



Akesobio

康方生物科技(開曼)有限公司

Akeso, Inc.

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 9926

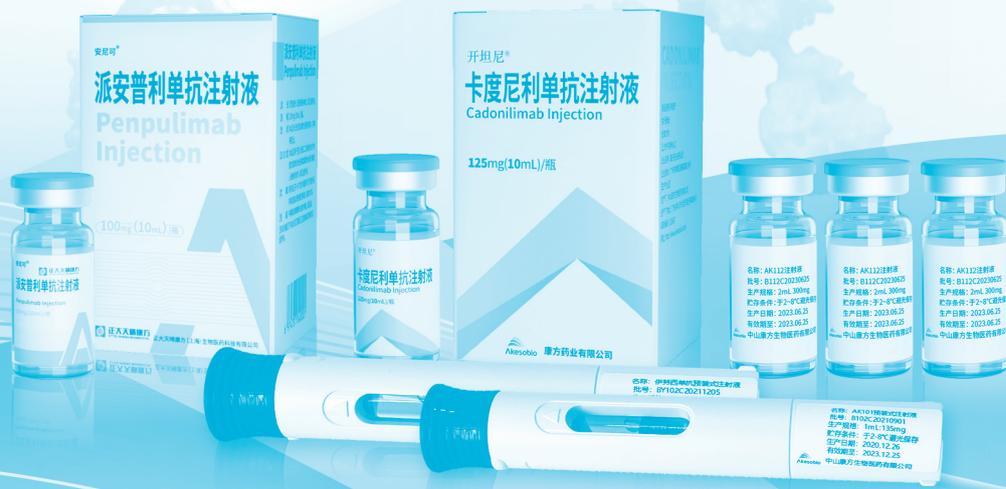
INTERIM REPORT 中期報告

2023



CONTENTS

	Page
Company Profile	2
Definitions	3
Corporate Information	7
Highlights	9
Management Discussion and Analysis	10
Supplementary Information	27
Independent Review Report	48
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	49
Interim Condensed Consolidated Statement of Financial Position	51
Interim Condensed Consolidated Statement of Changes in Equity	53
Interim Condensed Consolidated Statement of Cash Flows	54
Notes to the Interim Condensed Consolidated Financial Information	56



COMPANY PROFILE

Akeso, Inc. is a biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of innovative antibody drugs that are affordable to patients worldwide. Since the Company's inception, the Company has established an end-to-end comprehensive drug development platform (ACE Platform), encompassing fully integrated drug discovery and development functions, including target validation, antibody drug discovery and development, CMC production process development, and GMP compliant production. The Company has also successfully developed a bi-specific antibody drug development technology (Tetrabody technology), which helps us overcome three CMC challenges in the development and manufacture of bi-specific antibodies, including low expression levels, process development hurdles, and antibody stability and druggability. The Company currently has a pipeline of over 30 innovative programs covering the areas of oncology, autoimmune and metabolic diseases. 19 of these products are in the clinical trial stage (including 3 marketed products, and 4 out-licensed products) and 6 of which are potential first-in-class or best-in-class bi-specific antibodies. The Company's vision is to become a global leading biopharmaceutical company through research and development of highly effective and innovative new drugs that are either first-in-class or best-in-class therapies.

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

“ANNIKO®”, “Penpulimab” or “AK105”	Penpulimab antibody injection, a new PD-1 monoclonal antibody with IgG1 subtype and Fc segment modification, which is structurally stable and less prone to aggregation
“ASCO”	American Society of Clinical Oncology Annual Meeting
“ASCO GI”	Gastrointestinal Cancers Symposium
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“BVI”	British Virgin Islands
“CDE”	Center for Drug Evaluation of NMPA
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“CMC”	Chemistry, manufacturing and controls
“Company”, “our Company”	Akeso, Inc. (康方生物科技(開曼)有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
“CRO”	contract research organization
“CSCO”	Chinese Society of Clinical Oncology Annual Meeting
“CTLA-4”	cytotoxic T-lymphocyte-associated protein 4, which downregulates T cell immune response to cancer cells
“CTTQ” or “Chia Tai Tianqing”	Chia Tai Tianqing Pharmaceutical Group Co., Ltd., the principal subsidiary of Sino Biopharmaceutical Limited (stock code: 1177), is a multinational pharmaceutical company based in the PRC. It is one of the shareholders in our subsidiary, CTTQ-Akeso
“CTTQ-Akeso”	CTTQ-Akeso (Shanghai) Biomed. Tech. Co., Ltd (正大天晴康方(上海)生物醫藥科技有限公司), a limited liability company incorporated under the law of the PRC on August 30, 2019, one of our Group’s subsidiaries
“Director(s)”	the director(s) of the Company
“dMMR”	mismatch repair deficient

Definitions

“EGFR”	epidermal growth factor receptor
“EMA”	European Medicines Agency
“ESOP Trust”	a trust established by the Company by entering into a trust deed with Zedra Trust Company (Cayman) Limited, as trustee of the trust. Dr. XIA Yu as the enforcer of the trust is able to exercise voting rights attached to the Shares held by the ESOP Trust
“ESMO”	European Society for Medical Oncology
“FDA”	the Food and Drug Administration of the United States
“GMP”	good manufacturing practice
“Group”, “our Group”, “our”, “we”, “us” or “Akeso Group”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“HCC”	hepatocellular carcinoma
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
“Independent Third Party” or “Independent Third Parties”	a person or entity who is not a connected person of the Company under the Listing Rules
“LI LLC”	Kampfire LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. LI Baiyong
“LI Trust”	The Sunny Beach Living Trust, a trust created under the laws of California of the U.S. on June 19, 2019, with its trustee being Dr. LI Baiyong and its beneficiaries being certain of Dr. LI Baiyong’s family members
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules

“NDA”	new drug application
“NMPA”	the National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration and the China Food and Drug Administration)
“NSCLC”	non-small-cell lung cancer, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung carcinoma
“PD-1”	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells, B-cells and macrophages. The normal function of PD-1 is to turn off the T-cell mediated immune response as part of the process that discourages a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of T-cells attaches to certain proteins on the surface of a normal cell or cancer cell, T-cells will turn off its ability to kill the cell
“PD-L1”	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
“Pre-IPO RSU Scheme” or “Restricted Share Unit Scheme”	the restricted share unit scheme approved and adopted by our Company on August 29, 2019 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries
“Prospectus”	the prospectus of the Company dated April 14, 2020
“R&D”	Research and Development
“Reporting Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s)
“SCGC”	Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), a limited liability company established in the PRC on August 25, 1990, and a pre-IPO investor of our Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary share(s) with nominal value of US\$0.00001 each in the share capital of the Company
“Share Option Scheme”	the share option scheme approved and adopted by our Company on June 28, 2022, as amended from time to time, for any employee, director or officer of the Company or any of its subsidiaries or any advisor, consultant or any service provider or any business or joint venture partner of the Company or any subsidiary on a continuing or recurring basis in the ordinary and usual course of business which is material to the long term growth of the Group as determined by the Board

Definitions

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TACE”	transcatheter arterial chemoembolization
“TETRABODY”	a portmanteau of the phrase “tetravalent antibody”, refers to our proprietary technology for the design and production of innovative tetravalent bi-specific antibodies (with four antigen-binding sites in each antibody molecule)
“TKI”	tyrosine kinase inhibitor
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“VEGF”	vascular endothelial growth factor, a family of cytokines critical for the growth and development of cancer cells. There are three main VEGF receptors and subtypes of VEGFs, including VEGFR-1, VEGFR-2 and VEGFR-3
“WANG LLC”	Blazing Rosewood LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. WANG Zhongmin Maxwell
“WANG Trust”	The Mahogany Living Trust, a trust created under the laws of California of the U.S. on June 19, 2019, with its trustee being Dr. WANG Zhongmin Maxwell and its beneficiaries being certain of Dr. WANG Zhongmin Maxwell’s family members
“XELOX”	oxaliplatin and capecitabine
“XIA LLC”	Golden Oaks LLC, a limited liability company incorporated in the State of Nevada of the U.S. on June 4, 2019, with 100% of its voting shares held by Dr. XIA Yu
“XIA Trust”	The Gemstone Living Trust, a trust created under the laws of California of the U.S. on June 11, 2019, with its trustee being Dr. XIA Yu and its beneficiaries being certain of Dr. XIA Yu’s family members
“%”	per cent

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. ZHOU Yi
Mr. XIE Ronggang

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. XI Xiaojie (Resigned on May 3, 2023)
Ms. LEUNG Wai Yan

AUTHORIZED REPRESENTATIVES

Dr. XIA Yu
Ms. LEUNG Wai Yan

AUDITOR

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

LEGAL ADVISER

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

As to Cayman Islands law:
Campbells

PRINCIPAL BANKS

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

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

9926

COMPANY'S WEBSITE

www.akesobio.com

LISTING DATE

April 24, 2020

FINANCIAL HIGHLIGHTS

1. Revenue

The Group's revenue increased by 2,154.4% from RMB163.1 million for the six months ended June 30, 2022 to RMB3,676.9 million for the six months ended June 30, 2023. Such revenue was mainly attributable to drug sales and license income.

2. Gross Profit

The Group's gross profit increased by 2,566.4% from RMB135.0 million for the six months ended June 30, 2022 to RMB3,599.7 million for the six months ended June 30, 2023. It was mainly attributable to the strong increase in the license income recognized by the Company.

3. Profit for the Period

The Group's profit for the period increased by 459.8% from loss of RMB691.9 million for the six months ended June 30, 2022 to profit of RMB2,489.5 million for the six months ended June 30, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

We are a biopharmaceutical company committed to researching, developing, manufacturing and commercialising affordable and high-quality innovative drugs for patients worldwide. Adhering to the clinical value-oriented innovation approach, we focus on oncology, autoimmune and other disease areas with significant global unmet medical need, and continue to develop next-generation innovative new drugs with global first-in-class and best-in-class potential.

During the Reporting Period, the Company recorded a profit of approximately RMB2,489.5 million, as compared to a loss of approximately RMB691.9 million for the six months ended June 30, 2022. This is the first time for the Company to achieve half-year profits, which was mainly attributable to the license income of RMB2,915.2 million from licensing ivonescimab (AK112, PD-1/VEGF). In addition, the product sales of 開坦尼® (cadonilimab, PD-1/CTLA-4) and ANNIKO® (penpulimab, PD-1) recorded significant increase, which reflects the excellent clinical value of two marketed products and contributed to the growth in the Company's product sales revenue during the Reporting Period. During the Reporting Period, the product sales of the Company is RMB794.7 million.

As of the date of this report, the Company has six* in-house developed innovative drugs which have received NDA approval or submitted NDA application.

開坦尼® (cadonilimab injection, PD-1/CTLA-4)

With its outstanding clinical value, 開坦尼® has recorded significant increase of patients as well as product sales. During the Reporting Period, the product sales attributable to 開坦尼® amounted to RMB605.8 million.

開坦尼® has also been included in a number of authoritative clinical guidelines, including the *Gynecologic Tumor Immune Checkpoint Inhibitor Clinical Practice (2023)*, the *Chinese Expert Consensus on Multidisciplinary Combination Therapy of Hepatocellular Carcinoma (2023)*, *Chinese Experts Concensus on the Diagnosis and Treatment of Gastric-type Endocervical (2023)* and *Chinese Gynecologic Tumor Clinical Practice 7th Edition (2023)*, reflecting the increasingly high recognition of 開坦尼® among doctors and patients in the clinical application. 開坦尼® has been included in the Chinese Medicare list of more than 10 provinces and 40 cities, including Beijing, Shanghai, Hangzhou, Chengdu, Shenyang, Wuhan, Tianjin and Chongqing, aiming to benefit more patients.

開坦尼® has covered 13 indications with combination therapy, including lung cancer, liver cancer, gastric cancer, cervical cancer, kidney cancer, esophageal cancer and colorectal cancer, to build a higher marketing entry barrier. We have completed the patient enrollment of the Phase III trials of 開坦尼® as the first-line treatment of cervical cancer and G/GEJ adenocarcinoma. The Phase III trial for HCC adjuvant treatment is undergoing efficiently. We have also initiated the Phase III trial for the first line treatment of NSCLC patients with PD-L1 negative expression in July 2023.

*: includes 普佑恒™ (pucotenlimab, PD-1), which was licensed out by the Group and developed by Lepu Biopharma Co., Ltd (stock code: 2157.HK).

Ivonescimab (AK112, PD-1/VEGF)

The Company entered into a licence agreement with Summit Therapeutics Inc. (NASDAQ: SMMT) (the “SUMMIT”) in December 2022 to license out its independently-developed bi-specific antibody, ivonescimab (AK112, PD-1/VEGF) to SUMMIT. The Company has received an upfront payment equivalent to US\$500 million in total in the first quarter of 2023, of which RMB2,915.2 million has been recognised as licence fee income during the Reporting Period, which has substantially strengthened the Company’s cash on hand.

