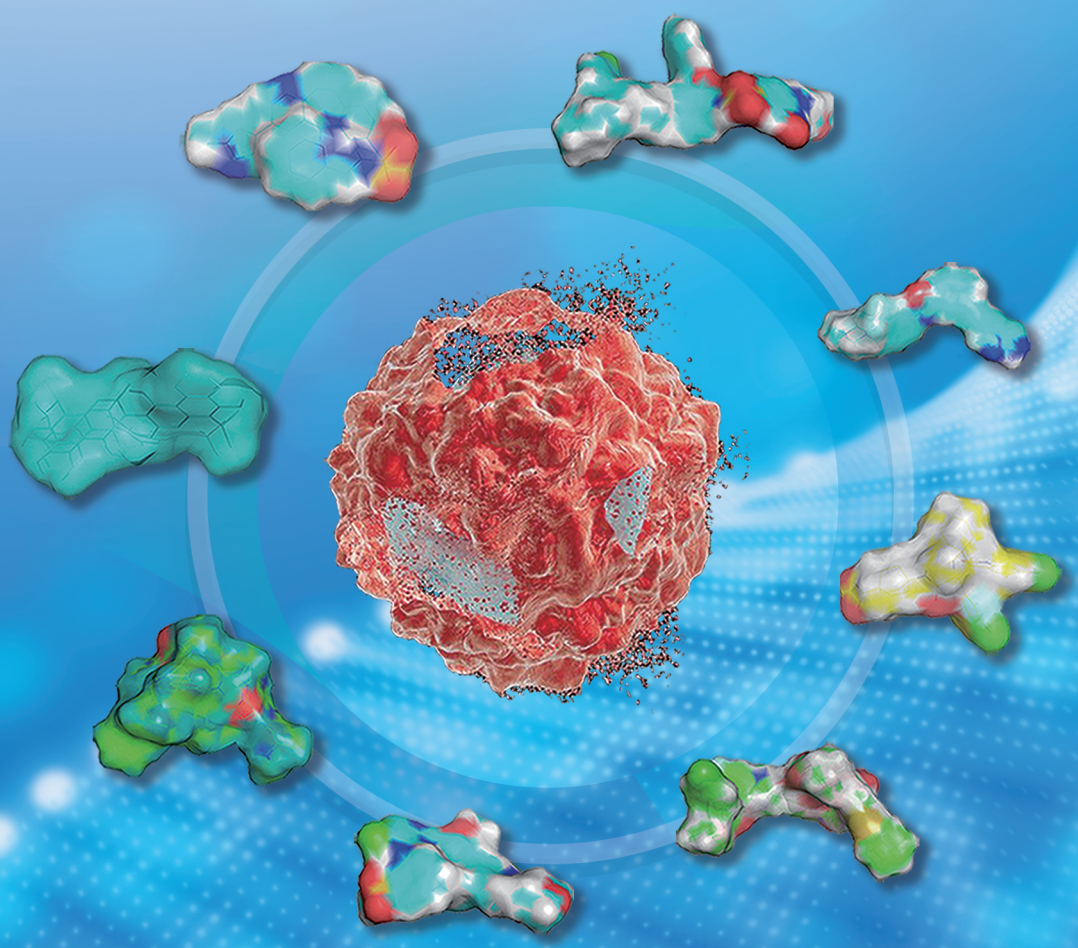
亞 盛 醫 藥
Ascentage Pharma

# Ascentage Pharma Group International
# 亞盛醫藥集團

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6855

# 2021
## INTERIM REPORT



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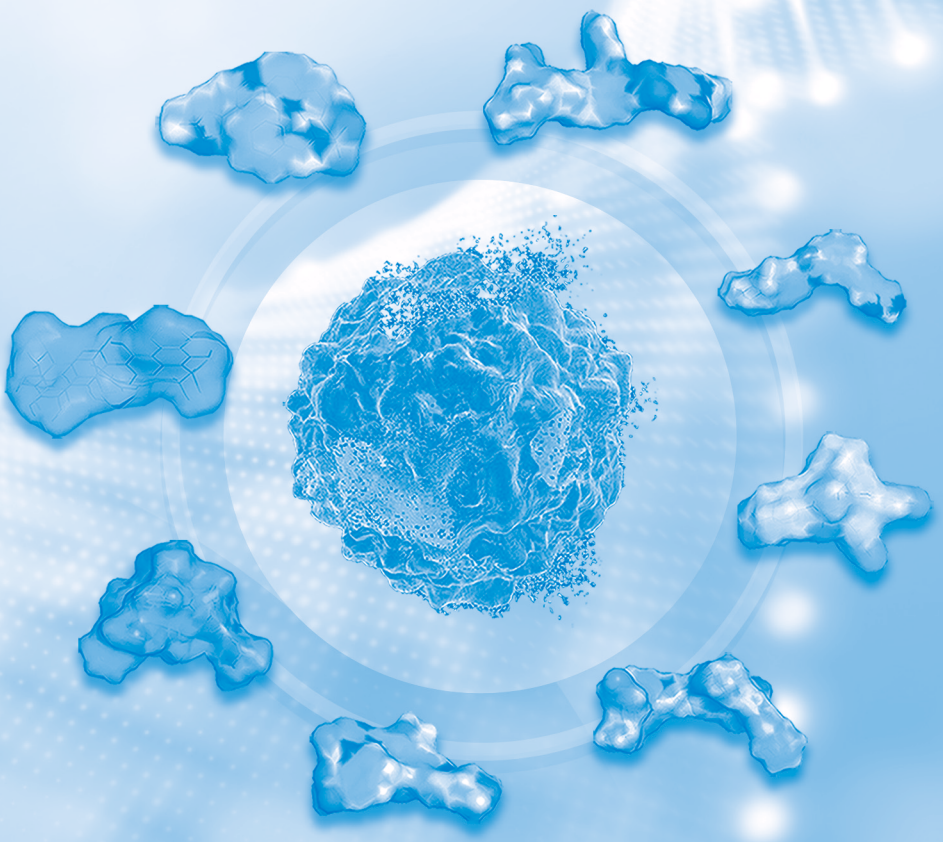

# Definitions

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

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|---|---|
| "2018 RSU Scheme" | The restricted share unit scheme approved by the board of directors of the Company on July 6, 2018 (as amended from time to time) |
| "2020 Placing" | the placing of 15,000,000 Shares at a price of HK$46.80 each pursuant to the terms and conditions of the 2020 Placing Agreement |
| "2020 Placing Agreement" | the placing agreement entered into among the Company, Citigroup Global Markets Limited and J.P. Morgan Securities (Asia Pacific) Limited dated July 8, 2020 in relation to the 2020 Placing |
| "2021 Placing" | the placing and subscription of 26,500,000 Shares at a price of HK$44.20 each pursuant to the terms and conditions of the 2021 Placing Agreement |
| "2021 Placing Agreement" | the placing and subscription agreement entered into among the Company, the Founders SPV, J.P. Morgan Securities (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited dated February 3, 2021 in relation to the 2021 Placing |
| "2021 RSU Scheme" | The restricted share unit scheme approved by the board of directors of the Company on February 2, 2021 (as amended from time to time) |
| "Acerta Pharma" | Acerta Pharma, B.V. |
| "ALL" | acute lymphoblastic leukemia; a type of cancer of the lymphoid line of blood cells characterized by the development of large numbers of immature lymphocytes |
| "APG-115" | our novel, orally active small molecule MDM2-p53 inhibitor |
| "APG-1252" | our novel, highly potent, small molecule drug designed to restore apoptosis, or programmed cell death, through selective inhibition of the Bcl-2/Bcl-xL proteins |
| "APG-1387" | our novel, small molecule inhibitor of the inhibitor of apoptosis protein (IAP) |
| "APG-2575" | our novel, orally administered Bcl-2 inhibitor |
| "APG-2575 Combination Therapy Strategic Collaboration and Clinical Trial Agreement" | the combination therapy strategic collaboration and clinical trial agreement dated July 14, 2021 entered into between Ascentage Suzhou and Innovent Suzhou in relation to, among other things, the combination therapy involving APG-2575, in combination with the CD20 Antibody and the CD47 Antibody for the treatment of certain indications |
| "APG-5918" | our potent, orally available, and selective EED inhibitor |
| "Ascentage" | collectively, Ascentage HK and Ascentage GZ |

# Definitions

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| "Ascentage GZ" | Guangzhou Healthquest Pharma Co. Ltd.* (廣州順健生物醫藥科技有限公司), a company established under the laws of the PRC with limited liability and an indirect-wholly owned subsidiary of the Company |
| "Ascentage HK" | Ascentage Pharma Group Corp Limited (亞盛醫藥集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on May 22, 2009, our wholly-owned subsidiary |
| "Ascentage Suzhou" | Suzhou Yasheng Pharmaceutical Co., Ltd. (蘇州亞盛藥業有限公司), a limited liability company incorporated in the PRC, our indirect wholly-owned subsidiary |
| "AstraZeneca" | AstraZeneca PLC, a UK-Swedish multinational pharmaceutical and biopharmaceutical company headquartered in the United Kingdom, an Independent Third Party |
| "Audit Committee" | the audit committee of the Board |
| "Bcl-2" | B-cell lymphoma 2 |
| "Bcl-xL" | B-cell lymphoma extra-large; a member of the Bcl-2 family proteins, and acts as an anti-apoptotic protein by preventing the release of mitochondrial contents such as cytochrome c, which leads to caspase activation and ultimately, programmed cell death |
| "BCRABL" | a fusion gene formed by the ABL gene from chromosome 9 joining to the BCR gene on chromosome 22, which is found in most patients with chronic myelogenous leukemia (CML), and in some patients with acute lymphoblastic leukemia (ALL) or acute myelogenous leukemia (AML) |
| "BTK inhibitor" | Bruton's tyrosine kinase inhibitor |
| "Board Committees" | collectively, the Audit Committee, the Remuneration Committee and the Nomination Committee |
| "Board of Directors" or "Board" | our board of Directors |
| "CD20 Antibody" | Innovent Suzhou's proprietary therapeutic antibody HALPRYZA® (rituximab injection) targeting B Cell lymphoma |
| "CD47 Antibody" | Innovent Suzhou's proprietary therapeutic antibody IBI188 (letaplimab) targeting Myelodysplastic Syndrome (MDS) and AML |
| "CDE" | Center for Drug Evaluation |
| "CG Code" | the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules |
| "China" or "PRC" | the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

# Definitions

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| "Chairman" | The chairman of the Board |
| "Company", "our Company", "Ascentage Pharma", "Group", "our Group", "we", "our" or "us" | Ascentage Pharma Group International (亞盛醫藥集團) (Stock Code: 6855), an exempted company incorporated in the Cayman Islands with limited liability on November 17, 2017 |
| "Concert Party Confirmation Deed" | the concert party confirmation deed dated August 11, 2018 executed by Dr. Yang, Dr. Wang, Dr. Guo, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV, to confirm, agree and acknowledge, among other things, that they are parties acting in concert in relation to our Group since December 5, 2016 and will continue to act in concert after the Listing |
| "Core Product" | has the meaning ascribed to it in Chapter 18A of the Listing Rules. For the purposes of this interim report, our Core Product is HQP1351 |
| "Director(s)" | the director(s) of the Company or any one of them |
| "DMPK" | Drug Metabolism and Pharmacokinetics |
| "Dr. Guo" | Dr. Guo Edward Ming, our chief operating officer and a Substantial Shareholder |
| "Dr. Wang" | Dr. Wang Shaomeng, our non-executive director and a Substantial Shareholder |
| "Dr. Yang" | Dr. Yang Dajun, our chairman, chief executive officer, a Substantial Shareholder, and spouse of Dr. Zhai |
| "Dr. Zhai" | Dr. Zhai Yifan, our chief medical officer, a Substantial Shareholder, and spouse of Dr. Yang |
| "Dr. Zhai SPV" | HealthQuest Pharma Limited, a company incorporated in BVI with limited liability and wholly owned by Dr. Zhai (for herself and as settlor of the Zhai Family Trust), a Substantial Shareholder |
| "EED" | Embryonic Ectoderm Development |
| "FDA" | U.S. Food and Drug Administration |
| "Founders" | collectively, Dr. Yang, Dr. Wang and Dr. Guo |
| "Founders Family Trusts" | collectively, the Yang Family Trust, the Wang Family Trust and the Guo Family Trust |
| "Founders SPV" | Ascentage Limited, a company incorporated in BVI with limited liability which is owned by Dr. Yang (for himself and as settlor of the Yang Family Trust) as to 45.53%, Dr. Guo (for himself and as settlor of the Guo Family Trust) as to 27.69% and Dr. Wang (for himself and as settlor of the Wang Family Trust) as to 26.78%, a Substantial Shareholder |

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| "FVTPL" | fair value through profit or loss |
| "General Mandate" | the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on May 10, 2021 to allot, issue and deal with up to 20% of the then issued share capital of the Company |
| "Global Offering" | the Hong Kong public offering and international offering as described in the Prospectus |
| "Guo Family Trust" | Ming Edward Guo Dynasty Trust, a discretionary family trust established by Dr. Guo as settlor for the benefits of Dr. Guo's family members, of which South Dakota Trust is a trustee |
| "Healthquest Pharma" | Guangzhou Healthquest Pharma Co., Ltd. (廣州順健生物醫藥科技有限公司), a limited liability company incorporated in the PRC on July 3, 2012, our indirect wholly-owned subsidiary |
| "HK$" or "Hong Kong dollars" | Hong Kong dollars and cents, both are the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "HQP1351" | formerly known as D824, or GZD824; our third-generation BCR-ABL inhibitor, which was designed to overcome drug resistance caused by BCR-ABL kinase mutants such as T315I mutants |
| "HQP1351 Collaboration and License Agreement" | the collaboration and license agreement dated July 14, 2021 entered into among Ascentage and Innovent Suzhou in relation to, among other things, the development and commercialization of HQP1351 |
| "IAP" | inhibitors of apoptosis protein |
| "IFRSs" | International Financial Reporting Standards |
| "IND" | investigational new drug, an application and approval process required before drug candidates may commence clinical trials |
| "Independent Auditor" | Ernst & Young |
| "Independent Third Party(ies)" | any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules |
| "Innovent" | Innovent Biologics, Inc. (信達生物製藥), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1801) |
| "Innovent Suzhou" | Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥 (蘇州) 有限公司), a company with limited liability established under the laws of the PRC and controlled by Innovent |

