“CTLA-4”	cytotoxic T-lymphocyte-associated protein 4, which downregulates T cell immune response to cancer cells
“Director(s)”	the director(s) of the Company
“dMMR”	mismatch repair deficient
“EMA”	European Medicines Agency
“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

Definitions

“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)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“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
“Pre-IPO RSU Scheme” or “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
“Prospectus”	the prospectus of the Company dated April 14, 2020

Definitions

"R&D"	Research and Development
"Reporting Period"	the six months ended June 30, 2022
"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)
"SGO"	Society of Gynecologic Oncology
"Share(s)"	ordinary share(s) with nominal value of US\$0.00001 each in the share capital of the Company
"Share Option Scheme"	the share option scheme approved and adopted by our Company on June 28, 2022, as amended from time to time, for any employee, director or officer of the Company or any of its subsidiaries or any advisor, consultant or any service provider or any business or joint venture partner of the Company or any subsidiary on a continuing or recurring basis in the ordinary and usual course of business which is material to the long term growth of the Group as determined by the Board
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TACE"	transcatheter arterial chemoembolization
"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
"US\$"	United States dollars, the lawful currency of the United States
"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

Definitions

"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 (*Resigned on August 23, 2022*)
Ms. LEUNG Wai Yan (*Appointed on August 23, 2022*)

AUTHORIZED REPRESENTATIVES

Dr. XIA Yu
Ms. SUEN Pui Chun Hannah (*Resigned on August 23, 2022*)
Ms. LEUNG Wai Yan (*Appointed on August 23, 2022*)

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

PRINCIPAL BANKS

In Hong Kong:
CMB Wing Lung Bank Limited
Hongkong and Shanghai Banking Corporation Limited

In Mainland China:
Industrial and Commercial Bank of
China Limited, Zhongshan Branch
China Merchants Bank, Zhongshan Branch
China Merchants Bank, Guangzhou Branch
Shanghai Pudong Development Bank Corporation Limited,
Guangzhou Branch

REGISTERED OFFICE

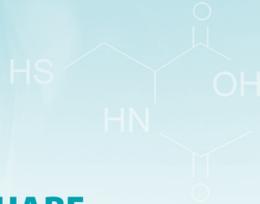
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

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 BRANCH 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

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

IFRS Measures:

- For the six months ended June 30, 2022, the Company's total product sales amounted to RMB297.2 million, benefiting from the commercial sales of Anniko® (Penpulimab, PD-1), which was launched in August 2021. Net of distribution cost of RMB134.0 million, the revenue increased by 26.8% to RMB163.1 million for the six months ended June 30, 2022 from RMB128.6 million for the six months ended June 30, 2021.
- Other income and gains, net increased by RMB10.9 million or 16.7% from RMB65.1 million for the six months ended June 30, 2021 to RMB76.0 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase in government grants.
- Research and development expenses increased by RMB31.9 million from RMB563.5 million for the six months ended June 30, 2021 to RMB595.4 million for the six months ended June 30, 2022. We reviewed and prioritized clinical development plan for our drug candidates and strategically focus our resources more on expediting these late stage or registration trial stage clinical programs including AK104 combined with chemotherapy for first-line gastric cancer, AK104 combined with chemotherapy for first-line cervical cancer, phase III programs of AK112 (PD-1/VEGF), AK101 (IL-12/IL-23) and AK102 (PCSK9), and phase Ib/II programs of AK117 (CD47) and etc.
- Selling and marketing expenses were RMB149.5 million for the six months ended June 30, 2022. The expenses were mainly attributable to (i) the increase in staff costs and marketing expenses due to the preparation for the coming launch of the product, Cadonilimab (AK104, PD-1/CTLA-4); and (ii) the marketing expenses incurred in relation to the sales of Anniko®.
- Loss for the period increased by RMB245.7 million from RMB446.2 million for the six months ended June 30, 2021 to RMB691.9 million for the six months ended June 30, 2022.

Non-IFRS Measures:

- Adjusted total comprehensive loss for the period was RMB585.6 million, representing an increase of RMB264.3 million from RMB321.3 million for the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

We are a biopharmaceutical company committed to the research, development, manufacturing and commercialization of either first-in-class or best-in-class therapies. We are dedicated to addressing global unmet medical needs in cancers, autoimmune diseases and metabolic disease.

COMMERCIALIZATION

On June 29, 2022, 開坦尼® (Cadonilimab), the first-in-class PD-1/CTLA-4 bi-specific antibody independently developed by the Company, has been granted marketing approval by the NMPA for the treatment of recurrent or metastatic cervical cancer (R/M CC) patients who have progressed on or after platinum-based chemotherapy. 開坦尼® is globally first approved dual immune checkpoint inhibitor bi-specific antibody, addressing a huge unmet medical needs for immunotherapy for advanced cervical cancer in China, and is also pioneering the development of bi-specific antibody in China.

During the Reporting Period, our first oncology immunotherapy drug Anniko® (Penpulimab, PD-1) achieved product sales of RMB297.2 million. In 2022, Penpulimab has been included in the 2022 CSCO Guideline: Penpulimab for treatment of refractory/relapsed classic Hodgkin Lymphoma (r/r cHL), Penpulimab in combination with chemotherapy as first-line treatment of squamous NSCLC, Penpulimab as second-line treatment or salvage treatment of recurrent/metastatic nasopharyngeal carcinoma (r/m NPC).

開坦尼® is the second product of the Group obtaining marketing approval from the NMPA following the approval of Anniko®, and is the first immunotherapy drug independently marketed by the Company. On July 5, 2022, the Company promptly delivered the first batch of 開坦尼®. This demonstrates great market potential and market acceptance of Cadonilimab and it was prescribed across different provinces in China. It was also highly recognized among clinical practitioners. It further demonstrates our commercialization team is well-prepared for the product launch.

PRODUCT PORTFOLIO

As of June 30, 2022, we have over 30 innovative programs covering the areas of oncology, auto-immune and metabolic diseases. These products include 6 bi-specific antibodies and 15 of which are in the clinical trial stage (including three out-licensed products).

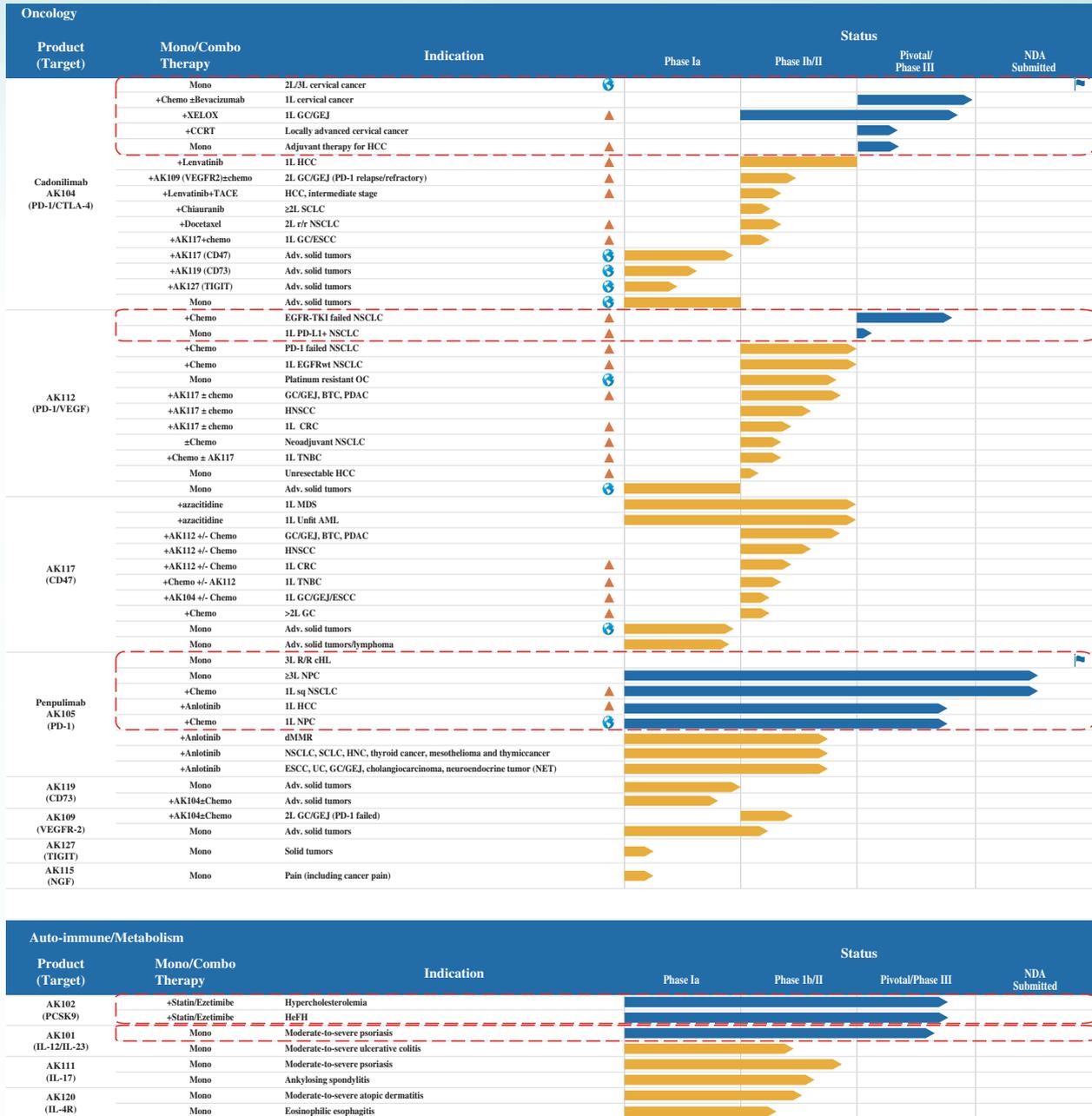
Oncology is one of our focused therapeutic areas. Our products in clinical trial includes 開坦尼® (Cadonilimab, PD-1/CTLA-4), Anniko® (Penpulimab, PD-1), Ivonescimab (PD-1/VEGF, AK112), Ligufalimub (CD47, AK117), Dreboxelimumab (CD73, AK119), Pulocimab (VEGFR-2, AK109), AK127 (TIGIT), and AK115 (NGF), which cover various indications including hematological tumors and solid tumors. We believe that some of these commercialized drugs and drug candidates have the potential to be the first-in-class or best-in-class therapies, as well as backbone drugs of combination therapies.

In the area of auto-immune disease, we also have strong pipeline which consists of valuable clinical assets including Ebdarokimab (IL-12/IL-23, AK101), Gumokimab (IL-17, AK111) and Manfidokimab (IL-4R, AK120).

