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Akesobio

Akeso, Inc.

康方生物科技(開曼)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9926)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The Board of Akeso, Inc. hereby announces the unaudited condensed consolidated results of the Group for the six months ended June 30, 2020. These interim results have been reviewed by the Company's Audit Committee and the Company's auditor, Ernst & Young.

In this announcement, "we", "us" and "our" refer to the Company or where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Changes	
	2020	2019		
	RMB'000	RMB'000	RMB'000	%
	Unaudited	Unaudited		
Other income and gains, net	41,012	22,917	18,095	78.96
Research and development expenses	(240,708)	(123,218)	(117,490)	95.35
Administrative expenses	(99,521)	(13,602)	(85,919)	631.66
Loss for the period	(718,339)	(115,740)	(602,599)	520.65
Total comprehensive loss for the period	(728,709)	(115,550)	(613,159)	530.64
Adjusted total comprehensive loss for the period*	(216,745)	(115,200)	(101,545)	88.15

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

IFRS Measures:

- Other income and gains, net increased by RMB18.1 million from RMB22.9 million for the six months ended June 30, 2019 to RMB41.0 million for the six months ended June 30, 2020. The increase was primarily attributable to interests earned on the proceeds from the Company's IPO on the Stock Exchange and the increase in subsidies from local government for research and development activities.
- Research and development expenses increased by RMB117.5 million from RMB123.2 million for the six months ended June 30, 2019 to RMB240.7 million for the six months ended June 30, 2020. The increase was primarily attributable to the clinical trial advancement of our drug candidates and expansion in headcount of research and development personnel.
- Administrative expenses increased by RMB85.9 million from RMB13.6 million for the six months ended June 30, 2019 to RMB99.5 million for the six months ended June 30, 2020, primarily attributable to the increase in listing expenses in connection with the IPO and the increase in employee salaries and benefits mainly caused by equity-settled share award expenses before the IPO and increase in headcount of non-research and development personnel.
- The loss for the period increased by RMB602.6 million from RMB115.7 million for the six months ended June 30, 2019 to RMB718.3 million for the six months ended June 30, 2020. The increase was mainly attributable to (i) the increase of the loss in the amount of RMB190.2 million as a result of the above factors, and (ii) a non-cash, one time change of RMB412.4 million in the fair value of convertible redeemable preferred shares as required under the IFRS.

Non-IFRS Measures:

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

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

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Total comprehensive loss for the period (unaudited)	(728,709)	(115,550)
Added:		
Fair value changes on convertible redeemable preferred shares	412,421	—
Listing expenses	45,492	350
Equity-settled share award expenses	54,051	—
Adjusted total comprehensive loss for the period	<u>(216,745)</u>	<u>(115,200)</u>

BUSINESS HIGHLIGHTS

On April 24, 2020, the Company was successfully listed on the Stock Exchange. We have made significant progress with respect to our product pipeline and business operation since our Listing Date:

Oncology

- ***PD-1/CTLA-4 bi-specific antibody (AK104):***
 - o In April 2020, we obtained the IND approval from the FDA to initiate a registrational clinical trial of AK104 monotherapy as second-line therapy in patients with recurrent or metastatic cervical cancer and the first patient has been successfully dosed with AK104 in this trial.
 - o In May 2020, we obtained approval from the NMPA to initiate a pivotal registrational trial for third-line treatment of patients with metastatic nasopharyngeal carcinoma and the first patient has been successfully dosed with AK104 in this trial.
 - o In May 2020, the first patient has been successfully enrolled and dosed in the Phase II clinical trial of AK104 for advanced unresectable or MSI-H solid tumors.
 - o In June 2020, Prof. Monk at the University of Arizona, the United States, was appointed as Lead Gynecologic Oncology Advisor and Chair of the Steering Committee for our global Phase II multicenter registrational clinical study to evaluate the efficacy of the PD-1/CTLA-4 (AK104) bi-specific antibody in patients with recurrent or metastatic cervical cancer.
 - o In July 2020, the first patient with AK104 in combination with Lenvatinib for first-line treatment for final stage HCC was successfully dosed.
 - o In August 2020, FDA granted Fast Track designation to AK104 monotherapy for the treatment of patients with recurrent or metastatic cervical cancer.

- ***PD-1 monoclonal antibody (Penpulimab, AK105):***
 - o NMPA accepted our new drug application in May 2020 for the treatment of patients with classical Hodgkin's lymphoma that has relapsed or refractory (r/r) after two or more lines of systemic chemotherapy (r/r cHL).
 - o We jointly initiated or are initiating multiple Phase II/III clinical trials of Penpulimab in combination with Anlotinib with CTTQ for various indications including:
 - Non-squamous non-small cell lung cancer (nsNSCLC);
 - Small cell lung cancer (SCLC);
 - Gastric cancer (GC);
 - Esophageal squamous cell carcinoma (ESCC);
 - Hepatocellular carcinoma (HCC);
 - Urothelial carcinoma (UC);
 - Head and neck cancer (HNC);
 - MSI-H or mismatch repair deficient (dMMR) solid tumor;
 - Neuroendocrine carcinoma, and etc.
- ***PD-1/VEGF bi-specific antibody (AK112):***
 - o We obtained NMPA approval in August 2020 for AK112 to advance to Phase Ib of clinical trial for advanced solid tumors in China. We plan to initiate the trial in China soon. AK112 is currently in Phase Ia clinical study for the treatment of solid tumors in Australia and the first patient was enrolled in October 2019.
- ***VEGFR-2 monoclonal antibody (AK109):***
 - o The first patient with advanced solid tumor has been successfully dosed with AK109 in June 2020.

- ***CD47 monoclonal antibody (AK117):***
 - o We received an IND approval for AK117 in Australia in February 2020 and the first patient was dosed in Australia in May 2020.

Immunology and Other Therapeutic Areas

- ***IL-12/IL-23 monoclonal antibody (AK101):***
 - o We received IND approval for the treatment of ulcerative colitis by the NMPA in China in May 2020.
- ***IL-4R monoclonal antibody (AK120):***
 - o We received an IND approval for AK120 in Australia in February 2020 and the first healthy subject has been successfully dosed with AK120 in June 2020 in Phase Ia clinical trial in New Zealand.
- ***IL-17 monoclonal antibody (AK111):***
 - o The first patient of moderate-to-severe plaque psoriasis has been successfully dosed with AK111 (IL-17 monoclonal antibody) in June 2020 in Phase Ib clinical trial in China.
- ***PCSK9 monoclonal antibody (Ebronucimab, AK102):***
 - o We have enrolled the patients in Phase II clinical trials in China for ebronucimab to treat HoFH, HeFH, hypercholesterolemia patients with a very high or high risk of cardiovascular disease, respectively.

OTHER HIGHLIGHTS

Human Resources Management

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

The following table sets forth a breakdown of our employees by function as of June 30, 2020:

Function	Number of employees	% of total
Research and Development	111	24.2
Clinical	122	26.6
Manufacturing	144	31.5
Sourcing	11	2.4
Selling, General and Administrative	70	15.3
Total	<u>458</u>	<u>100</u>

Talent Acquisitions

In June 2020, we appointed Prof. Monk at the University of Arizona, the United States, as Lead Gynecologic Oncology Advisor and Chair of the Steering Committee for the global Phase II multicenter registrational clinical study to evaluate the efficacy of the PD-1/CTLA-4 (AK104) bi-specific antibody in patients with recurrent or metastatic cervical cancer.