# Definitions

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| "IP" | intellectual property |
| "IPO" | the initial public offering of the Company, having become unconditional in all aspects on October 28, 2019 |
| "KIT" | a receptor tyrosine kinase that is involved in intracellular signalling |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange |
| "Listing Date" | October 28, 2019, 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 from time to time) |
| "Mcl-1" | myeloid cell leukemia-1; a member of the Bcl-2 family of proteins responsible for the regulation of apoptosis |
| "MDM2" | Murine Double Minute 2 |
| "MDM2-p53 pathway" | tumor-suppressor pathway that is often disrupted in cancer |
| "MM" | multiple myeloma; cancer of plasma cells, a type of white blood cell normally responsible for producing antibodies |
| "Model Code" | the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules |
| "Nomination Committee" | the nomination committee of the Board |
| "ODD" | Orphan Drug Designations |
| "Post-IPO Share Option Scheme" | the post-IPO share option scheme approved by the board of directors of the Company on September 28, 2019 (as amended from time to time) |
| "PPI" | protein-protein interaction |
| "Pre-IPO Share Option Scheme" | the pre-IPO share option scheme approved by the board of directors of the Company on July 13, 2018 (as amended from time to time) |
| "Prospectus" | the prospectus of the Company dated October 16, 2019 |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Reporting Period" | the six month period from January 1, 2021 to June 30, 2021 |
| "RMB" | Renminbi, the lawful currency of the PRC |

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| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary shares in the capital of our Company with a nominal value of US$0.0001 each |
| "Shareholder(s)" | holder(s) of Shares |
| "Share Subscription" | the subscription of the Subscription Shares by Innovent pursuant to the Share Subscription Agreement |
| "Share Subscription Agreement" | the share subscription agreement dated July 14, 2021 entered into between the Company and Innovent in relation to the Share Subscription |
| "South Dakota Trust" | South Dakota Trust Company LLC, the trustee of each of the Founders Family Trusts and the Zhai Family Trust |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscription Shares" | 8,823,863 new Shares to be issued by the Company under the General Mandate and to be subscribed by Innovent pursuant to the Share Subscription Agreement |
| "Substantial Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires refers to the Founders, the Founders SPV, Dr. Zhai, and the Dr. Zhai SPV |
| "T315I" | a type of mutation that sometimes results in the failure of tyrosine kinase inhibitor (TKI) treatment |
| "TOX" | toxicology |
| "United States" | the United States of America |
| "U.S. dollars" or "US$" | United States dollars, the lawful currency of the United States |
| "Wang Family Trust" | Shaomeng Wang Dynasty Trust, a discretionary family trust established by Dr. Wang as settlor for the benefits of Dr. Wang's family members, of which South Dakota Trust is a trustee |
| "Warrants" | the 6,787,587 unlisted warrants, each conferring to Innovent the right to subscribe for one (1) new Share at the Warrant Exercise Price during the period commencing on the date of issuance of the Warrants and ending on the date that is 24 months after the date of issuance of the Warrants, in accordance with the terms and conditions of the Warrant Subscription Deed |
| "Warrant Exercise Price" | the exercise price per Warrant (subject to adjustment) at which the holder of each Warrant may subscribe for a Warrant Share |
| "Warrant Share(s)" | up to initially 6,787,587 new Shares (subject to adjustment) to be allotted and issued upon exercise of the subscription rights attaching to the Warrants |

# Definitions

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| "Warrant Subscription" | the subscription of the Warrants by Innovent pursuant to the Warrant Subscription Deed |
| "Warrant Subscription Deed" | the warrant subscription deed dated July 14, 2021 entered into between the Company and Innovent in relation to the Warrant Subscription |
| "Yang Family Trust" | Dajun Yang Dynasty Trust, a discretionary family trust established by Dr. Yang as settlor for the benefits of Dr. Yang's family members, of which South Dakota Trust is a trustee |
| "Zhai Family Trust" | Yifan Zhai Dynasty Trust, a discretionary family trust established by Dr. Zhai as settlor for the benefits of Dr. Zhai's family members, of which South Dakota Trust is a trustee |
| "%" | per cent. |

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

## BOARD OF DIRECTORS

### Executive Director

Dr. Yang Dajun *(Chairman and chief executive officer)*

### Non-executive Directors

Dr. Wang Shaomeng
Dr. Tian Yuan
Dr. Lu Simon Dazhong
Mr. Liu Qian
Mr. Zhao Qun *(Resigned with effect from March 31, 2021)*

### Independent Non-executive Directors

Mr. Ye Changqing
Dr. Yin Zheng
Mr. Ren Wei
Dr. David Sidransky *(Appointed with effect from March 31, 2021)*

## COMPANY SECRETARY

Mr. Wong Cheung Ki Johnny, *FCPA, FCG (CS, CGP), FCS (CS, CGP)*

## AUTHORISED REPRESENTATIVES

Mr. Yang Dajun
Mr. Wong Cheung Ki Johnny, *FCPA, FCG (CS, CGP), FCS (CS, CGP)*

## AUDIT COMMITTEE

Mr. Ye Changqing *(chairman)*
Dr. Lu Simon Dazhong
Dr. Yin Zheng

## REMUNERATION COMMITTEE

Dr. Yin Zheng *(chairman)*
Dr. Tian Yuan
Mr. Ren Wei

## NOMINATION COMMITTEE

Dr. Yang Dajun *(chairman)*
Mr. Ren Wei
Mr. Ye Changqing

## AUDITOR

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

## REGISTERED OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

218 Xinghu Street, Building B7, 7th Floor
Suzhou Industrial Park
Suzhou, Jiangsu
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9/F, Wah Yuen Building
149 Queen's Road
Central
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

# Corporate Information

## HONG KONG LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## STOCK CODE

Stock Code: 6855

## WEBSITE

www.ascentagepharma.com

- Revenue for the six months ended June 30, 2021 increased to RMB13.0 million, as compared to RMB2.6 million for the six months ended June 30, 2020, representing an increase of RMB10.4 million, or 396.2%. For the six months ended June 30, 2021, the revenue was generated from an IP license fee income from a customer.

- Other income and gains increased by RMB5.3 million, or 27.8%, from RMB18.7 million for the six months ended June 30, 2020 to RMB24.0 million for the six months ended June 30, 2021, primarily attributable to (i) the increase in government grants related to income; and (ii) the increase of unrealized loss which arose from our investment in UNITY Biotechnology, Inc. ("**Unity**") for the six months ended June 30, 2021, as compared to an unrealized gain for the six months ended June 30, 2020, which was partially offset by the slightly increase of gain on financial assets at FVTPL for the six months ended June 30, 2021.

- Research and development expenses increased by RMB66.0 million, or 26.3%, to RMB317.5 million for the six months ended June 30, 2021, as compared to RMB251.5 million for the six months ended June 30, 2020, primarily due to additional clinical trials of our drug candidates and the expansion of our research and development headcount, as well as the increase of expenses of IP.

- Administrative expenses increased by RMB2.2 million, or 3.6%, to RMB63.9 million for the six months ended June 30, 2021, as compared to RMB61.7 million for the six months ended June 30, 2020, primarily due to the increase of administrative headcount, partially offset by decreased expenses in relation to the Pre-IPO Share Option Scheme.

- For the six months ended June 30, 2021, the Group reported other expenses of RMB8.3 million, as compared to other expenses of RMB26.4 million for the six months ended June 30, 2020, which represented a decrease of RMB18.1 million, or 68.6%. The decrease was primarily attributable to: (i) the decrease of fair value loss on long-term payables measured at FVTPL from RMB20.3 million for the six months ended June 30, 2020 to RMB2.4 million for the six months ended June 30, 2021; (ii) there is no foreign exchange loss for the six months ended June 30, 2021, as compared to foreign exchange loss of RMB5.1 million for the six months ended June 30, 2020; (iii) partially offset by the unrealized loss of RMB3.6 million which arose from our investment in Unity for the six months ended June 30, 2021, as compared to fair value gain for the six months ended June 30, 2020.

- As a result of the foregoing, net loss for the six months ended June 30, 2021 increased to RMB376.7 million, as compared to RMB319.2 million for the six months ended June 30, 2020, representing an increase of RMB57.5 million, or 18.0%.

# Business Highlights

- During the six months ended June 30, 2021, we continued to make significant progress with respect to our product pipeline, including the following milestones and achievements: we have built a robust pipeline of eight clinical stage drug candidates, with the focus on difficult-to-target protein-protein interactions, or PPIs, key regulatory proteins for apoptosis (or programmed cell death) and next generation tyrosine kinase inhibitors, or TKIs. Our clinical stage drug candidates include HQP1351, a third generation BCRABL/KIT inhibitor and apoptosis targeting compounds, APG-2575 (a Bcl-2 selective inhibitor), APG-115 (an MDM2-p53 inhibitor) and APG-1387 (a pan-IAP inhibitor). Additionally, our pre-clinical drug candidates include APG-5918 (an EED inhibitor) and APG-265 (a MDM2 protein degrader). We are conducting more than 40 phase I/II clinical trials in the United States, Australia, Europe, and China.

- Ascentage Pharma's clinical development effort has received fast-growing recognition by international regulatory authorities and academic community. Our leading drug candidate, HQP1351, was granted a Breakthrough Therapy Designation by CDE in March 2021. As at June 30, 2021, Ascentage Pharma has obtained a total of twelve ODDs from the FDA, continuing to set the record for the number of ODDs granted to any Chinese biopharmaceutical company. We presented the pre-clinical results of five of the Company's novel drug candidates at the American Association for Cancer Research (AACR) Annual Meeting 2021. These studies are from seven preclinical studies in various tumor types and have signified the therapeutic potential of multiple combination therapies in cancer. The results from four of the Company's clinical trials were selected for presentations at American Society of Clinical Oncology (ASCO) Annual Meeting 2021, and among these data, the two oral presentations have received widespread and avid interest from research and medical communities.

- Moreover, we have built strategic partnership globally and in China to further promote our competencies. In July 2021, we have entered into a multifaceted strategic collaboration with Innovent and its controlled entity Innovent Suzhou. This collaboration involves (i) the grant by Ascentage HK and Ascentage GZ to Innovent Suzhou the right to jointly develop and commercialize HQP1351 (Olverembatinib) in the PRC, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; and (ii) the joint development and conducting of clinical trials between Ascentage Suzhou and Innovent Suzhou of the combination therapy involving our Bcl-2 inhibitor APG-2575 with Innovent Suzhou's anti-CD20 monoclonal antibody HALPRYZA® (rituximab injection) and anti-CD47 monoclonal antibody IBI188 (letaplimab) for the treatment of certain indications. Furthermore, Innovent has subscribed for 8,823,863 Shares at a total consideration of US$50 million (HK$44.0 per Share) (the completion of which took place on July 23, 2021), and will subscribe for 6,787,587 Warrants (conferring the rights to subscribe for an aggregate of 6,787,587 Shares (subject to adjustments), and the issuance of which is subject to the approval by the Shareholders at the upcoming extraordinary general meeting to be convened by the Company) at a total consideration of US$50 million (with the subscription price of each Warrant Share upon exercise of the Warrants being HK$57.2 (subject to adjustments)). In July 2021, we have also entered into a Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute (NCI), part of the National Institutes of Health, under which we will collaborate on the non-clinical and clinical development of the Company's drug compound APG-1252.

- We continued to develop a global intellectual property portfolio with exclusive licenses to issued patents or patent applications worldwide with respect to our product candidates. As at June 30, 2021, we had 144 issued patents and more than 510 patent applications globally, among which, about 110 patents had been issued overseas.

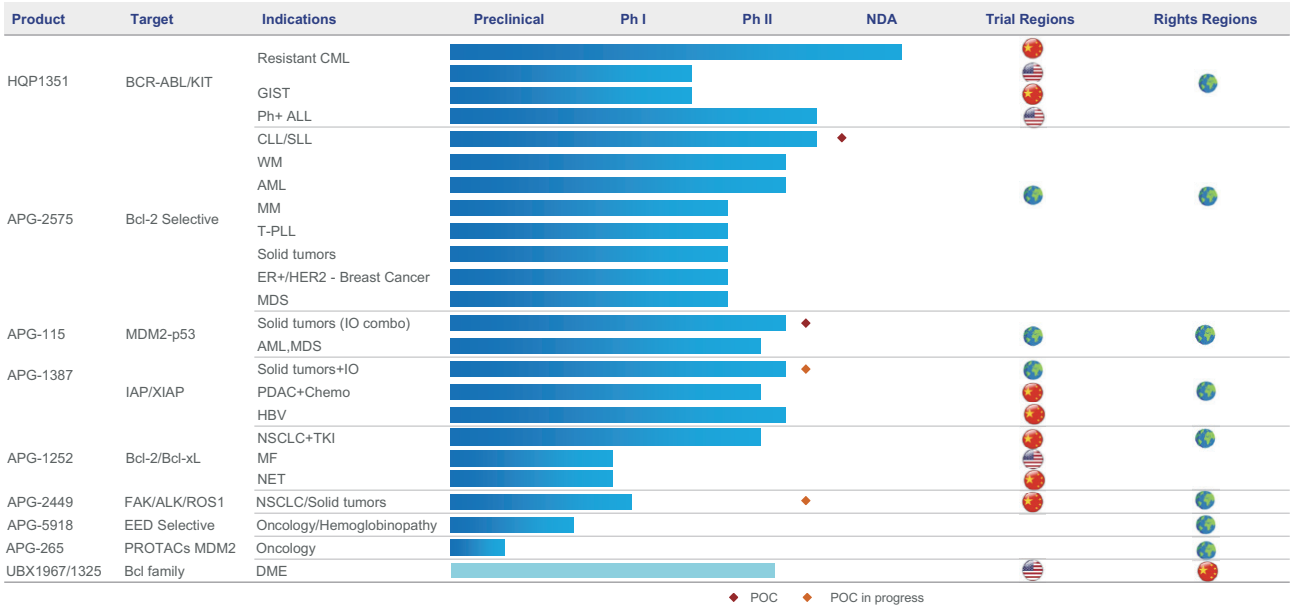
## OVERVIEW

We are a globally-focused, clinical-stage biotechnology company engaged in developing novel therapies for cancers, hepatitis B virus (HBV), and age-related diseases. Leveraging our technical expertise in structure-based drug design and our innovative drug discovery engine, we have developed a robust pipeline of eight clinical stage small molecule drug candidates. Our pipeline consists of novel small molecule drug candidates that disrupt complex and difficult-to-target PPIs, and next generation TKIs. Our Core Product, HQP1351, is a third generation BCR-ABL inhibitor targeting a broad spectrum of BCRABL mutants, including those with the T315I mutation.