In August 2023, the Center for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA) has accepted the New Drug Application (NDA) of ivonescimab with the indication of ivonescimab in combination with chemotherapy for the treatment of locally advanced or metastatic non-squamous NSCLC patients with EGFR mutation who progressed after the treatment of EGFR TKI, which marked the second core bi-specific antibody independently developed by the Company is entering the commercialization stage. Ivonescimab has been granted “Priority Review” designation by CDE. In China, we are accelerating the preparation for commercialization and two other Phase III clinical trials for NSCLC of ivonescimab. In August 2023, the Company completed the patient enrollment of phase III clinical trial of ivonescimab monotherapy versus pembrolizumab as the first-line treatment for locally advanced or metastatic NSCLC with PD-L1 positive expression. The Company has treated the first patient of the Phase III trial of ivonescimab in combination with chemotherapy versus tislelizumab in combination with chemotherapy as the first-line treatment for locally advanced or metastatic squamous NSCLC in August 2023.

In overseas markets, leveraging on SUMMIT’s and the Company’s resources, capabilities and experience, we collaborate to advance the clinical development of ivonescimab. In May 2023, SUMMIT announced first United States-based patient treated in the Phase III multiregional HARMONi study, which is to evaluate the efficacy and safety of ivonescimab in combination with chemotherapy in patients with EGFR-mutated, locally advanced or metastatic non-squamous NSCLC who have progressed after treatment with a third-generation EGFR-TKI. SUMMIT also announced that it will initiate the Phase III HARMONi-3 trial of ivonescimab in combination with chemotherapy for first-line treatment of squamous NSCLC in the second half of 2023. The rapid advancement of such global clinical trials of ivonescimab will bring valuable next-generation innovative therapies to patients around the world.

ANNIKO® (penpulimab injection, PD-1)

In January 2023, the supplemental NDA (sNDA) of ANNIKO® in combination with chemotherapy as first-line treatment of locally advanced or metastatic squamous NSCLC was approved by NMPA. ANNIKO® has been recommended as Grade 1 first-line treatment of squamous NSCLC without actionable genomic alterations (AGA) in *Chinese Medical Association Guidelines for Clinical Diagnosis and Treatment of Lung Cancer (2023)*. Currently, ANNIKO® has been included in the Chinese Medicare lists in more than 50 provinces and cities. The Company also continues to actively explore and expand the overseas market potential of ANNIKO®. In April 2023, CTTQ-Akeso, a joint venture of the Company and Chia Tai Tianqing, entered into a licence agreement with Specialised Therapeutics Asia Pte Ltd (“ST”), and granted ST the exclusive right to sell ANNIKO® in Australia, New Zealand, Papua New Guinea and 11 Southeast Asian countries, including Singapore and Malaysia. Such collaboration will supplement and become a powerful extension of the Company’s commercialization pathway in the overseas markets. We expect ANNIKO® to cover more markets and benefit more patients. In July 2023, ST achieved launch of access and initiated commercialization successfully in Australia and Singapore. Pursuant to the license agreement with ST, CTTQ-Akeso will receive double-digit percentage of royalties on net product sales of ANNIKO® in licensed territories and retain the development rights of ANNIKO® except the licensed territories.

Management Discussion and Analysis

Ebronicimab (AK102, PCSK9) and ebdarokimab (AK101, IL-12/IL-23)

The Company's non-oncology pipeline also entered into the pre-marketing stage. In the field of metabolism diseases, ebronicimab injection (AK102, PCSK9) achieved excellent clinical results. In June 2023, the CDE has accepted the NDA of ebronicimab for the treatment of two indications: (i) essential hypercholesterolemia and mixed hypercholesterolemia; and (ii) heterozygous familial hypercholesterolaemia (HeFH). In the field of autoimmune diseases, the NDA of ebdarokimab (AK101, IL-12/IL-23) has been accepted by CDE in August 2023 for the treatment of moderate-to-severe plaque psoriasis. The Company is also preparing for marketing and commercialization of these two products.

DEVELOPMENT OF PRODUCT PORTFOLIO

As of June 30, 2023, we have over 30 innovative programs covering the areas of oncology, autoimmune and metabolic diseases. 19 of these products are in the clinical trial stage (including 3^{*1} marketed products, and four out-licensed products) and 6 of which are potential first-in-class or best-in-class bi-specific antibodies.

Oncology is one of the Company's focused therapeutic areas. We are conducting several clinical trials of 開坦尼® (cadonilimab, PD-1/CTLA-4) which has obtained marketing approval in June 2022, ivonescimab (AK112, PD-1/VEGF) which has entered into the NDA stage, ligufalimab (AK117, CD47), ANNIKO® (penpulimab, PD-1) which has obtained marketing approval in August 2021, drebuxelimab (AK119, CD73), pulocimab (AK109, VEGFR-2), AK127 (TIGIT), AK115 (NGF), AK129 (PD-1/LAG-3) and AK130 (TIGIT/TGF-β), and AK131 (PD-1/CD73) and AK132 (Claudin18.2/CD47), which newly enter into clinical stage in 2023. Such drugs and drug candidates cover various indications including solid tumors and hematological tumors. Based on 開坦尼® and ivonescimab, as our two backbone drugs, we expect to target broader indication with huge market potential through combination strategy with high quality in-house developed products and external drugs.

We also have ebronicimab^{*2} (AK102, PCSK9), an innovative product targeting metabolic diseases, of which the NDA was accepted by the CDE in June 2023. In autoimmune diseases, we also have a strong and broad pipeline. In particular, the NDA of ebdarokimab (AK101, IL-12/IL-23) has been accepted by CDE in August 2023. Meanwhile, we are also accelerating the clinical research and exploration of gumokimab (AK111, IL-17) and manfidokimab (AK120, IL-4R).

^{*1} ANNIKO® (penpulimab, PD-1), 開坦尼® (cadonilimab, PD-1/CTLA-4) and 普佑恒™ (pucotenlimab, PD-1), which was licensed out by the Group and developed by Lepu Biopharma Co., Ltd (stock code: 2157.HK)

^{*2} A product co-owned by the Company and Dawnrays Pharmaceutical.

The following chart highlighted the clinical development status of two commercialized products 開坦尼® (cadonilimab, PD-1/CTLA-4) and ANNIKO® (penpulimab, PD-1), and our other major clinical-stage products as of the date of this report:

Oncology – Core Products				Current Status					
Product (Target)	Areas	Mono/Combo Therapy	Indication	Phase Ia	Phase Ib/II	Pivotal/Phase III	NDA Submitted/Approved		
Cadonilimab AK104 (PD-1/CTLA-4)	Cervical cancer	Mono	2L/3L cervical cancer	🌐			Approved on 2022.6.29		
		+Chemo ±Bevacizumab	1L cervical cancer			Enrollment completed			
	Gastric cancer	Mono	Neoadjuvant cervical cancer						
		+XELOX	1L G/GEJ adenocarcinoma	▲			Enrollment completed		
		+AK109+chemo	G/GEJ adenocarcinoma progressed after PD-(L)1 treatment	▲					
		+AK117+chemo	1L G/GEJ adenocarcinoma	▲					
		+AK117+chemo	Neoadjuvant G/GEJ adenocarcinoma	▲					
	Hepatocellular carcinoma	Mono	HCC adjuvant therapy	▲			Enrollment in process		
		+Lenvatinib	1L HCC	▲		Completed			
		+Lenvatinib+TACE	HCC, intermediate stage	▲		Enrollment completed			
	Lung cancer	+AK109	HCC progressed after PD-(L)1 treatment	▲					
		+chemo	1L PD-L1(-) NSCLC	▲			Initiated		
		+Chiauranib	≥2L SCLC	▲					
		+Docetaxel	NSCLC progressed after platinum-based chemo and PD-(L)1 treatment	▲					
+AK109±Docetaxel		NSCLC progressed after PD-(L)1 treatment	▲						
Esophageal cancer	±AK117+chemo	1L ESCC	▲						
Pancreatic cancer	+chemo	1L PDAC	▲						
Others	+AK117 (CD47)	Adv. solid tumors	🌐	Completed					
	+AK119 (CD73)	Adv. solid tumors	🌐						
	+AK127 (TIGIT)	Adv. solid tumors	🌐						
Ivonescimab AK112 (PD-1/VEGF)	Lung cancer	+Chemo	EGFRm NSCLC progressed after EGFR-TKI treatment	▲★			NDA accepted by CDE		
		Mono	1L PD-L1(+) NSCLC	▲★					
		+Chemo	1L adv. sqNSCLC with driver gene negative	▲					
		+Chemo	1L NSCLC with driver gene negative	▲		Enrollment completed			
		+Docetaxel	IO-R NSCLC	▲★					
	Gastrointestinal cancer	±chemo	Neoadjuvant NSCLC	▲		Enrollment completed			
		+AK119±chemo	EGFRm NSCLC progressed after EGFR-TKI treatment	▲					
		+AK104±chemo	Advanced NSCLC	▲					
		Biliary tract cancer	+chemo±AK117	1L G/GEJ adenocarcinoma, BTC, pancreatic cancer	▲				
			+chemo±AK117	1L BTC	▲				
		Pancreatic cancer	+chemo±AK117	1L pancreatic cancer	▲				
		Breast cancer	+chemo±AK117	1L TNBC	▲				
		Head and neck cancer	±AK117±chemo	HNSCC	▲				
		Hepatocellular carcinoma	Mono	Unresectable HCC	▲				
Colorectal cancer	±AK117±chemo	1L CRC	▲						
	+AK119±chemo	pMMR/MSS advanced CRC	▲						
Ovarian cancer	Mono	Platinum resistant OC	🌐						
Others	Mono	Adv. solid tumors	▲						
	+AK119	Adv. solid tumors	▲						
	+AK127	Adv. solid tumors	🌐						
Ligufalimab AK117 (CD47)	Hematological tumor	+ azacitidine	1L MDS	▲					
		+ azacitidine	1L AML	▲					
	Solid tumor	+AK112+chemo	1L G/GEJ adenocarcinoma	▲					
		+AK112+chemo	1L BTC	▲					
		+AK112+chemo	1L pancreatic cancer	▲					
		+AK112±chemo	HNSCC	▲					
		+AK112±chemo	1L CRC	▲					
		+Chemo±AK112	1L TNBC	▲					
		+AK104+chemo	1L G/GEJ adenocarcinoma	▲					
	+AK104+chemo	Neoadjuvant G/GEJ adenocarcinoma	▲		In planning				
Others	Mono	Adv solid tumors/lymphoma	🌐	Completed					
	+AK104	Adv solid tumors	🌐	Completed					

🌐 Global ▲ Large Indications 📄 NMPA approval 📄 Registrational Trials ★ Breakthrough Therapy

Management Discussion and Analysis

Oncology – Other Products			Current Status			
Product (Target)	Mono/Combo Therapy	Indication	Phase Ia	Phase Ib/II	Pivotal/Phase III	NDA Submitted/Approved
Penpulimab AK105 (PD-1)	Mono	3L R/R cHL				Approved on 2021.8
	+Chemo	1L sq NSCLC				Approved on 2023.1
	Mono	≥3L NPC				Submitted in China
	+Anlotinib	1L HCC				
	+Chemo	1L NPC				
	+Anlotinib	dMMR				
	+Anlotinib	NSCLC, SCLC, HNC, thyroid cancer, mesothelioma and thymic cancer				
AK119 (CD73)	+AK112±chemo	EGFR-TKI failed EGFRm NSCLC				
	+AK112±chemo	Adv. solid tumors				
	+AK104	Adv. solid tumors				
	+AK112	Adv. solid tumors				
	Mono	Adv. solid tumors				
	+AK104	Adv. solid tumors	Completed			
AK109 (VEGFR-2)	±AK104+chemo	G/GEJ adenocarcinoma progressed after PD-(L)1 treatment				
	+AK104	HCC progressed after PD-(L)1 treatment				
	+AK104 ±Docetaxel	NSCLC progressed after PD-(L)1 treatment				
	Mono	Adv. solid tumors	Completed			
AK127 (TIGIT)	+AK104	Adv. solid tumors				
	±AK104	Adv. solid tumors				
	+AK112	Adv. solid tumors				
	Mono	Adv. solid tumors	Completed			
AK115(NGF)	Mono	Pain (including cancer pain)	Completed			
AK129 (PD-1/LAG-3)	Mono	Adv. solid tumors				
AK130 (TIGIT/TGF-β)	Mono	Adv. solid tumors				
AK131 (PD-1/CD73)	Mono	Adv. solid tumors				
AK132 (CLDN18.2/CD47)	Mono	Adv. solid tumors				

Global
 Large Indications
 NMPA approval
 Registrational Trials

Auto-immunity/Metabolism			Current Status			
Product (Target)	Mono/Combo Therapy	Indication	Phase Ia	Phase Ib/II	Pivotal/Phase III	NDA Submitted
AK102 (PCSK9)	+Statin/Ezetimibe	Primary hypercholesterolemia and mixed hyperlipidemia				NDA accepted by CDE
	+Statin/Ezetimibe	HeFH				NDA accepted by CDE
AK101 (IL-12/IL-23)	Mono	Moderate-to-severe psoriasis				NDA accepted by CDE
	Mono	Moderate-to-severe ulcerative colitis		Completed		
AK111 (IL-17)	Mono	Moderate-to-severe psoriasis				
	Mono	Ankylosing spondylitis		Completed		
AK120 (IL-4R α)	Mono	Moderate-to-severe atopic dermatitis				

Global
 Large Indications
 Registrational Trials

ONCOLOGY

開坦尼® (cadonilimab, PD-1/CTLA-4)

1. Significant Clinical Progress in 2023H1

- In March, we completed patient enrollment of pivotal Phase III registration trial of cadonilimab in combination with chemotherapy as first line treatment of unresectable locally advanced or metastatic gastric/gastroesophageal junction (G/GEJ) adenocarcinoma.
- In March, we commenced R&D collaboration with Shanghai Pharmaceuticals Holding Co., Ltd. (Stock Code: 02607.HK; 601607.SH) to initiate combination therapies of cadonilimab in combination with SPH4336 (CDK4/6) for the treatment of well-differentiated liposarcomas (WDLs)/dedifferentiated liposarcoma (DDLs).
- In April, we obtained CDE approval to initiate Phase II clinical trial of cadonilimab in combination with AK117 as neoadjuvant treatment of G/GEJ.
- In May, we obtained CDE approval to initiate Phase II clinical trial of cadonilimab in combination with chemotherapy for the treatment of pancreatic cancer.