In July 2020, we have appointed Dr. Zhang Xinfeng as senior vice president of the Company. Dr. Zhang has extensive experience in global biopharmaceutical CMC operation and he shall be responsible for CMC development, MST, and technology transfer for antibody drugs.

In July 2020, we have also appointed Dr. Michael (Chen) Chen as business development vice president of the Company. Dr. Chen has extensive experience in global business development. He will be responsible for overseeing the global business development of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

Since our inception, we have had the foresight to develop an end-to-end platform, ACE Platform, encompassing comprehensive drug discovery and development functionalities, including target validation, antibody drug discovery and development, CMC, and GMP-compliant manufacturing. Through our ACE Platform, we have developed one of the richest and most diversified innovative antibody drug pipelines in China covering over 20 drug development programs, including 12 antibodies in clinical-stage development, six bi-specific antibodies (two at clinical stage), and five antibodies with IND approvals from the FDA.

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

Product Pipeline

We have 12 clinical-stage drug candidates, including nine drug candidates we are developing internally and three we have licensed out. We have licensed out a CTLA-4 monoclonal antibody (AK107) to Merck in 2015 and two other drug candidates to our commercial partners for continued clinical development in 2014 and 2016, respectively.

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

We have also strategically developed an expertise in immunology since our inception, which positions us well to capture China's underserved and growing autoimmune disease market. In this therapeutic area, we have three drug candidates currently in clinical trials including an IL-12/IL-23 monoclonal antibody (AK101), an IL-17 monoclonal antibody (AK111), and an IL-4R monoclonal antibody (AK120), and one more in IND-enabling stage (an IL-1 beta monoclonal antibody (AK114)).

In addition to oncology and immunology, we have several compounds targeting diseases in other therapeutic areas including a PCSK-9 monoclonal antibody ebronucimab (AK102) in collaboration under a joint venture agreement with Dawnrays Pharma and a CD73 monoclonal antibody (AK119).

The following chart summarizes the development status of our nine internally-developed, clinical-stage antibody drug candidates as of June 30, 2020:

	Drug Candidate	Target	Comm. Rights	Mono / Combo	Indication	Status					
						Region	Ph 1a	Ph 1b	Ph 2	Pivotal	NDA Submitted
Oncology	AK104*	PD-1 / CTLA-4	Global	Mono	2L/3L cervical cancer [#]	China/US (fast track designation)					
				Mono	3L NPC [#]	China					
				+XELOX	1L GC or GEJ adenocarcinoma [#]	China					
				+Lenvatinib	1L HCC [#]	China					
				+Chemo	1L NSCLC ^Δ	China					
				+Anlotinib	1L NSCLC and 2L/3L NSCLC (PD-(L)1 R/R) ^Δ	China					
				Mono	2L HCC [#]	China					
				Mono	2L ESCC [#]	China					
				Mono	≥2L melanoma (PD-(L)1 naive or R/R) [#]	China					
				Mono	≥2L PTCL [#]	China					
				Mono	2L/3L NSCLC (PD-(L)1 R/R) [#]	China					
				Mono	Adv. solid tumors [#]	China					
				Mono	Adv. solid tumors [#]	Global					
	Penpulimab (AK105**)	PD-1	Global	Mono	3L R/R cHL [†]	China					
				Mono	≥3L NPC [#]	China					
				+Chemo	1L non-SQ NSCLC [#]	China					
				+Anlotinib	1L non-SQ NSCLC [#]	China					
				+Chemo	1L SQ NSCLC [#]	China					
				+Anlotinib	1L HCC [#]	China					
				+Anlotinib	2L GC [#]	China					
				+Anlotinib	dMMR [#]	China					
				+Chemo with/without anlotinib	1L NPC ^Δ	China					
				+Chemo	1L ESCC ^Δ	China					
				+Anlotinib	NSCLC, SCLC, HNC, thyroid cancer, mesothelioma and thymic cancer [#]	China					
				+Anlotinib	ESCC, urothelial carcinoma + GC/GEJ, cholangiocarcinoma, neuroendocrine tumor (NET) [#]	China					
	AK112*	PD-1/VEGF	Global	Mono	Adv. solid tumors [#]	Global					
				Mono	Adv. solid tumors ^Δ	China					
Immunology	AK109***	VEGFR-2	Global	Mono	Adv. solid tumors [#]	China					
	AK117	CD47	Global	Mono	Adv. solid tumors [#]	Global					
	AK101*	IL-12/IL-23	Global	Mono	Moderate-to-severe plaque psoriasis [#]	China					
				Mono	Moderate-to-severe ulcerative colitis	China					
	AK111	IL17	Global	Mono	Moderate-to-severe plaque psoriasis [#]	China					
				Mono	AS ^Δ	China					
Others	Ebronucimab (AK102***)	PCSK9	Global	Mono	Healthy volunteers [#]	New Zealand					
				Mono	Atopic dermatitis ^Δ	Global					
				+Statin/Ezetimibe	HoFH [#]	China					
				+Statin/Ezetimibe	HeFH [#]	China					
				+Statin/Ezetimibe	Hypercholesterolemia [#]	China					

Abbreviations: 1L = first-line; 2L = second-line; 3L = third-line; adv. = advanced; AS = ankylosing spondylitis; cHL = classical Hodgkin's lymphoma; Chemo = chemotherapy; Combo = combination therapy; Comm. = commercial; dMMR = mismatch repair deficient; ESCC = esophageal squamous cell carcinoma; GC = gastric cancer; GEJ = gastroesophageal junction; HCC = hepatocellular carcinoma; HeFH = heterozygous familial hypercholesterolemia; HoFH = homozygous familial hypercholesterolemia; Mono = monotherapy; HNC = head and neck cancer; NPC = nasopharyngeal cancer; NSCLC = non-small cell lung cancer; PTCL = peripheral T cell lymphoma; SCLC = small cell lung cancer; R/R = relapsed/refractory; SQ = squamous.

In progress

Δ To be initiated

† Completed patient enrollment

- * Enlisted in National Major Scientific and Technological Special Project for “Significant New Drugs Development”. Commercial rights of AK104 are owned by Akeso Pharma, a subsidiary of us, in which we hold 95% equity interest.
- ** Commercial rights of penpulimab (AK105) are owned by CTTQ-Akeso, a joint venture consolidated by us, in which we and Chia Tai Tianqing (subsidiary of Sino Biopharmaceutical Limited) hold 50% equity interest each.
- *** Commercial rights of ebronucimab (AK102) and AK109 are owned by AD Pharma, a subsidiary of us, in which we and Dawnrays Pharma (wholly-owned subsidiary of Dawnrays Pharmaceutical (Holdings Limited)) hold 65% and 35% equity interest, respectively.

BUSINESS REVIEW

During the first half of 2020, we continued to make significant progress in our product pipeline and business operations, including the following milestone and achievements:

Our Product Candidates

Oncology

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

For AK104, we have initiated a Phase Ia trial in Australia, and six Phase Ib and Phase II trials in China, including two Phase II basket trials covering multiple tumor types. Based on the current clinical development plan and our fast-to-market strategy, we expect to file the first NDA of AK104 in China for cervical cancer in the second half of 2021. Since our IPO, we have achieved following progress or milestones:

- o In April 2020, we obtained the IND approval from the FDA to initiate a registrational clinical trial of AK104 monotherapy as second-line therapy in patients with recurrent or metastatic cervical cancer and the first patient has been successfully dosed with AK104 in this trial.