Our PPI drug candidates are intended to treat cancer and other diseases by restoring the normal function of key intrinsic apoptotic pathways, including the Bcl-2/Bcl-xL, MDM2-p53 and IAP pathways, which play a pivotal role in regulating apoptosis. We are also developing several next generation TKIs to treat diseases with high unmet medical needs. Our compounds are being developed for use as a single agent or in combination with other therapies. As at June 30, 2021, we are conducting more than 40 phase I or II clinical trials to evaluate our eight drug candidates in the United States, Australia and China. In addition, we are developing and implementing biomarker strategies in our drug discovery with the goal of improving the success rates of our clinical trials.

### Product Pipeline

We have a pipeline of eight clinical stage small molecule drug candidates in clinical development. The following table summarizes our pipeline and the development status of our current pipeline as at June 30, 2021:



During the Reporting Period, we have made significant progress with respect to our product pipeline:

### Core Product Candidate

***HQP1351***

Our Core Product, HQP1351 (Olverembatinib), is a third generation BCR-ABL inhibitor targeting BCR-ABL mutants, including those with the T315I mutation. With the "onetime umbrella approval" of HQP1351 in China, HQP1351 is currently under development as monotherapy for treatment of patients with TKI resistant CML with or without T315I mutation.

The HQP1351 NDA was submitted to National Medical Products Administration (NMPA) in China in June 2020 and was accepted by CDE under the NMPA with "Priority Review" status based on the results of two pivotal phase II clinical studies, for the treatment of patients with tyrosine kinase inhibitor (TKI) resistant and with T315Imutant chronic phase chronic myeloid leukemia (CML) and accelerated phase CML in October 2020. HQP1351 has been included in the list of the commercialization application made in China if the application is approved, HQP1351 will be the first marketed third generation BCR-ABL inhibitor in China. In March 2021, HQP1351 was granted a Breakthrough Therapy Designation by CDE.

The third pivotal study in CML patients who are resistant/intolerant to first and second generation TKIs is ongoing. The enrollment of this study has been completed in the first half of 2021. In addition, a phase Ib clinical trial for the treatment of patients with TKI resistant CML and Philadelphia Chromosome positive ALL (Ph + ALL) with or without T315I mutations is ongoing in the United States. Preliminary data has demonstrated that HQP1351 is efficacious and well-tolerated on treatments of these CML patients who are TKI resistant including resistant and/or intolerant to Ponatinib.

Furthermore, the FDA has granted Orphan Drug Designation to HQP1351 for the treatment of CML and a Fast Track Designation for the treatment of CML with certain genetic markers who have failed to respond to treatments with existing TKIs in April 2020. Data from the clinical trial showed that HQP1351 has achieved significant antitumor activity in TKI resistant CML patients with favorable safety profile.

The positive data from pivotal phase II clinical studies of HQP1351 (Olverembatinib) was presented orally at the 62nd American Society of Hematology (ASH) Annual Meeting in December 2020. This is the third consecutive time in which clinical progress of HQP1351 was selected for oral presentation at the ASH Annual Meetings since 2018.

**Cautionary Statement required by Rule 18A.05 of the Listing Rules:** WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET HQP1351 SUCCESSFULLY.

### Key Product Candidates

***APG-2575***

APG-2575 is a novel, orally administrated Bcl-2 selective inhibitor developed to treat a variety of hematologic malignancies by selectively blocking Bcl-2 to restore the normal apoptosis process in cancer cells. APG-2575 had received clearances and approvals for multiple phase Ib/II clinical studies in China, United States, Australia and Europe, and is currently being clinically developed in a range of hematologic malignancies and solid tumors globally. A total of 17 phase I/II clinical studies are ongoing globally, with over 200 subjects who have been treated with APG-2575 as a single agent at doses ranging from 20 mg to 1,200 mg. APG-2575 is also the first made-in-China Bcl-2 selective inhibitor to enter clinical trials in China. The patients enrolled include chronic lymphocytic leukemia (CLL), Non-Hodgkin's lymphoma (NHL), acute myeloid leukemia (AML), multiple myeloma (MM), Waldenstrom macroglobulinemia (WM), etc. Additionally, our IND application was cleared by the FDA for a clinical study of APG-2575 as a single agent or in combination with other antitumor therapies for the treatment of patients with advanced estrogen receptor-positive (ER+) breast cancer or other solid tumors in June 2021.

More than 100 patients with relapsed/refractory CLL (r/r CLL) have been treated with APG-2575. In June 2021, the promising data from first-in-human phase 1 clinical studies of APG2575 was presented orally at the ASCO Meeting. Preliminary results have showed that an objective response rate (ORR) of more than 80% has been reached in the evaluable patients. No dose limited toxicity (DLT) has been reported and the maximum tolerated does (MTD) has not been reached, even in 1,200 mg dose level, which shows that APG-2575 has a much better safety profile in the same class of drugs. Most treatment-related adverse events (TRAEs) were of Grade 1 or 2. Limited cases of neutropenia and thrombocytopenia were reported.

We entered into a global clinical collaboration with Acerta Pharma, the hematology research and development center of excellence of AstraZeneca to evaluate the combination of APG-2575 with acalabrutinib, a BTK inhibitor in patients with R/R CLL/SLL in June 2020.

Furthermore, the FDA has granted five ODDs to APG-2575 for the treatment of patients with follicular lymphoma (FL), Waldenström macroglobulinemia (WM), chronic lymphocytic leukemia (CLL), multiple myeloma (MM), and acute myeloid leukemia (AML).

***APG-1252***

APG-1252 is a novel, highly potent, small molecule drug designed to restore apoptosis through dual inhibition of the Bcl-2 and Bcl-xL proteins for the treatment of small cell lung cancer (SCLC), non-small cell lung cancer (NSCLC), neuroendocrine tumor, and myelofibrosis.

A total of 183 patients have been treated with APG-1252 as a monotherapy or in combination with other anti-tumor agents. Three phase I single agent dose-escalation/dose expansion trials in patients with SCLC and other advanced solid cancers were conducted in the United States, Australia and China, respectively. APG-1252 was well tolerated with either weekly or biweekly intermittent dosing schedules. Preliminary anti-tumor activity was observed in heavily pretreated patients. APG-1252 is currently under investigation in a variety of combination trials, including a phase Ib/II study of APG-1252 plus paclitaxel in patients with SCLC in the United States and Australia, a phase Ib/II study of APG-1252 as a monotherapy or in combination with Ruxolitinib in patients with myelofibrosis in the United States, a phase Ib study of APG-1252 plus Osimertinib in patients with NSCLC in China, and a phase Ib study of APG-1252 as a monotherapy in neuroendocrine tumors from pancreas or other parts of the gastrointestinal tract.

Furthermore, the FDA granted APG-1252 an Orphan Drug Designation for the treatment of small-cell lung cancer (SCLC) in October 2020.

In July 2021, we have entered into a Cooperative Research and Development Agreement (CRADA) with the US National Cancer Institute (NCI), under which they will collaborate on the clinical and non-clinical development of APG-1252 on a series of clinical trials to evaluate the safety and efficacy of APG-1252 in the treatment of solid tumors.

***APG-115***

APG-115 is an orally bioavailable, highly selective, small molecule inhibitor of the MDM2-p53 PPI. APG-115 was designed to activate p53 by blocking the MDM2-p53 interaction. It is undergoing multiple clinical studies as a single agent or in combination with chemotherapy in treating solid tumors as well as hematological tumors in China, the United States, and Australia.

We are currently enrolling three clinical trials of APG-115 in the United States, a phase Ib/II study in combination with pembrolizumab for treatment of metastatic melanoma and other advanced solid tumors in collaboration with MSD, a phase I/II combination study with chemotherapy in AML, and an investigator driven phase I/II study as a single agent or in combination with chemotherapy for treatment of salivary gland cancer.

At the 2021 annual meeting of ASCO this year, we reported the latest results of a phase II clinical study of APG-115 in combination with pembrolizumab. The results demonstrated promising antitumor activity and safety, and the PD-1/PD-L1 inhibitor-resistant melanoma cohort which was treated with APG-115 plus pembrolizumab reported 1 patient with complete response (CR), an objective response rate (ORR) of 24.1%, and a disease control rate (DCR) of 55.2%.

In addition, CDE of the China National Medical Products Administration (NMPA) has granted approval for a phase Ib/II clinical study of APG-115 in combination with PD-1/PD-L1 inhibitors for the treatment of patients with advanced liposarcoma (LPS) or other advanced solid tumors, as well as approved a clinical study of APG-115, as a single agent or in combination with the APG-2575, for the treatment of patients with relapsed/refractory T-cell prolymphocytic leukemia (R/R T-PLL). This study is also being enrolled in the USA.

The FDA has granted five Orphan Drug Designation to APG-115 for the treatment of soft tissue sarcoma, for the treatment gastric cancer (GC), the treatment of acute myeloid leukemia (AML) and for Retinoblastoma, as well for Stage IIB-IV melanoma.

### Other Clinical or IND-stage Candidates

#### *APG-1387*

APG-1387 is a novel, small molecule inhibitor of apoptosis proteins, or IAP proteins, that we are developing for the treatment of advanced solid tumors and chronic HBV infection.

APG-1387 is the first IAP-targeting drug to enter clinical trials in China and has completed the phase I clinical trials as a single agent in solid tumors in Australia, China and USA (part of the phase I study). We are currently conducting a phase I clinical trial in the United States, testing combination of APG-1387 with pembrolizumab, an anti-PD-1 mAb in solid tumors and the preliminary result was released in ASCO meeting in June 2020. Meanwhile, in China, a phase Ib/II clinical trial testing the combination of APG-1387 with toripalimab (益拓), another anti-PD-1 mAb in solid tumors, is ongoing as well. A phase Ib/II clinical trial of APG-1387 in combination with nab-paclitaxel plus gemcitabine in advanced pancreatic cancer is also ongoing.

In addition, 2 clinical trials of APG-1387 in Hepatitis B disease area are ongoing. The phase I trial of single agent APG1387 in the treatment of naive Chronic Hepatitis B (CHB) patients has completed the treatment phase and the monotherapy regimen is being followed-up on. With the positive preliminary results, the extension of the phase I study of APG-1387 sequentially in combination with NAs in the treatment of naive CHB patients is ongoing. A phase II clinical trial of APG-1387 in combination with nucleic acids in CHB patients is ongoing as well. As at June 30, 2021, a total of 194 patients were enrolled and treated in the studies.

### Lead Pre-clinical Assets

#### *EED inhibitor APG-5918*

APG-5918 has been nominated as the clinical candidate targeting EED in April 2020, and is currently being developed at the IND-enabling stage. EED inhibitors have achieved preclinical proof-of-concept results with the potential to treat solid and hematological malignancies, as well as sickle cell disease and beta-thalassemia. APG-5918 is a potent, orally available, and selective EED inhibitor with the best-in-class potential. APG-5918 demonstrated substantial activities in both biochemical and cell-based assays, as well as impressive antitumor activity in xenograft tumor models in mice. In addition, APG-5918 showed overall favorable DMPK, TOX and physicochemical properties.

***PROTACs MDM2 protein degrader APG-265***

The Company entered into an agreement with the University of Michigan through which the Company shall obtain the exclusive global rights to a MDM2 protein degrader developed with the Proteolysis-Targeting Chimeras (PROTACs) technology. The molecule is well tolerated in mice, rats and dogs, and has excellent pharmacokinetics in rodents and non-rodents.

### Discovery programs

***Bcl-2 selective inhibitor***

The Company has developed a new class of highly potent and selective Bcl-2 inhibitors. Several compounds have demonstrated potency in vitro activity against both wild-type and mutant Bcl-2 cancer cells. These compounds have also demonstrated excellent oral pharmacokinetics and robust antitumor activity in animal models.

## RESEARCH AND DEVELOPMENT

We have a proven track record of researching, developing and commercializing biopharmaceuticals. We plan to continue to diversify and expand our product pipeline through both in-house research and development and through collaborations with biotechnology and pharmaceutical companies, as well as academic institutions. We have an experienced scientific advisory board, chaired by Dr. Wang Shaomeng, our co-founder. Members of our scientific advisory board are renowned scientists with expertise in cancer research and development. They are not our employees but will from time to time provide us with assistance upon our request.

For the six months ended June 30, 2020 and 2021, our research and development expenses were approximately RMB251.5 million and RMB317.5 million, respectively.