2. Publication in 2023H1

- In March, mechanism studies of cadonilimab was published at mAbs.
- In April, 開坦尼® was recommended in *Gynecologic Tumor Immune Checkpoint Inhibitor Clinical Practice (2023)*: (i) 開坦尼® in combination with chemotherapy as first line treatment of persistent, recurrent or metastatic cervical cancer (Category3); and (ii) 開坦尼® monotherapy for treatment of recurrent or metastatic cervical cancer failed to previous treatments (Category2A).
- In June, two-year updated data of Phase II trial of cadonilimab in combination with chemotherapy as first line treatment of G/GEJ was published at 2023 ASCO.
- In June, preliminary Phase II clinical data of cadonilimab in combination with AK117 and chemotherapy as first line treatment of advanced G/GEJ was published at 2023 ASCO.
- In June, 開坦尼® was recommended in *Chinese Experts Consensus on the Diagnosis and Treatment of Gastric-type Endocervical Adenocarcinomas (2023)*.

3. Recent Development After the Reporting Period

- In July, the Phase Ia/Ib trial of cadonilimab in combination with AK127 for treatment of advanced solid tumor completed dosing first patient.
- In July, we obtained CDE approval to initiate Phase III clinical trial of cadonilimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, as first line treatment of locally advanced or metastatic NSCLC patients with PD-L1 negative expression.
- In August, 開坦尼® was recommended in Chinese Gynecologic Tumor Clinical Practice 7th version (2023): (i) 開坦尼® in combination with chemotherapy as first line treatment of cervical cancer (Category3); and (ii) 開坦尼® as monotherapy as second line or subsequent treatment of cervical cancer.

Management Discussion and Analysis

Ivonescimab (AK112, PD-1/VEGF)

1. Significant Clinical Progress in 2023H1

- In March, we commenced collaboration with LaNova Medicines to initiate a series of clinical trials of AK112 in combination with LM-302 (Claudin18.2 ADC) for the treatment of solid tumors including gastrointestinal cancer.
- In April, we obtained CDE approval to initiate Phase I clinical trial of AK112 in combination with AK127 for the treatment of advanced solid tumor.
- In May, our partner SUMMIT has first patient treated in the United States in the Phase III HARMONi trial. The HARMONi trial is ivonescimab in combination with chemotherapy for treatment of EGFR-mutated, locally advanced or metastatic non-squamous NSCLC patients who progressed after the third generation EGFR-TKI treatment.
- In May, we initiated Phase III clinical trial of ivonescimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, as first line treatment of squamous NSCLC.

2. Publication in 2023H1

- In June, Phase II clinical data of ivonescimab in combination with chemotherapy as first line treatment advanced or metastatic NSCLC without actionable genomic alterations (AGA) in EGFR/ALK was published at 2023 ASCO.

3. Recent Development After the Reporting Period

- In August, we completed patient enrollment of Phase III trial of ivonescimab monotherapy versus pemprolizumab monotherapy as first line treatment of NSCLC with PD-L1 positive expression.
- In August, Phase III clinical trial of ivonescimab in combination with chemotherapy, versus tislelizumab in combination with chemotherapy, for the treatment of squamous NSCLC have first patient treated.
- In August, phase II clinical data of ivonescimab in combination with chemotherapy for the treatment of advanced NSCLC was published at *eclinical medicine*.

Ligufalimab (AK117, CD47)

1. Significant Clinical Progress in 2023H1

- In April, we obtained CDE approval to initiate Phase II clinical trial of cadonilimab in combination with AK117 as neoadjuvant treatment G/GEJ.

2. Publication in 2023H1

- In June, preliminary Phase II clinical data of AK117 in combination with cadonilimab and chemotherapy as first line treatment of advanced G/GEJ was published at 2023 ASCO.

Pulocimab (AK109, VEGFR2)

1. Significant Clinical Progress in 2023H1

- In March, Phase I clinical data of AK109 was published at *ESMO Open*.

NGF (AK115)

1. Significant Clinical Progress in 2023H1

- In March, we completed Phase I clinical trial of AK115 for alleviating pain (including cancer pain).

AK127 (TIGIT)

1. Significant Clinical Progress in 2023H1

- In April, we obtained CDE approval to initiate Phase I clinical trial of AK127 in combination with ivonescimab for the treatment of advanced solid tumor.

2. Recent Development After the Reporting Period

- In July, the Phase Ia/Ib trial of AK127 in combination with cadonilimab for the treatment of advanced solid tumor completed dosing first patient.

AK129 (PD-1/LAG3)

1. Significant Clinical Progress in 2023H1

- In March, Phase I clinical trial of AK129 for the treatment of advanced solid tumor completed dosing first patient.

AK130 (TIGIT/TGF- β)

1. Significant Clinical Progress in 2023H1

- In February, Phase I clinical trial of AK130 for the treatment of advanced solid tumor completed dosing first patient.

After the Reporting Period, IND applications of two of our pre-clinical oncology drug candidates have been accepted by CDE.

AK131 (PD-1/CD73)

1. Recent Development After the Reporting Period

- In July, CDE accepted the IND application of AK131.

AK132 (Claudin18.2/CD47)

1. Recent Development After the Reporting Period

- In July, CDE accepted the IND application of AK132.

AUTOIMMUNE AND OTHER THERAPEUTIC AREAS

Ebronucimab (AK102, PCSK9)

1. Significant Clinical Progress in 2023H1

- In May, results of a pivotal Phase III trial of AK102 for the treatment of primary hypercholesterolemia and mixed hyperlipidemia was published at 2023 European Atherosclerosis Society (EAS).

Management Discussion and Analysis

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

1. Significant Clinical Progress in 2023H1

- In February, Phase III clinical trial of AK101 for the treatment of moderate-to-severe psoriasis reached its primary endpoint.

2. Publication in 2023H1

- In June, results of Phase I clinical trial of AK101 for the treatment of moderate-to-severe active ulcerative colitis was published at 2023 Federation of Clinical Immunology Societies (FOCIS).

Gumokimab (AK111, IL-17)

1. Publication in 2023H1

- In February, results of Phase Ib clinical trial of AK111 for the treatment of moderate-to-severe psoriasis was published at *Dermotal Therapy*.

2. Recent Development After the Reporting Period

- In August, we completed patient enrollment of registration Phase III trial of AK111 for the treatment of moderate-to-severe psoriasis.

Manfidokimab(AK120, IL-4Ra)

1. Significant Clinical Progress in 2023H1

- In March, we completed patient enrollment of Phase II trial of AK120 for the treatment of moderate-to-severe psoriasis.

Warning under Rule 18A.08(3) of the Listing Rules: There is no assurance that the Company will continuously succeed in commercialization of 開坦尼® and ANNIKO®. There is no assurance that ivonescimab (AK112), ligufalimab (AK117), pulocimab (AK109), drebuxelimab (AK119), AK127 (TIGIT), AK115 (NGF), AK129 (PD-1/LAG-3), AK130 (TIGIT/TGF-β), AK131 (PD-1/CD73), AK132 (Claudin18.2/CD47), ebronucimab (AK102), ebdarokimab (AK101), gumokimab (AK111) and manfidokimab (AK120) will ultimately be successfully developed and marketed by the Company. As of the date of this report, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

HUMAN RESOURCES MANAGEMENT

As of June 30, 2023, we had a total of 2,520 employees. To fulfill our strategic goal of enhancing the integrated platform of R&D, manufacturing and commercialization, the Company will continue to recruit more talents, improve the training and career development system, and commit to creating a diversified, integrity, open and inclusive platform for employees.

	June 30, 2023 Number of employees	June 30, 2022 Number of employees
Research and Development (Pre-clinical)	269	264
Clinical	642	550
Manufacturing, quality assurance and quality control	575	598
Selling and Marketing	753	630
Sourcing, General and Administrative	281	247
Total	2,520	2,289

MANUFACTURING FACILITIES

The Company has a total production capacity of 54,000L in operation. We have a continuous and steady capacity expansion plan to cope with our future clinical development and commercialization requirement. Our GMP-compliant manufacturing facilities are designed and validated according to the FDA, the EMA, and the NMPA regulations, to support the entire drug development process, from drug discovery to process development, GMP-compliant pilots and commercial manufacturing, which will effectively support the Company's clinical and commercialization development.

- Zhongshan Torch Development District Manufacturing Site: The production capacity in operation is 3,500L.
- Guangzhou Commercialization and Manufacturing Site: The production capacity in operation is 36,000L.
- Zhongshan Cuiheng Manufacturing Site: The total capacity is 100,000L. Phase I project of 14,500L has been successfully completed.

FUTURE DEVELOPMENT

Looking forward, we will continue to optimise our drug discovery platform, accelerate the clinical development, and enhance the manufacturing and commercialization platform of our product portfolio globally.

In the area of oncology, we will advance the clinical development plan and commercialization preparation of the upcoming major large indications of 開坦尼® (cadonilimab, PD-1/CTLA-4), such as first-line cervical cancer, gastric cancer, liver cancer, and lung cancer, to further develop the extensive market potential and build high market barriers of 開坦尼®. We will also initiate the commercialization preparation of our second core bi-specific antibody ivonescimab (AK112, PD-1/VEGF). The NDA for its first indication has been accepted by the CDE in August 2023. We will also comprehensively accelerate the clinical development of ivonescimab in the area of NSCLC, including monotherapy versus pembrolizumab as the first-line treatment for NSCLC with PD-L1 positive expression, and ivonescimab in combination with chemotherapy versus tislelizumab in combination with chemotherapy as the first-line treatment for squamous NSCLC, etc. In addition to lung cancer, we are also conducting clinical trials in various types of solid tumors of ivonescimab, such as gastrointestinal tumours, hepatocellular carcinoma and colorectal cancer. Meanwhile, we will continue to promote our collaboration with SUMMIT to conduct global multiregional phase III clinical trials of ivonescimab to speed up the realization of the global development and commercialization of ivonescimab.

Focusing on the two core bi-specific antibodies 開坦尼® and ivonescimab as our backbone products, we will broaden our research and development of key links in oncology-immune cycle through combination therapy to improve treatment efficacy and prevent the development of drug resistance. We are conducting exploratory studies on 開坦尼® or ivonescimab in combination with ligufalimub (AK117, CD47), AK127 (TIGIT) and AK119 (CD73) for various types of solid tumours, including gastric cancer, colorectal cancer, breast cancer, esophageal cancer, etc.

In autoimmune and metabolic disease area, we will be well-prepared for the manufacturing and commercialization of ebronucimab (AK102, PCSK9) and ebdarokimab (AK101, IL-12/IL-23), and will also accelerate the phase III clinical development and commercialization of AK111 (IL-17) and AK120 (IL-4R α).

In terms of R&D strategy and platform establishment, the Company is propelling high-potential technology platforms of new modalities, including ADC platform and cell therapy. Through the forward-looking strategic development plan, innovation and superior execution capabilities, the Company will continue to accelerate the progression of drug candidates to the clinical stage and then to the commercial stage, which will keep the great momentum of the Company's sustainable growth in the long term.

We will also take the mission and vision of "providing differentiated and innovative therapies that can bring significant clinical benefits to patients around the world", we will actively keep exploring strategic partnerships with value-added collaboration opportunities for the Company's independently-developed products globally.