We also have innovative drug candidates targeting metabolic diseases including Ebronucimab (PCSK9, AK102), which is in collaboration under a joint venture agreement with Dawnrays Pharmaceutical.

Management Discussion and Analysis

The following chart summarizes the development status of two commercialized products and other clinical-stage assets as of the date of this report:



🌐 = Global Trial

▲ = Large Indications

🇺🇸 = NMPA approval

⬭ = Registrational Trials

ONCOLOGY

- 開坦尼® (Cadonilimab, PD-1/CTLA-4):

1. **Commercialization and NDA progress**

- In June, 開坦尼® was granted marketing approval for the treatment of recurrent or metastatic cervical cancer (R/M CC) patients who have progressed on or after platinum-based chemotherapy. 開坦尼® is globally first approved dual immune checkpoint inhibitor bi-specific antibody, addressing a huge unmet medical need for immunotherapy for advanced cervical cancer in China, and is also pioneering the development of bi-specific antibody in China.

2. **Significant Clinical Progress:**

- In January, Cadonilimab in combination with concurrent chemoradiotherapy (CCRT) obtained CDE approval to initiate a Phase III clinical trial for treatment of locally advanced cervical cancer.
- In January, Cadonilimab in combination with AK112 +/- chemotherapy obtained CDE approval to initiate a Phase Ib/II clinical trial for treatment of advanced non-small cell lung cancer (NSCLC).
- In January, Cadonilimab in combination with Lenvatinib + TACE obtained CDE approval to initiate a Phase II clinical trial for treatment of liver cancer.
- In March, Cadonilimab in combination with Docetaxel obtained CDE approval to initiate a Phase II clinical trial for treatment of advanced NSCLC which patients previously treated with PD-(L)1.
- In March, we commenced R&D collaboration with Chipscreen Biosciences, and initiated a Phase Ib/II clinical trial of Cadonilimab in combination with Chiauranib for treatment of extensive-stage small cell lung cancer (ES-SCLC) which patients previously treated with PD-(L)1.
- In June, Cadonilimab obtained CDE approval to initiate a Phase III clinical trial as adjuvant treatment of hepatocellular carcinoma (HCC).
- In June, we completed patient enrollment of phase III trial of Cadonilimab in combination with platinum-based chemotherapy +/- bevacizumab as first-line treatment of R/M CC.

3. **Data Readouts:**

- In January, results of Phase Ib/II clinical trial of Cadonilimab in combination with chemotherapy as the first-line treatment of advanced gastric cancer/gastroesophageal junction cancer (G/GEJ) were published at 2022 ASCO GI.
- In March, results of Phase II clinical trial of Cadonilimab for treatment of R/M CC were orally reported at 2022 SGO.
- In June, results of Phase II clinical trial of Cadonilimab in combination with standard of care as first-line treatment of R/M CC were orally reported at 2022 ASCO.

Management Discussion and Analysis

- **Ivonescimab (PD-1/VEGF, AK112):**

1. **Significant Clinical Progress:**

- In January, Phase III clinical trial of AK112 in combination with chemotherapy for treatment of advanced non-squamous NSCLC patients with EGFR-mutated who failed to prior EGFR-TKI treatment completed dosing of first patient.
- In January, AK112 in combination with AK117 obtained CDE approval to initiate a Phase II clinical trial as first-line treatment of triple-negative breast cancer (TNBC).
- In March, Phase II clinical trial of AK112 monotherapy or in combination with chemotherapy as neoadjuvant/ adjuvant treatment of resectable NSCLC completed first patient enrollment.
- In June, AK112 obtained CDE approval to initiate a Phase II clinical trial for the treatment of unresectable HCC.

2. **Data Readouts:**

- In June, results of Phase Ib/II clinical trial of AK112 monotherapy for the treatment of advanced NSCLC were published at 2022 ASCO.
- In June, results of Phase II clinical trial of AK112 in combination with chemotherapy for the treatment of advanced NSCLC were published at 2022 ASCO.

3. **Recent Development After the Reporting Period**

- In August, the Company initiated the Phase III clinical trial of AK112 monotherapy versus Pembrolizumab as the first-line treatment for NSCLC patients with positive PD-L1 expression.

- **Ligufalimab (CD47, AK117):**

Significant Clinical Progress:

- In January, AK117 in combination with AK112 +/- chemotherapy obtained CDE approval to initiate a Phase Ib/II clinical trial for treatment of advanced malignant tumors.
- In January, AK117 in combination with AK112 with chemotherapy obtained CDE approval to initiate a Phase II clinical trial as first-line treatment of TNBC.

- **Pulocimab (VEGFR-2, AK109):**

Data Readouts

- In June, results of Phase I clinical trial of AK109 for treatment of advanced or metastatic solid tumors were published at 2022 ASCO.

- **AK127 (TIGIT):**

1. **Significant Clinical Progress:**

- In March, AK127 monotherapy obtained CDE approval to initiate a Phase I clinical trial for treatment of malignant tumor.

2. **Data Readouts**

- In April, pre-clinical results of AK127 were published at 2022 AACR, which showed potent anti-tumor activities.

- **AK115 (NGF):**

Significant Clinical Progress:

- In February, AK115 obtained CDE approval to initiate a Phase I clinical trial for alleviating pain (including cancer pain).

AUTO-IMMUNE AND OTHER THERAPEUTIC AREAS

- **Ebdarokimab (IL-12/IL-23, AK101):**

Significant Clinical Progress:

- In June, we completed patient enrollment of Phase III pivotal trial of AK101 for treatment of moderate-to-severe psoriasis.

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

Significant Clinical Progress:

- In June, we completed patient enrollment of Phase III pivotal trial of AK102 for the treatment of hypercholesterolemia.
- In June, we completed patient enrollment of Phase III registrational trial of AK102 for the treatment of heterozygous familial hypercholesterolaemia (HeFH).

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that the Company will ultimately commercialize 開坦尼® and Anniko®. There is no assurance that Ivonescimab (AK112), Ligufalimab (AK117), Pulocimab (AK109), Drebuxelimab (AK119), AK127 (TIGIT), AK115 (NGF), Ebronucimab (AK102), Ebdarokimab (AK101), Gumokimab (AK111) and Manfidokimab (AK120) will ultimately be successfully developed and marketed by the Company. As of the date of this report, no material adverse changes 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, 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
AK129	PD-1/LAG3	Monotherapy	Oncology	Global
AK130	TIGIT/TGF- β	Monotherapy	Oncology	Global
AK131	PD-1/CD73	Monotherapy	Oncology	Global
AK132	Claudin18.2/CD47	Monotherapy	Oncology	Global

Management Discussion and Analysis

HUMAN RESOURCES MANAGEMENT

As of June 30, 2022, we had a total of 2,289 employees. In line with our strategic goal of enhancing the integrated platform of R&D, manufacturing and commercialization, the Company continues to recruit more talents.

Function	Number of employees (as of June 30, 2022)	Number of employees (as of June 30, 2021)
Research and Development (Pre-clinical)	274	192
Clinical	505	358
Manufacturing	608	286
Selling and Marketing	630	196
Sourcing, General and Administrative	272	170
Total	2,289	1,202

MANUFACTURING FACILITIES

As of June 30, 2022, the Company has a total production capacity of 31,500L in operation. We have a steady capacity expansion plan to meet our future clinical and commercialization needs. Our GMP-compliant manufacturing facilities are designed and validated according to the FDA, the EMA, and the NMPA regulations, and support the entire drug development process, from drug discovery to process development, GMP-compliant pilots and commercial manufacturing.

FDA/NMPA-compliant GMP manufacturing facility to continuously support the Company's clinical and commercialization development.

- **Zhongshan Torch Development District Manufacturing Site:** GMP-compliant manufacturing capacity of 3,500L.
- **Guangzhou Commercialization and Manufacturing Site:** The production capacity in operation at the moment is 28,000L, with additional 32,000L capacity under construction.

AD Pharmaceuticals Co., Ltd., a joint venture of the Company and Dawnrays Pharmaceutical, commenced operation with a new production capacity of 8,000L in May.

- **Zhongshan Cuiheng Manufacturing Site:** The phase I and phase II projects under construction will provide up to 60,000L. Phase III of this project is in planning, which will provide a production capacity of up to 40,000L once completed.

IMPACT OF COVID-19 AND RESPONSE

Global Outbreak of COVID-19

The Company has developed defensive operation rules and fully prepared for company operation under outbreak of COVID-19. During the Reporting Period, we have experienced only minimal delay to our patient enrollment and clinical development due to business interruptions to hospitals and treatment centers. For commercialization preparation for 開坦尼[®], we have no material interruption under the local pandemic and successfully obtained marketing approval. 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 significant impact on our financial conditions and financial results.

The above conclusion is based on the information about COVID-19 available for the time being. The ultimate impact of the pandemic will depend on many factors beyond our control. We cannot be sure if the COVID-19 will not worsen and if our operation results will not be materially and adversely affected.

FUTURE DEVELOPMENT

We have developed a comprehensive and solid functional platform to welcome the launch of new products and our strong R&D with clinical focus and efficient execution will ensure continuous success.

In the second half of 2022, we will speed up the marketing and commercialization of 開坦尼[®] to benefit increasing patients. Meanwhile, we will accelerate clinical development plan to maximize the commercial potential of Cadonilimab in other large indications, including gastric cancer, lung cancer and liver cancer, etc. We also expect Anniko[®] to obtain NMPA approval for new indications, squamous NSCLC and NPC, in 2022.

In the therapeutic area of oncology, we will strategically focus on the development of our core drug candidates, including Ivonescimab (PD-1/VEGF, AK112) and Ligufalimub (CD47, AK117), in particular accelerating our late-stage clinical trials in large indications. We will also move forward AK129 (PD-1/LAG-3), AK130 (TIGIT/TGF- β) and AK131 (PD-1/CD73) into clinical stage.

In the therapeutic area of auto-immune and metabolic diseases, we expect to submit NDA of Ebdarokimab(IL-12/IL-23, AK101) and Ebronucimab (PCSK9, AK102) to NMPA in 2023.

We are committed to keeping up with the frontier of biotechnology development, being innovative and continuously optimizing our portfolio. To speed up the commercialization process and to maximize the commercial value of our approved products and drug candidates, we will identify strategic partners globally with high value-added potential to cooperate in the form of partnership, joint venture, or licensing agreement.