## INTELLECTUAL PROPERTIES

Intellectual property rights are fundamental to our business. Through our robust research and development, we have strategically developed a global intellectual property portfolio with exclusive licenses to issued patents or patent applications worldwide with respect to our product candidates. As at June 30, 2021, we had 144 issued patents and more than 510 patent applications globally, among of which, about 110 patents had been issued overseas.

## BUSINESS DEVELOPMENT

In addition to our strong in-house research and development team, we have established global collaboration relationships with leading biotechnology and pharmaceutical companies and academic institutions.

In July 2021, we have entered into a multifaceted strategic collaboration with Innovent and its controlled entity Innovent Suzhou. This collaboration involves (i) the grant by Ascentage HK and Ascentage GZ to Innovent Suzhou the right to develop and commercialize HQP1351 (Olverembatinib) in the PRC, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; and (ii) the joint development and conducting of clinical trials between Ascentage Suzhou and Innovent Suzhou of the combination therapy involving our Bcl-2 inhibitor APG-2575 with Innovent Suzhou's anti-CD20 monoclonal antibody HALPRYZA® (rituximab injection) and anti-CD47 monoclonal antibody IBI188 (letaplimab) for the treatment of certain indications. Furthermore, Innovent has subscribed for 8,823,863 Shares at a total consideration of US$50 million (HK$44.0 per Share) (the completion of which took place on July 23, 2021), and will subscribe for 6,787,587 Warrants (conferring the rights to subscribe for an aggregate of 6,787,587 Shares (subject to adjustments), and the issuance of which is subject to the approval by the Shareholders at the upcoming extraordinary general meeting to be convened by the Company) at a total consideration of US$50 million (with the subscription price of each Warrant Share upon exercise of the Warrants being HK$57.2 (subject to adjustments)). This collaboration is a large-scale multifaceted collaboration between two leading Chinese innovative biopharmaceutical companies.

In July 2021, we have also entered into a Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute (NCI), part of the National Institutes of Health, under which we will collaborate on the non-clinical and clinical development of the Company's drug compound APG-1252.

In July 2021, our global licensee, Unity has reported positive data from a phase I clinical study of UBX1325, an investigational Bcl-xL inhibiting compound, in patients with certain advanced vascular eye diseases, and has already dosed the first patient in the subsequent phase IIa clinical study. According to the terms of the licensing agreement previously entered into between Unity and us, this progress in clinical development will qualify the Company for a milestone payment in the amount of US$2 million, which will be paid in Unity common stock.

We believe our global collaboration network provides us with global endorsement and enhances our brand recognition. Our collaborations also lead to better access to leading drugs and candidates and potentially offer an extra source of funding to advance our product development.

## MANUFACTURING

We lease a facility with a size of approximately 4,480 square meters for research and development ("**R&D**") and manufacturing in China Medical City, Taizhou, Jiangsu Province, PRC, where we produce and supply pre-clinical test articles and clinical trial materials for some of our drug candidates. In addition, we expect to construct a facility with a size of approximately 100,000 square meters in Suzhou, Jiangsu Province, PRC for R&D and manufacturing (the "**Suzhou Facility**").

In November 2019, the groundbreaking ceremony for the new Suzhou Facility was held at the Suzhou Industrial Park. At the Suzhou Facility, we intend to produce drug product for clinical or, in the future, commercial use. The Suzhou Facility is expected to consist of two oral-solid-dosage production lines, for both tablet and capsule formulations, and two parenteral liquid/lyophilization powder-for-injection production lines. Our own Suzhou Facility, which is a China-based global R&D center and manufacturing facility, has completed civil works in January 2021 and will be commissioned in the second half of 2021.

## EXPECTED CONTINUAL IMPACT OF COVID-19

Due to the scope and duration of the COVID-19 pandemic, the Company expects continued negative impact on its global operations, including clinical trial recruitment and participation, regulatory interactions, drug supply and manufacturing and R&D facility construction.

In addition, because of the prevalence of variants to COVID-19, and as we operate both in China and the rest of the world, we expect restrictions or other measures which cause significant restrictions on domestic and international travel, the re-imposition of quarantine policies and other restrictions on many business and household activities, may have continuing impact on our global operations. The potential economic impact caused by COVID-19 and its variants, on both the Chinese and United States economies may be difficult to assess or predict, and its actual effects will depend on various factors beyond our control.

We continue to operate our clinical trials in compliance with applicable regulatory guidelines during the COVID-19 pandemic to minimize delays and disruptions which may have an impact on our ability to deliver our clinical and regulatory goals in 2021.

## FINANCIAL REVIEW

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Revenue | **12,965** | 2,613 |
| Other income and gains | **23,958** | 18,741 |
| Selling and distribution expenses | **(10,593)** | — |
| Research and development expenses | **(317,543)** | (251,455) |
| Administrative expenses | **(63,927)** | (61,699) |
| Finance costs | **(8,377)** | (1,828) |
| Other expenses | **(8,270)** | (26,350) |
| Loss for the period | **(376,682)** | (319,177) |
| Total comprehensive loss for the period | **(384,773)** | (311,680) |

### 1. Overview

For the six months ended June 30, 2021, the Group recorded revenue of RMB13.0 million, as compared with RMB2.6 million for the six months ended June 30, 2020, representing an increase of 396.2%, and a total comprehensive loss of RMB384.8 million, as compared with RMB311.7 million for the six months ended June 30, 2020, representing an increase of 23.5%. The loss of the Group was RMB376.7 million for the six months ended June 30, 2021, as compared with RMB319.2 million for the six months ended June 30, 2020, representing an increase of 18.0%, the increase in which was primarily due to the increase of research and development expenses. The research and development expenses of the Group was RMB317.5 million for the six months ended June 30, 2021, as compared with RMB251.5 million for the six months ended June 30, 2020, representing an increase of 26.3%. The selling and distribution expenses of the Group was RMB10.6 million for the six months ended June 30, 2021, while no such expenses were incurred for the six months ended June 30, 2020, since the Group only started the preparations of commercialization of our drug candidates in the second half of 2020. The administrative expenses were RMB63.9 million for the six months ended June 30, 2021 as compared with RMB61.7 million for the six months ended June 30, 2020, representing an increase of 3.6%.

### 2. Revenue

For the six months ended June 30, 2021, the Group generated revenue of RMB13.0 million from an IP license fee income from Unity, as compared to RMB2.6 million for the six months ended June 30, 2020, representing an increase of RMB10.4 million. We have not yet commercialized any of our product candidates and therefore did not generate any revenue from sales of drug products.

### 3. Other Income and Gains

The Group's other income and gains primarily consist of (i) government grants related to income; (ii) interest income on term deposit at banks; (iii) realized and unrealized gain from other financial assets, including structured deposits and short-term financial products; and (iv) realized and unrealized gains from foreign exchange. Government grants related to income mainly represent the subsidies received from local governments for the purpose of compensation for expenses arising from research activities and clinical trials, and awards for new drugs development. These government grants related to income were recognized in profit or loss when related costs were subsequently incurred and upon receipt of the acknowledgment of compliance from the government.

For the six months ended June 30, 2021, other income and gains of the Group increased by RMB5.3 million, or 27.8% to RMB24.0 million, from RMB18.7 million for the six months ended June 30, 2020, primarily due to (i) the increase in government grants received by the Group (RMB16.8 million for the six months ended June 30, 2021, as compared with RMB7.4 million for the six months ended June 30, 2020); partially offset by (ii) the decrease in gain on financial assets at FVTPL (RMB2.9 million for the six months ended June 30, 2021, as compared to RMB7.8 million for the six months ended June 30, 2020).

### 4. Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of staff costs and travel and meeting expenses. For the six months ended June 30, 2021, the selling and distribution expenses of the Group increased to RMB10.6 million, while no such expenses were incurred for the six months ended June 30, 2020. The increase was attributable to the newly set-up of the sales team in preparation of the potential commercialization of our drug candidates in 2021.

### 5. Research and Development Expenses

The Group's research and development expenses primarily consist of internal research and development expenses, external research and development expenses, staff costs, IP expenses, materials, depreciation and amortization and share option and RSU expenses.

For the six months ended June 30, 2021, the research and development expenses of the Group increased by RMB66.0 million, or 26.3% to RMB317.5 million from RMB251.5 million for the six months ended June 30, 2020. The increase was primarily attributable to additional clinical trials of the Company's drug candidates, increased research and development headcount, and increased intellectual property related expenses.

### 6. Administrative Expenses

For the six months ended June 30, 2021, the administrative expenses of the Group increased by RMB2.2 million, or 3.6% to RMB63.9 million from RMB61.7 million for the six months ended June 30, 2020. The increase was primarily attributable to (i) increase of administrative headcount; and (ii) partially offset by decreased expenses in relation to the Pre-IPO Share Option Scheme.

### 7. Finance Costs

Finance costs represented mainly interest expenses from bank borrowings and lease liabilities.

For the six months ended June 30, 2021, the finance costs of the Group increased by RMB6.6 million to RMB8.4 million from RMB1.8 million for the six months ended June 30, 2020. The increase was primarily attributable to additional interest incurred in relation to bank borrowings.

### 8. Other Expenses

The Group's other expenses mainly consist of (i) fair value losses on financial assets at FVTPL; and (ii) fair value loss on contingent consideration in relation to our acquisition of Healthquest Pharma in December 2016.

For the six months ended June 30, 2021, the Group reported other expenses of RMB8.3 million, as compared to other expenses of RMB26.4 million for the six months ended June 30, 2020, which represented a decrease of RMB18.1 million, or 68.6%. The decrease was primarily attributable to: (i) the decrease of fair value loss on long-term payables measured at FVTPL from RMB20.3 million for the six months ended June 30, 2020 to RMB2.4 million for the six months ended June 30, 2021; (ii) there is no foreign exchange loss for the six months ended June 30, 2021, as compared to foreign exchange loss of RMB5.1 million for the six months ended June 30, 2020; (iii) partially offset by the unrealized loss of RMB3.6 million which arose from our investment in Unity for the six months ended June 30, 2021, as compared to fair value gain for the six months ended June 30, 2020.

The loss on fair value of the financial assets at FVTPL was a non-cash adjustment that represented the change in fair value arising from the common stock of Unity held by the Group.

The loss on fair value of the long-term payables measured at FVTPL was a non-cash adjustment that represented the change in fair value of contingent consideration payable in relation to the acquisition of Healthquest Pharma in December 2016.

## 9. Loss for the Reporting Period

As a result of the above factors, the loss of the Company increased to RMB376.7 million for the six months ended June 30, 2021 from RMB319.2 million for the six months ended June 30, 2020.

## 10. Cash Flows

For the six months ended June 30, 2021, net cash flows used in operating activities of the Group amounted to RMB353.6 million, as compared to that of RMB298.6 million for the six months ended June 30, 2020, mainly due to the expansion of our research and development activities.

For the six months ended June 30, 2021, net cash flows used in investing activities of the Group amounted to RMB1,004.5 million, which mainly consisted of (i) the purchase of items of property, plant and equipment and other intangible assets of RMB214.3 million; and (ii) the net increase in financial assets and time deposits of RMB788.2 million. For the six months ended June 30, 2020, net cash flow used in investing activities amounted to RMB207.0 million, which mainly consisted of (i) the purchase of items of property, plant and equipment and other intangible assets of RMB130.6 million; and (ii) the net increase in financial assets and time deposits of RMB76.3 million.

For the six months ended June 30, 2021, net cash flows from financing activities of the Group amounted to RMB1,076.4 million, which mainly consisted of net proceeds of RMB961.1 million (representing proceeds from issue of shares minus cash payment of share issue expenses recorded as a deduction of share premium) from issuance of shares through the 2021 Placing (as defined below) and net borrowings of RMB128.7 million from banks. For the six months ended June 30, 2020, net cash flows from financing activities of the Group amounted to RMB193.4 million, which mainly consisted of new bank borrowings.

## 11. Key Financial Ratios

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

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| Current ratio[1] | **8.2** | 3.9 |
| Quick ratio[2] | **8.2** | 3.9 |
| Gearing ratio[3] | **N/A[4]** | N/A[4] |

*Notes:*

(1) Current ratio is calculated using current assets divided by current liabilities as at the same date.

(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as at the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%.

(4) As at June 30, 2021 and December 31, 2020, the Group's cash and bank balances exceeded the interest-bearing borrowings. As such, no gearing ratio as at June 30, 2021 and December 31, 2020 was presented.

## 12. Significant Investments

The Group did not make any significant investments during the six months ended June 30, 2021.

## 13. Foreign Exchange Risk

Our financial statements are expressed in RMB, but certain of our cash and bank balances, other receivables and other assets, other investments classified as financial assets at FVTPL and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## 14. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associated companies or joint ventures for the six months ended June 30, 2021.

## 15. Bank Loans and Other Borrowings

As at June 30, 2021, the Group had bank loans of RMB155.2 million with fixed interest rate and bank loans of RMB491.3 million with floating interest rate, both of which were denominated in RMB. In addition, the Group had lease liabilities of RMB20.9 million.

## 16. Charges on Group Assets

As at June 30, 2021, the Group had pledged the Group's right-of-use assets with a carrying amount of RMB30.4 million and the construction in process with a carrying amount of RMB540.5 million to bank facilities.

## 17. Contingent Liabilities

As at June 30, 2021, the Group did not have any material contingent liabilities.

## 18. Liquidity and Financial Resources

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We place cash and cash equivalents (which are mostly held in U.S. dollars, Hong Kong dollars and RMB) in short term deposits with authorized institutions in Hong Kong and China.

As at June 30, 2021, the Group's cash and bank balances increased to RMB1,103.0 million from RMB1,024.4 million as at December 31, 2020. The increase primarily resulted from issuance of shares through the 2021 Placing (as defined below) and borrowings from banks; partially offset by the purchase of items of financial assets, property, plant and equipment and other intangible assets.

As at June 30, 2021, the Group's cash and bank balances were held mainly in U.S. dollars, Hong Kong dollars and RMB.

As at June 30, 2021, the Group had not used any financial instruments for hedging purposes.