FINANCIAL REVIEW

Six months ended June 30, 2023 compared to six months ended June 30, 2022.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Product sales	794,650	297,184
License income	2,918,988	–
Total sales from products and license	3,713,638	297,184
Less: distribution cost	(36,779)	(134,049)
REVENUE	3,676,859	163,135
Cost of sales	(77,180)	(28,109)
Gross profit	3,599,679	135,026
Other income and gains, net	380,123	75,966
Selling and marketing expenses	(442,159)	(149,501)
Administrative expenses	(100,429)	(92,741)
Research and development expenses	(574,671)	(595,384)
Share of loss of a long-term equity investment	(173,121)	–
Other expenses, net	(161,468)	(49,420)
Finance costs	(38,410)	(15,830)
PROFIT/(LOSS) BEFORE TAX	2,489,544	(691,884)
Income tax expense	–	–
PROFIT/(LOSS) FOR THE PERIOD	2,489,544	(691,884)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(192,897)	(154,391)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	201,508	234,525
Other comprehensive income for the period, net of tax	8,611	80,134
Total comprehensive income/(loss) for the period	2,498,155	(611,750)

Management Discussion and Analysis

1. Products Sales

The Group's total product sales increased by 167.4% from RMB297.2 million for the six months ended June 30, 2022 to RMB794.7 million for the six months ended June 30, 2023. The rapid growth in sales was attributable to the following reasons:

- (i) With the outstanding clinical value, the Company's innovative product 開坦尼® (cadonilimab, PD-1/CTLA-4), since its launch on June 29, 2022, has recorded significant increase of the patients as well as product sales, which has contributed revenue of RMB605.8 million for the six months ended June 30, 2023;
- (ii) Other products achieved sales of RMB188.9 million for the six months ended June 30, 2023, including ANNIKO® (penpulimab, PD1) which was approved and commercialized in late August 2021 and the investigational products for ivonescimab (AK112, PD-1/VEGF) supplied to SUMMIT.

Million (RMB)	For the six months ended June 30					
	Products Sales*			Consolidated Revenue**		
	2023	2022	% Change	2023	2022	% Change
開坦尼® (cadonilimab, PD-1/CTLA-4)	605.8	–	–	605.8	–	–
Other products	188.9	297.2	–36.4%	152.1	163.1	–6.7%
Total	794.7	297.2	167.4%	757.9	163.1	364.7%

* Products sales is the sales from 開坦尼® (cadonilimab, PD-1/CTLA-4) and other products;

** Consolidated revenue is the Group's total sales from products net of the distribution cost.

2. License Income

The Group's license income was RMB2,919.0 million for the six months ended June 30, 2023, as compared to nil for the six months ended June 30, 2022. It was mainly attributable to the collaborative and licensing agreement the Company entered into with SUMMIT for its independently-developed bi-specific antibody, ivonescimab (AK112, PD-1/VEGF).

3. Cost of Sales

The cost of sales increased by 174.7% from RMB28.1 million for the six months ended June 30, 2022 to RMB77.2 million for the six months ended June 30, 2023, which was mainly attributable to the increase of the sales volume of 開坦尼® (cadonilimab, PD-1/CTLA-4). Cost of sales of the Group mainly represents cost of raw materials, direct labor, depreciation and other manufacturing overhead.

4. Gross Profit

The Group's gross profit increased by 2,566.4% from RMB135.0 million for the six months ended June 30, 2022 to RMB3,599.7 million for the six months ended June 30, 2023. It was mainly attributable to the strong increase in the license income recognized by the Company.

5. Other Income and Gains, net

Other income and gains, net increased by 400.1% from RMB76.0 million for the six months ended June 30, 2022 to RMB380.1 million for the six months ended June 30, 2023. The Group's other income and gains primarily consisted of exchange gains, subsidies from local government, bank interest income and investment income from financial products.

6. Research and Development Expenses

Research and development expenses were RMB574.7 million for the six months ended June 30, 2023, which remained stable as compared to RMB595.4 million for the six months ended June 30, 2022, mainly due to the strong clinical team strategically built up by the Group, which had reduced the Group's reliance on CRO vendors. The Group's clinical trails of each pipelines are progressing smoothly and have reached the expected goals. The New Drug Applications (NDA) of the first-in-class ivonescimab (PD-1/VEGF, AK112), ebronucimab (PCSK9, AK102) and ebdarokimab (AK101, IL-12/IL-23) have been accepted by the National Medical Products Administration (NMPA).

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

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Clinical trial related expenditure	351,125	411,952
Pre-clinical trial related expenditure	3,345	2,506
Others*	220,201	180,926
	574,671	595,384

* "others" include employee compensation, depreciation and amortization and other R&D related office expenses.

7. Selling and Marketing Expenses

Selling and marketing expenses increased by 195.8% from RMB149.5 million for the six months ended June 30, 2022 to RMB442.2 million for the six months ended June 30, 2023. The increase in selling and marketing expenses was mainly attributable to the marketing activities for the approved and commercialized product 開坦尼® (cadonilimab, PD-1/CTLA-4), which was launched on June 29, 2022.

8. Administrative Expenses

Administrative expenses increased by 8.3% from RMB92.7 million for the six months ended June 30, 2022 to RMB100.4 million for the six months ended June 30, 2023, which was mainly due to the increase in taxes and surcharges and the increase in the number of administrative employees in line with the expansion of the Group's operations and development.

Administrative expenses primarily consisted of employee salaries and benefits, depreciation, professional fees, taxes and other administrative expenses include travel expenses and other expenses in connection with administrative activities.

9. Finance costs

Finance costs were RMB38.4 million for the six months ended June 30, 2023, as compared to RMB15.8 million for the six months ended June 30, 2022. The increase in finance costs was mainly due to the increase in interest expenses on bank and other borrowings, and finance costs on lease liabilities.

10. Profit for the Period

For the reasons discussed above, profit for the period was RMB2,489.5 million for the six months ended June 30, 2023, as compared to loss of RMB691.9 million for the six months ended June 30, 2022.

11. Liquidity and Source of Funding and Borrowing

In 2023, we actively explored financing channel, improved business capabilities and managed our cash to further enrich our cash position so as to provide strong capital support for the Company's sustainable and high efficient development.

As of June 30, 2023, the current assets of the Group were RMB5,999.7 million, of which aggregate balance of cash and cash equivalent, time deposits and financial products amounted to RMB5,390.5 million and other current assets amounted to RMB609.2 million.

The aggregate balance of cash and cash equivalent, time deposits and financial products of the Group increased by RMB3,102.1 million to RMB5,390.5 million as of June 30, 2023, from RMB2,288.4 million as of December 31, 2022.

As of June 30, 2023, the current liabilities of the Group were RMB933.3 million, including trade payables of RMB270.3 million, other payables and accruals of RMB349.1 million and interest-bearing bank and other borrowings of RMB304.0 million.

As of June 30, 2023, the Group had short term loans of RMB304.0 million (as of December 31, 2022: approximately RMB446.0 million) and long term loans of RMB2,220.7 million (as of December 31, 2022: approximately RMB1,421.3 million), among which, interest rate of commercial bank borrowings ranging from 2.8% to 4.8% based on annual interest rate over or below LPR.

The Group follows a set of funding and treasury policies to manage its capital resources and mitigate potential risks. There is no material seasonality of borrowing requirements of the Group.

12. Pledge of Assets

As at June 30, 2023, the Group had a total pledge of RMB708.3 million of buildings and land use rights, and RMB77.4 million pledge in equipment to secure its loans and banking facilities.

13. Key Financial Ratios

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

	As at June 30, 2023	As at December 31,2022
Quick ratio ⁽¹⁾	6.12	2.0
Gearing ratio ⁽²⁾	Not meaningful⁽²⁾	Not meaningful ⁽²⁾

Notes:

- (1) Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as of such date.
- (2) Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents were negative.

14. Significant Investments

As at June 30, 2023, the Group did not hold any significant investments. Save as disclosed in this report, the Group did not have other plans for significant investments or capital assets as at the date of this report.

15. Material Acquisitions and Disposals

The Group did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2023.

16. Contingent Liabilities

The Group did not have any material contingent liabilities as at June 30, 2023.

17. Capital Commitment

The capital commitments of the Group as at June 30, 2023 were RMB856.1 million, as compared to RMB981.1 million as at December 31, 2022, primarily attributable to the development of world-class manufacturing equipment in Zhongshan Cuiheng Manufacturing Site and Guangzhou Commercialization and Manufacturing Site. The project is currently under smooth progress and has been put into operation gradually.

18. Foreign Exchange Risk Exposure

For the six months ended June 30, 2023, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries.

As at June 30, 2023, a portion of the Group's cash and cash equivalents were dominated in Hong Kong dollars and US dollars. Except for certain cash and cash equivalents, other receivables, payables, other payables and accrued expenses denominated in foreign currencies, the Group did not have significant foreign exchange risk exposure from its operations during the reporting period.

Our Group currently does not have a foreign currency hedging policy, however, we manage our foreign exchange risk by performing regular reviews of our net foreign exchange risks and uses forward contracts to eliminate the foreign exchange risk exposures.

Management Discussion and Analysis

19. Employees and Remuneration

As at June 30, 2023, the Group had a total of 2,520 employees.

The following table sets forth the total number of employees by function:

Function	June 30, 2023 Number of employees	June 30, 2022 Number of employees
Research and Development (Pre-clinical)	269	264
Clinical	642	550
Manufacturing, quality assurance and quality control	575	598
Selling and Marketing	753	630
Sourcing, General and Administrative	281	247
Total	2,520	2,289

The total remuneration cost incurred by the Group was RMB408.0 million for the six months ended June 30, 2023, and RMB255.5 million for the six months ended June 30, 2022. The increase in remuneration cost was primarily attributable to the increase in the number of employees, which led to an increase in employees' salaries and benefits.

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

The Company has also adopted the Pre-IPO RSU Scheme, 2021 RSU Scheme and Share Option Scheme. For details, please refer to the section headed "Restricted Share Unit Schemes and Share Option Scheme" in this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to the Shareholders for the Reporting Period (six months ended June 30, 2022: Nil).

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted and complied with all applicable code provisions contained in Part 2 of the CG Code throughout the Reporting Period with the exception of code provision C.2.1.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Dr. XIA Yu is the chairwoman and chief executive officer of the Company. With her extensive experience in the industry, the Board believes that vesting the roles of both chairwoman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Dr. XIA Yu performs both the roles of chairwoman and chief executive officer, the division of responsibilities between the chairwoman and chief executive officer is clearly established. In general, the chairwoman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Dr. XIA Yu distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

USE OF NET PROCEEDS

(a) Use of Net Proceeds from Global Offering

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

As at December 31, 2022, net proceeds from the IPO and over-allotment had been fully utilized. During the year ended December 31, 2022, the proceeds from the IPO were used according to the intentions previously disclosed by the Company in the Prospectus.

Supplementary Information

(b) Use of Net Proceeds from 2021 Placing

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

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

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

The following table sets forth the status of use of net proceeds from the 2021 Placing as at June 30, 2023:

Item	Percentage	Amount of proceeds allocated (HK\$' million)	Proceeds unutilized as at January 1, 2023 (HK\$' million)	Proceeds utilized	Proceeds utilized up to June 30, 2023 (HK\$' million)	Proceeds unutilized as at June 30, 2023 (HK\$' million)
				during the six months ended June 30, 2023 (HK\$' million)		
Build the Group's commercialization team to prepare for the launch of AK104 (PD-1/CTLA-4) and to continue to recruit and retain talents in both international and domestic markets	40%	468.5	203.4	203.4	468.5	-
Fund increased international clinical trial needs for leading oncology programs including PD-1/CTLA-4, PD-1/VEGF, CD47, and non-oncology programs	20%	234.3	-	-	234.3	-
Build and develop new production facilities in Guangzhou and Zhongshan Cuiheng New District in the PRC for additional capacity to commensurate with the Group's growth	10%	117.1	69.1	69.1	117.1	-
Fund and expedite the development of other clinical programs including, among others, PCSK9, IL12/IL23	10%	117.1	-	-	117.1	-
Other general corporate purposes	20%	234.3	132.7	132.7	234.3	-
Total	100%	1,171.3	405.2	405.2	1,171.3	-

Further details of the 2021 Placing are set out in the announcements of the Company dated January 7, 2021 and January 14, 2021, respectively. As at June 30, 2023, the proceeds from the 2021 Placing had been fully utilized. During the year ended December 31, 2022 and the six months ended June 30, 2023, the proceeds from the 2021 Placing were used according to the intentions previously disclosed by the Company in the announcement dated January 7, 2021.

(c) Use of Net Proceeds from 2022 Placing

An aggregate of 24,000,000 Placing Shares have been placed by the Placing Agent to not less than six Placees at the Placing Price of HK\$24.27 per Placing Share pursuant to the terms and conditions of the Placing Agreement on July 15, 2022, representing approximately 2.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing.