Management Discussion and Analysis

FINANCIAL REVIEW

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Product sales	297,184	–
Licensing fee income	–	128,600
Total sales from products and licensing fee	297,184	128,600
Less: distribution cost	(134,049)	–
Revenue	163,135	128,600
Cost of sales	(28,109)	–
Gross profit	135,026	128,600
Other income and gains, net	75,966	65,097
Selling and marketing expenses	(149,501)	–
Administrative expenses	(92,741)	(72,522)
Research and development expenses	(595,384)	(563,518)
Other expenses, net	(49,420)	(206)
Finance costs	(15,830)	(3,614)
Loss for the period	(691,884)	(446,163)
OTHER COMPREHENSIVE LOSS		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(154,391)	12,465
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	234,525	(37,772)
Other comprehensive income/(loss) for the period, net of tax	80,134	(25,307)
Total comprehensive loss for the period	(611,750)	(471,470)
Non-IFRS Measures		
Adjusted total comprehensive loss for the period	(585,606)	(321,327)

1. Revenue

For the six months ended June 30, 2022, the Company's total product sales increased to RMB297.2 million, benefiting from the commercial sales of Anniko® (Penpulimab, PD-1), which was launched in August 2021. Net of distribution cost of RMB134.0 million, the revenue increased by 26.8% to RMB163.1 million for the six months ended June 30, 2022 from RMB128.6 million for the six months ended June 30, 2021.

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Product sales	297,184	–
Licensing fee income	–	128,600
Total sales from products and licensing fee	297,184	128,600
Less: distribution cost relevant to the product sales	(134,049)	–
Revenue	163,135	128,600

2. Cost of sales

The Group's cost of sales was related to Anniko® sold, consisting of cost of raw material, direct labor, manufacturing cost and manufacturing overhead related to the production of the products. For the six months ended June 30, 2022, the cost of sales was RMB28.1 million.

3. Other Income and Gains, net

The Group's other income and gains, net primarily consisted of announced government grants and bank interest income. The government grants consists 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.

Other income and gains, net increased by RMB10.9 million or 16.7% from RMB65.1 million for the six months ended June 30, 2021 to RMB76.0 million for the six months ended June 30, 2022. The increase was primarily attributable to the increase in government grants.

4. 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, 2022, the research and development expenses increased by RMB31.9 million to RMB595.4 million from RMB563.5 million for the six months ended June 30, 2021. We reviewed and prioritized clinical development plan for our drug candidates and strategically focus our resources more on expediting these late stage or registration trial stage clinical programs including AK104 combined with chemotherapy for first-line gastric cancer, AK104 combined with chemotherapy for first-line cervical cancer, phase III programs of AK112 (PD-1/VEGF), AK101 (IL-12/IL-23) and AK102 (PCSK9), and phase Ib/II programs of AK117 (CD47) and etc.

Management Discussion and Analysis

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

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Clinical trial costs	408,347	287,026
Salaries and benefits	96,591	206,174
Testing expenses	40,581	28,593
Raw material costs	2,321	3,942
Depreciation and amortization	13,322	10,698
Others	34,222	27,085
	595,384	563,518

5. Administrative expenses

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

For the six months ended June 30, 2022, the administrative expenses of the Group increased by RMB20.2 million to RMB92.7 million from RMB72.5 million for the six months ended June 30, 2021, which was mainly due to the increase in employees' salaries and benefits, and depreciation and amortization expenses.

6. Selling and marketing expenses

Selling and marketing expenses primarily consisted of (i) employee salaries and benefits; (ii) channel development and marketing expenses; (iii) business entertainment expenses and others.

Selling and marketing expenses were RMB149.5 million for the six months ended June 30, 2022. The expenses were mainly attributable to (i) the increase in staff costs and marketing expenses due to the preparation for the coming launch of the product, Cadonilimab (AK104, PD-1/CTLA-4); and (ii) the marketing expenses incurred in relation to the sales of Anniko®.

7. Finance Costs

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

The finance costs of the Group increased from RMB3.6 million for the six months ended June 30, 2021 to RMB15.8 million for the six months ended June 30, 2022, which was primarily attributable to the increase in bank and other borrowings.

8. Loss for the Period

Loss for the period increased by RMB245.7 million from RMB446.2 million for the six months ended June 30, 2021 to RMB691.9 million for the six months ended June 30, 2022.

9. 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.

Management Discussion and Analysis

Adjusted total comprehensive loss for the period represents the total comprehensive loss for the period excluding the effect of equity-settled share award expenses. 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,	
	2022	2021
	RMB'000	RMB'000
	Unaudited	Unaudited
Total comprehensive loss for the period	(611,750)	(471,470)
Added:		
Equity-settled share award expenses	26,144	150,143
Adjusted total comprehensive loss for the period	(585,606)	(321,327)

Selected Data from Consolidated Statement of Financial Position

	As at	
	June 30,	As at
	2022	December 31,
	RMB'000	2021
	Unaudited	RMB'000
		Audited
Total current assets	2,975,925	3,152,256
Total non-current assets	2,006,256	1,653,533
Total Assets	4,982,181	4,805,789
Total current liabilities	1,113,615	655,695
Total non-current liabilities	1,205,432	869,828
Total liabilities	2,319,047	1,525,523
Net current assets	1,862,310	2,496,561

Management Discussion and Analysis

10. Liquidity and Source of Funding and Borrowing

As of June 30, 2022, the current assets of the Group were RMB2,975.9 million, including cash and cash equivalents of RMB2,220.7 million and other current assets of RMB755.2 million.

Among them, the Group's cash and cash equivalents decreased by RMB420.9 million to RMB2,220.7 million from RMB2,641.6 million as at December 31, 2021.

As of June 30, 2022, the current liabilities of the Group were RMB1,113.6 million, including trade payables of RMB278.3 million, other payables and accruals of RMB637.7 million, interest-bearing bank and other borrowings of RMB190.2 million and other current liabilities of RMB7.3 million.

As of June 30, 2022, the Group had short term loans of approximately RMB190.2 million (as of December 31, 2021: approximately RMB45.6 million) and long term loans of approximately RMB1,127.2 million (as of December 31, 2021: approximately RMB803.7 million). Bear interest on commercial bank borrowings at fixed annual interest rates ranging from 3.5% to 4.65%.

The new borrowings in the first half of 2022 were raised to ensure sufficient funds for research and development activities, infrastructure projects and facility operations. The Group had available unutilized bank loan facilities of approximately RMB1,375.8 million as of June 30, 2022, as compared with that of RMB1,596.6 million as at December 31, 2021.

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

11. Pledge of Assets

As of June 30, 2022, the Group had a total of RMB189.7 million of buildings and land use rights pledged to secure its loans and banking facilities.

12. Key Financial Ratios

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

	As at June 30, 2022	As at December 31, 2021
Quick ratio ⁽¹⁾	2.4	4.5
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 were negative.

13. Significant Investments

As at June 30, 2022, 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 at the date of this report.

14. 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, 2022.

15. Contingent Liabilities

Save as disclosed in note 23 to the Interim Condensed Consolidated Financial Information, the Group did not have any material contingent liabilities as of June 30, 2022.

16. Capital Commitment

The capital commitments of the Group as at June 30, 2022 were RMB898.7 million, representing an increase of RMB304.6 million as compared with that of RMB594.1 million as at December 31, 2021, primarily attributable to the manufacturing equipments and other supporting facilities invested in Guangzhou and Zhongshan in China for the purpose of our capacity expansion.

17. Foreign Exchange Risk Exposure

During the six months ended June 30, 2022, 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, while a portion of the Group's transactions were dominated in Hong Kong dollars, US dollars and Australian dollars. Except for certain cash and cash equivalents, other receivables and trade and other payables denominated in foreign currencies, the Group did not have significant foreign exchange risk exposure from its operations as of June 30, 2022. Our Group manages its foreign exchange risk by performing regular reviews of our net foreign exchange risks and uses forward contracts to eliminate the foreign exchange risk exposures.

18. Employees and Remuneration

As at June 30, 2022, the Group had a total of 2,289 employees. The following table sets forth the total number of employees by function as of June 30, 2022:

Function	June 30, 2022	June 30, 2021
	Number of employees	Number of employees
Research and Development (Pre-clinical)	274	192
Clinical	505	358
Manufacturing	608	286
Selling and Marketing	630	196
Sourcing, General and Administrative	272	170
Total	2,289	1,202

The total remuneration cost incurred by the Group for the six months ended June 30, 2022 was RMB255.5 million, as compared to RMB250.9 million for the six months ended June 30, 2021. The increase of RMB4.6 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 Pre-IPO RSU Scheme, 2021 RSU Scheme and Share Option Scheme. For details, please refer to the section headed "Restricted Share Unit Schemes and Share Option 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, 2021: 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 Part 2 of the CG Code throughout the Reporting Period with the exception of code provision C.2.1 of the CG Code.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 December 31, 2021 and June 30, 2022:

	% of total net proceeds allocated disclosed in the Prospectus	Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus HK\$' million	Proceeds unutilized as at January 1, 2021 HK\$' million	Proceeds utilized during the year ended December 31, 2021 HK\$' million	Proceeds unutilized as at January 1, 2022 HK\$' million	Proceeds utilized during the six months ended June 30, 2022 HK\$' million	Proceeds utilized up to June 30, 2022 HK\$' million	Proceeds unutilized as at June 30, 2022 HK\$' million
Research and development and commercialization of products	75%	2,170.6	2,030.2	662.7	1,367.5	699.4	1,502.5	668.1
Development of the manufacturing and research and development facilities in Guangzhou and Zhongshan, China	15%	434.1	329.9	109.1	220.8	139.9	353.2	80.9
General corporate and working capital purposes	10%	289.4	262.4	128.9	133.5	93.3	249.2	40.2
Total	100%	2,894.1	2,622.5	900.7	1,721.8	932.6	2,104.90	789.2

The remaining balance of the unutilized net proceeds (approximately HK\$789.2 million) have been deposited in banks. The Group expects that the remaining unutilized 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 12 months (by June 30, 2023). 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 professional, institutional or other investors that are 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.

Supplementary Information

The following table sets forth the status of use of net proceeds from the 2021 Placing as at December 31, 2021 and June 30, 2022:

	Amount and % of total net proceeds from 2021 Placing allocated HK\$' million (%)	Proceeds utilized during the year ended December 31, 2021 HK\$' million	Proceeds unutilized as at January 1, 2022 HK\$' million	Proceeds utilized during the six months ended June 30, 2022 HK\$' million	Proceeds utilized up to June 30, 2022 HK\$' million	Proceeds unutilized as at June 30, 2022 HK\$' million
Build the Group's commercialization team to prepare for the launch of AK104 (PD-1/CTLA-4) and to continue to recruit and retain talents in both international and domestic markets	468.5 (40%)	-	468.5	117.1	117.1	351.4
Fund increased international clinical trial needs for leading oncology programs including PD-1/CTLA-4, PD-1/VEGF, CD47, and non-oncology programs	234.3 (20%)	-	234.3	-	-	234.3
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	117.1 (10%)	-	117.1	-	-	117.1
Fund and expedite the development of other clinical programs including, among others, PCSK9, IL12/IL23	117.1 (10%)	-	117.1	-	-	117.1
Other general corporate purposes	234.3 (20%)	-	234.3	-	-	234.3
Total	1,171.3 (100%)	-	1,171.3	117.1	117.1	1,054.2

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 24 months (by June 30, 2024). 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

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 condensed consolidated 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 2021 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, 2022, 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⁾	28,461,079 (L)	3.48%
	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%
Mr. XIA Yu (Ph.D.)	Beneficial interest ⁽¹¹⁾	5,019,296 (L)	0.61%

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, 2022.
- (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.