- o In May 2020, we obtained approval from the NMPA to initiate a pivotal registrational trial for third-line treatment of patients with metastatic nasopharyngeal carcinoma and the first patient has been successfully dosed with AK104 in this trial.
- o In May 2020, the first patient has been successfully enrolled and dosed in the Phase II clinical trial of AK104 for advanced unresectable or MSI-H solid tumors.
- o In June 2020, Prof. Monk at the University of Arizona, the United States, was appointed as Lead Gynecologic Oncology Advisor and Chair of the Steering Committee for our global Phase II multicenter registrational clinical study to evaluate the efficacy of the PD-1/CTLA-4 (AK104) bi-specific antibody in patients with recurrent or metastatic cervical cancer.
- o In July 2020, the first patient with AK104 in combination with Lenvatinib for first-line treatment for final stage HCC was successfully dosed.
- o In August 2020, FDA granted Fast Track designation to AK104 monotherapy for the treatment of patients with recurrent or metastatic cervical cancer.

The table below sets forth details of our clinical development plan for AK104 (PD-1/CTLA-4).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date ¹	Expected NDA submission date	Location and competent authority
Advanced or metastatic solid tumors	Phase Ia	Mono	October 2017	—	Australia and US
Advanced or metastatic solid tumors*	Phase II	Mono	January 2019	—	China
1L GC or GEJ adenocarcinoma*	Phase II	Combo (with mXELOX)	January 2019	—	China
2L/3L cervical cancer*	Phase II	Mono	September 2019	2H 2021	China/NMPA
2L HCC*	Phase II	Mono	August 2019	—	China
2L ESCC*	Phase II	Mono	August 2019	—	China
2L/3L cervical cancer	Phase II	Mono	July 2020	2H 2021	US/FDA and Australia/TGA
1L HCC	Phase II	Combo (with Lenvatinib)	July 2020	—	China
≥3L NPC	Phase II	Mono	May 2020	—	China
≥2L MSI-H/dMMR solid tumors	Phase II	Mono	May 2020	—	China
≥2L PTCL	Phase Ib	Mono	May 2020	—	China
2L/3L NSCLC (PD-(L)1 R/R)**	Phase II	Mono	December 2019	—	China
≥2L melanoma (PD-(L)1 R/R)**	Phase II	Mono	January 2020	—	China
1L NSCLC	Phase II	Chemo	2H 2020	—	China
1L NSCLC (PD-(L)1 R/R)	Phase II	Combo (with anlotinib)	2H 2020	—	China

Abbreviations: 1H = first half; 2H = second half; 1L = first-line; 2L = second-line; 3L = third-line; Chemo = chemotherapy; Combo = combination therapy; dMMR = mismatch repair deficient; ESCC = esophageal squamous cell carcinoma; GC = gastric cancer; GEJ = gastroesophageal junction; HCC = hepatocellular carcinoma; Mono = monotherapy; MSI-H = microsatellite instability-high; NPC = nasopharyngeal cancer; NSCLC = non-small cell lung cancer; PTCL = peripheral T cell lymphoma; R/R = refractory/relapsed.

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

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

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

- **PD-1 monoclonal antibody Penpulimab (AK105):** Penpulimab (AK105) is an innovative, potentially best-in-class humanized monoclonal antibody against PD-1 we developed in house, and is currently jointly developed and commercialized by the joint venture — CTTQ-Akeso (established by the Company and CTTQ, a subsidiary of Sino Biopharmaceutical Limited, a company listed on the Stock Exchange (stock code: 1177)).

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

- o NMPA accepted our new drug application in May 2020 for the treatment of patients with classical Hodgkin's lymphoma that has relapsed or refractory (r/r) after two or more lines of systemic chemotherapy (r/r cHL).
- o We jointly initiated or are initiating multiple Phase II/III clinical trials of Penpulimab (AK105, PD-1 antibody) in combination with Anlotinib with CTTQ for various indications including:
 - Non-squamous non-small cell lung cancer (nsNSCLC);
 - Small cell lung cancer (SCLC);
 - Gastric cancer (GC);
 - Esophageal squamous cell carcinoma (ESCC);
 - Hepatocellular carcinoma (HCC);
 - Urothelial carcinoma (UC);
 - Head and neck cancer (HNC);
 - MSI-H or mismatch repair deficient (dMMR) solid tumor;
 - Neuroendocrine carcinoma, and etc.

The table below sets forth details of our clinical development plan for penpulimab (AK105) (PD-1).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date ¹	Expected NDA submission date	Location and competent authority
advanced solid tumors	Phase Ia	Mono	December 2017	—	Australia
3L r/r cHL	Phase II	Mono	January 2019	May 2020	China/NMPA
≥3L NPC	Phase II	Mono	March 2019	1H 2021	China/NMPA
1L HCC	Phase III	Combo (with anlotinib)	2H 2020	2H 2022	China/NMPA
1L nsNSCLC (excluding EGFR mutation and ALK translocation)	Phase III	Combo (penpulimab plus pemetrexed and carboplatin)	July 2019	2022	China/NMPA
		Combo (with anlotinib)	January 2020	2022	
1L SQ NSCLC	Phase III	Combo (penpulimab (AK105)/placebo plus paclitaxel and carboplatin)	December 2018	2H 2021	China/NMPA
NSCLC, SCLC, HNC, thyroid cancer, mesothelioma and thymic cancer	Phase II	Combo (with anlotinib)	May 2020	—	China/NMPA
ESCC, urothelial carcinoma, GC/GEJ, cholangiocarcinoma, neuroendocrine tumor (NET)	Phase II	Combo (with anlotinib)	May 2020	—	China/NMPA
dMMR	Phase II	Combo (with anlotinib)	2H 2020	—	China/NMPA
2L GC	Phase III	Combo (with anlotinib)	2H 2020	—	China/NMPA
1L ESCC	Phase III	Chemo	1H 2021	—	China/NMPA
1L NPC	Phase II	+ Chemo with/without anlotinib	2H 2020	—	China/NMPA
Neoadjuvant/adjuvant NSCLC	Phase II	+ Chemo with/without anlotinib	2H 2020	—	China/NMPA

Abbreviations: 1H = first half; 2H = second half; 1L = first-line; 2L = second-line; 3L = third-line; ALK = anaplastic lymphoma kinase; Chemo = chemotherapy; Combo = combination therapy; cHL = classic Hodgkin's lymphoma; dMMR = mismatch repair deficient; EGFR = epidermal growth factor receptor; ESCC = esophageal squamous cell carcinoma; GC = gastric cancer; GEJ = gastroesophageal junction; HCC = hepatocellular carcinoma; HNC = head and neck cancer; Mono = monotherapy; NPC = nasopharyngeal cancer; NSCLC = non-small cell lung cancer; nsNSCLC = non-squamous non-small cell lung cancer; r/r = relapsed or refractory; SCLC = small cell lung cancer; SQ = squamous.

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

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

AK112 is in Phase Ia clinical study for the treatment of solid tumors in Australia and the first patient was enrolled in October 2019. We have also obtained IND approval from FDA in June 2019. Since our IPO, we have achieved following progress or milestones:

- o In August 2020, we obtained NMPA approval for AK112 to advance to Phase Ib of clinical trial for advanced solid tumors in China and plan to initiate a Phase Ib clinical study in the China in the second half of 2020.
- **VEGFR-2 monoclonal antibody (AK109):** AK109 is a fully human monoclonal IgG1 antibody against VEGFR-2. AK109 blocks VEGF binding to VEGFR-2, inhibiting VEGF mediated biological processes including angiogenesis. We are evaluating this drug candidate for the treatment of solid tumor.