The Company received net proceeds from the Placing, after deducting the placing commission and other related expenses and professional fees, of approximately US\$73,459,261 (equivalent to approximately HK\$576,655,200).

The following table sets forth the status of use of net proceeds from the 2022 Placing as at June 30, 2023:

Item	Percentage	Amount of proceeds allocated (HK\$' million)	Proceeds unutilized as at January 1, 2023 (HK\$' million)	Proceeds utilized	Proceeds utilized up to June 30, 2023 (HK\$' million)	Proceeds unutilized as at June 30, 2023 (HK\$' million)
				during the six months ended June 30, 2023 (HK\$' million)		
Marketing and commercialization of 開坦尼® (Cadonilimab, PD-1/CTLA-4, AK104)	40%	230.6	-	-	230.6	-
Expediting the phase III clinical trials of Ivonescimab (PD-1/VEGF, AK112), including head-to-head trial with Keytruda for 1L PD-L1(+) NSCLC, and for EGFRTKI failed NSCLC	20%	115.3	38.4	38.4	115.3	-
Expediting several phase III clinical trials of Cadonilimab (AK104, PD-1/CTLA-4) including for 1L gastric cancer, 1L cervical cancer, and etc, to substantiate marketing activities for Cadonilimab	20%	115.3	85.0	48.8	79.1	36.2
Expediting the phase III trials and NDA application for Ebronicimab (PCSK9, AK102) and Ebdarokimab (IL-12/IL-23, AK101)	10%	57.7	57.7	27.8	27.8	29.9
Other general corporate purposes where appropriate	10%	57.7	57.7	57.7	57.7	-
Total	100%	576.6	238.8	172.7	510.5	66.1

Supplementary Information

Further details of the 2022 Placing are set out in the announcements of the Company dated July 8, 2022 and July 15, 2022, respectively. During the year ended December 31, 2022 and the six months ended June 30, 2023, the proceeds from the 2022 Placing were used, and are proposed to be used, according to the intentions previously disclosed by the Company in the announcement dated July 8, 2022.

The remaining balance of proceeds unutilized, approximately HK\$66.1 million has been deposited into the bank. The Company expects such net proceeds shall be utilized within the upcoming 6 months (by December 31, 2023). This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee, comprising Mr. TAN Bo, Dr. XU Yan and Dr. ZENG Junwen, has jointly reviewed with the management the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim condensed consolidated financial information of the Group for the Reporting Period). The Audit Committee considered that the unaudited interim condensed consolidated financial results for the Reporting Period are in compliance with the relevant accounting standards, laws and regulations and the Company has made appropriate disclosures thereof. The interim condensed consolidated financial information of the Group for the Reporting Period has not been audited. The Company's independent auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. There is no disagreement by the Audit Committee or the auditor of the Company with the accounting treatment adopted by the Company.

DIS-APPLICATION OF RULES 18A.09 TO 18A.11 OF THE LISTING RULES AND REMOVAL OF STOCK MARKER

Following an application to the Stock Exchange pursuant to Rule 18A.12 of the Listing Rules, the Stock Exchange has granted approval for the dis-application of Rules 18A.09 to 18A.11 of the Listing Rules to the Company. As a result of the dis-application of the Relevant Rules, the "B" marker was no longer affixed to the Company's English and Chinese stock short name since March 28, 2023. For details, please refer to the announcement of the Company dated March 23, 2023.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

Changes in the Directors' biographical information since the publication of the annual report 2022 of the Company and as at the date of approval of this report are set out below:

On 19 January 2023, Mr. TAN Bo resigned as an independent non-executive director of Everest Medicines Limited, a company listed on the Stock Exchange (stock Code: 1952).

Save as disclosed above, there is no change of information of each Director that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the annual report 2022 of the Company.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

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

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

Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of shares in issue ⁽²⁾
Dr. XIA Yu	Interest in controlled corporation ⁽³⁾	21,000,000 (L)	2.50%
	Trustee and settlor of a discretionary trust ⁽⁴⁾	59,771,042 (L)	7.10%
	Enforcer ⁽⁵⁾	25,973,879 (L)	3.09%
	Interest held though voting powers entrusted by other persons ⁽⁶⁾	136,570,582 (L)	16.24%
Dr. LI Baiyong	Interest in controlled corporation ⁽⁷⁾	10,934,640 (L)	1.30%
	Trustee and settlor of a discretionary trust ⁽⁸⁾	43,738,554 (L)	5.20%
Dr. WANG Zhongmin Maxwell	Interest in controlled corporation ⁽⁹⁾	31,492,881 (L)	3.75%
	Trustee and settlor of a discretionary trust ⁽¹⁰⁾	15,746,442 (L)	1.87%
Mr. XIA Yu (Ph.D.)	Beneficial interest	3,914,296 (L)	0.47%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Based on a total of 841,057,176 shares in issue of the Company as at June 30, 2023.
- (3) XIA LLC is a company incorporated in the United States, with all of its voting shares held by Dr. XIA Yu. Dr. XIA Yu is deemed to be interested in the Shares held by XIA LLC.
- (4) Dr. XIA Yu is the settlor and trustee of XIA Trust, with certain of her family members as beneficiaries. She is therefore deemed to be interested in the Shares held by XIA Trust under the SFO.
- (5) Aquae Hyperion Limited holds the Shares underlying the awards under the Pre-IPO RSU Scheme for the ESOP Trust. Dr. XIA Yu acts as the settlor and enforcer and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited. Zedra Trust Company (Cayman) Limited is the trustee of the ESOP Trust, which indirectly holds Shares as trust property through Aquae Hyperion Limited, and is therefore deemed to be interested in the Shares held by Aquae Hyperion Limited.
- (6) Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell, Dr. ZHANG Peng, and their controlled corporations entered into agreement with Dr. XIA Yu to entrust her with their voting rights in the Shares they held.
- (7) LI LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. LI Baiyong. Dr. LI Baiyong is deemed to be interested in the Shares held by LI LLC.
- (8) Dr. LI Baiyong is the settlor and trustee of LI Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by LI Trust under the SFO.
- (9) WANG LLC is a holding company incorporated in the United States, with all of its voting shares held by Dr. WANG Zhongmin Maxwell. Dr. WANG Zhongmin Maxwell is deemed to be interested in the Shares held by WANG LLC.
- (10) Dr. WANG Zhongmin Maxwell is the settlor and trustee of WANG Trust, with certain of his family members as beneficiaries. He is therefore deemed to be interested in the Shares held by WANG Trust under the SFO.

Supplementary Information

Save as disclosed in this report and to the best knowledge of the Directors, as at June 30, 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director or chief executive of the Company, as at June 30, 2023, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of shares in issue ⁽²⁾
SCGC	Interest in controlled corporation and parties acting in concert ⁽³⁾	58,873,529 (L)	6.99%
Cantrust (Far East) Limited	Trustee of a discretionary trust and interest in controlled corporation ⁽⁴⁾	49,335,282 (L)	5.87%

Notes:

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

(2) Based on a total of 841,057,176 shares in issue of the Company as at June 30, 2023.

(3) Based on the information set out in the relevant disclosure made by the relevant substantial shareholder(s), HTKF Investments Limited which is controlled by Shenzhen Hongtu Akeso Investment Partnership (Limited Partnership)* (深圳市紅土康方投資合夥企業(有限合夥)) ("Hongtu Akeso"), holds 35,382,000 Shares. Hongtu Akeso is controlled by Guangdong Hongtu Entrepreneurship Investment Limited Company* (廣東紅土創業投資有限公司) which is in turn controlled by SCGC. Pursuant to a concert party agreement dated 5 July 2021 entered into between HTKF Investments Limited, Red Earth Innovation International Company Limited, GZKX Ventures Limited, SCGC Capital Holding Company Limited, FSJC Ventures Limited, GZTK Ventures Limited, GDHT Ventures Limited (collectively, the "Voters") and SCGC, the Voters will take the opinion of SCGC as the final decision in all general meetings of the Company, and will vote in accordance with the instructions of SCGC. Therefore, SCGC will be regarded as the controller of 23,491,529 Shares held by the Voters.

(4) Based on the information set out in the relevant disclosure made by the relevant substantial shareholder(s), Waterband Limited, which holds 34,929,065 Shares, is wholly-owned by Woodband Limited which in turn is beneficially owned by Woodband Trust, as established by Dr. ZHANG Peng as settlor with Cantrust (Far East) Limited as trustee. NineSuns Holding Limited, which holds 14,406,217 Shares, is wholly-owned by Fourxi Limited which is in turn beneficially owned by Fourxi Trust, as established by Mr. LUO Wenfeng as settlor and Cantrust (Far East) Limited as trustee.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2023, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

RESTRICTED SHARE UNIT SCHEMES AND SHARE OPTION SCHEME

A. Pre-IPO RSU Scheme

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

(a) Purpose and Principal Terms

The purpose of the Pre-IPO RSU Scheme is to recognize and motivate the contributions the grantees under the Pre-IPO RSU Scheme (the "**Grantee(s)**"), provide incentives for them to remain with our Company, and attract suitable personnel for our further development. The principal terms of the Pre-IPO RSU Scheme are as follows:

- (i) **Award:** An award of RSU under the Pre-IPO RSU Scheme ("**Award(s)**") gives a Participant a conditional right upon the vesting of the Award to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the ESOP Department in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges. An award may include, if so specified by the ESOP administration department (the "**ESOP Department**") in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.
- (ii) **Award Price:** Each Participant shall pay RMB1.00 as the Award price to accept the Awards granted to such Participant at the time of acceptance. No other purchase price is payable by the Participant for the Shares awarded under the RSUs.
- (iii) **Scheme Limit:** Number of shares that may be delivered under the Pre-IPO RSU Scheme are 45,270,499 Shares that are held by Aquea Hyperion Limited for the Pre-IPO RSU Scheme.
- (iv) **Participants:** Participants of the Pre-IPO RSU Scheme (the "**Participants**") include the following:
 - (i) the Employees or officers (including executive, non-executive and independent non-executive directors of the Group);
 - (ii) any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and
 - (iii) any other persons including former employees who, in the sole opinion of the ESOP Department, have contributed or will contribute to the Company or any of its Subsidiaries.

There is no maximum limit of RSUs which may be granted to the Participants subject to the compliance of the Listing Rules.

- (v) **Term:** The Pre-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on August 29, 2019 with a remaining life of approximately 6 years as of the date of this report, after which period no further Awards will be granted. In spite of this, the Pre-IPO RSU Scheme in all other respects remain in full force and effect and Awards that are granted during the Term may continue to be exercisable in accordance with their terms of issue.

Supplementary Information

- (vi) **Administration:** The Pre-IPO RSU Scheme shall be subject to the administration of the ESOP Department set up and authorized by the Board of the Company. The ESOP Department has the right to (i) interpret and construe the provisions of the Pre-IPO RSU Scheme, (ii) determine the persons who will be granted Awards, the terms on which Awards are granted and the time when the RSU(s) so awarded may vest, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted as it deems necessary, (iv) appoint independent third party professionals and contractors to assist in the administration of the Pre-IPO RSU Scheme, delegate such powers and/or functions, and make any other decisions or determination relating to the administration of the Pre-IPO RSU Scheme as the ESOP Department deems appropriate. All decisions made by the ESOP Department is final and binding on all parties.
- (vii) **Trustee:** the ESOP Department may appoint independent trustee to assist in the administration and vesting of the Awards and has appointed Zedra Trust Company (Cayman) Limited, trustee service provider and an Independent Third Party, to administer the granting and vesting of the RSU(s).

(b) **Restrictions on Grant**

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

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

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

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

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

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

(c) Grant to Directors

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

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

(d) Grant to Connected Persons

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

(e) Grant to PRC resident

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

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

(f) Rights attached to Awards

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

(g) Awards to be Personal to the Grantee

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

(h) *Vesting*

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

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

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

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

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

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

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

The ESOP Department shall, in the event of among others a takeover, general offer by way of scheme of arrangement, voluntary winding up, determine at its absolute discretion whether such RSU(s) shall vest and the period within which such RSU(s) shall vest.

(i) Rights on a Takeover

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

(j) Rights on a Scheme of Arrangement

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

(k) Rights on a Voluntary Winding-up

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

(l) Rights on a Compromise or Arrangement

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

(m) Lapse and cancellation of RSU

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

- (i) the date of the termination of Grantee's employment or service by the Company or any of its Subsidiaries for cause;
- (ii) the date of the termination of Grantee's employment or service with the Company or the Subsidiaries is terminated for any reason other than for cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for cause);
- (iii) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;
- (iv) the record date for determining entitlements under the scheme of arrangement referred above closes;
- (v) the date of the commencement of the winding-up of the Company;
- (vi) the date on which the Grantee commits a breach of paragraph (g) above; or
- (vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

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

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

- (i) the Grantee's employment is terminated by the Company or any of its Subsidiaries for Cause;
- (ii) or the Grantee either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor, at any time before or within 12 months after the Grantee's employment is terminated by the Company or any of its Subsidiaries for any reason.