As at June 30, 2021, the current assets of the Group were RMB1,598.1 million, including cash and bank balances of RMB1,103.0 million and other current assets of RMB495.1 million. As at June 30, 2021, the current liabilities of the Group were RMB193.8 million, including trade payables of RMB28.4 million, other payables and accrued expenses of RMB126.4 million, interest-bearing bank and other borrowings of RMB33.6 million and tax payables and other current liabilities of RMB5.4 million. As at June 30, 2021, the non-current liabilities of the Group were RMB764.5 million, including interest-bearing bank and other borrowings of RMB633.8 million, long-term payables measured at FVTPL and deferred income of RMB116.2 million and deferred tax liability of RMB14.5 million.

## 19. Employees and Remuneration Policies

The following table sets forth a breakdown of our employees as at June 30, 2021 by function:

| Function | Number | % |
|---|---|---|
| Research and Development | 397 | 75 |
| Commercial | 55 | 10 |
| Administrative and others | 79 | 15 |
| **Total** | 531 | 100.00 |

As at June 30, 2021, we had 531 full-time employees, including a total of 75 employees with M.D. or Ph.D. degrees. Among which 397 are engaged in full-time research and development and laboratory operations and 134 are engaged in full-time commercial, administrative and other functions. Our research and development personnel includes 66 employees with M.D. or Ph.D. degrees and more than 128 holders of master's degrees, and many of them have experience working in research institutions and hospitals and in the FDA drug approval process.

Our senior management team has extensive experience and expertise in the biotechnology industry and has been instrumental in driving the success of our business. As at June 30, 2021, we had 162 senior employees who have an average of 15 to 20 years of experience in relevant fields.

We have also achieved more than 90% retention rate over the last two years, which facilitates the growth of our institutional knowledge base. We are actively recruiting talents globally by offering a collaborative work environment, competitive compensation, effective incentive plans, and the opportunity to work on cutting-edge science projects.

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable laws of the PRC, we have 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 our PRC-based employees.

The Company has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the 2018 RSU Scheme and the 2021 RSU Scheme. On May 17, 2021, the Company granted 374,692 RSUs under the 2021 RSU Scheme, representing 374,692 Shares to 32 selected persons, who are the employees of the Group. For further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the 2018 RSU Scheme, please refer to the section headed "Statutory and General Information — D. Employee Incentive Schemes" in Appendix IV to the Prospectus. For further details of the 2021 RSU Scheme, please refer to the relevant announcements of the Company dated February 2, 2021, May 21, 2021 and June 18, 2021.

## FUTURE AND OUTLOOK

Leveraging our extensive experience in the global biotechnology industry, we will continue to accelerate our development of eight drug candidates in our highly differentiated novel clinical pipeline to next phases and apply for NDAs across the globe.

We will invest more resources to support our key product development through accelerating clinical trial sites development, boosting clinical trial recruitment and strengthening material communications with competent authorities. Meanwhile, we also expect to report significant near-term milestones for several key products in global academic conferences on our encouraging preclinical or clinical data, so as to increase our influence and seek global collaboration opportunities.

We target to become a fully integrated and globally focused biotechnology company with a comprehensive set of capabilities focusing on business development and commercialization beyond our core competency in research and development. In anticipation of the potential commercialization of our drug candidates, we plan to capture additional commercialization opportunities in global oncology pharmaceutical markets through actively pursuing strategic partnerships with global biotechnology and pharmaceutical companies for cooperation over our pipeline assets.

Additionally, we expect to expand our intellectual property portfolio by actively seeking patent rights for our product candidates. For each of our clinical programs, we seek to extend the coverage to additional indications and obtain new method of new use patent for our drug candidates, as appropriate. As at June 30, 2021, we had 144 issued patents and more than 510 patent applications globally, among which, about 110 patents were issued overseas. We will further enhance our comprehensive and growing global intellectual property portfolio in the future.

Looking forward, we will constantly extend our capability to develop the innovative therapies with better efficacy and affordable costs for patients to address the unmet medical needs, improve patient health and bring benefits to the society globally. At the same time, we will constantly strive to consolidate our position as a leading biotechnology company and maintain good financial health to protect the interests of our Shareholders.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to the six months ended June 30, 2021, the following significant events took place:

(a) On July 14, 2021 (after trading hours), Ascentage HK, Ascentage GZ and Innovent Suzhou entered into the HQP1351 Collaboration and License Agreement in relation to, among other things, the development and commercialization of HQP1351. Innovent Suzhou shall pay Ascentage HK and Ascentage GZ an upfront fee of US$30 million (equivalent to approximately HK$232.95 million) in cash within 15 days after the date of the HQP1351 Collaboration and License Agreement.

(b) On July 14, 2021 (after trading hours), Ascentage Suzhou and Innovent Suzhou entered into the APG-2575 Combination Therapy Strategic Collaboration and Clinical Trial Agreement, pursuant to which Ascentage Suzhou and Innovent Suzhou agreed to jointly develop and conduct clinical trials of the combination therapy involving our Bcl-2 inhibitor APG-2575 with Innovent Suzhou's anti-CD20 monoclonal antibody HALPRYZA® (rituximab injection) and anti-CD47 monoclonal antibody IBI188 (letaplimab) for the treatment of certain indications.

(c) On July 14, 2021 (after trading hours), the Company and Innovent entered into the share subscription agreement, pursuant to which the Company agreed to issue, and Innovent agreed to subscribe, a total of 8,823,863 Shares at the aggregate consideration of US$50.00 million (equivalent to approximately HK$388.25 million) subject to the terms and conditions thereto. A total of 8,823,863 Subscription Shares have been successfully allotted and issued by the Company to Innovent at the subscription price of HK$44.00 per Share on July 23, 2021.

(d) On July 14, 2021 (after trading hours), the Company and Innovent entered into the Warrant Subscription Deed, pursuant to which the Company agreed to issue to Innovent 6,787,587 Warrants, conferring the rights to subscribe for an aggregate of 6,787,587 Shares. Innovent is not required to pay any consideration for the Warrants.

For further details of the abovementioned events, please refer to the relevant announcement of the Company dated July 14, 2021.

## INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

# Other Information

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

As at June 30, 2021, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

| Name of Director or chief executive | Nature of Interest[1] | Number of Ordinary Shares | Approximate percentage of shareholding interest |
|---|---|---|---|
| Dr. Yang | Interest of controlled corporation[4]<br>Interests held jointly with other persons[2]<br>Interest of spouse[3]<br>Settlor of discretionary trust[4] | 67,204,967 | 26.55% |
| Dr. Wang | Interest of controlled corporation[4]<br>Interests held jointly with other persons[2]<br>Settlor of discretionary trust[4] | 67,204,967 | 26.55% |
| Dr. Guo | Interest of controlled corporation[4]<br>Interest held jointly with other persons[2]<br>Settlor of a discretionary trust[4] | 67,204,967 | 26.55% |
| Dr. Zhai | Interest of controlled corporation[5]<br>Interest held jointly with other persons[2]<br>Interest of spouse[3]<br>Settlor of a discretionary trust[5] | 67,204,967 | 26.55% |
| Dr. Tian Yuan | Interest of controlled corporation[6, 7, 8]<br>Beneficial owner[10] | 16,717,162<br>292,714 | 6.60%<br>0.12% |
| Mr. Liu Qian | Interest of controlled corporation[9]<br>Beneficial owner[10] | 10,743,772<br>37,688 | 4.24%<br>0.01% |
| Dr. Lu Dazhong Simon | Beneficial owner[10] | 41,457 | 0.02% |
| Mr. Raymond Jeffrey Kmetz | Beneficial owner[11] | 291,851 | 0.12% |

*Notes:*

1. All interests stated are long position.

2. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and Dr. Zhai SPV is deemed to be interested in an aggregate of 26.55% shareholding interest in our Company.

3. Dr. Yang and Dr. Zhai are spouse and are therefore deemed to be interested in the Shares held by each other under the SFO.

4. The Founders SPV is beneficially owned by (i) Dr. Yang (0.84%), (ii) Dr. Wang (13.39%), (iii) Dr. Guo (4.20%), (iv) the Yang Family Trust (44.69%), (v) the Wang Family Trust (13.39%) and (vi) the Guo Family Trust (23.49%). The Yang Family Trust, the Wang Family Trust and the Guo Family Trust were respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members. South Dakota Trust is the trustee of each of the Founders Family Trusts. Dr. Yang is also a director of the Founders SPV.

5. Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai (3%) and (ii) the Zhai Family Trust (97%). The Zhai Family Trust was established by Dr. Zhai as settlor for the benefits of her family members. South Dakota Trust is the trustee of the Zhai Family Trust. Dr. Zhai is also a director of Dr. Zhai SPV.

6. Yuanming Prudence SPC is a segregated portfolio company managed by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned by Yuanming Capital Group Limited as to 50%. Dr. Tian Yuan, our non-executive Director, owned 100% shareholding interest in Yuanming Capital Group Limited. Dr. Tian is therefore deemed to be interested in 10,743,772 Shares held by Yuanming Prudence SPC.

7. YM Investment Ltd ("**YM Investment**") is indirectly wholly owned by Zhuhai Hengqin Yuanming Private Equity (Limited Partnership) (珠海橫琴元明股權投資基金 (有限合夥)) whose general partner is Zhuhai Hengqin Yuanming Asset Management Co., Ltd. (珠海橫琴元明資產管理有限公司), of which Dr. Tian Yuan, our non-executive Director, is the general manager and also a shareholder holding 50% shareholding interest. Dr. Tian is therefore deemed to be interested in 4,701,600 Shares held by YM Investment.

8. QHYM Investment Ltd ("**QHYM**") is indirectly wholly owned by Shenzhen Qianhai Yuanming Healthcare Fund (Limited Partnership) (深圳前海元明醫療產業投資基金 (有限合夥)) whose general partner is Shenzhen Qianhai Yuanming Asset Management Co., Ltd. (深圳前海元明資產管理有限公司), of which Dr. Tian Yuan, our non-executive Director, is the executive director and also a shareholder holding 90% shareholding interest. Dr. Tian is therefore deemed to be interested in 1,271,790 shares of the Company held by QHYM.

9. Yuanming Prudence SPC is a segregated portfolio company managed by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned by Fangyuan Financial Holdings Group as to 50%. Fangyuan Financial Holdings Group was owned as to 80% by Prudence Financial Holdings Group Limited which is in turn owned as to 75% by Mr. Liu Qian, our non-executive Director. Mr. LIU is therefore deemed to be interested in 10,743,772 Shares held by Yuanming Prudence SPC.

10. Interests in options granted pursuant to the Pre-IPO Share Option Scheme.

11. Mr. Raymond Jeffrey Kmetz had personal interests in 128 shares of the Company and had share options to subscribe for total 291,723 shares of the Company.

12. All interests are calculated based on the total Shares in issue as at June 30, 2021, being 253,128,997 Shares.

Save as disclosed above, as at June 30, 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at June 30, 2021, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Substantial Shareholder | Nature of Interest | Number of Ordinary Shares | Approximate percentage of shareholding interest |
|---|---|---|---|
| Li Ju-Yun | Interest of spouse[2] | 67,204,967 | 26.55% |
| Gao Sharon Xia | Interest of spouse[3] | 67,204,967 | 26.55% |
| Founders SPV | Beneficial owner<br>Interest held jointly with other persons[4] | 67,204,967 | 26.55% |
| Dr. Zhai SPV | Beneficial owner<br>Interest held jointly with other persons[4] | 67,204,967 | 26.55% |
| South Dakota Trust | Trustee | 56,993,041 | 22.52% |
| Future Industry Investment Co., Limited | Beneficial owner[7] | 16,615,440 | 6.56% |
| Future Industry Investment Fund | Interest of controlled corporation[7] | 16,615,440 | 6.56% |
| SDIC Fund Management Co., Ltd. | Interest of controlled corporation[7] | 16,615,440 | 6.56% |
| Chen Yiwen | Interest of spouse[8] | 10,781,460 | 4.26% |
| Prudence Investment Management (Hong Kong) Limited | Investment manager[9] | 10,743,772 | 4.24% |
| Prudence Financial Holdings Group Limited | Interest of controlled corporation[9] | 10,743,772 | 4.24% |
| Fangyuan Financial Holdings Group | Interest of controlled corporation[9] | 10,743,772 | 4.24% |
| Yuanming Capital Group Limited | Interest of controlled corporation[9] | 10,743,772 | 4.24% |
| Yuanming Capital Management Limited | Interest of controlled corporation[9] | 10,743,772 | 4.24% |
| Yuanming Prudence SPC | Beneficial owner[9] | 10,743,772 | 4.24% |
| Zhao Li | Interest of spouse[10] | 17,009,876 | 6.72% |

*Notes:*

1. All interests stated are long position.

2. Ms. Li Ju-Yun is Dr. Wang's spouse, and is therefore deemed to be interested in the Shares held by Dr. Wang.

3. Ms. Gao Sharon Xia is Dr. Guo's spouse, and is therefore deemed to be interested in the Shares held by Dr. Guo.

4. Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV are parties to the Concert Party Confirmation Deed, according to which they have been and will be actively cooperating, communicating and acting in concert with each other with respect to their interests in or the business of the relevant members of our Group since December 5, 2016 and will continue to act in concert after the Listing. Accordingly, each of Dr. Yang, Dr. Guo, Dr. Wang, Dr. Zhai, the Founders SPV and the Dr. Zhai SPV is deemed to be interested in an aggregate of 26.55% shareholding interest in our Company.

5. The Founders SPV is beneficially owned by (i) Dr. Yang (0.84%), (ii) Dr. Wang (13.39%), (iii) Dr. Guo (4.20%), (iv) the Yang Family Trust (44.69%), (v) the Wang Family Trust (13.39%) and (vi) the Guo Family Trust (23.49%). The Yang Family Trust, the Wang Family Trust and the Guo Family Trust were respectively established by Dr. Yang, Dr. Wang and Dr. Guo as settlor for the benefits of their respective family members. South Dakota Trust is the trustee of each of the Founders Family Trusts. Dr. Yang is also a director of the Founders SPV.