Supplementary Information

- (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.
- (11) Includes Shares held by Mr. XIA Yu (Ph.D.) and unvested RSUs granted to Mr. XIA Yu (Ph.D.) as of June 30, 2022.

Save as disclosed in this report and to the best knowledge of the Directors, as at June 30, 2022, 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, 2022, 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⁾
SCGC	Interest in controlled corporation and parties acting in concert ⁽⁴⁾	77,022,529 (L)	9.43%
鄭遜	Interest in controlled corporation ⁽³⁾	58,380,000 (L)	7.14%
Phaeton Capital	Interest in controlled corporation ⁽³⁾	58,380,000 (L)	7.14%
Zhongshan Xunxiang	Interest in controlled corporation ⁽³⁾	58,380,000 (L)	7.14%
Green Court Capital Management Limited	Beneficial owner ⁽⁶⁾	50,010,000 (L)	6.12%
Green Court Management Holdings LLC	Interest in controlled corporation ⁽⁶⁾	50,010,000 (L)	6.12%
Green Court Capital Holdings Limited	Interest in controlled corporation ⁽⁶⁾	50,010,000 (L)	6.12%
Yao Yulin	Interest in controlled corporation ⁽⁶⁾	50,010,000 (L)	6.12%
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%
Hongtu Akeso	Interest in controlled corporation ⁽⁴⁾	45,960,000 (L)	5.63%

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, 2022.
- (3) Zhongshan Xunxiang which is controlled by Phaeton Capital, holds 58,380,000 Shares. Phaeton Capital is controlled by 鄭遜. Phaeton Capital and 鄭遜 are therefore deemed to be interested in the Shares held by 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. Pursuant to a concert party agreement dated 5 July 2021 entered into between HTKF Investments Limited, Red Earth Innovation International Company Limited, GZKX Ventures Limited, SCGC Capital Holding Company Limited, FSJC Ventures Limited, GZTK Ventures Limited, GDHT Ventures Limited (collectively, the **"Voters"**) and SCGC. According to a concert party agreement, the Voters will take the opinion of SCGC as the final decision in all general meetings of the Company, and will vote in accordance with the instructions of SCGC. Therefore, SCGC will be regarded as the controller of 31,062,529 Shares held by the Voters.
- (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.
- (6) Green Court Capital Management Limited, holds 50,010,000 Shares, which is controlled by Green Court Management Holdings LLC. Green Court Management Holdings LLC is controlled by Green Court Capital Holdings Limited which is in turn controlled by Yao Yulin.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2022, 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 SCHEMES AND SHARE OPTION SCHEME

A. Pre-IPO RSU Scheme

(a) Purpose and Principal Terms

The purpose of the Pre-IPO RSU Scheme is to recognize and motivate the contributions the grantees under the Pre-IPO RSU Scheme (the **"Grantee(s)"**), provide incentives for them to remain with our Company, and attract suitable personnel for our further development. The Pre-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares. The principal terms of the Pre-IPO RSU Scheme are as follows:

- (i) Award: An award of RSU under the Pre-IPO RSU Scheme (**"Award(s)"**) gives a Participant a conditional right upon the vesting of the Award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the ESOP Department in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the ESOP administration department (the **"ESOP Department"**) in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.
- (ii) Award Price: Each Participant shall pay RMB1.00 as the Award price to accept the Awards granted to such Participant.
- (iii) Scheme Limit: Number of shares that may be delivered under the Pre-IPO RSU Scheme are 45,270,499 Shares that are held by Aqueae Hyperion Limited for the Pre-IPO RSU Scheme.

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- (iv) Participants: Participants of the Pre-IPO RSU Scheme (the “**Participants**”) include the following:
 - (i) the Employees or officers (including executive, non-executive and independent non-executive directors of the Group);
 - (ii) any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and
 - (iii) any other persons including former employees who, in the sole opinion of the ESOP Department, have contributed or will contribute to the Company or any of its Subsidiaries.
- (v) Term: The Pre-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on August 29, 2019 with a remaining life of approximately 8 years, after which period no further Awards will be granted. In spite of this, the Pre-IPO RSU Scheme in all other respects remain in full force and effect and Awards that are granted during the Term may continue to be exercisable in accordance with their terms of issue.
- (vi) Administration: The Pre-IPO RSU Scheme shall be subject to the administration of the ESOP Department set up and authorized by the Board of the Company. The ESOP Department has the right to (i) interpret and construe the provisions of the Pre-IPO RSU Scheme, (ii) determine the persons who will be granted Awards, the terms on which Awards are granted and the time when the RSU(s) so awarded may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted as it deems necessary, (iv) appoint independent third party professionals and contractors to assist in the administration of the Pre-IPO RSU Scheme, delegate such powers and/or functions, and make any other decisions or determination relating to the administration of the Pre-IPO RSU Scheme as the ESOP Department deems appropriate. All decisions made by the ESOP Department is final and binding on all parties.
- (vii) Trustee: the ESOP Department may appoint independent trustee to assist in the administration and vesting of the Awards and has appointed Zedra Trust Company (Cayman) Limited, trustee service provider and an Independent Third Party, to administer the granting and vesting of the RSU(s).

(b) Restrictions on Grant

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

A Grant must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board of the Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Award may be granted.

Such period will cover any period of delay in the publication of a results announcement.

The ESOP Department may not grant any Awards to any Participants in any of the following circumstances:

- (i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect of the Pre-IPO RSU Scheme, unless the ESOP Department determines otherwise;
- (iii) the Grant would result in a breach by the Company, the Subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or
- (iv) where such Grant would result in a breach of the limits of the Pre-IPO RSU Scheme.

(c) Grant to Directors

Where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to Connected Persons

Any grant to any director, chief executive officer or substantial shareholder of any member of the Group, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

(e) Grant to PRC resident

If the Grantee is a PRC resident, he or she shall not be entitled to exercise any Award until:

- (i) to the extent applicable, any restriction or condition imposed by the relevant PRC laws, regulations and notices in relation to the subscription of or dealing in shares of overseas listed companies by PRC residents or any law, regulation or notice with similar effects have been abolished or removed or ceased to be applicable to the Participant or the Participant has obtained approval, exemption or waiver from the relevant PRC regulatory authorities for the subscription of and dealing in the Shares; and
- (ii) he or she has given a representation to the Company to the effect that he or she has satisfied all the relevant laws, regulations and notices in exercising the Award.

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(f) Rights attached to Awards

The RSU(s) do not carry any right of a Shareholder unless and until such Shares underlying the Award are actually transferred to the Grantee upon the vesting of the RSU(s). Unless otherwise specified by the ESOP Department in its entire discretion in the Notice of Grant, Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(g) Awards to be Personal to the Grantee

Unless otherwise approved by the Company in writing (to the extent permitted by law), an unvested RSU shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, unvested RSU(s) may be transferred by will or by the laws of testacy and distribution. The terms of the Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

(h) Vesting

Subject to the terms of the Pre-IPO RSU Scheme and the specific terms and conditions applicable to each Award, the RSU(s) granted in an Award shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the ESOP Department in its absolute discretion. If such conditions are not satisfied, the vesting date of the RSU(s) shall be postponed for one year. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse.

Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to a Grantee, a vesting notice shall be sent to the Grantee by the ESOP Department, or by any other means the ESOP Department so determines in its sole discretion from time to time, confirming (a) the extent to which the vesting period and conditions have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the ESOP Department considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in the Pre-IPO RSU Scheme and the Notice of Grant).

For the purposes of vesting of the RSU(s), the ESOP Department may release the RSU(s) to the selected Participants by transferring the number of underlying Shares in respect of the RSU(s) to the selected Participants in such manner as determined by it from time to time. The ESOP Department shall inform the Trustee the number of underlying Shares in respect of the RSU(s) being transferred and released to the selected Participant in the manner as determined by the ESOP Department.

If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU(s) shall be cancelled according to conditions as determined by the ESOP Department in its absolute discretion.

In the event that the Grantee fails to execute the required documents within three months after receiving the Vesting Notice, the vested RSU(s) will lapse.

Notwithstanding the foregoing, if any relevant parties of the Pre-IPO RSU Scheme would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be transferred (as the case may be) to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

(i) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU(s), the ESOP Department shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(j) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU(s), the ESOP Department shall, prior to such meetings, determine at its absolute discretion whether such RSU(s) shall vest and the period within which such RSU(s) shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(k) Rights on a Voluntary Winding-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU(s), the ESOP Department shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest and in the latter case, the unvested RSU(s) must be vested and effected by no later than two Business Days before the day of the proposed shareholders' meeting. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(l) Rights on a Compromise or Arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the ESOP Department shall determine at its discretion whether such RSU(s) shall vest, and the period when such RSU(s) shall vest. If the ESOP Department determines that such RSU(s) shall vest, it shall notify the Grantee that the RSU(s) shall vest and the period within which such RSU(s) shall vest.

(m) Lapse and cancellation of RSU

An unvested RSU shall be lapsed and cancelled automatically upon the earliest of:

- (i) the date of the termination of Grantee's employment or service by the Company or any of its Subsidiaries for cause;
- (ii) the date of the termination of Grantee's employment or service with the Company or the Subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause);
- (iii) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;
- (iv) the record date for determining entitlements under the scheme of arrangement referred above closes;
- (v) the date of the commencement of the winding-up of the Company;

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- (vi) the date on which the Grantee commits a breach of paragraph (g) above; or
- (vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

The ESOP Department shall have the right to determine what constitutes cause, whether the Grantee's employment has been terminated for cause, the effective date of such termination and whether someone is a Competitor, and such determination by the ESOP Department shall be final and conclusive.

Unless the ESOP Department determines otherwise in its absolute discretion, the Grantee or his/her legal personal representative is entitled to exercise vested RSU(s) by serving the application for exercising unvested RSU(s) within one month following the occurrence of the termination of Grantee's employment or service with the Company or the Subsidiaries which is terminated for any reason other than for cause (including by reason of resignation, retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause).