(n) Further restrictions on RSU

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

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

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

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

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

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

(o) Reorganization of Capital Structure

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

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

(p) Amendment of the Pre-IPO RSU Scheme

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

Supplementary Information

(q) Termination of the Pre-IPO RSU Scheme

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

(r) Grant of RSUs during the Reporting Period

As of January 1, 2023 (i.e. the beginning of the Reporting Period), the outstanding RSU under the Pre-IPO RSU Scheme is 2,650,188 RSUs. No grant was made under the Pre-IPO RSU Scheme during the Reporting Period. As of June 30, 2023, no outstanding RSU was granted to (i) the Directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participant with options and awards granted and to be granted in excess of the 1% individual limit; or (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the issued Shares. The details of the RSUs granted under the Pre-IPO RSU Scheme as of June 30, 2023 are set out below:

Name of Participant or Category of Participant	Date of grant	Closing price of shares immediately before the date on which the RSUs were granted during the Reporting Period	Number of shares underlying RSUs							Outstanding as of June 30, 2023	Vesting Period (Note)	Purchase price of per RSU granted
			Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Exercised during the Reporting Period	Outstanding as of June 30, 2023			
Other employee participants												
	During 2020	-	2,045,488	-	-	-	-	-	-	2,045,488	1 to 4 years	HK\$0.001 or HK\$1
	During 2021	-	490,700	-	-	-	-	-	-	490,700	1 to 5 years	HK\$1
	During 2022	-	90,000	-	-	-	-	-	-	90,000	1 to 4 years	HK\$1
Other service providers												
	December 18, 2020	-	14,000	-	-	-	-	-	-	14,000	2 to 4 years	HK\$1
	July 1, 2022	-	10,000	-	-	-	-	-	-	10,000	1 to 3 years	HK\$1
Total			2,650,188	-	-	-	-	-	-	2,650,188		

Note: The vesting of the RSUs granted are not subject to any performance targets.

No grant was made under the Pre-IPO RSU Scheme which requires review by the Remuneration Committee for the six months ended June 30, 2023.

The number of RSUs available for grant under the Pre-IPO RSU Scheme as of January 1, 2023 and June 30, 2023 was 22,224,691, representing approximately 2.64% of the total number of Shares in issue as of January 1, 2023 and June 30, 2023, respectively. As at the date of this report, nil Shares underlying the RSUs granted are available for issue under the Pre-IPO RSU Scheme.

The Pre-IPO RSU Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

B. 2021 RSU Scheme

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

(a) Purpose and Principal Terms

The purpose of the 2021 RSU Scheme is to recognize the contributions by certain employee director or officer, or any advisor or consultant of any member of the Group ("**Eligible Participant(s)**") and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The principal terms of the 2021 RSU Scheme are as follows:

- (i) **Term:** The 2021 RSU Scheme shall be valid and effective for the period of ten years commencing on December 6, 2021 (subject to any early determination as determined by the Board) (the "**Trust Period**") with a remaining life of approximately 8 years and 3 months as of the date of this report, after which period no further awards will be granted under the 2021 RSU Scheme.
- (ii) **Award:** An award of RSU under the 2021 RSU Scheme gives an Eligible Participant a conditional right upon the vesting of the Award under the 2021 RSU Scheme to obtain either Shares or an equivalent value in cash with reference to the market value of the awarded Shares on or about the date of vesting, as determined by the Board in its absolute discretion, less any tax, fees, levies, stamp duty and other applicable charges.
- (iii) **Award Price:** The Board may decide the grant of number of RSUs to any Eligible Participants selected by the Board for participation in the 2021 RSU Scheme (the "**Selected Participant(s)**") at such consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion. No other purchase price is payable by the Eligible Participant for the Shares awarded under the RSUs. No price is payable by Eligible Participant to accept the RSUs granted to such Eligible Participant.
- (iv) **Scheme Limit:** The maximum number of Shares underlying the RSUs awarded by the Board under the 2021 RSU Scheme (i) shall not exceed 10% of the total issued share capital of the Company from time to time throughout the Trust Period and (ii) shall be subject to an annual limit of 3% of the total issued share capital of the Company at the relevant time. The maximum number of awarded Shares underlying the RSUs which may be awarded to a Selected Participant under the 2021 RSU Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period. Awards lapsed in accordance with the terms of the scheme shall not be counted for the purpose of calculating the limit.
- (v) **Participants:** The Eligible Participants of the 2021 RSU Scheme include any employee director or officer, or any advisor or consultant of any member of the Group at any time during the Trust Period selected by the Board.
- (vi) **Trustee:** Futu Trustee Limited has been appointed as the initial trustee on December 6, 2021 under the 2021 RSU Scheme (the "**Trustee**").
- (vii) **Administration:** The 2021 RSU Scheme shall be subject to the administration of the Board and the Trustee in accordance with the rules of the 2021 RSU Scheme (the "**2021 RSU Scheme Rules**") and the relevant trust deed. The Board may by resolution delegate any or all of its powers in the administration of the 2021 RSU Scheme to the administration committee or any other committee or sub-committee or any person(s) as from time to time authorized by the Board for such purpose. On December 6, 2021, the Board has resolved to establish and delegate to an administration committee the power and authority to administer the 2021 RSU Scheme and deal with the trust and the Trustee of the 2021 RSU Scheme in all respects in accordance with the 2021 RSU Scheme Rules and the relevant trust deed. The decision of the Board with respect to any matter arising under the 2021 RSU Scheme (including the interpretation of any provision) shall be final and binding.

(b) Restrictions on Grant and Individual Grant Limit

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

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

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

(c) Grant to Directors

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

(d) Grant to Connected Persons

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

(e) Rights attached to Awards

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

(f) Awards to be Personal to the Grantee

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

(g) Vesting and Lapse

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

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

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

The number of RSUs available for grant under the 2021 RSU Scheme as of January 1, 2023 and June 30, 2023 was 81,705,717, representing approximately 9.71% of the total number of Shares in issue as of January 1, 2023 and June 30, 2023, respectively. As at the date of this report, 78,199,717 Shares underlying the RSUs are available for issue under the 2021 RSU Scheme, representing approximately 9.30% of the total number of Shares in issue as at the date of this report.

The 2021 RSU Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

(h) Amendment of the 2021 RSU Scheme

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

(i) Termination of the 2021 RSU Scheme

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

As of June 30, 2023, no RSUs have been granted to any Selected Participants pursuant to the 2021 RSU Scheme. No grant was made under the 2021 RSU Scheme which requires review by the Remuneration Committee for the six months ended June 30, 2023.

C. Share Option Scheme

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

(a) Purpose of the Share Option Scheme

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

(b) Duration and administration

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date with a remaining life of approximately 8 years and 9 months as of the date of this report, after which period no further Share Options may be granted by the provisions of the Share Option Scheme, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

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

(c) Eligibility of participants and grant of share options

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

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

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

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

(d) Maximum number of shares available for exercise

The total number of Shares which may be issued upon exercise of all share options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by the Company or any of its subsidiaries shall not in aggregate exceed 10% of the issued share capital of the Company as of the date of general meeting of the Company approving the adoption of the Share Option Scheme (i.e. 81,705,717 Shares). The Company may seek the approval of its Shareholders in general meeting to refresh the 10% limit under the Share Option Scheme and any other option scheme of the Company, provided that the total number of Shares which may be issued pursuant to the refreshed limit upon exercise of all share options to be granted under the Share Option Scheme and any other option schemes must not exceed 10% of the issued ordinary share capital of the Company as at the date of approval of the refreshed limit. The maximum number of Shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. No Share Option may be granted under the Share Option Scheme or any other share option schemes adopted by the Group if the grant of such share option will result in the limit being exceeded.

The Company adopted the Share Option Scheme on June 28, 2022. The number of share options available for grant under the Share Option Scheme as of January 1, 2023 and June 30, 2023 was 81,705,717, representing approximately 9.71% of the total number of Shares in issue as of January 1, 2023 and June 30, 2023, respectively. As at the date of this report, 81,705,717 Shares are available for issue under the Share Option Scheme, representing approximately 9.71% of the total number of Shares in issue as at the date of this report.

The Share Option Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

(e) Maximum entitlement of each eligible participant

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

(f) Exercise price

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

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

(g) Vesting and exercise period

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

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

(h) Grant of share options to connected person

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

(i) Alteration and termination

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

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

As of June 30, 2023, no share option has been granted to any eligible participants pursuant to the Share Option Scheme. No grant was made under the Share Option Scheme which requires review by the Remuneration Committee for the six months ended June 30, 2023.

D. Disclosure under Rule 17.07(3) of the Listing Rules

Given that during the six months ended June 30, 2023, the Company (i) did not grant any share options under the Share Option Scheme, (ii) did not grant any RSUs under the Pre-IPO RSU Scheme, (iii) did not grant any RSUs under the 2021 RSU Scheme, and (iv) all the Shares underlying the RSUs granted under Pre-IPO RSU Scheme have been allotted and issued and are held by the ESOP Trust, no Share may be issued in respect of any share options and RSUs granted under all the share schemes of the Company (including the Pre-IPO RSU Scheme, 2021 RSU Scheme and the Share Option Scheme) during the six months ended June 30, 2023. As such, the disclosure requirement under Rule 17.07(3) is not applicable.

EVENTS AFTER THE REPORTING PERIOD

In August 2023, the CDE has accepted the NDA for ebdarokimab (AK101, IL-12/IL-23) for the treatment of moderate to severe plaque psoriasis.

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

On behalf of the Board

Dr. XIA Yu
Chairwoman

Hong Kong, August 29, 2023

INDEPENDENT REVIEW REPORT



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

INTRODUCTION

We have reviewed the interim financial information of Akeso, Inc. 康方生物科技(開曼)有限公司 (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 49 to 80, which comprises the condensed consolidated statement of financial position as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, the changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2023

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Product sales		794,650	297,184
License income		2,918,988	–
Total sales from products and license		3,713,638	297,184
Less: distribution cost		(36,779)	(134,049)
REVENUE	3	3,676,859	163,135
Cost of sales		(77,180)	(28,109)
Gross profit		3,599,679	135,026
Other income and gains, net	4	380,123	75,966
Selling and marketing expenses		(442,159)	(149,501)
Administrative expenses		(100,429)	(92,741)
Research and development expenses		(574,671)	(595,384)
Share of loss of a long-term equity investment		(173,121)	–
Other expenses, net		(161,468)	(49,420)
Finance costs	6	(38,410)	(15,830)
PROFIT/(LOSS) BEFORE TAX	5	2,489,544	(691,884)
Income tax expense	7	–	–
PROFIT/(LOSS) FOR THE PERIOD		2,489,544	(691,884)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(192,897)	(154,391)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		201,508	234,525
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		8,611	80,134
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		2,498,155	(611,750)

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(loss) attributable to:			
Owners of the parent		2,525,045	(630,434)
Non-controlling interests		(35,501)	(61,450)
		2,489,544	(691,884)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		2,533,656	(550,300)
Non-controlling interests		(35,501)	(61,450)
		2,498,155	(611,750)
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
— For profit/(loss) for the period		RMB3.01 yuan	RMB(0.77) yuan

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,203,567	1,999,616
Right-of-use assets	11(a)	208,345	163,074
Intangible assets		7,551	8,496
Financial assets at fair value through profit or loss	15	10,000	10,000
Long-term equity investment	12	321,844	–
Other non-current assets		259,052	256,291
Total non-current assets		3,010,359	2,437,477
CURRENT ASSETS			
Inventories		287,709	341,832
Trade receivables	13	248,368	271,046
Prepayments, other receivables and other assets	14	73,128	157,199
Financial assets at fair value through profit or loss	15	517,960	195,912
Pledged deposits and time deposits with original maturity of more than three months	16	587,421	94
Cash and cash equivalents	16	4,285,141	2,092,388
Total current assets		5,999,727	3,058,471
CURRENT LIABILITIES			
Trade payables	17	270,312	308,948
Other payables and accruals	18	349,140	599,178
Interest-bearing bank and other borrowings	19	304,027	445,979
Lease liabilities	11(b)	8,628	5,898
Tax payable		1,175	1,133
Total current liabilities		933,282	1,361,136
NET CURRENT ASSETS		5,066,445	1,697,335
TOTAL ASSETS LESS CURRENT LIABILITIES		8,076,804	4,134,812