6. The Dr. Zhai SPV is beneficially owned by (i) Dr. Zhai (3%) and (ii) the Zhai Family Trust (97%). The Zhai Family Trust was established by Dr. Zhai as settlor for the benefits of her family members. South Dakota Trust is the trustee of the Zhai Family Trust. Dr. Zhai is also a director of the Dr. Zhai SPV.

7. Future Industry Investment Co., Limited is wholly owned by Future Industry Investment Fund, whose executive partner is SDIC Fund Management Co., Ltd. Accordingly, each of Future Industry Investment Fund and SDIC Fund Management Co., Ltd. is deemed to be interested in the Shares held by Future Industry Investment Co., Limited under the SFO.

8. Ms. Chen Yiwen is Mr. Liu Qian's spouse, and is therefore deemed to be interested in the Shares held by Mr. Liu Qian.

9. Prudence Investment Management (Hong Kong) Limited is the investment manager of Yuanming Prudence SPC. Yuanming Prudence SPC is wholly owned by Yuanming Capital Management Limited. Yuanming Capital Management Limited is owned as to (i) 50% by Fangyuan Financial Holdings Group which is in turn owned as to 80% by Prudence Financial Holdings Group Limited, and (ii) 50% by Yuanming Capital Group Limited.

10. Ms. Zhao Li is Dr. Tian Yuan's spouse, and is therefore deemed to be interested in the Shares held by Dr. Tian Yuan.

11. All interests are calculated based on the total Shares in issue as at June 30, 2021, being 253,128,997 shares.

# Other Information

## EQUITY PLANS

### 1. Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to reward the eligible participants who have contributed or will contribute to the Group and to encourage them to continue to work for the Group towards enhancing the value of the Shares which will benefit the Group and the Shareholders as a whole.

A summary of the principal terms of the Pre-IPO Share Option Scheme is set out below:

***Eligible Participants***

Those eligible to participate in the Pre-IPO Share Option Scheme include any substantial shareholder, existing or incoming employees of the Group which include the directors (including executive directors, non-executive directors and independent non-executive directors) and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, where required under the Listing Rules, the independent non-executive directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

***Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme***

The overall limit on the number of underlying shares which may be delivered pursuant to share options granted under the Pre-IPO Share Option Scheme is 12,307,533 Shares, representing 4.86% of the issued capital of the Company, with a par value of US$0.0001 each as at June 30, 2021.

***Consideration***

Consideration of HK$1.00 is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Option Scheme.

***Determination of Exercise Price***

The exercise price of all the share options granted under the Pre-IPO Share Option Scheme is HK$0.01 as determined by the Board at the time of the grant.

***Life of the Pre-IPO Share Option Scheme***

The Pre-IPO Share Option Scheme was approved and adopted pursuant to the resolutions of the shareholders passed on July 13, 2018 and may be terminated by the Board or the Company by ordinary resolution in general meeting. No further option will be granted or offered after the Listing Date. In the event of termination, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted during the life of the Pre-IPO Share Option Scheme and which remain unexpired immediately prior to the termination of the Pre-IPO Share Option Scheme.

### *Outstanding Share Options*

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at June 30, 2021. All the options under the Pre-IPO Share Option Scheme were granted on or before the Listing Date and no further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date. For further details on the movement of the options during the Reporting Period, please see the below summary:

| Relevant Grantee | Number of underlying Shares to be issued upon exercise of the option in full | Date of Grant | Outstanding as at January 1, 2021 | Exercised during the Reporting Period | Cancelled/ Lapsed during the Reporting Period | Outstanding as at June 30, 2021 |
|---|---|---|---|---|---|---|
| **Directors of the Company** | | | | | | |
| Tian Yuan | 292,714 | August 15, 2018 | 292,714 | – | – | 292,714 |
| Zhao Qun (resigned as a non-executive Director with effect from March 31, 2021) | 292,714 | August 15, 2018 | 292,714 | – | – | 292,714 |
| Lu Simon Dazhong | 41,457 | August 15, 2018 | 41,457 | – | – | 41,457 |
| Liu Qian | 37,688 | August 15, 2018 | 37,688 | – | – | 37,688 |
| **Chief executives of the Company** | | | | | | |
| Raymond Jeffrey Kmetz | 452,531 | May 15, 2019 | 339,398 | 47,675 | – | 291,723 |
| Thomas Joseph Knapp | 374,472 | May 15, 2019 | 280,854 | – | – | 280,854 |
| **Other grantees** | | | | | | |
| Employees of the Group | 10,812,906 | Between August 15, 2018 to September 16, 2019 | 8,310,829 | 541,281 | 174,560 | 7,596,988 |
| **Total** | | | 9,595,654 | 586,956 | 174,560 | 8,834,138 |

*Notes:*

(1) The vesting dates of the options and the period during which the option can be exercised are set forth in the relevant grant letters in accordance with the Pre-IPO Share Option Scheme and disclosed in the Prospectus.

(2) All the options are exercisable upon vesting at an exercise price of HK$0.01 per Share.

## 2. Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to enable the Company to grant options to eligible participants to incentivize or reward them for their contribution or potential contribution to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group; attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and/or for such purposes as the Board may approve from time to time.

A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

***Eligible Participants***

The Board may, at its absolute discretion, offer to grant options to the following persons:

(i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(ii) a director or proposed director (including an independent non-executive director) of any member of the Group;

(iii) any substantial shareholder of any member of the Group;

(iv) a supplier of goods or services to any member of the Group;

(v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(vii) an associate of any of the persons referred to in paragraphs (i) to (iii) above.

***Maximum Number of Shares Available for Issue under the Post-IPO Share Option Scheme***

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Group is 20,707,462, being no more than 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**").

The Scheme Mandate Limit may be refreshed at any time as the Board may think fit by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

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

As at June 30, 2021, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 20,707,462, Shares, representing 8.18% of the issued share capital of the Company as at June 30, 2021.

***Maximum Entitlement of Each Participant***

Unless approved by the Shareholders in a general meeting, the maximum number of Shares underlying the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

***Life of the Post-IPO Share Option Scheme***

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

***Exercise Price***

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.

***Consideration***

Consideration of HK$1.00 is required to be paid by the grantees for the grant of awards under the Post-IPO Share Option Scheme and such payment must be made within 28 days from the date the share option grant offer is made to the grantee.

## 3. 2018 RSU Scheme

The purpose of the 2018 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

***Eligible Participants***

Persons eligible to receive RSUs under the 2018 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects the eligible persons to receive RSUs under the 2018 RSU Scheme at its discretion.

***Maximum Number of Shares pursuant to RSUs***

The maximum number of RSUs that may be granted under the 2018 RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the 2018 RSU Scheme) shall be 5,274,657 ordinary shares, representing 2.08% of the issued shares of the Company as at June 30, 2021.

***Life of the 2018 RSU Scheme***

The 2018 RSU Scheme will be valid and effective for a period of ten years, commencing on July 6, 2018.

As at June 30, 2021, the Company has granted an aggregate of 2,590,592 RSUs under the 2018 RSU Scheme, representing 2,590,592 Shares to 50 selected persons, who are employees of the Group. Please refer to the relevant announcements of the Company dated September 16, 2020 and March 19, 2021 for further details.

Further details of the 2018 RSU Scheme are set out in the Prospectus.

## 4. 2021 RSU Scheme

The purpose of the 2021 RSU Scheme is to incentivize the existing and incoming Directors, senior management and employees for their contribution to the Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

***Eligible Participants***

Persons eligible to receive RSUs under the 2021 RSU Scheme are existing or incoming employees, directors (whether executive or non-executive) or officers of our Company or any member of our Group. Our Board selects the eligible persons to receive RSUs under the 2021 RSU Scheme at its discretion.

***Maximum Number of Shares pursuant to RSUs***

The maximum number of RSUs that may be granted under the 2021 RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the 2021 RSU Scheme) shall be 3,133,526 ordinary shares, representing 1.24% of the issued shares of the Company as at June 30, 2021.

***Life of the 2021 RSU Scheme***

The 2021 RSU Scheme will be valid and effective for a period of ten years, commencing on February 2, 2021.

As at June 30, 2021, the Company has granted in aggregate 374,692 RSUs, representing 374,692 Shares to a total of 32 selected persons, who are employees of the Group. Please refer to the relevant announcements of the Company dated May 21, 2021, May 26, 2021, June 18, 2021 and June 25, 2021 for further details.

The Company proposed to grant an aggregate of 10,641 RSUs, 8,964 RSUs, 8,964 RSUs, 8,964 RSUs and 55,157 RSUs under the 2021 RSU Scheme, representing 10,641 Shares, 8,964 Shares, 8,964 Shares, 8,964 Shares and 55,157 Shares, to Dr. Sidransky, Mr. Ye, Dr. Yin, Mr. Ren and Mr. Zhu, respectively. Dr. Sidransky, Mr. Ye, Dr. Yin and Mr. Ren are each an independent non-executive director of the Company, while Mr. Zhu is the chief commercial officer of the Company, and each of them are as such connected persons of the Company. The proposed grant of RSUs to each of them are subject to shareholders' approval at the extraordinary general meeting of the Company to be held on September 20, 2021. Please refer to the announcements of the Company dated May 21, 2021, May 26, 2021, July 14, 2021 and July 23, 2021, as well as the circular of the Company dated August 31, 2021, for further details.

Further details of the 2021 RSU Scheme are set out in the announcement of the Company dated February 2, 2021.

## CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Below are the changes of Directors' information since the date of 2020 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

Mr. Liu Qian, non-executive Director of the Company, was appointed as Chairman of Prudence Financial Holdings Group Limited since July 2021.

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

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

## MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period.

The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

## USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

With the Shares of the Company listed on the Stock Exchange on October 28, 2019, the net proceeds from the Global Offering (including shares issued as a result of the full exercise of the over-allotment option) were approximately HK$369.8 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and as at June 30, 2021, the Company has fully utilized the net proceeds in accordance with such intended purposes.

The table below sets out the planned applications of the net proceeds from the Global Offering and the actual usage up to June 30, 2021.

| **Use of proceeds** | | **Planned allocation of net proceeds** (HK$ million) | **Planned allocation of net proceeds** (RMB million) | **Utilized amount (as at June 30, 2021)** (RMB million) |
|---|---|---|---|---|
| Research and development to bring the Core Product, HQP1351, to commercialization | 42% | 155.2 | 138.2 | 138.2 |
| Ongoing and planned clinical trials of APG-1252 | 13% | 48.1 | 42.8 | 42.8 |
| Ongoing and planned clinical trials of APG-2575 | 19% | 70.3 | 62.5 | 62.5 |
| Ongoing and planned clinical trials of APG-115 | 19% | 70.3 | 62.5 | 62.5 |
| Ongoing and planned clinical trials for the rest of the clinical programs of the Company, APG-1387 and APG-2449 | 6% | 22.2 | 19.7 | 19.7 |
| Working capital and general corporate purposes | 1% | 3.7 | 3.3 | 3.3 |
| Total | 100.0% | 369.8 | 329.1 | 329.1 |

*Notes:*

(1) The sum of the data may not add up to the total due to rounding.

(2) Net proceeds from the Global Offering were received in Hong Kong dollars and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the Global Offering.

## USE OF NET PROCEEDS FROM THE 2020 PLACING

On July 15, 2020, a total of 15,000,000 placing shares (with an aggregate nominal value of US$1,500) have been successfully placed to not less than six placees who shall be professional, institutional, or other investors that are, together with their respective ultimate beneficial owners, third parties independent of the Company and its connected person at the placing price of HK$46.80 per placing share (with the net price being approximately HK$45.96 per placing share) under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 19, 2020 (the "**2020 Placing**"). The closing price of the Shares on July 8, 2020, being the date on which the terms of the 2020 Placing was fixed, was HK$46.80.

The Directors consider that the 2020 Placing represents an opportunity to raise capital for the Company while broadening its Shareholder base. The Directors are of the view that the 2020 Placing would strengthen the financial position of the Group and provide working capital to the Group.

There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated July 8, 2020 and as at June 30, 2021, the Company has fully utilized the net proceeds in accordance with such intended purposes.

The table below sets out the planned applications of the net proceeds from the 2020 Placing and the actual usage up to June 30, 2021.

| **Use of proceeds** | | **Planned allocation of net proceeds** (HK$ million) | **Planned allocation of net proceeds** (RMB million) | **Utilized amount (as at June 30, 2021)** (RMB million) |
|---|---|---|---|---|
| Clinical development for other pipeline products, such as APG-2575, APG-115, APG-1387 and APG-1252 | 60% | 413.5 | 345.0 | 345.0 |
| Registration, trial production and marketing of the Core Product, HQP1351 | 20% | 138.0 | 115.0 | 115.0 |
| General corporate purposes | 20% | 138.0 | 115.0 | 115.0 |
| Total | 100% | 689.5 | 575.0 | 575.0 |

*Notes:*

(1) The sum of the data may not add up to the total due to rounding.

(2) Net proceeds from the 2020 Placing were received in Hong Kong dollars and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the 2020 Placing.

## FUND RAISING

On February 3, 2021, the Company entered into the placing and subscription agreement with Ascentage Limited (the "**Vendor**") and J.P. Morgan Securities (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited (the "**2021 Placing Agents**"), pursuant to which (i) the Vendor agreed to appoint the 2021 Placing Agents, and the 2021 Placing Agents agreed to act as agents of the Vendor to procure not less than six placees who shall be professional, institutional, and/or other investors that are, together with their respective ultimate beneficial owners, third parties independent of the Company and its connected persons (the "**2021 Placees**"), on a best effort basis, to purchase up to 26,500,000 shares of the Company (the "**Placing Shares**") (with an aggregate nominal value of US$2,650) at the price of HK$44.2 per 2021 Placing Share (the "**2021 Placing**"); and (ii) the Vendor agreed to subscribe for, and the Company agreed to issue to the Vendor up to 26,500,000 new shares of the Company (the "**Subscription Shares**") at the price of HK$44.2 per Subscription Share (the "**2021 Subscription**") (with the net price being approximately HK$43.53 per placing share). The closing price of the Shares on February 4, 2021, being the date on which the terms of the 2021 Placing was fixed, was HK$44.95.