Subject to the applicable laws, the vested RSU(s) prior to being exercised and the underlying shares or proceeds obtained by the Grantee from exercising the vested RSU(s) less the exercise price of the Grantee's RSU(s) shall be returned by the Grantee to the Company per the ESOP Department's request following the occurrence of one of more of the following events:

- (i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause;
- (ii) or the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

(n) Further restrictions on RSU

The Grantee shall not be entitled to sell, transfer or deal with the Shares underlying the RSU(s) granted pursuant to the Pre-IPO RSU Scheme upon the occurrence of one or more of the following events:

- (i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause; or
- (ii) the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

If the Grantee sells, transfers or deals with the Shares in breach of the above, the Grantee shall pay the Company the proceeds or consideration obtained (less the exercise price of the Grantee RSU(s)) as a result of such breach upon demand by the Company.

The ESOP Department may at any time cancel any unvested RSU granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested RSU(s) and makes a grant of new RSU(s) to the same Grantee, such Grant may only be made with available RSU(s) to the extent not yet granted (excluding the cancelled RSU(s)).

Notwithstanding the aforesaid in this paragraph, in each case, the ESOP Department may in its absolute discretion decide that any RSU(s) shall not be cancelled or determine subject to such conditions or limitations as the ESOP Department may decide.

(o) Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital, amongst others, of the Company, whilst any RSU(s) has not vested, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU(s) so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion (or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

However, in the case of any capitalisation issue or share sub-division to be implemented by the Company as required for the purpose of the Global Offering, no such certification by the Auditors or a financial advisor shall be required.

(p) Amendment of the Pre-IPO RSU Scheme

Save for any material amendments to the Pre-IPO RSU Scheme, the Scheme may be altered in any respect by a resolution of the ESOP Department. The ESOP Department's determination as to whether any proposed alteration to the terms and conditions of the Pre-IPO RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles of the Company and any applicable laws.

(q) Termination of the Pre-IPO RSU Scheme

The Board of the Company or the ESOP Department may at any time terminate the operation of the Pre-IPO RSU Scheme and in such event no further RSU(s) will be offered but in all other respects the provisions of this Scheme shall remain in full force and effect in respect of RSU(s) which are granted during the life of this Scheme and which remain unvested immediately prior to the termination of the operation of the Pre-IPO RSU Scheme.

During the Reporting Period, under the Pre-IPO RSU Scheme, the Company granted to employees 85,250 RSUs at a consideration of HK\$1.00 each. The fair value of the RSUs granted during the Reporting Period was approximately HK\$1,754,000 (equivalent to RMB1,452,000). The vesting periods of these RSUs ranged from 1 month to 4.5 years. 19,736,008 RSUs have been vested under the Pre-IPO RSU Scheme by June 30, 2022. As at June 30, 2022, the total number of RSUs which remain outstanding under the Pre-IPO RSU Scheme was 21,225,391. 12,750 RSUs have been exercised during the Reporting Period and 20,000 RSUs have been forfeited under the Pre-IPO RSU Scheme during the Reporting Period.

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B. 2021 RSU Scheme

The Company adopted the 2021 RSU Scheme on December 6, 2021, the principal terms of which are disclosed in the announcement of the Company dated December 7, 2021.

(a) Purpose and Principal Terms

The purpose of the 2021 RSU Scheme is to recognize the contributions by certain employee director or officer, or any advisor or consultant of any member of the Group ("**Eligible Participant(s)**") and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The 2021 RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for new shares. The principal terms of the 2021 RSU Scheme are as follows:

- (i) Term: The 2021 RSU Scheme shall be valid and effective for the period of ten years commencing on December 6, 2021 (subject to any early determination as determined by the Board) (the "**Trust Period**") with a remaining life of approximately 10 years, after which period no further awards will be granted under the 2021 RSU Scheme.
- (ii) Award: An award of RSU under the 2021 RSU Scheme gives an Eligible Participant a conditional right upon the vesting of the Award under the 2021 RSU Scheme to obtain either Shares or an equivalent value in cash with reference to the market value of the awarded Shares on or about the date of vesting, as determined by the Board in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges.
- (iii) Award Price: The Board may decide the grant of number of RSUs to any Eligible Participants selected by the Board for participation in the 2021 RSU Scheme (the "**Selected Participant(s)**") at such consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion.
- (iv) Scheme Limit: The maximum number of Shares underlying the RSUs awarded by the Board under the 2021 RSU Scheme (i) shall not exceed 10% of the total issued share capital of the Company from time to time throughout the Trust Period and (ii) shall be subject to an annual limit of 3% of the total issued share capital of the Company at the relevant time.
- (v) Participants: The Eligible Participants of the 2021 RSU Scheme include any employee director or officer, or any advisor or consultant of any member of the Group at any time during the Trust Period selected by the Board.
- (vi) Trustee: Futu Trustee Limited has been appointed as the initial trustee on December 6, 2021 under the 2021 RSU Scheme (the "**Trustee**").
- (vii) Administration: The 2021 RSU Scheme shall be subject to the administration of the Board and the Trustee in accordance with the rules of the 2021 RSU Scheme (the "**2021 RSU Scheme Rules**") and the relevant trust deed. The Board may by resolution delegate any or all of its powers in the administration of the 2021 RSU Scheme to the administration committee or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. On December 6, 2021, the Board has resolved to establish and delegate to an administration committee the power and authority to administer the 2021 RSU Scheme and deal with the trust and the Trustee of the 2021 RSU Scheme in all respects in accordance with the 2021 RSU Scheme Rules and the relevant trust deed. The decision of the Board with respect to any matter arising under the 2021 RSU Scheme (including the interpretation of any provision) shall be final and binding.

(b) Restrictions on Grant and Individual Grant Limit

No award shall be made by the Board and no instructions to acquire any Shares shall be given to the Trustee under the 2021 RSU Scheme:

- (i) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the applicable laws and the Listing Rules;
- (ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or
- (iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

The maximum number of awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2021 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period.

(c) Grant to Directors

Where any grant of award under the 2021 RSU Scheme is proposed to be made to any Selected Participant who is a Director (including an independent non-executive Director) or senior management of the Group, such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee. Notwithstanding the foregoing, any grant of an award to a Director which is satisfied by on-market purchase of existing issued Shares will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rules 14A.73(6) and 14A.95 of the Listing Rules if the award forms part of the relevant Director's remuneration under his/her service contract with the Company.

(d) Grant to Connected Persons

Where any grant of Award is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules. The allotment and issue of new Shares in satisfaction of awards granted to connected persons of the Company, which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, will be subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(e) Rights attached to Awards

The RSUs, whether vested or not, do not carry any right to vote at general meetings of the Company. Notwithstanding that the Trustee is the legal registered holder of the Shares held upon trust pursuant to the relevant trust deed, the Trustee shall not exercise the voting rights attached to such Shares. Unless otherwise specified by the Board in its entire discretion, the Selected Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any awarded Shares before such Shares are transferred to such Selected Participants.

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(f) Awards to be Personal to the Grantee

Prior to the Vesting Date, any Award made under the Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the RSUs referable to him pursuant to such Award, unless the Award or any interest thereof is transferred as a result of the Selected Participant's death in accordance with the terms of the Scheme.

(g) Vesting and Lapse

The Board is entitled to impose any conditions (including a period of continued service within the Group after the award), as it deems appropriate in its absolute discretion with respect to the vesting of the RSUs on the Selected Participant. Subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions. Shares underlying any RSUs granted under the 2021 RSU Scheme that lapse for any reason without having been exercised and Shares underlying the unexercised portion of any RSUs in case of partial exercise will, to the extent not prohibited by applicable laws and regulations, be available for subsequent award grants under the 2021 RSU Scheme.

Subject to the terms and condition of the 2021 RSU Scheme and the fulfillment of all vesting conditions to the vesting of the RSUs on such Selected Participant and all requirements applicable to such Selected Participant as specified in the Scheme and the relevant grant notice (unless waived by the Board), the respective RSUs granted to the Selected Participant pursuant to the provision of the 2021 RSU Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule as set out in the grant notice, and the Trustee shall cause the relevant awarded Shares to be transferred to such Selected Participant, or to be sold as soon as practicable from the date of vesting and the payment of the actual selling price in cash to the Selected Participant within a reasonable time period in satisfaction of the award.

The Board may at its discretion, with or without further conditions, grant additional Shares or cash award out representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds of sale of non-cash and non-scrip distribution, bonus Shares and scrip dividends) declared by the Company or derived from such awarded Shares during the period from the date of award to the date of vesting to a Selected Participant upon the vesting of any RSUs. In the event that an award of RSUs becomes lapsed, the awarded Shares underlying the RSUs and/or the relevant income or distributions shall remain as part of the relevant trust fund.

(h) Amendment of the 2021 RSU Scheme

The Scheme may be amended in any respect by a resolution of the Board.

(i) Termination of the 2021 RSU Scheme

The 2021 RSU Scheme shall terminate on the earlier of (i) the tenth anniversary date from December 6, 2021; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

As of June 30, 2022, no RSUs have been granted to any Selected Participants pursuant to the 2021 RSU Scheme. The Board will determine at its absolute discretion such number of RSUs to be granted to the Selected Participants under the 2021 RSU Scheme with such vesting criteria and conditions as it may deem appropriate.

C. Share Option Scheme

The Company adopted the Share Option Scheme on June 28, 2022, the principal terms of which are disclosed in the circular of the Company dated June 2, 2022.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to reward certain eligible participants (including any employee, director or officer of the Company or any subsidiary, any advisor, consultant or any service provider provides research, development or other technical support, or any business or joint venture partner to any area of business or business development of the Company or any subsidiary on a continuing or recurring basis in the ordinary and usual course of business which is material to the long term growth of the Group as determined by the Board) for their contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

(b) Duration and administration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date with a remaining life of approximately 10 years, after which period no further Share Options may be granted by the provisions of the Share Option Scheme, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The Share Option Scheme shall be subject to the administration of the Board who may delegate all or part of such administration to a committee or any other authorised agent(s) as deemed appropriate at the sole discretion of the Board. Save as otherwise provided in the Share Option Scheme, for any matters concerning the interpretation or application of the Share Option Scheme, the decision of the Board or persons to whom the Board has delegated relevant powers shall be final and binding on all parties.

(c) Eligibility of participants and grant of share options

On and subject to the terms of the Share Option Scheme, the Board has the power but not the obligation to offer to grant to any eligible participant as the Board may in its absolute discretion select a share option to subscribe for such number of Shares as the Board may determine at the exercise price. Subject to the provisions of the Listing Rules, the Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making such offer to the eligible participant, including, without limitation, conditions as to performance criteria to be satisfied by the eligible participant and/or the Company and/or the Group which must be satisfied before a share option can be exercised, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

The basis of eligibility of any eligible participant shall be determined by the Board from time to time on the basis of the eligible participants' contribution to the development and growth of the Group. In order for a person to satisfy the Board that he/she is qualified to be (or where applicable, continues to be qualified to be) an eligible participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her eligibility (or continuing eligibility).