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	2,220,711	1,421,278
Contract liabilities		631,921	–
Lease liabilities	11(b)	10,775	5,954
Deferred income	20	162,986	159,566
Total non-current liabilities		3,026,393	1,586,798
Net assets		5,050,411	2,548,014
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	59	59
Shares held for restricted share unit schemes		(84,452)	(84,452)
Reserves	22	5,257,918	2,720,020
		5,173,525	2,635,627
Non-controlling interests		(123,114)	(87,613)
Total equity		5,050,411	2,548,014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000 Note 21	Shares held for restricted share unit schemes RMB'000 Note 21	Share premium* RMB'000 Note 21	Capital reserve* RMB'000 Note 22	Share award reserve* RMB'000 Note 23	Exchange fluctuation reserve* RMB'000 Note 22	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	59	(84,452)	4,585,374	2,112,912	96,289	(156,891)	(3,917,664)	2,635,627	(87,613)	2,548,014
Profit for the period	-	-	-	-	-	-	2,525,045	2,525,045	(35,501)	2,489,544
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(192,897)	-	(192,897)	-	(192,897)
Translation from functional currency to presentation currency	-	-	-	-	-	201,508	-	201,508	-	201,508
Total comprehensive income/(loss) for the period	-	-	-	-	-	8,611	2,525,045	2,533,656	(35,501)	2,498,155
Equity-settled share award	-	-	-	-	4,242	-	-	4,242	-	4,242
At 30 June 2023 (unaudited)	59	(84,452)	4,585,374	2,112,912	100,531	(148,280)	(1,392,619)	5,173,525	(123,114)	5,050,411

	Attributable to owners of the parent									
	Share capital RMB'000 Note 21	Shares held for restricted share unit schemes RMB'000 Note 21	Share premium* RMB'000 Note 21	Capital reserve* RMB'000 Note 22	Share award reserve* RMB'000 Note 23	Exchange fluctuation reserve* RMB'000 Note 22	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	57	(51,718)	4,007,049	2,112,912	130,552	(285,525)	(2,749,271)	3,164,056	116,210	3,280,266
Loss for the period	-	-	-	-	-	-	(630,434)	(630,434)	(61,450)	(691,884)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(154,391)	-	(154,391)	-	(154,391)
Translation from functional currency to presentation currency	-	-	-	-	-	234,525	-	234,525	-	234,525
Total comprehensive income/(loss) for the period	-	-	-	-	-	80,134	(630,434)	(550,300)	(61,450)	(611,750)
Equity-settled share award	-	-	-	-	26,144	-	-	26,144	-	26,144
Transfer of share award reserve upon the forfeiture of restricted share units	-	-	-	-	(68)	-	68	-	-	-
Shares held for restricted share unit schemes	-	(31,526)	-	-	-	-	-	(31,526)	-	(31,526)
Exercise of restricted share units	-	-	305	-	(305)	-	-	-	-	-
At 30 June 2022 (unaudited)	57	(83,244)	4,007,354	2,112,912	156,323	(205,391)	(3,379,637)	2,608,374	54,760	2,663,134

* These reserve accounts comprise the consolidated reserves of RMB5,257,918,000 and RMB2,691,561,000 in the interim condensed consolidated statement of financial position as at 30 June 2023 and 2022, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		2,489,544	(691,884)
Adjustments for:			
Bank interest income	4	(40,698)	(5,758)
Investment income from financial products	4	(38,162)	(2,736)
Gain on early termination of a lease	5	–	(47)
Loss on disposal of property, plant and equipment	5	–	726
Depreciation of property, plant and equipment	5	59,478	40,153
Depreciation of right-of-use assets	5	6,894	5,240
Amortisation of intangible assets	5	1,055	1,085
Write-down of inventories to net realisable value	5	1,433	373
Net changes in fair value of financial assets	4	(11,302)	–
Government grant released	4	(6,054)	(66,467)
Share of loss of a long-term equity investment		173,121	–
Foreign exchange differences, net	5	(195,664)	4,248
Equity-settled share award expenses	23	4,242	26,144
Finance costs	6	38,410	15,830
Impairment of trade receivables	5	648	59
		2,482,945	(673,034)
Decrease/(increase) in inventories		52,690	(104,993)
Decrease/(increase) in trade receivables		22,030	(193,373)
Decrease in prepayments, other receivables and other assets		173,124	88,216
(Decrease)/increase in trade payables		(38,636)	83,901
(Decrease)/increase in other payables and accruals		(153,348)	157,941
Increase in contract liabilities		293,463	–
Increase in deferred income in respect of government grants related to income		(1,725)	54,909
Cash generated from/(used in) operations		2,830,543	(586,433)
Bank interest received		40,698	5,758
Net cash flows from/(used in) operating activities		2,871,241	(580,675)

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities	2,871,241	(580,675)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(348,457)	(297,051)
Purchases of intangible assets	(110)	(3,578)
Purchases of items of land use rights	(30,712)	–
Purchases of a long-term equity investment	(156,507)	–
Receipt of government grants related to assets	11,199	24,958
Purchases of financial assets at fair value through profit or loss	(6,809,929)	(1,079,798)
Proceeds from disposal of financial assets at fair value through profit or loss	6,506,208	1,069,798
Interest income from financial assets at fair value through profit or loss	38,162	2,736
Increase in time deposits	(587,325)	–
Net cash flows used in investing activities	(1,377,471)	(282,935)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	824,760	467,561
Repayment of bank and other borrowings	(186,661)	(5,918)
Principal portion of lease payments	(6,606)	(4,249)
Share repurchased	–	(31,526)
Interest paid	(40,747)	(19,344)
Net cash flows from financing activities	590,746	406,524
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,084,516	(457,086)
Cash and cash equivalents at beginning of period	2,092,388	2,641,625
Effect of foreign exchange rate changes, net	108,237	36,145
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,285,141	2,220,684

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company's subsidiaries were involved in research and development, production and sale of biopharmaceutical products.

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. The unaudited interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>
Amendments to IAS 1 and IFRSs Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendment to IAS 8	<i>Definition of Accounting Estimates</i>
Amendment to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendment to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than that occurred on or after 1 January 2022, if any. The amendments did not have significant impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have significant impact to the Group.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Types of goods or services		
Product sales	794,650	297,184
License income	2,918,988	–
Total sales from products and license	3,713,638	297,184
Less: distribution cost relevant to the product sales	(36,779)	(134,049)
Revenue	3,676,859	163,135
Timing of revenue recognition		
Transferred at a point in time	3,676,859	163,135

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

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Products Sales	5,959	–

3. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)**Revenue** (Continued)**Revenue from contracts with customers** (Continued)*(b) Performance obligations*

Information about the Group's performance obligations is summarised below:

Revenue from license income

The performance obligation is satisfied at a point in time when the customer obtains the rights to the underlying technology. For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognises revenue at a point in time when the related sales occur.

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 1 year from delivery. Some contracts provide customers with sales rebates which give rise to variable consideration subject to constraint.

Other segment information

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

Geographical information*(a) Revenue from external customers*

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Mainland China	756,189	163,135
United States of America (the "USA")	2,920,093	–
Others	577	–
	3,676,859	163,135

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

3. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Mainland China	2,678,421	2,426,959
USA	321,844	–
Other regions	94	518
	3,000,359	2,427,477

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

Information about a major customer

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Customer A	2,920,093	*
Customer B	*	90,346
	2,920,093	90,346

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the six months ended 30 June 2023 and 2022.

30 June 2023

4. OTHER INCOME AND GAINS, NET**Other income and gains, net**

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Bank interest income	40,698	5,758
Investment income from financial products	38,162	2,736
Net changes in fair value of financial assets	11,302	–
Government grant released*	92,558	65,397
Value-added tax credits	1,725	1,070
Foreign exchange differences, net	195,664	–
Others	14	1,005
	380,123	75,966

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

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses		
Wages and salaries	350,040	188,865
Pension scheme contributions	53,742	40,410
Equity-settled share award expenses	4,225	26,144
	408,007	255,419

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

5. PROFIT/(LOSS) BEFORE TAX (Continued)

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold		77,180	28,109
Depreciation of property, plant and equipment	10	59,478	40,153
Depreciation of right-of-use assets	11(a)	6,894	5,240
Amortisation of intangible assets*		1,055	1,085
Gain on early termination of a lease**		–	(47)
Lease payments not included in the measurement of lease liabilities	11(c)	1,166	739
Impairment of trade receivables, net**		648	59
Write-down of inventories to net realisable value**		1,433	373
Loss on disposal of property, plant and equipment**		–	726
Foreign exchange differences, net***		(195,664)	4,248

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

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

*** Included in "Other income, net" (six months ended 30 June 2022: "Other expenses, net") in the interim condensed consolidated statement of profit or loss and other comprehensive income

6. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance cost on lease liabilities (note 11(c))	285	219
Interest on bank and other borrowings	55,840	25,754
Total interest expense on financial liabilities not at fair value through profit of loss	56,125	25,973
Less: Interest capitalised	(17,715)	(10,143)
	38,410	15,830

7. INCOME TAX

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

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

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on any estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits are determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 except for 中山康方生物醫藥有限公司 (Akeso Biopharma Co., Ltd.[^]) which was qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15% for the six months ended 30 June 2023 and 2022.

The subsidiary incorporated in the USA is subject to American federal and California income tax. America federal income tax was provided at the rate of 21% and California income tax was provided at the rate of 8.84% for the six months ended 30 June 2023 and 2022 on the estimated assessable profits arising in the USA.

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
Charge for the period	-	-
Deferred	-	-
Total tax charge for the period	-	-

8. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 and subsequent to the end of the reporting period (six months ended 30 June 2022: Nil).

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

9. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earning/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 837,551,176 (six months ended 30 June 2022: 814,074,905) in issue, during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The calculations of basic and diluted earning/(loss) per share are based on:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earning/(loss) per share calculation	2,525,045	(630,434)
	Number of shares Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earning/(loss) per share calculation	837,551,176	814,074,905

30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of period:		
Cost	2,161,422	1,438,798
Accumulated depreciation	(161,806)	(85,885)
Net carrying amount	1,999,616	1,352,913
At beginning of period, net of accumulated depreciation	1,999,616	1,352,913
Additions	245,711	713,053
Interest capitalised	17,715	25,368
Disposals	–	(6)
Depreciation provided during the period/year	(59,478)	(91,720)
Exchange realignment	3	8
At end of period, net of accumulated depreciation	2,203,567	1,999,616
At end of period:		
Cost	2,424,751	2,161,422
Accumulated depreciation	(221,184)	(161,806)
Net carrying amount	2,203,567	1,999,616

At 30 June 2023, the Group's property, plant and equipment with net carrying amounts of approximately RMB647,736,000 (31 December 2022: RMB379,790,000) were pledged to secure bank loans (note 19).

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

11. LEASES

The Group as a lessee

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

(a) Right-of-use assets

	Plant and buildings RMB'000	Machinery RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2022 (audited)	7,894	1,399	142,434	151,727
Additions	11,008	–	12,531	23,539
Depreciation charged	(7,720)	(1,057)	(3,067)	(11,844)
Early termination of a lease	(451)	–	–	(451)
Exchange realignment	103	–	–	103
At 31 December 2022 and 1 January 2023 (audited)	10,834	342	151,898	163,074
Additions	13,856	–	38,296	52,152
Depreciation charged	(4,956)	(244)	(1,694)	(6,894)
Exchange realignment	13	–	–	13
As at 30 June 2023 (unaudited)	19,747	98	188,500	208,345

At 30 June 2023, the Group's land used rights with a net carrying amount of RMB137,928,000 (31 December 2022: RMB139,430,000) was pledged to secure bank borrowings (note 19).

(b) Lease liabilities

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at 1 January	11,852	10,091
New leases	13,856	11,008
Accretion of interest recognised during the period/year	285	479
Payments	(6,606)	(9,358)
Early termination of a lease	–	(481)
Exchange realignment	16	113
Carrying amount at 30 June/31 December	19,403	11,852

30 June 2023

11. LEASES (Continued)**The Group as a lessee** (Continued)**(b) Lease liabilities** (Continued)

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Lease liabilities:		
Current portion	8,628	5,898
Non-current portion	10,775	5,954
	19,403	11,852

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on lease liabilities (<i>note 6</i>)	285	219
Depreciation charge of right-of-use assets (<i>note 5</i>)	6,894	5,240
Expenses relating to short-term leases (<i>note 5</i>)	1,166	739
	8,345	6,198

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

12. LONG-TERM EQUITY INVESTMENT

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Long-term equity investment	321,844	–

As of 30 June 2023, the Company held 31,523,530 shares of Summit Therapeutics, Inc. (Nasdaq symbol: SMMT, “**Summit**”), representing 4.52% of the total issued shares of Summit. During the period ended 30 June 2023, Dr. Xia was appointed as director of Summit. The Group’s investment in Summit is accounted for under the equity method of accounting because the Group has significant influence over Summit by way of representation on Summit’s board of directors.

The Group’s shareholding in the associate comprises equity shares held by the Company.