We have obtained the IND approval from the NMPA for AK109 (VEGFR-2) and plan to conduct a Phase Ib dose escalation trial in China. After the dose escalation trial, we plan to conduct a series of clinical trials to evaluate AK109 in combination with either our AK104 (PD-1/CTLA-4) or our penpulimab (PD-1, AK105) for the treatment of lung cancer, or in combination with other targeted therapies for the treatment of liver cancer. Since our IPO, we have achieved following progress or milestones:

- o The first patient with advanced solid tumor has been successfully dosed with AK109 in June 2020.
- o We plan to initiate a Phase Ib clinical study in solid tumor and a Phase II clinical study in NSCLC in combination with AK104 in the second half of 2020 and the first half of 2021, respectively.

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

We have received an IND approval for AK117 in Australia in February 2020. Since our IPO, we have achieved following progress or milestones:

- o The first patient was successfully dosed with AK117 in Australia in May 2020.

Immunology and Other Therapeutic Areas

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

We are currently conducting Phase IIb clinical trial, of AK101 in moderate to severe psoriasis patients in China. Based on the current clinical development plan, we expect to initiate a Phase III trial for moderate to severe psoriasis in the first half of 2021 and file the first NDA for AK101 in the second half of 2022. We have also received IND approval from the FDA for evaluating AK101 for the treatment of ulcerative colitis in the U.S. in October 2019. Since our IPO, we have achieved following progress or milestones:

- o We received IND approval from the NMPA for evaluating AK101 for the treatment of ulcerative colitis in China in May 2020.

The table below sets forth details of our clinical development plan for AK101 (IL-12/IL-23).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date ¹	Expected NDA submission date	Location and competent authority
Moderate-to-severe ulcerative colitis	Phase Ib	Mono	2H 2020	—	China
Moderate-to-severe plaque psoriasis	Phase IIb	Mono	December 2019	—	China
Moderate-to-severe psoriasis	Phase III	Mono	1H 2021	2H 2022	China/NMPA

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

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

- **IL-4R monoclonal antibody (AK120):** AK120 is a monoclonal antibody against IL-4R and is being evaluated as a monotherapy for the treatment of atopic dermatitis and asthma. AK120 blocks the biological activities of cytokines IL-4 and IL-13.

We are evaluating this drug candidate as a monotherapy for the treatment of atopic dermatitis and asthma, and received an IND approval for AK120 in Australia in February 2020. Since our IPO, we have achieved following progress or milestones:

- o The first healthy subject has been successfully dosed with AK120 in June 2020 in Phase Ia clinical trial in New Zealand. We plan to initiate a Phase Ib clinical study in atopic dermatitis in New Zealand or Australia in the second half of 2020.

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

We have completed a Phase I clinical trial of AK111 in New Zealand and have obtained an IND approval for psoriasis in China. Since our IPO, we have achieved following progress or milestones:

- o The first patient of moderate-to-severe plaque psoriasis has been successfully dosed with AK111 (IL-17 monoclonal antibody) in June 2020 in Phase Ib clinical trial in China. We plan to initiate two Phase II clinical studies in psoriasis and ankylosing spondylitis (AS) in the first half of 2021.

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

We have enrolled the patients in Phase II clinical trials in China for ebronucimab (AK102) to treat HoFH, HeFH, hypercholesterolemia patients with a very high or high risk of cardiovascular disease, respectively.

The table below sets forth details of our clinical development plan for ebronucimab (PCSK9, AK102).

Indication	Clinical trial stage	Type of therapy	(Expected) first patient in date ¹	Location
HoFH	Phase II	ebronucimab (AK102)/ Placebo plus Statin and Ezetimibe	May 2019	China
HeFH	Phase II	ebronucimab (AK102)/ Placebo plus Statin and/or Ezetimibe	December 2019	China
Hypercholesterolemia (for patients with very high/ high cardiovascular risk)	Phase II	ebronucimab (AK102)/ Placebo plus Statin and/or Ezetimibe	May 2020	China

Abbreviations: HeFH = heterozygous familial hypercholesterolemia; HoFH = homozygous familial hypercholesterolemia.

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

Warning under Rule 18A.08(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited: There is no assurance that AK104, AK105, AK112, AK109, AK117, AK101, AK120, AK111, AK102 will ultimately be successfully developed and marketed by the Company. As at the date of this announcement, no material adverse changes had occurred with respect to the regulatory approvals we had received in relation to our drug candidates.

Our Selected IND-enabling Drug Candidates

In addition to our clinical-stage drug candidates, as of June 30, 2020, we are also developing over five drug candidates in IND-enabling stage, including but not limited to:

Assets	Target(s)	Monotherapy/ Combo-therapy	Therapeutic Areas	Commercialization Rights
AK114	IL-1 beta	Monotherapy	Oncology/ Inflammatory disease	Global
AK119	CD73	Monotherapy	Oncology/ Immunology	Global
AK123	PD-1/CD73	Monotherapy	Oncology	Global
AK127	TIGIT	Monotherapy	Onocology	Global
AK129	PD-1/Lag3	Monotherapy	Oncology	Global

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

Our Discovery-Stage Candidates

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

Research and Development

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

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

Manufacturing Facilities

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

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

- **GMP Pilot Plant:** Our GMP Pilot Plant currently houses our early-stage production with 50 L, 200 L and 250 L disposable bioreactors.
- **FDA/NMPA Compliant GMP Manufacturing Facility:** Our Zhongshan facility, approximately 3,200 square meters of floor space, is the first biopharmaceutical factory in the South China region that uses GE Healthcare's FlexFactory™ technology, which provides centralized control and a disposable bioreactor lining system. This facility enables GMP-compliant manufacturing capacity of 3,700L. The Zhongshan facility also features a 6,000 vial/hour (10 mL and 2 mL vials) fill/finish line. Comprehensive and robust quality system has been established to support clinical and commercial production.
- **Commercialization Manufacturing Base in Guangzhou Under Construction:** This facility is being built on a piece of land of 56,573 square meters and will house up to a total of 40,000 L manufacturing capacity to accommodate our future growth for drug supply. In the first phase, we plan to house up to 20,000 L bioreactors and two fill/finish lines for vials and pre-filled syringes, respectively, with an anticipated annual production capacity of two million dose units (vials and syringes). We expect this facility to also serve as our bio-analysis center with comprehensive quality control and micro-testing functions. A development laboratory with pilot plant will be established and enable late stage process development and full manufacturing support. We expect to complete facility construction and commence operation by the beginning of 2021.

Human Resources Management

To fully support our continued growth, we continue to invest in attracting and retaining top talent, and expand our talent pool and enhance our capabilities in various aspects of our operations including but not limited to research and development, clinical development, and manufacturing.

The following table sets forth a breakdown of our employees by function as of June 30, 2020:

Function	Number of employees	% of total
Research and Development	111	24.2
Clinical	122	26.6
Manufacturing	144	31.5
Sourcing	11	2.4
Selling, General and Administrative	70	15.3
Total	<u>458</u>	<u>100</u>

Talent Acquisitions and Other Business Highlights

In April 2020, we presented Phase II preliminary results of AK104, a PD-1/CTLA-4 bispecific antibody in combination with chemotherapy as first-line therapy in patients (pts) with advanced gastric (G) or gastroesophageal junction (GEJ) cancer at the 2020 AACR.