An offer of the grant of a share option shall be made to any grantee by letter in such form as the Board may from time to time determine specifying the number of Shares, the exercise price, the option period, the date by which the grant must be accepted being a date not more than 10 days after the offer date (provided such offer shall be open for acceptance after the effective period of the Share Option Scheme) and further requiring the eligible participant to hold the share option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. To the extent that the offer of the grant of a share option is not accepted within 10 days after the offer date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.

Supplementary Information

A Share Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the share option duly signed by the grantee together with a payment to the Company and/or any of its subsidiaries of HK\$1 (or the equivalent of HK\$1 in the local currency of any jurisdiction where the Company and/or its subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company and/or any of its subsidiaries within the time period specified in the offer of the grant of the share option.

(d) Maximum number of shares available for exercise

The total number of Shares which may be issued upon exercise of all share options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by the Company or any of its subsidiaries shall not in aggregate exceed 10% of the issued share capital of the Company as of the date of general meeting of the Company approving the adoption of the Share Option Scheme (i.e. 81,705,717 Shares). The Company may seek the approval of its Shareholders in general meeting to refresh the 10% limit under the Share Option Scheme and any other option scheme of the Company, provided that the total number of Shares which may be issued pursuant to the refreshed limit upon exercise of all share options to be granted under the Share Option Scheme and any other option schemes must not exceed 10% of the issued ordinary share capital of the Company as at the date of approval of the refreshed limit.

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. No Share Option may be granted under the Share Option Scheme or any other share option schemes adopted by the Group if the grant of such share option will result in the limit being exceeded.

(e) Maximum entitlement of each eligible participant

Except with the approval of Shareholders in a general meeting with the prospective grantee and his associates (as defined under the Listing Rules) abstaining from voting, no share option may be granted to each participant such that the total number of Shares issued and to be issued upon exercise of share options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time.

(f) Exercise price

The exercise price in respect of any share option granted under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to any the grantee (subject to any adjustments made pursuant to Share Option Scheme) which shall be not less than the highest of:

- (i) the nominal value of a Share on the date of the letter by which a share option is offered to an eligible participant (the “Offer Date”);
- (ii) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date, which must be a business day; and
- (iii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the Offer Date.

(g) Vesting and exercise period

Subject to the Share Option Scheme, the Listing Rules and any applicable law and regulations, any share options shall become vested and exercisable according to the terms hereof at such times and under such conditions as determined by the Board and set forth in the letter containing the offer or grant of the relevant share options. For the avoidance of doubt, the minimum vesting period must be 12 months commencing from the date upon which the relevant share options are accepted or deemed to be accepted in accordance with the Share Option Scheme, unless a shorter vesting period is approved by the remuneration committee of the Company.

A grantee may exercise the share options granted in whole or in part in the manner as determined by the Board by giving notice in writing to the Company stating that the Share Option is thereby exercised and specifying the number of Shares to be subscribed. Option holders may exercise the options in accordance with the terms of the Share Option Scheme during such option period (being not more than 10 years from the Offer Date), subject to the provisions for early termination contained in the Share Option Scheme or the relevant document of grant or other notification issued by the Board.

(h) Grant of share options to connected person

The approval of independent non-executive Directors or the remuneration committee of the Company (excluding any independent non-executive Director who is intended to be a grantee of the share option) as required under the Listing Rules as amended and supplemented from time to time will be required for each grant of share options to a director, chief executive, or substantial shareholder of the Company or any of their respective associates. If a grant of share option(s) to a substantial shareholder or an independent non-executive Director or their respective associates will result in the total number of Shares issued and to be issued upon exercise of all the share options granted and to be granted (including share options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1 percent of the Shares in issue from time to time; and (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK\$5 million, such further grant of share option(s) must be approved by the Shareholders, voting by way of poll.

(i) Alteration and termination

The Share Option Scheme may be altered in any respect by an ordinary resolution of the Board except that the provisions of the Share Option Scheme as to: (a) the preamble; (b) the definitions of eligible participant, grantee and option period; and (c) the specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the Company in general meeting. However, no such alteration shall operate to affect adversely the terms of issue of any share option granted or agreed to be granted prior to such alteration except with the consent or sanction of grantees holding share options in respect of not less than 75% in nominal value of all Shares to be issued upon the exercise of all outstanding and unexercised entitlements granted under the Share Option Scheme. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, and any change to the terms of any share options granted (including those granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates), shall be subject to the approval of the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further share options will be offered but the provisions of the Share Option Scheme shall remain in full force in all other respects. All share options granted but unexercised prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

As of June 30, 2022, no share options have been granted to any eligible participants pursuant to the Share Option Scheme. The Board will determine at its absolute discretion such number of share options to be granted to the eligible participants under the Share Option Scheme with such vesting criteria and conditions as it may deem appropriate.

EVENTS AFTER THE REPORTING PERIOD

On July 15, 2022, an aggregate of 24,000,000 new shares were issued at a price of HK\$24.27 per share (the “**2022 Placing**”) to not less than six professional, institutional or other investors that are Independent Third Parties pursuant to the share placing agreement (the “**2022 Placing Agreement**”) dated July 8, 2022, representing approximately 2.85% of the enlarged issued share capital of the Company immediately following the 2022 Placing. The placing price of HK\$24.27 per share represented (i) a discount of approximately 7.0% to the closing price of HK\$26.10 per Share as quoted on the Stock Exchange on July 7, 2022, being the trading day immediately preceding the date of the 2022 Placing Agreement; and (ii) a discount of approximately 5.5% to the average closing price of HK\$25.67 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the 2022 Placing Agreement.

The net price per share for the subscription after deducting related costs and expenses was approximately HK\$24.03 per share and the net proceeds raised from the 2022 Placing were US\$73,459,261 (equivalent to HK\$576,655,200 based on the exchange rate of US\$1:HK\$7.85 for illustration purpose). The 2022 Placing is being taken for the funding of the intended purposes as set out below. The subscription of shares have a market value of approximately HK\$589.2 million based on the closing price of HK\$24.55 per share as at July 8, 2022 and an aggregate nominal value of US\$240.

As disclosed in the announcement of the Company dated July 8, 2022, the net proceeds from the 2022 Placing are expected to be fully utilized by the end of 2023 and will be used for the following purposes: (i) 40% for marketing and commercialization of 開坦尼® (Cadonilimab, PD-1/CTLA-4, AK104); (ii) 20% for expediting the phase III clinical trials of Ivonescimab (PD-1/VEGF, AK112), including head-to-head trial with Keytruda for 1L PD-L1(+) NSCLC, and for EGFR TKI failed NSCLC; (iii) 20% for expediting several phase III clinical trials of Cadonilimab (AK104, PD-1/CTLA-4) including for 1L gastric cancer, 1L cervical cancer, and etc, to substantiate marketing activities for Cadonilimab; (iv) 10% for expediting the phase III trials and NDA application for Ebronicimab (PCSK9, AK102) and Ebdarokimab (IL-12/IL-23, AK101); and (v) the remaining of the net proceeds for other general corporate purposes where appropriate. Further details of the 2022 Placing were set out in the announcements of the Company dated July 8, 2022 and July 15, 2022, respectively.

As at the date of this report, none of the net proceeds from the 2022 Placing has been used and there is no change in the intended use net proceeds. The Company expects such net proceeds shall be utilized by the end of 2023. 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.

On July 22, 2022, PUYOUHENG (Pucotenlimab Injection), a humanized antagonist monoclonal antibody to human PD-1, which was licensed out by the Group and developed by Lepu Biopharma Co., Ltd. (a company listed on the Stock Exchange, stock code 2157.HK), received conditional marketing approval in China. We expect to receive milestones payment and sales royalty payment of PUYOUHENG from Lepu Biopharma Co., Ltd..

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

On behalf of the Board

Dr. XIA Yu

Chairwoman

Hong Kong, August 23, 2022

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 44 to 72, which comprises the condensed consolidated statement of financial position as at 30 June 2022 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

23 August 2022

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Product sales		297,184	–
Licensing fee income		–	128,600
Total sales from products and licensing fee		297,184	128,600
Less: distribution cost		(134,049)	–
REVENUE	3	163,135	128,600
Cost of sales		(28,109)	–
Gross profit		135,026	128,600
Other income and gains, net	4	75,966	65,097
Selling and marketing expenses		(149,501)	–
Administrative expenses		(92,741)	(72,522)
Research and development expenses		(595,384)	(563,518)
Other expenses, net		(49,420)	(206)
Finance costs	6	(15,830)	(3,614)
LOSS BEFORE TAX	5	(691,884)	(446,163)
Income tax expense	7	–	–
LOSS FOR THE PERIOD		(691,884)	(446,163)
OTHER COMPREHENSIVE LOSS			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(154,391)	12,465
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		234,525	(37,772)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		80,134	(25,307)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(611,750)	(471,470)

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

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
	<i>Note</i>	
Loss attributable to:		
Owners of the parent	(630,434)	(424,904)
Non-controlling interests	(61,450)	(21,259)
	(691,884)	(446,163)
Total comprehensive loss attributable to:		
Owners of the parent	(550,300)	(450,211)
Non-controlling interests	(61,450)	(21,259)
	(611,750)	(471,470)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>9</i>	
Basic and diluted		
— For loss for the period	RMB(0.77) yuan	RMB(0.52) yuan

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,581,219	1,352,913
Right-of-use assets	11(a)	147,718	151,727
Intangible assets		6,473	3,980
Advance payments for property, plant and equipment		270,846	144,913
Total non-current assets		2,006,256	1,653,533
CURRENT ASSETS			
Inventories		301,239	196,619
Trade and bills receivables	12	295,163	101,849
Prepayments, other receivables and other assets	13	148,747	212,071
Financial asset at fair value through profit or loss	14	10,000	–
Pledged deposits	15	92	92
Cash and cash equivalents	15	2,220,684	2,641,625
Total current assets		2,975,925	3,152,256
CURRENT LIABILITIES			
Trade payables	16	278,334	206,315
Other payables and accruals	17	637,729	394,891
Interest-bearing bank and other borrowings	18	190,177	45,598
Lease liabilities	11(b)	6,284	7,854
Tax payable		1,091	1,037
Total current liabilities		1,113,615	655,695
NET CURRENT ASSETS		1,862,310	2,496,561
TOTAL ASSETS LESS CURRENT LIABILITIES		3,868,566	4,150,094