The following table illustrates the financial information of the Group’s associate:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Share of loss of a long-term equity investment	(173,121)	–

13. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	249,481	271,511
Impairment	(1,113)	(465)
	248,368	271,046

Included in the Group’s trade receivables is an amount due from a non-controlling shareholder of the Group of RMB29,788,000 (31 December 2022: RMB245,928,000).

30 June 2023

13. TRADE RECEIVABLES (Continued)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	248,239	36,496
3 to 6 months	129	91,508
6 to 9 months	–	143,042
	248,368	271,046

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Value-added tax recoverable	31,741	118,972
Prepayments	29,957	32,907
Deposits	2,597	2,818
Other receivables	8,833	2,502
	73,128	157,199

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

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

Other receivables and deposits had no historical default, the financial assets included in the above balances were categorised in stage 1 at the end of each period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the six months ended 30 June 2023 and the year ended 31 December 2022, the Group estimated that the expected loss rate for other receivables and deposits is minimal.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current		
Investments in financial products, at fair value (note (a))	517,960	195,912
Non-current		
Unlisted investment, at fair value (note (b))	10,000	10,000
	527,960	205,912

(a) Investments in financial products, at fair value

The investments represented investments in financial products which were issued by banks with expected interest rates ranging from 1.81% to 10.8% per annum.

(b) Unlisted investment, at fair value

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

16. CASH AND CASH EQUIVALENTS AND DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	4,012,162	1,875,198
Deposits	860,400	217,284
	4,872,562	2,092,482
Less: Pledged deposits		
Restricted cash*	(96)	(94)
Time deposits with original maturity of more than three months	(587,325)	–
Cash and cash equivalents	4,285,141	2,092,388
Denominated in:		
RMB	2,201,487	1,618,035
United States dollars ("USD")	2,072,175	461,450
Hong Kong dollars ("HKD")	928	3,362
Australian dollars	10,551	9,541
Cash and cash equivalents	4,285,141	2,092,388

* The restricted cash as at 30 June 2023 and 31 December 2022 was pledged as a deposit of credit card.

16. CASH AND CASH EQUIVALENTS AND DEPOSITS (Continued)

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

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

17. TRADE PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	160,809	193,041
3 to 6 months	1,817	39,171
6 months to 1 year	35,171	13,227
Over 1 year	72,515	63,509
	270,312	308,948

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days except for the balances due to a non-controlling shareholder of the Group of RMB83,788,000 (31 December 2022: RMB101,927,000), which are repayable on demand.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Payroll payables	120,454	116,247
Other tax payables	47,818	18,179
Contract liabilities	10,857	5,959
Other payables	170,011	458,793
	349,140	599,178

Other payables are unsecured, non-interest-bearing and normally repayable on demand, except for the balance due to a non-controlling shareholder of the Group of RMB13,019,000 (2022: RMB243,878,000), which is repayable within 60 days. The carrying amounts of financial liabilities included in other payables and accruals as at the end of each reporting period approximated to their fair values due to their short-term maturities.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	2.80~4.80	2024	109,330	2.80~4.00	2023	221,421
Bank loans — secured	—	—	—	3.95	2023	10,012
Current portion of long term convertible loans — secured	note(c)	note(c)	185,112	note(c)	note(c)	180,254
Current portion of long term bank loans — secured	—	—	—	4.35~5.39	2023	24,814
Current portion of long term bank loans — unsecured	4.35~4.70	2024	9,585	3.80~4.40	2023	9,478
			304,027			445,979
Non-current						
Bank loans — secured	4.35~4.80	2025-2035	1,476,774	4.35~5.39	2024-2025	1,273,708
Bank loans — unsecured	3.50~4.20	2024-2026	161,172	3.80~4.40	2024-2025	95,745
Convertible loans — secured	note(c)	note(c)	462,622	—	—	—
Loans from a non-controlling shareholder — unsecured	3.50	2027	120,143	3.50	2026	51,825
			2,220,711			1,421,278
			2,524,738			1,867,257
				As at 30 June 2023 RMB'000 (Unaudited)		As at 31 December 2022 RMB'000 (Audited)
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand			118,915			265,725
In the second year			120,145			64,037
In the third to fifth years, inclusive			190,377			31,708
Beyond five years			1,327,424			1,273,708
			1,756,861			1,635,178
Other borrowings repayable:						
Within one year or on demand			185,112			180,254
In the third to fifth years, inclusive			582,765			51,825
			767,877			232,079
			2,524,738			1,867,257

30 June 2023

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

Notes:

- (a) The Group's banking facilities amounted to RMB3,100,000,000 (31 December 2022: RMB3,100,000,000) in aggregate, among which RMB2,290,000,000 (31 December 2022: RMB2,893,610,000) are secured by the property, plant and equipment and land use rights of the Group with net carrying values of approximately RMB647,736,000 and RMB137,928,000, respectively (31 December 2022: RMB379,790,000 and RMB139,430,000, respectively) at the end of the reporting period. Such banking facilities of approximately RMB1,680,622,000 (31 December 2022: RMB1,542,042,000) has been utilised as at the end of the reporting period.
- (b) Among the Group's banking facilities mentioned in note (a), RMB1,130,000,000 (31 December 2022: RMB1,130,000,000) are also secured by the equity interest of certain subsidiaries held by the Group. Such banking facilities of approximately RMB1,098,263,000 (31 December 2022: RMB864,023,000) has been utilised as at the end of the reporting period.
- (c) On 23 July 2019, a subsidiary of the Group entered into a convertible loan agreement with its non-controlling shareholder and borrowed a convertible loan amounting to RMB75,000,000. The subsidiary further borrowed convertible loans of aggregate amounts of RMB75,000,000 in 2020 and RMB450,000,000 in 2023, respectively. According to the loan agreement, the convertible loans bear interest at 6.5% per annum and are secured by the equity interest in the subsidiary held by the Group. The convertible loans of RMB150,000,000 and RMB450,000,000 are due on 31 December 2023 and 31 December 2027, respectively. Under the loan agreement, an option (the "**Convertible Right**") to convert the unpaid principal and the related interest into ordinary shares of the subsidiary will be granted to its non-controlling shareholder under certain conditions.

The fair value of the Convertible Right was assessed to be minimal as at 30 June 2023 and 31 December 2022.

- (d) All borrowings were denominated in RMB as at 30 June 2023 and 31 December 2022.

20. DEFERRED INCOME

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Government grant	162,986	159,566

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of period/year	159,566	63,858
Grants received during the period/year	95,978	204,913
Amount released	(92,558)	(109,205)
At end of period/year	162,986	159,566

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

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

21. SHARE CAPITAL

Ordinary shares and preferred shares

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Issued and fully paid: 841,057,176 (31 December 2022: 841,057,176) ordinary shares of USD0.00001 each	USD8,411	USD8,411
Equivalent to	RMB59,000	RMB59,000

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

	Numbers of ordinary shares	Share capital Amount RMB'000	Shares held for restricted share unit schemes RMB'000	Share Premium RMB'000	Total RMB'000
At 1 January 2022	817,057,176	57	(51,718)	4,007,049	3,955,388
Issue of shares (note a)	24,000,000	2	–	500,464	500,466
Share issue expenses (note a)	–	–	–	(5,005)	(5,005)
Exercise of RSUs (note b)	–	–	–	82,866	82,866
Shares held for restricted share unit schemes (note c)	–	–	(32,734)	–	(32,734)
At 31 December 2022, 1 January 2023 and 30 June 2023	841,057,176	59	(84,452)	4,585,374	4,500,981

Notes:

- (a) On 15 July 2022, 24,000,000 new shares were placed at a price of HK\$24.27 per share to not less than six independent third parties for an aggregate cash consideration, before expenses, of HK\$582,480,000 (equivalent to RMB500,466,000). The related transaction costs amounting to HK\$5,825,000 (equivalent to RMB5,005,000) were netted off against the cash proceeds. The net proceeds were intended to be used for the business development of the Group. Details have been set out in the announcements of the Company dated 8 July and 15 July 2022, respectively.
- (b) During the year ended 31 December 2022, 2,493,950 RSU has been exercised.
- (c) During the year ended 31 December 2022, a trustee purchased 1,741,000 shares, on behalf of the Company at a total cash consideration of HK\$35,500,000, (equivalent to approximately RMB32,734,000) for the Company's restricted share unit schemes.

22. RESERVES

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

Capital reserve

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

Exchange fluctuation reserve

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

23. SHARE-BASED PAYMENTS

Restricted Share Unit Scheme

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

During the six months ended 30 June 2023, no RSUs of the Company were granted to employees.

The vesting periods of these RSUs ranged from 1 month to 5 years. There is no other performance target required except the eligible participant remains as employees of the Group during the vesting period. 101,800 RSUs have been vested under the RSU Scheme during the six months ended 30 June 2023 (year ended 31 December 2022: 2,400,450). As at 30 June 2023, the total number of RSUs which remain outstanding under the RSU Scheme was 22,224,691 (31 December 2022: 22,224,691). No RSUs have been exercised during the six months ended 30 June 2023 (the year ended 31 December 2022: 2,493,950). No RSUs have been forfeited under the RSU Scheme during the six months ended 30 June 2023 (the year ended 31 December 2022: Nil).

During the six months ended 30 June 2023, the Group amortised the difference between the fair value of the share awards and the consideration that employees have to pay to the Company over the vesting period and recognised share award expenses of approximately RMB4,225,000 which was charged to the statement of profit or loss and other comprehensive income (six months ended 30 June 2022: RMB26,144,000). The fair value of the share awards is measured at the grant date at the market value of the shares. Except for the RSUs granted on 26 March 2020 of which the market value is determined using an option pricing model, the market values of the RSUs granted after the completion of IPO are determined using the closing prices of listed shares as at the grant dates.

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

23. SHARE-BASED PAYMENTS (Continued)

2021 Restricted Share Unit Scheme

The Company adopted a new restricted share unit scheme on 6 December 2021 (the “**2021 RSU Scheme**”). The purpose of the 2021 RSU Scheme is to recognise the contributions of the grantees under the 2021 RSU Scheme, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Eligible participants of the 2021 RSU Scheme include employees, advisor or consultant of any member of the Group. Details of the 2021 RSU Scheme have been set out in the announcement of the Company dated 7 December 2021. No RSUs have been granted under the 2021 RSU Scheme during the six months ended 30 June 2023.

Share Option Scheme

The Company adopted a share option scheme on 28 June 2022 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to reward certain eligible participants for their contribution to the success of the Company, and to provide incentives to them to further contribute to the Company. Details of the Share Option Scheme have been set out in the announcement of the Company dated 2 June 2022. No share options have been granted under the Share Option Scheme during the six months ended 30 June 2023.

24. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bank and other borrowings and overdrafts and contract execution are included in notes 10, 11(a), 16 and 19 respectively, to the interim condensed consolidated financial information.

25. COMMITMENTS

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

	30 June 2023 RMB’000 (Unaudited)	31 December 2022 RMB’000 (Audited)
Contracted, but not provided for: Plant and machinery	856,147	981,120

26. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with a non-controlling shareholder and its subsidiaries during the six months ended 30 June 2023: (i) sale of products amounted to RMB78,237,000 (six months ended 30 June 2022: RMB179,508,000); (ii) distribution costs of RMB905,000 and selling and marketing expenses of RMB6,362,000 (six months ended 30 June 2022: RMB47,669,000); (iii) costs of RMB30,944,000 related to purchase of clinical services and medical materials (six months ended 30 June 2022: RMB26,973,000).

The Group had the following transactions with Summit during the six months ended 30 June 2023: (i) license income amounted to RMB2,915,199,000; (ii) sales of products and materials amounted to RMB4,957,000.

The above transactions are determined by reference to the market price and mutually agreed between the parties. The related party transactions with a non-controlling shareholder and its subsidiaries above also constitute continued connected transactions as defined in Chapter 14A of the Listing Rules.

- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term employee benefits	8,239	6,815
Pension scheme contributions	9	9
Equity-settled share award expenses	–	12,982
Total compensation paid to key management personnel	8,248	19,806

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair value	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss:				
Investments in financial products	517,960	195,912	517,960	195,912
Unlisted investment	10,000	10,000	10,000	10,000
	527,960	205,912	527,960	205,912

30 June 2023

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2023 and 31 December 2022 were assessed to be insignificant.

The fair values of the listed equity investments are based on quoted market prices.

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

The fair value of the unlisted investment designated at fair value through profit or loss has been estimated using a market based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period other comprehensive income.

27. 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 30 June 2023 (unaudited)**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable markets (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Investments in financial products	–	517,960	–	517,960
Unlisted investment	–	–	10,000	10,000
	–	517,960	10,000	527,960

As at 31 December 2022 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable markets (Level 3) RMB'000	
Financial assets at fair value through profit or loss:				
Investments in financial products	–	195,912	–	195,912
Unlisted investment	–	–	10,000	10,000
	–	195,912	10,000	205,912

Notes to the Interim Condensed Consolidated Financial Information

30 June 2023

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 29 August 2023.