In May 2020, the abstracts on Phase II study on clinical efficacy and safety of penpulimab (AK105, PD-1 antibody) in combination with anti-angiogenic inhibitor Anlotinib for 1L HCC, have been accepted for poster presentation at the 2020 ASCO Annual Meeting.

In June 2020, we presented the clinical trial progress of AK112 (a PD-1/VEGF bi-specific antibody) for the treatment of advanced solid tumors via poster presentation at the 2020 ASCO Annual Meeting.

In June 2020, we appointed Prof. Monk at the University of Arizona, the United States, as Lead Gynecologic Oncology Advisor and Chair of the Steering Committee for the global Phase II multicenter registrational clinical study to evaluate the efficacy of the PD-1/CTLA-4 (AK104) bi-specific antibody in patients with recurrent or metastatic cervical cancer. Prof. Monk is an internationally well-recognized research expert in the prevention and therapy of gynecologic cancers. He has participated in various global researches in gynecologic oncology with excellent achievements and extensive clinical experience and published over 300 articles in peer-reviewed journals. We believe Prof. Monk's extensive experience in design, implementation, analysis and management of clinical researches, will facilitate a more scientific and effective clinical research of AK104 and accelerate the progress of its research and development.

Events after the Reporting Period

In July 2020, the first patient with AK104 in combination with Lenvatinib for first-line treatment for advanced HCC was successfully dosed.

In July 2020, we have appointed Dr. Zhang Xinfeng as senior vice president of the Company. Dr. Zhang has extensive experience in global biopharmaceutical CMC operation and he shall be responsible for CMC development, MST operation, and technology transfer for antibody drugs. Dr. Zhang has extensive experience and track records in biologics' process and product development, manufacturing operation, technology transfer, regulatory filings, quality system, and supply chain management. The appointment of Dr. Zhang will further strengthen our layout in CMC development and technology transfer, which will expedite the development and global filings of new drugs.

In July 2020, we have also appointed Dr. Michael (Chen) Chen as business development vice president of the Company. Dr. Chen has extensive experience in global business development. He will be responsible for overseeing the global business development of the Company. Dr. Chen has dedicated himself to biopharmaceutical industry and global business development for years and has extensive experience and practical achievements in external innovation, pipeline cooperation and business development. The appointment of Dr. Chen will further strengthen our pipeline cooperation and business expansion, accelerate the commercialization of our innovative drug pipeline, enhance our core competitiveness and improve our global business layout.

COVID-19 Impact and Response

There has been an outbreak of COVID-19 around the world.

Management of the Company currently expected that clinical trials in and outside of Mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this announcement, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or material impact on the financial position or financial performance of the Group.

It is uncertain when, and whether, COVID-19 could be contained. The above analysis is made by management of the Company based on the currently available information concerning COVID-19. Management of the Company cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.

FUTURE DEVELOPMENT

We will continue to rapidly advance both ongoing and planned clinical programs for our pipeline products both in China and globally, including the U.S., and prepare the commercialization of our late-stage pipeline products. We expect to receive NDA approval for Penpulimab in 3L R/R cHL in China in 2021, submit NDA for $\geq$ 3L nasopharyngeal cancer in the first half of 2021, and submit NDA for Penpulimab in combination with chemotherapy for 1L squamous NSCLC in 2021. We expect to submit NDA for AK104 (PD-1/CTLA-4) in 2L/3L cervical cancer in the second half of 2021. We also expect data readouts for other drug candidates including AK112 (PD-1/VEGF), AK101 (IL-12/IL-23), Ebronucimab (AK102, PCSK9), AK120 (IL-4R) and AK111 (IL-17) in the next twelve months. We already started to prepare for the coming launch of AK104 and other products, and develop our commercialization capabilities by actively identifying, and recruiting sales and marketing personnel. We plan to build an experienced and strong commercial operation team with local market knowledge of approximately 300–500 personnel by the end of 2021.

Also, we will further advance our pre-clinical programs and leverage our ACE platform to discover, validate and select targets to continuously enrich our product portfolio with a focus on both immuno-oncology and immunology therapeutic areas. We anticipate advancing two to three drug candidates into clinical stage in 2021. In particular, in correspondence to the outbreak of COVID-19, we swiftly prioritized and rapidly promoted our AK119 (CD73 antibody) program and have completed ethics submission in New Zealand for AK119 with indication for treating COVID-19 patients and expect to launch first-in-human study around November 2020.

AK119 antibody is a full antagonist of CD73 activity. Complete blockade of CD73 activity by AK119 causes strong B cell activation and enhanced antibody production. Enhanced antibody production in COVID-19 patients may potentially augment their ability to destroy SARS-CoV-2 virus. We believe our AK119 could potentially be the effective treatment to be used for treating COVID-19 illness. AK119 may also result in more long-term immunity to SARS-CoV-2 virus, and potentially use in conjunction with vaccination of healthy people to enhance the efficacy of vaccines.

In the meantime, to expedite the commercialization of our drug candidates and maximize the commercial value, we will actively explore value-accretive strategic partnerships such as co-development, collaboration, and licensing both in China and globally.

In anticipation of increased production demands for our drug candidates, we plan to further expand our GMP-compliant manufacturing capacity. We expect to complete the installation of our new manufacturing facility in Guangzhou and commence the operation by the beginning of 2021, which we expect to house up to 20,000L bioreactor capacity for the first phase of the project. In the meantime, pursuant to the investment agreement we previously entered in March 2019 with Zhongshan Health Technology Industrial Base Development Co., Ltd. and Torch Development Zone Linhai Industry Park Development Co., Ltd. in Zhongshan Cuiheng New District, we plan to start the construction of a new manufacturing facility in Cuiheng district in the second half of 2020. According to the preliminary plan, an additional 40,000L manufacturing capacity will be built in this new facility.

We are very pleased to see the rapid progress we achieved so far and the detailed development plan ahead of us. In line with our Company's vision, we are committed to becoming a global biopharmaceutical company in developing, manufacturing and commercializing innovative, next-generation and affordable therapeutic antibodies for patients worldwide.

FINANCIAL REVIEW

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income and gains, net	41,012	22,917
Administrative expenses	(99,521)	(13,602)
Research and development expenses	(240,708)	(123,218)
Other expenses, net	(230)	(267)
Fair value changes on convertible redeemable preferred shares	(412,421)	—
Finance costs	(6,471)	(1,570)
Loss for the period	<u>(718,339)</u>	<u>(115,740)</u>
Other comprehensive loss		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(10,952)</u>	<u>190</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	<u>582</u>	<u>—</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(10,370)</u>	<u>190</u>
Total comprehensive loss for the period	<u>(728,709)</u>	<u>(115,550)</u>
Non-IFRS Measures		
Adjusted total comprehensive loss for the period	<u>(216,745)</u>	<u>(115,200)</u>

1. Other Income and Gains, net

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

For the six months ended June 30, 2020, the other income and gains, net of the Group increased by RMB18.1 million to RMB41.0 million, from RMB22.9 million for the six months ended June 30, 2019. The increase was primarily attributable to interests earned on the proceeds from the Company's IPO on the Stock Exchange and the increase in subsidies from local government for research and development activities.