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	18	1,127,207	803,733
Lease liabilities	11(b)	967	2,237
Deferred income	19	77,258	63,858
Total non-current liabilities		1,205,432	869,828
Net assets		2,663,134	3,280,266
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	57	57
Shares held for restricted share unit schemes		(83,244)	(51,718)
Reserves	21	2,691,561	3,215,717
		2,608,374	3,164,056
Non-controlling interests		54,760	116,210
Total equity		2,663,134	3,280,266

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2022

	Attributable to owners of the parent									
	Share capital RMB'000 Note 20	Shares held for restricted share unit schemes RMB'000 Note 20	Share premium* RMB'000 Note 20	Capital reserve* RMB'000 Note 21	Share award reserve* RMB'000 Note 22	Exchange fluctuation reserve* RMB'000 Note 21	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	57	(51,718)	4,007,049	2,112,912	130,552	(285,525)	(2,749,271)	3,164,056	116,210	3,280,266
Loss for the period	-	-	-	-	-	-	(630,434)	(630,434)	(61,450)	(691,884)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(154,391)	-	(154,391)	-	(154,391)
Translation from functional currency to presentation currency	-	-	-	-	-	234,525	-	234,525	-	234,525
Total comprehensive loss for the period	-	-	-	-	-	80,134	(630,434)	(550,300)	(61,450)	(611,750)
Equity-settled share award	-	-	-	-	26,144	-	-	26,144	-	26,144
Transfer of share award reserve upon the forfeiture of restricted share units	-	-	-	-	(68)	-	68	-	-	-
Shares held for restricted share unit schemes	-	(31,526)	-	-	-	-	-	(31,526)	-	(31,526)
Exercise of restricted share units	-	-	305	-	(305)	-	-	-	-	-
At 30 June 2022 (unaudited)	57	(83,244)	4,007,354	2,112,912	156,323	(205,391)	(3,379,637)	2,608,374	54,760	2,663,134

	Attributable to owners of the parent									
	Share capital RMB'000 Note 20	Share premium* RMB'000 Note 20	Capital reserve* RMB'000 Note 21	Share award reserve* RMB'000 Note 22	Exchange fluctuation reserve* RMB'000 Note 21	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	

* These reserve accounts comprise the consolidated reserves of RMB2,691,561,000 and RMB3,863,533,000 in the interim condensed consolidated statement of financial position as at 30 June 2022 and 2021, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(691,884)	(446,163)
Adjustments for:			
Bank interest income	4	(5,758)	(9,364)
Investment income from financial products	4	(2,736)	(2,768)
Gain on early termination of a lease	5	(47)	–
Covid-19-related rent concessions from lessors	11(b)	–	(30)
Loss on disposal of property, plant and equipment	5	726	–
Depreciation of property, plant and equipment	5	40,153	14,203
Depreciation of right-of-use assets	5	5,240	4,113
Amortisation of intangible assets	5	1,085	428
Write-down/(reversals of the write-down) of inventories to net realisable value	5	373	(1,376)
Net changes in fair value of financial assets at fair value through profit or loss	4	–	(1,812)
Government grant released	4	(66,467)	(43,133)
Foreign exchange differences, net	5	4,248	(5,682)
Equity-settled share award expenses	22	26,144	150,143
Finance costs	6	15,830	3,614
Impairment of trade receivables, net	5	59	–
		(673,034)	(337,827)
Increase in inventories		(104,993)	(54,381)
Increase in trade and bills receivables		(193,373)	–
Decrease/(increase) in prepayments, other receivables and other assets		88,216	(24,514)
Increase in trade payables		83,901	7,196
Increase in other payables and accruals		157,941	21,755
Increase in deferred income in respect of government grants related to income		54,909	31,944
Cash used in operations		(586,433)	(355,827)
Bank interest received		5,758	9,364
Net cash flows used in operating activities		(580,675)	(346,463)

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash flows used in operating activities		(580,675)	(346,463)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(297,051)	(298,160)
Purchases of intangible assets		(3,578)	(2,375)
Proceeds from disposal of fixed assets		–	8
Receipt of government grants related to assets		24,958	–
Purchases of financial assets at fair value through profit or loss		(1,079,798)	(600,000)
Proceeds from disposal of financial assets at fair value through profit or loss		1,069,798	532,768
Interest income from financial assets at fair value through profit or loss		2,736	–
Net cash flows used in investing activities		(282,935)	(367,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		467,561	294,986
Proceeds from issuance of shares		–	992,028
Repayment of bank and other borrowings		(5,918)	(53,380)
Principal portion of lease payments		(4,249)	(3,295)
Share issue expenses		–	(13,916)
Share repurchased		(31,526)	–
Interest paid		(19,344)	(3,215)
Net cash flows from financing activities		406,524	1,213,208
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(457,086)	498,986
Cash and cash equivalents at beginning of period		2,641,625	2,684,499
Effect of foreign exchange rate changes, net		36,145	(19,621)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,220,684	3,163,864
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	15	2,220,684	3,163,864
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		2,220,684	3,163,864

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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, production and sale of biopharmaceutical products.

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021. 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 2021, 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 3,	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. The amendments did not have any impact on the financial position and performance of the Group.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
 - IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of goods or services		
Product sales	297,184	–
Licensing fee income	–	128,600
Total sales from products and licensing fee	297,184	128,600
Less: distribution cost relevant to the product sales	(134,049)	–
Revenue	163,135	128,600
Timing of revenue recognition		
Transferred at a point in time	163,135	128,600

Distribution cost is relevant to the product sales, and it represents the distribution fee paid or payable by the Group to customers.

There is no revenue recognised from performance obligations satisfied in previous periods.

Other segment information

The Group is engaged in research, development, production and sale of biopharmaceutical products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

3. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	163,135	–
United States of America (the "USA")	–	128,600
	163,135	128,600

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

(b) Non-current assets

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
	Mainland China	2,005,351
Other regions	905	1,246
	2,006,256	1,653,533

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

Information about a major customer

Revenue from the customer contributing over 10% of revenue of the Group is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer A	–	128,600
Customer B	90,346	–
	90,346	128,600

4. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bank interest income	5,758	9,364
Investment income from financial products	2,736	2,768
Government grant released*	66,467	43,133
Net income from lab testing services	768	919
Foreign exchange differences, net	–	5,682
Net changes in fair value of financial assets at fair value through profit or loss	–	1,812
Reversals of the write-down of inventories to net realisable value	–	1,376
Others	237	43
	75,966	65,097

* 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/(crediting):

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expenses (excluding directors' remuneration)		
Wages and salaries	182,137	108,214
Pension scheme contributions	40,407	14,200
Equity-settled share award expenses	13,162	27,569
	235,706	149,983

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

5. LOSS BEFORE TAX (Continued)

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold		28,109	–
Depreciation of property, plant and equipment	10	40,153	14,203
Depreciation of right-of-use assets	11(a)	5,240	4,113
Amortisation of intangible assets*		1,085	428
Gain upon early termination of a lease**		(47)	–
Lease payments not included in the measurement of lease liabilities	11(c)	739	704
Impairment of trade receivables, net**		59	–
Write-down/(reversals of the write-down) of inventories to net realisable value**		373	(1,376)
Donation expenses**		44,301	–
Loss on disposal of property, plant and equipment**		726	–
Foreign exchange differences, net**		4,248	(5,682)

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

** Included in "Other expenses, net" (six months ended 30 June 2021: "Other income and gains, net") in the interim condensed consolidated statement of profit or loss and other comprehensive income

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance cost on lease liabilities (note 11)	219	262
Interest on bank and other borrowings	25,754	8,784
Total interest expense on financial liabilities not at fair value through profit of loss	25,973	9,046
Less: Interest capitalised	(10,143)	(5,432)
	15,830	3,614

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 operate.

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 2021: 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 2022 (six months ended 30 June 2021: 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 2022 and 2021.

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 2022 and 2021 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	
	2022	2021
	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 2022 and subsequent to the end of the reporting period (six months ended 30 June 2021: Nil).

[^] The English name is for identification purposes only.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

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 814,074,905 (six months ended 30 June 2021: 814,902,480) in issue, during the period.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2022 in respect of a dilution as the impact of the restricted share units had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(630,434)	(424,904)

	Number of shares Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	814,074,905	814,902,480

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period:		
Cost	1,438,798	657,716
Accumulated depreciation	(85,885)	(49,465)
Net carrying amount	1,352,913	608,251
At beginning of period, net of accumulated depreciation	1,352,913	608,251
Additions	259,207	778,682
Interest capitalised	10,143	14,374
Disposals	(894)	(660)
Depreciation provided during the period/year	(40,153)	(47,730)
Exchange realignment	3	(4)
At end of period, net of accumulated depreciation	1,581,219	1,352,913
At end of period:		
Cost	1,705,669	1,438,798
Accumulated depreciation	(124,450)	(85,885)
Net carrying amount	1,581,219	1,352,913

At 30 June 2022, the Group's buildings with net carrying amounts of approximately RMB48,737,000 (31 December 2021: RMB50,087,000) were pledged to secure bank loans (note 18).

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

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 2021 (audited)	3,023	2,455	145,438	150,916
Additions	10,369	–	–	10,369
Depreciation charged	(5,218)	(1,056)	(3,004)	(9,278)
Remeasurement resulting from early termination of a lease	(225)	–	–	(225)
Exchange realignment	(55)	–	–	(55)
At 31 December 2021 and 1 January 2022 (audited)	7,894	1,399	142,434	151,727
Additions	1,453	–	–	1,453
Depreciation charged	(3,210)	(528)	(1,502)	(5,240)
Remeasurement resulting from early termination of a lease	(273)	–	–	(273)
Exchange realignment	51	–	–	51
As at 30 June 2022 (unaudited)	5,915	871	140,932	147,718

At 30 June 2022, the Group's land used rights with a net carrying amount of RMB140,932,000 (31 December 2021: RMB142,434,000) was pledged to secure bank borrowings (note 18).