The Directors consider that the 2021 Placing and the 2021 Subscription represent an opportunity to raise capital for the Company in order to enable the Company to continue the development of its products in its pipeline, while broadening its Shareholder base. The Directors are of the view that the 2021 Placing and the 2021 Subscription would further strengthen the financial position of the Group and provide additional working capital to the Group.

The closing of the 2021 Placing took place on February 8, 2021 and the closing of the 2021 Subscription took place on February 11, 2021. A total of 26,500,000 Placing Shares have been successfully placed by the 2021 Placing Agents to the 2021 Placees. A total of 26,500,000 Subscription Shares had been allotted and issued to the Vendor pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on June 19, 2020. The net proceeds (after the deduction of all applicable costs and expenses) raised from the 2021 Placing were approximately HK$1,153.64 million.

There was no change in the intended use of the net proceeds as previously disclosed in the relevant announcement of the Company dated February 3, 2021 and the Company will gradually utilize the remaining amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

# Other Information

The table below sets out the planned applications of the net proceeds from the 2021 Placing and the actual usage up to June 30, 2021.

| Use of proceeds | | Planned allocation of net proceeds (HK$ million) | Planned allocation of net proceeds (RMB million) | Utilized amount (as at June 30, 2021) (RMB million) | Expected timeline for utilizing the remaining balance of net proceeds from the 2021 Placing |
|---|---|---|---|---|---|
| Clinical development of the key product candidate, APG-2575 | 50% | 576.8 | 480.0 | 15.0 | December 31, 2022 |
| Registrational trials for full approval and the commercialization of the Core Product, HQP1351 | 20% | 230.7 | 192.0 | 6.7 | December 31, 2022 |
| Clinical development for other pipeline products such as APG-115 (MDM2-p53 inhibitors currently in phase Ib/II clinical trial), APG-1387 (pan-IAP inhibitor currently in phase Ib/II clinical trial) and APG-1252 (Bcl-2/Bcl-xL dual inhibitor currently in phase I clinical trial) | 20% | 230.7 | 192.0 | 3.3 | December 31, 2022 |
| General corporate purposes | 10% | 115.4 | 96.0 | 0.3 | December 31, 2022 |
| Total | 100% | 1,153.6 | 960.0 | 25.3 | |

*Notes:*

(1) The sum of the data may not add up to the total due to rounding.

(2) The expected timeline for utilizing the remaining balance of net proceeds is based on the best estimation of the market conditions made by the Group and it is subject to the research and development progress of the Group which may be affected by COVID-19.

(3) Net proceeds from the 2021 Placing were received in Hong Kong dollars and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the exchange rate since the 2021 Placing.

Save as disclosed above, there was no fund raising activity carried out by the Company during the Reporting Period.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises two independent non-executive Directors, namely, Mr. Ye Changqing and Dr. Yin Zheng, and one non-executive Director Dr. Lu Simon Dazhong. Mr. Ye Changqing is the chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 and this interim report have been reviewed by the Group's external auditor, Ernst & Young, in accordance with the 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, and by the Audit Committee. The Audit Committee concluded that such financial statements and this interim report had been prepared in accordance with applicable accounting standards and relevant requirements, and had made adequate disclosure. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

## OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established the Nomination Committee and the Remuneration Committee.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this interim report, as at the date of this interim report, there were no significant investments held by the Group or future plans regarding significant investment or capital assets. For the six months ended June 30, 2021, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the CG Code. Save for the deviation disclosed below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Period.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer, and Dr. Yang Dajun currently performs these two roles. The Board believes that such arrangement will not impair the balance of power and authority between the Board and the management of the Company, because (a) decisions to be made by the Board require approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of nine Directors, which represents one-third of the Board composition and satisfies the relevant requirement under the Listing Rules, and we believe that there is sufficient check and balance in the Board; (b) Dr. Yang and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for our Group accordingly; (c) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (d) strategic decisions and other key business, financial, and operational policies of the Group are formalized collectively after thorough discussion at both Board and senior management levels.

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

# Other Information

## MODEL CODE FOR SECURITIES TRANSACTIONS

We have also adopted our own code of conduct regarding securities transactions, namely the policy on management of securities transactions by directors (the "**Securities Transactions Code**"), which applies to all Directors on terms not less exacting than the required standard indicated by the Model Code.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code and the Securities Transaction Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code and the Securities Transaction Code by the senior management of the Group during the Reporting Period.

On Behalf of the Board
**Dr. Yang Dajun**
*Chairman and Chief Executive Officer*

Suzhou, the PRC, August 24, 2021

Ernst & Young
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**To the board of directors of Ascentage Pharma Group International**
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 60, which comprises the condensed consolidated statement of financial position of Ascentage Pharma Group International (the "**Company**") and its subsidiaries (the "**Group**") as at June 30, 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, 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 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*
Hong Kong
August 24, 2021

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

| | Notes | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|---|
| REVENUE | 4 | **12,965** | 2,613 |
| Cost of sales | | **(2,589)** | — |
| Gross profit | | **10,376** | 2,613 |
| Other income and gains | 5 | **23,958** | 18,741 |
| Selling and distribution expenses | | **(10,593)** | — |
| Administrative expenses | | **(63,927)** | (61,699) |
| Research and development expenses | | **(317,543)** | (251,455) |
| Other expenses | | **(8,270)** | (26,350) |
| Finance costs | | **(8,377)** | (1,828) |
| LOSS BEFORE TAX | 6 | **(374,376)** | (319,978) |
| Income tax (expense)/credit | 7 | **(2,306)** | 801 |
| LOSS FOR THE PERIOD | | **(376,682)** | (319,177) |
| Attributable to: | | | |
| Owners of the parent | | **(376,682)** | (319,177) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 9 | | |
| Basic and diluted | | | |
| — For loss for the period (RMB) | | **(1.52)** | (1.53) |

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|
| LOSS FOR THE PERIOD | **(376,682)** | (319,177) |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(8,091)** | 7,497 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX | **(8,091)** | 7,497 |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | **(384,773)** | (311,680) |
| Attributable to: | | |
| Owners of the parent | **(384,773)** | (311,680) |

# Interim Condensed Consolidated Statement of Financial Position

June 30, 2021

| | Notes | **June 30, 2021 RMB'000 (Unaudited)** | December 31, 2020 RMB'000 (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | **565,644** | 434,405 |
| Right-of-use assets | | **50,992** | 42,596 |
| Goodwill | | **24,694** | 24,694 |
| Other intangible assets | | **63,771** | 66,405 |
| Investment in a joint venture | | **2,000** | — |
| A financial asset at fair value through profit or loss ("**FVTPL**") | | **27,856** | 31,774 |
| Other non-current asset | | **75,196** | 52,121 |
| Total non-current assets | | **810,153** | 651,995 |
| CURRENT ASSETS | | | |
| Trade receivables | 11 | **10,336** | — |
| Prepayments, other receivables and other assets | | **56,001** | 54,644 |
| Financial assets at FVTPL | | **428,704** | — |
| Cash and bank balances | | **1,103,010** | 1,024,400 |
| Total current assets | | **1,598,051** | 1,079,044 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | **28,402** | 23,361 |
| Other payables and accruals | | **126,438** | 188,565 |
| Interest-bearing bank and other borrowings | 13 | **33,613** | 50,561 |
| Tax payable | | **5,311** | 3,557 |
| Contract liabilities | | **25** | 43 |
| Other current liabilities | | **—** | 10,061 |
| Total current liabilities | | **193,789** | 276,148 |
| NET CURRENT ASSETS | | **1,404,262** | 802,896 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,214,415** | 1,454,891 |

# Interim Condensed Consolidated Statement of Financial Position

June 30, 2021

| | Notes | **June 30, 2021 RMB'000 (Unaudited)** | December 31, 2020 RMB'000 (Audited) |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 13 | **633,793** | 479,134 |
| Deferred tax liabilities | | **14,554** | 15,355 |
| Long-term payables measured at FVTPL | | **75,970** | 73,574 |
| Contract liabilities | | **—** | 4 |
| Deferred income | | **40,203** | 40,203 |
| Total non-current liabilities | | **764,520** | 608,270 |
| Net assets | | **1,449,895** | 846,621 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 14 | **172** | 154 |
| Treasury shares | | **(4)** | (4) |
| Capital and reserves | | **1,449,727** | 846,471 |
| Total equity | | **1,449,895** | 846,621 |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital RMB'000** | **Treasury shares RMB'000** | **Share premium RMB'000** | **Capital and reserves RMB'000** | **Exchange fluctuation reserve RMB'000** | **Accumulated losses RMB'000** | **Total equity RMB'000** |
| At January 1, 2021 (audited) | **154** | **(4)** | **4,130,420** | **(320,314)** | **(189,498)** | **(2,774,137)** | **846,621** |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **(376,682)** | **(376,682)** |
| Other comprehensive loss for the period: | | | | | | | |
| Exchange differences on translation of foreign operations | **–** | **–** | **–** | **–** | **(8,091)** | **–** | **(8,091)** |
| Total comprehensive loss for the period | **–** | **–** | **–** | **–** | **(8,091)** | **(376,682)** | **(384,773)** |
| Issue of ordinary shares | **17** | **–** | **977,152** | **–** | **–** | **–** | **977,169** |
| Share issue expenses | **–** | **–** | **(16,068)** | **–** | **–** | **–** | **(16,068)** |
| Equity-settled share-based payments | | | | | | | |
| – Pre-IPO share option expenses | **–** | **–** | **–** | **12,484** | **–** | **–** | **12,484** |
| – Restricted share unit ("**RSUs**") expenses | **–** | **–** | **–** | **14,457** | **–** | **–** | **14,457** |
| – Exercise of pre-IPO share options | **1** | **–** | **9,414** | **(9,410)** | **–** | **–** | **5** |
| At June 30, 2021 (unaudited) | **172** | **(4)** | **5,100,918*** | **(302,783)*** | **(197,589)*** | **(3,150,819)*** | **1,449,895** |

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Capital and reserves RMB'000 | Exchange fluctuation reserve RMB'000 | Accumulated losses RMB'000 | Total equity RMB'000 |
| At January 1, 2020 (audited) | 142 | (4) | 3,454,371 | (341,208) | (126,295) | (2,096,531) | 890,475 |
| Loss for the period | – | – | – | – | – | (319,177) | (319,177) |
| Other comprehensive loss for the period: | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | 7,497 | – | 7,497 |
| Total comprehensive loss for the period | – | – | – | – | 7,497 | (319,177) | (311,680) |
| Equity-settled share-based payments | | | | | | | |
| – Pre-IPO share option expenses | – | – | – | 33,418 | – | – | 33,418 |
| At June 30, 2020 (unaudited) | 142 | (4) | 3,454,371* | (307,790)* | (118,798)* | (2,415,708)* | 612,213 |

* These reserve accounts comprise the consolidated capital and reserves of Renminbi ("**RMB**") 1,449,727,000 in the interim condensed consolidated statement of financial position as at June 30, 2021 (June 30, 2020: RMB612,075,000).

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

| | 2021<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000<br>(Unaudited) |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net cash flows used in operating activities | **(353,575)** | (298,618) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of financial assets | **(1,484,746)** | (1,677,173) |
| Proceeds from disposal of financial assets | **1,058,926** | 1,461,327 |
| Purchases of items of property, plant and equipment | **(213,242)** | (129,195) |
| Purchases of items of other intangible assets | **(1,036)** | (1,435) |
| Investment in a joint venture | **(2,000)** | — |
| (Increase)/decrease in time deposits with original maturity of more than three months | **(362,374)** | 139,524 |
| Net cash flows used in investing activities | **(1,004,472)** | (206,952) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | **977,169** | — |
| Share issue expenses | **(16,068)** | — |
| Proceeds from exercise of pre-IPO share options | **5** | — |
| Listing expense paid | **—** | (2,125) |
| Interest paid | **(8,439)** | (1,563) |
| Government subsidy loans received | **—** | 10,916 |
| New bank loans | **162,300** | 254,862 |
| Repayment of bank loans | **(33,619)** | (65,000) |
| Principal portion of lease payments | **(4,943)** | (3,709) |
| Net cash flows from financing activities | **1,076,405** | 193,381 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | **(281,642)** | (312,189) |
| Cash and cash equivalents at beginning of period | **1,019,979** | 738,986 |
| Effect of foreign exchange rate changes, net | **(1,688)** | 1,946 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | **736,649** | 428,743 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents at end of period | **736,649** | 428,743 |
| Restricted bank balances | **3,987** | 1,908 |
| Time deposits with original maturity of more than three months | **362,374** | — |
| Cash and bank balances at end of period | **1,103,010** | 430,651 |

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The 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 December 31, 2020.

## 2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognized as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. As there was no rent concession event occurred in the Group in the current period, the amendment did not have any significant impact on the financial position and performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the development of novel small-scale therapies for cancers, hepatitis B virus, or HBV, and certain age-related diseases. Therefore, no analysis by operating segment is presented.