2. Research and Development Expenses

The Group's research and development expenses primarily consisted of: (i) the costs of clinical trials for our drug candidates including third-party contracting costs with the engagement of CROs, clinical trial sites and other service providers in connection with clinical trials, (ii) employee salaries and related benefit costs including share based compensation 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,			
	2020	2019	Changes	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	(Unaudited)	(Unaudited)		
Clinical trial costs	154,828	73,925	80,903	109.4
Salaries and benefits	52,304	14,470	37,834	261.5
Testing expenses	12,937	14,125	(1,188)	(8.4)
Raw material costs	6,979	11,587	(4,608)	(39.8)
Depreciation and amortization	5,996	4,988	1,008	20.2
Others	7,664	4,123	3,541	85.9
	<u>240,708</u>	<u>123,218</u>	<u>117,490</u>	<u>95.4</u>

For the six months ended June 30, 2020, the research and development expenses of the Group increased by RMB117.5 million, or 95.4%, to RMB240.7 million from RMB123.2 million for the six months ended June 30, 2019. The increase was primarily attributable to (i) clinical trial advancement and the increased expenses incurred for additional clinical trials as more drug candidates progressed into clinical trial stage in the first half of 2020, and (ii) increase in headcount of research and development personnel.

3. Administrative Expenses

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

For the six months ended June 30, 2020, the administrative expenses of the Group increased by RMB85.9 million to RMB99.5 million from RMB13.6 million for the six months ended June 30, 2019, which was primarily attributable to (i) the increase in listing expenses in connection with the IPO, and (ii) the increase in employee salaries and benefits mainly caused by equity-settled share award expense before the IPO and increase in headcount of non-research and development personnel.

The following table sets forth the components of our administrative expenses for the periods indicated:

	Six months ended June 30,		Changes RMB'000	%
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)		
Listing expenses	45,492	350	45,142	12,897.7
Salaries and benefits	43,511	5,635	37,876	672.2
Depreciation and amortization	3,765	2,665	1,100	41.3
Professional fees	2,068	1,488	580	39.0
Travel and office expenses	1,731	2,052	(321)	(15.6)
Rental and utilities cost	1,017	372	645	173.4
Others	1,937	1,040	897	86.3
	<u>99,521</u>	<u>13,602</u>	<u>85,919</u>	<u>631.7</u>

4. Fair Value Changes on Convertible Redeemable Preferred Shares

For the six months ended June 30, 2020, the Group recorded fair value loss on convertible redeemable preferred shares of RMB412.4 million. Such loss on the fair value changes of convertible redeemable preferred shares was a non-cash and non-recurring accounting adjustment recognised as of the Listing Date, as the fair value of the convertible redeemable preferred shares was deemed to be increased upon the completion of the IPO of the Company. As all of the Company's preferred shares were converted to ordinary shares upon the Listing Date, the Group will not incur any additional losses related to the fair value changes of preferred shares on going forward.

5. Finance Costs

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

For the six months ended June 30, 2020, the finance costs of the Group increased by RMB4.9 million to RMB6.5 million from RMB1.6 million for the six months ended June 30, 2019, which was primarily attributable to an increase in interest incurred from bank and other borrowings.

6. Loss for the Period

For the reasons described above, loss for the period of the Group increased by RMB602.6 million from RMB115.7 million for six months ended June 30, 2019 to RMB718.3 million for six months ended June 30, 2020.

7. Non-IFRS Measure

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

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

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

	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive loss for the period (unaudited)	(728,709)	(115,550)
Added:		
Fair value changes on convertible redeemable preferred shares	412,421	—
Listing expenses	45,492	350
Equity-settled share award expenses	54,051	—
Adjusted total comprehensive loss for the period	<u>(216,745)</u>	<u>(115,200)</u>

Selected Data from Interim Condensed Consolidated Statement of Financial Position

	As at June 30, 2020 <i>RMB'000</i> Unaudited	As at December 31, 2019 <i>RMB'000</i> Audited
Total current assets	3,888,454	1,255,964
Total non-current assets	588,126	416,975
Total Assets	<u>4,476,580</u>	<u>1,672,939</u>
Total current liabilities	230,244	119,761
Total non-current liabilities	265,190	1,337,473
Total liabilities	<u>495,434</u>	<u>1,457,234</u>
Net current assets	<u>3,658,210</u>	<u>1,136,203</u>

8. Liquidity and Source of Funding and Borrowing

As at June 30, 2020, the Group's cash and cash equivalents increased by RMB2,301.3 million to RMB3,487.4 million from RMB1,186.0 million as at December 31, 2019. The increase primarily resulted from the proceeds from the IPO.

As at June 30, 2020, the current assets of the Group were RMB3,888.5 million, including cash and cash equivalents of RMB3,487.4 million, financial assets at fair value through profit or loss of RMB301.1 million and other current assets of RMB100.0 million. As at June 30, 2020, the current liabilities of the Group were RMB230.2 million, including trade payables of RMB79.0 million, other payables and accruals of RMB79.2 million, bank and other borrowings of RMB68.4 million and other current liabilities of RMB3.6 million. As at June 30, 2020, the Group had available unutilized bank loan facilities of approximately RMB11.0 million, as compared to RMB26.8 million as at December 31, 2019.

As at June 30, 2020, the Group had short term loans of approximately RMB68.4 million (December 31, 2019: approximately RMB38.1 million) and had long term loans of approximately RMB213.7 million (December 31, 2019: approximately RMB173.2 million).

Such borrowings bear interest at fixed annual interest rates ranging from 4.35% to 6.5%. There was no material influence of seasonality on the Group's borrowing needs.

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

9. Pledge of Assets

As at June 30, 2020, the Group had total RMB271.0 million of buildings, construction in progress and land use right pledged to secure its loans and banking facilities.

10. Key Financial Ratios

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

	As at June 30, 2020	As at December 31, 2019
Quick ratio ⁽¹⁾	16.8	10.4
Gearing ratio ⁽²⁾	Not Meaningful⁽²⁾	Not Meaningful ⁽²⁾

Note:

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

11. Significant Investments

The financial assets at fair value through profit and loss held by the Group consisted of short term financial products, such as structured deposits, issued by banks. As at June 30, 2020, the financial assets at fair value through profit and loss held by the Group were RMB301.1 million, representing an increase of RMB300.4 million as compared with that of RMB0.7 million as at December 31, 2019 as a result of the investment decisions made to better manage surplus cash without interfering with our business operations and capital expenditure.

The Group adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position throughout the Reporting Period. To better manage surplus cash, we have used some of the surplus cash to purchase wealth management products with principal guaranteed issued by banks in the PRC. When we made these decisions, we considered our funding needs from operating and investing activities carefully, and all of the wealth management products have a tenor shorter than our funding needs.

As of June 30, 2020, the balance of the financial assets at fair value through profit or loss amounted to approximately RMB301.1 million, representing 6.7% of total assets. Products associated with 45.0% of the balance have maturity date within 30 days as of June 30, 2020. The following table sets forth the details of financial assets at fair value through profit or loss held by the Group as of June 30, 2020:

Financial assets at fair value through profit or loss	Range of interest rate	Range of maturity date	Principal amount as at the purchase	Changes in fair value for the six months ended June 30, 2020 (thousands in RMB)	Carrying amount as of June 30, 2020
Structured deposits	1.25% – 3.8%	2020/07/10 – 2020/09/18	275,000	1,041	276,041
Wealth management products	2.60 – 2.95%	2020/07/13 – 2020/09/23	25,000	97	25,097
			<u>300,000</u>	<u>1,138</u>	<u>301,138</u>

Save as disclosed above, the Group did not hold any significant investments as at June 30, 2020.

12. 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, 2020.

13. Contingent Liabilities

Save as disclosed in note 15 to the Interim Condensed Consolidated Financial Information, the Group did not have any material contingent liabilities as at June 30, 2020.