(b) Lease liabilities

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount at 1 January	10,091	6,566
New leases	1,453	10,369
Accretion of interest recognised during the period/year	219	542
Covid-19-related rent concessions from lessors	–	(30)
Payments	(4,249)	(7,071)
Remeasurement resulting from early termination of a lease	(320)	(227)
Exchange realignment	57	(58)
Carrying amount at 30 June/31 December	7,251	10,091

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

11. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Lease liabilities:		
Current portion	6,284	7,854
Non-current portion	967	2,237
	7,251	10,091

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance costs on lease liabilities (note 6)	219	262
Depreciation charge of right-of-use assets (note 5)	5,240	4,113
Expenses relating to short-term leases (note 5)	739	704
Covid-19-related rent concessions from lessors	-	(30)
	6,198	5,049

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

12. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	295,252	101,532
Bills receivables	-	347
	295,252	101,879
Impairment	(89)	(30)
	295,163	101,849

Included in the Group's trade and bills receivables are amounts due from a non-controlling shareholder of the Group of RMB283,437,000 (31 December 2021: RMB101,532,000).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	93,007	99,971
3 to 6 months	102,312	1,531
6 to 9 months	99,844	-
	295,163	101,502

30 June 2022

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Value-added tax recoverable	69,759	142,073
Prepayments	67,413	28,936
Deposits	2,958	3,791
Other receivables	8,617	37,271
	148,747	212,071

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 2022 and the year ended 31 December 2021, the Group estimated that the expected loss rate for other receivables and deposits is minimal.

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Unlisted investment, at fair value	10,000	-

The above equity investment was classified as a financial asset at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	1,840,038	2,028,682
Deposits	380,738	613,035
	2,220,776	2,641,717
Less: Pledged time deposits		
Restricted cash*	(92)	(92)
Cash and cash equivalents	2,220,684	2,641,625
Denominated in:		
RMB	1,460,134	1,199,679
United States dollars ("US\$")	546,386	650,087
Hong Kong dollars ("HK\$")	201,032	778,553
Australian dollars	13,132	13,306
Cash and cash equivalents	2,220,684	2,641,625

* The restricted cash as at 30 June 2022 and 31 December 2021 was pledged as a deposit of credit card.

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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

16. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	173,231	188,700
3 to 6 months	35,681	10,043
6 months to 1 year	69,294	6,066
Over 1 year	128	1,506
	278,334	206,315

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days except for the balances due to a non-controlling shareholder of the Group of RMB77,106,000 (31 December 2021: RMB66,173,000), which are repayable on demand.

17. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payroll payable	59,794	83,765
Other tax payables	29,868	3,476
Receipt in advance	310	312
Other payables	547,757	307,338
	637,729	394,891

Other payables are unsecured, non-interest-bearing and repayable on demand, except for the balances due to a non-controlling shareholder of the Group of RMB322,625,000 (31 December 2021: RMB176,497,000), which are repayable within 60 days. 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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	4.00~4.30	2023	175,707	4.00~4.30	2022	38,021
Current portion of long term bank loans — secured	4.40~5.39	2022~2023	14,470	4.83~5.39	2022	7,577
			190,177			45,598
Non-current						
Bank loans — secured	4.00~5.39	2023~2035	877,636	4.70~5.39	2023~2035	583,169
Bank loans — unsecured	4.4	2025	23,322	N/A	N/A	—
Convertible loans — secured	note(c)	note(c)	175,339	note(c)	note(c)	170,504
Loans from a non-controlling shareholder — unsecured	3.50	2026	50,910	3.50	2026	50,060
			1,127,207			803,733
			1,317,384			849,331

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	190,177	45,598
In the second year	27,644	18,698
In the third to fifth years, inclusive	190,496	99,591
Beyond five years	682,818	464,880
	1,091,135	628,767
Other borrowings repayable:		
Within one year or on demand	—	—
In the second year	175,339	170,504
In the third to fifth years, inclusive	50,910	50,060
	226,249	220,564
	1,317,384	849,331

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

Notes:

- (a) The Group's banking facilities amounted to RMB2,385,400,000 (31 December 2021: RMB2,225,400,000) in aggregate, among which facilities of RMB43,610,000 (31 December 2021: RMB43,610,000) are secured by the buildings of the Group with net carrying values of approximately RMB48,737,000 (31 December 2021: RMB50,087,000) and facilities of RMB1,990,000,000 (31 December 2021: RMB1,990,000,000) are secured by the land use rights of the Group with net carrying values of approximately RMB140,932,000 (31 December 2021: RMB142,434,000) at the end of the reporting period, respectively. Such banking facilities of approximately RMB1,009,646,000 (31 December 2021: RMB628,767,000) has been utilised as at the end of the reporting period.
- (b) Among the Group's banking facilities mentioned in note (a), RMB1,130,000,000 (31 December 2021: RMB1,130,000,000) are also secured by the equity interest of certain subsidiaries held by the Group. Such banking facilities of approximately RMB238,215,000 (31 December 2021: RMB238,215,000) has been utilised as at the end of the reporting period.
- (c) 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 in the subsidiary held by the Group as at 30 June 2022 and 31 December 2021. 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 as at 30 June 2022 and 31 December 2021.
- (d) All borrowings were denominated in RMB as at 30 June 2022 and 31 December 2021.

19. DEFERRED INCOME

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Government grant	77,258	63,858

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period/year	63,858	53,443
Grants received during the period/year	79,867	95,237
Amount released	(66,467)	(84,822)
At end of period/year	77,258	63,858

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.

Notes to the Interim Condensed Consolidated Financial Information

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20. SHARE CAPITAL

Ordinary shares and preferred shares

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Issued and fully paid: 817,057,176 (31 December 2021: 817,057,176) ordinary shares of US\$0.00001 each	US\$8,171	US\$8,171
Equivalent to	RMB57,000	RMB57,000

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

	Numbers of ordinary shares	Share capital amount RMB'000	Shares held for restricted share unit schemes RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2021 (audited)	787,057,176	55	–	2,631,599	2,631,654
Issue of shares (note a)	30,000,000	2	–	992,026	992,028
Share issue expenses (note a)	–	–	–	(13,916)	(13,916)
Exercise of RSUs (note b)	–	–	–	397,340	397,340
Shares held for restricted share unit schemes (note c)	–	–	(51,718)	–	(51,718)
At 31 December 2021 and 1 January 2022 (audited)	817,057,176	57	(51,718)	4,007,049	3,955,388
Exercise of RSUs (note b)	–	–	–	305	305
Shares held for restricted share unit schemes (note c)	–	–	(31,526)	–	(31,526)
At 30 June 2022 (unaudited)	817,057,176	57	(83,244)	4,007,734	3,924,167

Notes:

- (a) On 14 January 2021, 30,000,000 new shares were placed at a price of HK\$39.60 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of HK\$1,188,000,000 (equivalent to RMB992,028,000). The related transaction costs amounting to HK\$16,665,000 (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.
- (b) During the six months ended 30 June 2022, 12,750 RSUs has been exercised (the year ended 31 December 2021: 16,796,670 RSUs).
- (c) During the year ended 31 December 2021, a trustee purchased 1,765,000 shares on behalf of the Company for a total cash consideration of HK\$63,254,000 (equivalent to approximately RMB51,718,000) for the Company's restricted share unit schemes. During the six months ended 30 June 2022, a trustee purchased 1,687,000 shares on behalf of the Company for a total cash consideration of HK\$34,089,000 (equivalent to approximately RMB31,526,000) for the Company's restricted share unit schemes.

21. 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.

22. 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 2022, 85,250 RSUs of the Company were granted to employees at a consideration of HK\$1.00 each. The fair value of the RSUs granted during the six months ended 30 June 2022 was approximately HK\$1,754,000 (equivalent to RMB1,452,000; year ended 31 December 2021: HK\$216,807,000, equivalent to RMB179,958,000). The fair value of the RSUs is measured at the grant date at the market value of the shares. The market values of the RSUs granted during the year are determined using the closing prices of listed shares as at the grant dates..

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. 19,736,008 RSUs have been vested under the RSU Scheme by 30 June 2022 (31 December 2021: 18,347,258 RSUs). As at 30 June 2022, the total number of RSUs which remain outstanding under the RSU Scheme was 21,225,391 (31 December 2021: 21,290,641). 12,750 RSUs have been exercised during the six months ended 30 June 2022 (the year ended 31 December 2021: 16,796,670 RSUs). 20,000 RSUs have been forfeited under the RSU Scheme during the six months ended 30 June 2022 (the year ended 31 December 2021: Nil).

During the six months ended 30 June 2022, 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 RMB26,144,000 which was charged to profit or loss (six months ended 30 June 2021: RMB150,143,000). 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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

22. SHARE AWARD (Continued)

2021 Restricted Share Unit Scheme

The Company adopted a new restricted share unit scheme on 6 December 2021 (the “**2021 RSU Scheme**”). The purpose of the 2021 RSU Scheme is to recognise the contributions of the grantees under the 2021 RSU Scheme, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Eligible participants of the 2021 RSU Scheme include employees, advisor or consultant of any member of the Group. Details of the 2021 RSU Scheme have been set out in the announcement of the Company dated 7 December 2021. No RSUs have been granted under the 2021 RSU Scheme during the six months ended 30 June 2022 (the year ended 31 December 2021: Nil).

23. 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 as at the end of 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. As at the date of this report, the claim had completed the substantive hearing stage. Taking into account the opinion of the Group’s legal counsel, the Directors believed that the subsidiary has 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.

24. 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), 15 and 18, respectively, to the interim condensed consolidated financial information.

25. COMMITMENTS

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

	30 June 2022 RMB’000 (Unaudited)	31 December 2021 RMB’000 (Audited)
Contracted, but not provided for: Plant and machinery	898,717	594,063

26. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a non-controlling shareholder and its subsidiaries during the six months ended 30 June 2022: (i) sale of products amounted to RMB179,508,000 (six months ended 30 June 2021: Nil); (ii) distribution costs of RMB89,162,000 and selling and marketing expenses of RMB47,669,000 (six months ended 30 June 2021: Nil); (iii) costs of RMB1,266,000 related to purchase of pharmaceutical and clinical medical materials (six months ended 30 June 2021: Nil); and (iv) costs of RMB9,667,000 related to third-party contracting services for clinical trials (six months ended 30 June 2021: Nil). The above transactions are determined by reference to the market price and mutually agreed between the parties. The related party transactions mentioned above also constitute continued connected transactions as defined in Chapter 14A of the Listing Rules.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short term employee benefits	6,815	9,279
Pension scheme contributions	9	11
Equity-settled share award expenses	12,982	122,574
Total compensation paid to key management personnel	19,806	131,864

27. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial asset				
Financial asset at fair value through profit or loss	10,000	–	10,000	–

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.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2022

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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 2022 and 31 December 2021 were assessed to be insignificant.

The fair values of the unlisted equity investment designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are supported by unobservable inputs.

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 2022 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial asset at fair value through profit or loss	–	–	10,000	10,000

As at 31 December 2021 (audited)

The Group did not have any financial assets measured at fair value as at 31 December 2021.

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

28. EVENTS AFTER THE REPORTING PERIOD

On 15 July 2022, 24,000,000 new shares were placed at a price of HK\$24.27 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of approximately HK\$582 million (equivalent to approximately RMB500 million). Certain related transaction costs 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 8 and 15 July 2022, respectively.

29. 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 23 August 2022.