### Geographical information

***(a) Revenue from external customers***

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| United States | **12,965** | 902 |
| Mainland China | **—** | 1,711 |
| | **12,965** | 2,613 |

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

***(b) Non-current assets***

| | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Mainland China | **780,372** | 617,368 |
| United States | **1,582** | 2,486 |
| Others | **343** | 367 |
| | **782,297** | 620,221 |

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

### Information about major customers

Revenue from customers amounting to over 10% of the total revenue of the Group for the Reporting Period is as follows:

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Customer A | **12,965** | 902 |
| Customer B | **—** | 1,711 |
| | **12,965** | 2,613 |

## 4. REVENUE

An analysis of revenue is as follows:

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers | **12,965** | 2,613 |

### Disaggregated revenue information for revenue from contracts with customers

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Types of services** | | |
| Research and development service fee income | **—** | 2,590 |
| License fee income | **12,965** | 23 |
| | **12,965** | 2,613 |
| **Timing of revenue recognition** | | |
| *At a point in time* | | |
| IP license fee income | **12,944** | — |
| *Over time* | | |
| Research and development service fee income | **—** | 2,590 |
| Compounds library license fee income | **21** | 23 |
| | **12,965** | 2,613 |

The following table shows the amounts of revenue recognized in the current Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognized from performance obligations satisfied in previous periods:

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Type of service** | | |
| Compounds library license fee income | **21** | 23 |

## 5. OTHER INCOME AND GAINS

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Government grants related to income | **16,779** | 7,398 |
| Gain on financial assets at FVTPL | **2,883** | 7,759 |
| Foreign exchange gain, net | **764** | — |
| Bank interest income | **3,259** | 3,511 |
| Others | **273** | 73 |
| | **23,958** | 18,741 |

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of sales | **2,589** | — |
| Depreciation of property, plant and equipment | **5,275** | 5,419 |
| Depreciation of right-of-use assets | **5,576** | 4,670 |
| Amortization of intangible assets | **3,670** | 3,644 |
| Research and development costs | **317,543** | 251,455 |
| Fair value loss on long-term payables measured at FVTPL | **2,396** | 20,285 |
| Foreign exchange (gain)/loss, net | **(764)** | 5,072 |
| Loss/(gain) on fair value change of a financial asset at FVTPL | **3,609** | (6,616) |
| Share-based payment expenses | **26,941** | 33,418 |

## 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.

### Cayman Islands

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

### Hong Kong

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Reporting Period.

### Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax ("**CIT**") at a rate of 25% (2020: 25%) on the taxable income. No provision for CIT has been made as the Group had no taxable profits in Mainland China during the Reporting Period.

### United States

Pursuant to the tax law and regulations in the United States, the subsidiary operating in the United States is subject to income tax at a rate of 21% (2020: 21%). No provision for income tax has been made as the Group had no assessable profit earned in the United States during the Reporting Period.

Pursuant to the tax law and regulations in the United States, a subsidiary operating outside the United States is subject to a withholding tax rate of 30% (2020: 30%) for income earned or derived from the United States.

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current | **3,107** | — |
| Deferred | **(801)** | (801) |
| Total tax expense/(credit) for the period | **2,306** | (801) |

## 8. DIVIDENDS

The board of directors resolved not to declare any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

No dividends were paid during the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the six months ended June 30, 2021 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 247,058,524 (six months ended June 30, 2020: 208,901,727) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended June 30, 2021 and 2020 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

| | **2021** | 2020 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation | **(376,682)** | (319,177) |

| | **Number of shares** | |
|---|---|---|
| | **2021** | 2020 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation | **247,058,524** | 208,901,727 |

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2021 the Group acquired assets at a cost of RMB136,519,000 (six months ended June 30, 2020: RMB125,505,000).

The Group commenced the construction of a facility in Suzhou, Jiangsu Province, PRC for research and development and manufacturing (the "**Suzhou Facility**") in 2020. Suzhou facility is expected to be fully completed in 2022. The carrying amount of the construction in process at June 30, 2021 was RMB540,529,000 (December 31, 2020: RMB406,560,000).

During the six months ended June 30, 2021, no impairment loss (June 30, 2020: Nil) was recognized for property, plant and equipment.

## 11. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

| | **June 30, 2021 RMB'000 (Unaudited)** | December 31, 2020 RMB'000 (Audited) |
|---|---|---|
| Within 1 month | **10,336** | — |

## 12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

| | **June 30, 2021 RMB'000 (Unaudited)** | December 31, 2020 RMB'000 (Audited) |
|---|---|---|
| Within 1 month | **22,250** | 19,104 |
| 1 to 3 months | **4,292** | 700 |
| 3 to 6 months | **1,860** | 3,557 |
| | **28,402** | 23,361 |

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

**June 30, 2021**

| | Effective interest rate per annum (%) | Maturity | RMB'000 |
|---|---|---|---|
| **Current** | | | |
| Current portion of long term bank loans — unsecured | **4.5–4.75** | **2021–2022** | **16,000** |
| Current portion of long term bank loans — unsecured | **1 year LPR+0.9/0.65** | **2021–2022** | **7,950** |
| Lease liabilities | **4.00–4.35** | **2022** | **9,663** |
| | | | **33,613** |
| **Non-current** | | | |
| Bank loans — unsecured | **1 year LPR+0.9/0.65** | **2022–2025** | **172,980** |
| Bank loans — unsecured | **4.5–4.75** | **2022–2026** | **139,200** |
| Bank loans — secured* | **5 year LPR+0.15/0.65** | **2023–2030** | **310,356** |
| Lease liabilities | **4.00–4.35** | **2022–2024** | **11,257** |
| | | | **633,793** |
| | | | **667,406** |

**December 31, 2020**

| | Effective interest rate per annum (%) | Maturity | RMB'000 |
|---|---|---|---|
| **Current** | | | |
| Bank loans — unsecured | 4.05–4.35 | 2021 | 30,000 |
| Current portion of long term bank loans — unsecured | 4.75 | 2021 | 3,500 |
| Current portion of long term bank loans — unsecured | 1 year LPR+0.9/0.65 | 2021 | 11,250 |
| Lease liabilities | 4.00–4.35 | 2021 | 5,811 |
| | | | 50,561 |
| **Non-current** | | | |
| Bank loans — unsecured | 1 year LPR+0.9/0.65 | 2023–2025 | 138,750 |
| Bank loans — unsecured | 4.5–4.75 | 2023 | 116,250 |
| Bank loans — secured* | 5 year LPR+0.15 | 2023–2030 | 218,055 |
| Lease liabilities | 4.00–4.35 | 2022–2023 | 6,079 |
| | | | 479,134 |
| | | | 529,695 |

*Note:* LPR stands for the Loan Prime Rate.

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

* The bank loans amounting to RMB310,356,000 (December 31, 2020: RMB218,055,000) was secured by the pledge of the Group's right-of-use assets with a carrying amount of RMB30,423,000 (December 31, 2020: RMB30,988,000) and the construction in process with a carrying amount of RMB540,529,000 as at June 30, 2021 (December 31, 2020: RMB406,560,000).

| | **June 30, 2021 RMB'000 (Unaudited)** | December 31, 2020 RMB'000 (Audited) |
|---|---|---|
| Analysed into: | | |
| Within one year | **33,613** | 50,561 |
| In the second year | **202,016** | 24,025 |
| In the third to fifth years, inclusive | **281,421** | 297,054 |
| Beyond five years | **150,356** | 158,055 |
| | **667,406** | 529,695 |

## 14. SHARE CAPITAL

On February 11, 2021, a total of 26,500,000 placing shares have been successfully placed at a price of Hong Kong dollar ("**HK$**") 44.20 per placing share. The proceeds before expenses arising from the placing were approximately RMB977,169,000. The share issue expenses were approximately RMB16,068,000.

The share options relating to Pre-IPO share option scheme of around 586,956 share options were exercised at the price of HK$0.01 per share, resulting in the issue of 586,956 shares for a total cash consideration, before expenses, of RMB5,000. An amount of RMB9,410,000 was transferred out from the capital and other reserves to share premium upon the exercise of the share options.

## 15. CONTINGENT LIABILITIES

As at June 30, 2021, the Company had no significant contingent liabilities.

## 16. COMMITMENTS

(a) As at June 30, 2021, the Group had capital commitments of RMB62,515,000 relating to the construction of the research and development center (December 31, 2020: RMB179,142,000).

(b) On April 23, 2021, Suzhou Ascentage Grains Valley Venture Capital Co., Ltd. (蘇州亞盛磐穀創業投資有限責任公司, "**Ascentage Grains Valley**") and Ascentage Suzhou, subsidiaries of the Group, entered into an investment agreement with among other companies, to establish a joint venture, namely Suzhou Ascentage Harvest Venture Capital LLP. Pursuant to the agreement, Ascentage Grains Valley and Ascentage Suzhou agreed to contribute RMB1,800,000 and RMB38,000,000 to the joint venture, respectively. During the Reporting Period, Ascentage Grains Valley and Ascentage Suzhou paid RMB1,000,000 respectively.

## 17. RELATED PARTY TRANSACTIONS

(a) Apart from the transactions detailed elsewhere in this financial information, the Group had no transactions with related parties during the Reporting Period.

(b) Outstanding balances with related parties:

Included in the Group's other payables were amounts due to Dr. Zhai, the Group's related party, of RMB1,000,000 as at June 30, 2021 (December 31, 2020: RMB1,000,000).

Long-term payables measured at FVTPL represented the fair value of the contingent cash consideration payable to Dr. Zhai for the acquisition of Ascentage GZ. The balance as at June 30, 2021 was RMB75,970,000 (December 31, 2020: RMB73,574,000).

(c) Compensation of key management personnel of the Group:

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Short term employee benefits | **15,027** | 10,525 |
| Equity-settled share-based payment expenses | **2,917** | 5,938 |
| Post-employment benefits | **622** | 453 |
| Total compensation paid to key management personnel | **18,566** | 16,916 |

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at June 30, 2021 and December 31, 2020, the fair values of the Group's financial instruments reasonably approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, the current portion of interest-bearing bank and other borrowings 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. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, 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 interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

## 18. 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 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 June 30, 2021 were assessed to be insignificant.

The fair value of a listed equity investment was based on quoted market prices. The fair value of an unlisted equity investment that is not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. The fair value measurement of the financial instruments may involve unobservable inputs such as the discount rate and possibility of payment. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

### Unobservable inputs and sensitivity analysis of Level 3 assets and liabilities

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at June 30, 2021 and December 31, 2020:

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Long-term payables measured at FVTPL | Discounted cash flow method | Discount rate | As at June 30, 2021: 4.29% – 4.98% (2020: 4.77% – 5.25%) | As at June 30, 2021: 1% (December 31, 2020: 1%) increase/decrease in discount rate would result in decrease/increase in fair value by 2% (2020: 3%) |
| | | Possibility of payment | As at June 30, 2021: 80% – 90% (2020: 80% – 90%) | As at June 30, 2021: 1% (December 31, 2020: 1%) increase/decrease in possibility of payment would result in decrease/increase in fair value by 1% (2020: 1%) |

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

### 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 June 30, 2021*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000 (Unaudited)** | **Significant observable inputs (Level 2) RMB'000 (Unaudited)** | **Significant unobservable inputs (Level 3) RMB'000 (Unaudited)** | **Total RMB'000 (Unaudited)** |
| Financial assets at FVTPL | **27,856** | **428,704** | **—** | **456,560** |

*As at December 31, 2020*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 (Audited) | Significant observable inputs (Level 2) RMB'000 (Audited) | Significant unobservable inputs (Level 3) RMB'000 (Audited) | Total RMB'000 (Audited) |
| A financial asset at FVTPL | 31,774 | — | — | 31,774 |

***Liabilities measured at fair value***

*As at June 30, 2021*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000 (Unaudited)** | **Significant observable inputs (Level 2) RMB'000 (Unaudited)** | **Significant unobservable inputs (Level 3) RMB'000 (Unaudited)** | **Total RMB'000 (Unaudited)** |
| Long-term payables measured at FVTPL | **—** | **—** | **75,970** | **75,970** |

*As at December 31, 2020*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 (Audited) | Significant observable inputs (Level 2) RMB'000 (Audited) | Significant unobservable inputs (Level 3) RMB'000 (Audited) | Total RMB'000 (Audited) |
| Long-term payables measured at FVTPL | — | — | 73,574 | 73,574 |

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

**Fair value hierarchy** *(Continued)*

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities for the six months ended June 30, 2021.

The movements in the fair value measurements within Level 3 during the Reporting Period are as follows:

| | Long-term payables measured at FVTPL | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Carrying amount at January 1 | **73,574** | 51,248 |
| Net loss from a fair value adjustment recognized in other expenses in profit or loss | **2,396** | 20,285 |
| At June 30 | **75,970** | 71,533 |

## 19. EVENTS AFTER THE REPORTING PERIOD

On July 14, 2021, the Group entered into a multifaceted strategic collaboration with Innovent and its controlled entity Innovent Suzhou. This collaboration involves:

(a) Collaboration and license agreement between subsidiaries of the Group and Innovent Suzhou, pursuant to which the Group agreed to grant Innovent Suzhou the right to jointly develop and commercialize HQP 1351 in certain territory;

(b) Combination therapy strategic collaboration and clinical trial agreement, pursuant to which Ascentage Suzhou and Innovent Suzhou agreed to jointly develop and conduct clinical trials of the combination therapy involving APG-2575 and compounds of Innovent for the treatment of certain indications;

(c) Share subscription agreement, pursuant to which the Company agreed to issue, and Innovent agreed to subscribe, a total of 8,823,863 subscription shares. On July 23, 2021, the subscription shares have been successfully allotted and issued at the subscription price of HK$44.00 per subscription share. The net proceeds arising from the share subscription were approximately HK$388.06 million (RMB323.23 million); and

(d) Warrant subscription deed, pursuant to which the Company agreed to issue to Innovent 6,787,587 warrants (subject to adjustments), conferring the rights to subscribe for an aggregate of 6,787,587 shares, and the issuance of which is subject to the approval by the shareholders at the upcoming extraordinary general meeting. Innovent is not required to pay any consideration for the warrants.

## 20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended June 30, 2021 was approved and authorized for issue by the board of directors on August 24, 2021.