14. Capital commitment

The capital commitments of the Group as at June 30, 2020 were RMB324.6 million, representing an increase of RMB56.5 million as compared with that of RMB268.1 million as at December 31, 2019, primarily attributable to progress made in the construction of manufacturing facilities.

15. Foreign Exchange Exposure

During the six months ended June 30, 2020, 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, 2020, a significant amount of the Group's cash and cash equivalents was denominated in Hong Kong dollars. Except for certain cash and cash equivalents, financial assets at fair value through profit and loss and trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at June 30, 2020. Our Group manages its foreign exchange risk by performing regular reviews of our net foreign exchange exposures and seeks to minimize these exposures whenever possible.

16. Employees and Remuneration

As at June 30, 2020, the Group had a total of 458 employees. The following table sets forth the total number of employees by function as of June 30, 2020:

Function	Number of employees	% of total
Research and Development	111	24.2
Clinical	122	26.6
Manufacturing	144	31.5
Sourcing	11	2.4
Selling, General and Administrative	70	15.3
Total	<u>458</u>	<u>100</u>

The total remuneration cost incurred by the Group for the six months ended June 30, 2020 was RMB95.8 million, as compared to RMB20.1 million for the six months ended June 30, 2019. The increase was primarily attributable to (i) equity-settled share award expenses of RMB54.1 million before the IPO, and (ii) an increase of RMB21.6 million in employee salaries and benefits in line with the expansion in headcount.

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 Chinese 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.

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

OTHER INFORMATION

INTERIM DIVIDEND

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

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 contained in Appendix 14 to the Listing Rules, the Stock Exchange, as its own code to govern its corporate governance practices.

As the shares of the Company were listed on the Stock Exchange on April 24, 2020, the CG Code did not apply to the Company during the period before the Listing Date. In the opinion of the Directors, save as disclosed below, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to June 30, 2020.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Dr. XIA Yu is the chairwoman and chief executive officer of the Company. With her extensive experience in the industry, the Board believes that vesting the roles of both chairwoman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Dr. XIA Yu performs both the roles of chairwoman and chief executive officer, the division of responsibilities between the chairwoman and chief executive officer is clearly established. In general, the chairman 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 during the period from the Listing Date to June 30, 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date to June 30, 2020.

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

The shares of the Company were listed on the Listing Date by way of a Global Offering. Pursuant to the Global Offering, 159,495,000 Shares (approximately 20.9% of the then total number of shares of the Company of 763,133,176) were issued to the public. An aggregate of 23,924,000 Shares (representing approximately 15% of the total number of the Shares initially available under the Global Offering) were issued upon the exercise of the Over-allotment Option. The gross proceeds received by the Company from the Global Offering and the Over-allotment Option were approximately HK\$2,967.7 million (equivalent to approximately RMB2,714.5 million).

Please refer to the Prospectus and the announcement of the Company dated April 14, 2020 and May 17, 2020 for further details about the Global Offering and the Over-allotment Option.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date to June 30, 2020.

USE OF NET PROCEEDS

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 the date of this announcement, the Company has not used any of the proceeds. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

REVIEW OF INTERIM RESULTS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other income and gains, net	4	41,012	22,917
Administrative expenses		(99,521)	(13,602)
Research and development expenses		(240,708)	(123,218)
Other expenses, net		(230)	(267)
Fair value changes on convertible redeemable preferred shares		(412,421)	—
Finance costs	6	(6,471)	(1,570)
LOSS BEFORE TAX	5	(718,339)	(115,740)
Income tax expense	7	—	—
LOSS FOR THE PERIOD		<u>(718,339)</u>	<u>(115,740)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(10,952)</u>	<u>190</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		<u>582</u>	<u>—</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		<u>(10,370)</u>	<u>190</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(728,709)</u>	<u>(115,550)</u>

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss attributable to:			
Owners of the parent		(672,793)	(110,902)
Non-controlling interests		(45,546)	(4,838)
		<u>(718,339)</u>	<u>(115,740)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(683,163)	(110,712)
Non-controlling interests		(45,546)	(4,839)
		<u>(728,709)</u>	<u>(115,550)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For loss for the period	9	<u>RMB(1.13) yuan</u>	<u>RMB(1,320.61) yuan</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	288,507	214,005
Right-of-use assets	11	151,383	52,405
Intangible assets		1,470	500
Advance payments for acquisition of land use rights	11	—	99,263
Advance payments for property, plant and equipment		146,766	50,802
Total non-current assets		588,126	416,975
CURRENT ASSETS			
Inventories		29,425	15,523
Prepayments, other receivables and other assets		68,248	51,362
Financial assets at fair value through profit or loss	12	301,138	772
Pledged deposits		2,266	2,263
Cash and cash equivalents		3,487,377	1,186,044
Total current assets		3,888,454	1,255,964
CURRENT LIABILITIES			
Trade payables	13	78,980	42,923
Other payables and accruals		79,249	34,459
Interest-bearing bank and other borrowings		68,376	38,095
Tax payable		1,439	1,425
Lease liabilities	11	2,200	2,859
Total current liabilities		230,244	119,761
NET CURRENT ASSETS		3,658,210	1,136,203
TOTAL ASSETS LESS CURRENT LIABILITIES		4,246,336	1,553,178

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	14	—	1,099,563
Interest-bearing bank and other borrowings		213,684	173,280
Lease liabilities	11	3,441	4,481
Deferred income		48,065	60,149
Total non-current liabilities		265,190	1,337,473
Net assets		3,981,146	215,705
EQUITY			
Equity attributable to owners of the parent			
Share capital		55	34
Reserves		3,618,216	(6,387)
		3,618,271	(6,353)
Non-controlling interests		362,875	222,058
Total equity		3,981,146	215,705

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	<u>(201,992)</u>	<u>(154,229)</u>
Net cash flows used in investing activities	<u>(477,300)</u>	<u>(56,349)</u>
Net cash flows from financing activities	<u>2,975,972</u>	<u>100,310</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,296,680	(110,268)
Cash and cash equivalents at beginning of period	1,186,029	313,701
Effect of foreign exchange rate changes, net	<u>4,668</u>	<u>(69)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>3,487,377</u></u>	<u><u>203,364</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 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 consolidated financial statements for the year ended 31 December 2019 included in the prospectus of the Company dated 14 April 2020 (the "**Prospectus**"). 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 POLICES 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 consolidated financial statements for the year ended 31 December 2019 included in the Prospectus, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's plant and buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB64,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six-month period ended 30 June 2020.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

Geographical Information

Non-current assets

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Mainland China	588,002	416,840
USA	124	135
	<u>588,126</u>	<u>416,975</u>

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank and other interest income	10,698	2,953
Government grant released*	27,434	15,718
Net income from lab testing services	158	4,245
Foreign exchange differences, net	1,584	—
Net changes in fair value of financial assets at fair value through profit or loss	1,138	1
	41,012	22,917

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

5. LOSS BEFORE TAX

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

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
Wages and salaries		33,952	14,653
Pension scheme contributions		1,579	1,841
Equity-settled share award expenses		54,051	—
		89,582	16,494
Depreciation of property, plant and equipment	10	7,197	6,611
Depreciation of right-of-use assets	11	2,800	1,277
Amortisation of intangible assets*		211	28
Loss upon early termination of a lease**	11	127	—
Lease payments not included in the measurement of lease liabilities		347	35
Listing expenses		45,492	350
Foreign exchange differences, net		(1,584)	260

- * Included in “Administrative expenses” in the interim condensed consolidated statements of profit or loss and other comprehensive income
- ** Included in “Other expenses, net” in the interim condensed consolidated statements of profit or loss and other comprehensive income

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance cost on lease liabilities	169	196
Interest on bank and other borrowings	10,100	1,374
Total interest expense on financial liabilities not at fair value through profit of loss	10,269	1,570
Less: Interest capitalised	(3,798)	—
	6,471	1,570

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 2019: 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 2020 (six months ended 30 June 2019: 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 2020 and 2019.

^ The English names are for identification purposes only.

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% during the Relevant Periods and California income tax was provided at the rate of 8.84% for six months ended 30 June 2020 and 2019 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current		
Charge for the period	—	—
Deferred	—	—
Total tax charge for the period		

8. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 and subsequent to the end of the reporting period (six months ended 30 June 2019: Nil).

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

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of shares in issue, during the six months ended 30 June 2020 and 2019.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2020 and 2019 in respect of a dilution as the impact of the conversion of the convertible redeemable preferred shares had an anti-dilutive effect on the basic loss per share amounts presented. Accordingly, the dilutive loss per share amounts for the period ended 30 June 2020 and 2019 are the same as the basic loss per share amounts.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the parent	(672,793)	(110,902)
Add: Loss attributable to preferred shareholders	140,677	—
	<u> </u>	<u> </u>
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u>(532,116)</u>	<u>(110,902)</u>
	Number of shares	
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of shares in issue during the period used in the basic and diluted loss per share calculation	<u>469,088,509</u>	<u>83,978</u>

Note: The basic and diluted loss per share amounts presented for the period ended 30 June 2019 are not comparable to the amounts presented for the period ended 30 June 2020, as there have been certain movements in the Company's share capital during the period from 1 July 2019 to 30 June 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At beginning of period:		
Cost	247,901	157,823
Accumulated depreciation	(33,896)	(20,478)
Net carrying amount	<u>214,005</u>	<u>137,345</u>
At beginning of period, net of accumulated depreciation	214,005	137,345
Additions	77,925	88,408
Interest capitalised	3,798	1,698
Disposals	(26)	(25)
Depreciation provided during the period	(7,197)	(13,419)
Exchange realignment	2	(2)
At end of period, net of accumulated depreciation	<u>288,507</u>	<u>214,005</u>
At end of period:		
Cost	329,598	247,901
Accumulated depreciation	(41,091)	(33,896)
Net carrying amount	<u>288,507</u>	<u>214,005</u>

At 30 June 2020, the Group's buildings with a net carrying amount of RMB57,954,000 (31 December 2019: RMB59,552,000), and certain of the Group's construction in progress with a net carrying amount of RMB111,786,000 (31 December 2019: RMB69,208,000) were pledged to secure bank and other borrowings.

11. RIGHT-OF-USE ASSETS, ADVANCED PAYMENTS FOR ACQUISITION OF LAND USE RIGHTS, AND LEASE LIABILITIES

The Group had lease contracts for plant and buildings, machinery and land use rights with lease terms of 2 to 50 years for the six months ended 30 June 2020 and 2019.

	Right-of-use assets				Lease liabilities
	Plant and buildings	Machinery	Land use rights	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2020					
At 1 January 2020 (audited)	2,746	3,508	46,151	52,405	7,340
Additions	199	—	102,291	102,490	199
Depreciation charged	(770)	(528)	(1,502)	(2,800)	—
Interest expense	—	—	—	—	169
Remeasurement resulting from early termination of a lease	(712)	—	—	(712)	(585)
Payments	—	—	—	—	(1,482)
As at 30 June 2020 (unaudited)	<u>1,463</u>	<u>2,980</u>	<u>146,940</u>	<u>151,383</u>	<u>5,641</u>
As at 31 December 2019					
At 1 January 2019 (audited)	376	4,563	47,110	52,049	6,487
Additions	3,320	—	—	3,320	3,320
Depreciation charged	(950)	(1,055)	(959)	(2,964)	—
Interest expense	—	—	—	—	385
Payments	—	—	—	—	(2,852)
At 31 December 2019 (audited)	<u>2,746</u>	<u>3,508</u>	<u>46,151</u>	<u>52,405</u>	<u>7,340</u>

Balance of advance payments for acquisition of land use rights as at 31 December 2019 represented the advanced payments made by the Group for acquisition of a parcel of land in Zhongshan, which was acquired by the Group in January 2020.

At 30 June 2020, the Group's land used rights with a net carrying amount of RMB101,268,000 (31 December 2019: nil) was pledged to secure bank borrowings.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investments in financial products, at fair value	<u>301,138</u>	<u>772</u>

The above investments represented investment in financial products which were issued by banks with expected interest rates ranging from 1.25% to 3.80% per annum. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected interest.

13. TRADE PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	67,085	41,974
3 to 6 months	10,734	840
6 months to 1 year	835	109
Over 1 year	<u>326</u>	<u>—</u>
	<u>78,980</u>	<u>42,923</u>

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

14. PREFERRED SHARES

After completing Series D investments on 4 November 2019, pursuant to the Group's Reorganisation as defined and detailed in the Prospectus, the Company had 88,417,200 Series A Preferred Shares, 102,357,109 Series B Preferred Shares, 24,369,600 Series C Preferred Shares and 103,614,927 Series D Preferred Shares. All Series A Preferred Shares and Series C Preferred Shares are convertible. 17,157,109 Series B Preferred Shares are convertible and redeemable (the "**Series B Preferred Share I**" as defined below), while the other 85,200,000 Series B Preferred Shares are convertible (the "**Series B Preferred Share II**"). All Series D Preferred Shares are convertible and redeemable. Capitalised terms used herein but not defined shall have the meanings given in the Second Amended and Restated Memorandum and Articles of Association of the Company (as amended from time to time, the "**Articles**").

Presentation and classification

The Group does not bifurcate any embedded derivatives from Series D Preferred Shares and designates the entire instruments as financial liabilities at fair value through profit or loss. The change in fair value is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. Series D Preferred Shares are presented as a separate line item "convertible redeemable preferred shares" in the statements of financial position.

The movements of Series D Preferred Shares are set out below:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At 1 January	1,099,563	—
Issuance of 90,978,960 Series D Preferred Shares	—	888,506
Re-designated and reclassified from ordinary shares	—	120,971
Changes in fair value	412,421	97,382
Conversion into ordinary shares upon the completion of IPO	(1,524,715)	—
Currency translation differences	12,731	(7,296)
	—	1,099,563
At 30 June/31 December	—	1,099,563

Upon the completion of the IPO on 24 April 2020, Series D Preferred Shares were converted into ordinary shares.

15. CONTINGENT ASSETS/LIABILITIES

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

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

16. COMMITMENTS

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

	30 June 2020 RMB’000 (Unaudited)	31 December 2019 RMB’000 (Audited)
Contracted, but not provided for:		
Plant and machinery	<u>324,599</u>	<u>268,134</u>

DEFINITIONS

In this interim results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“AACR”	American Association for Cancer Research
“ACE Platform”	Akeso Comprehensive Exploration platform
“ASCO”	American Society of Clinical Oncology
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“BVI”	British Virgin Islands
“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 interim results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“CMC”	chemistry, manufacturing, and controls
“Company”, “our Company”	Akeso, Inc. (康方生物科技(開曼)有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 30, 2019
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, as at the date of this interim results announcement refers to Dr. XIA Yu
“CRO”	contract research organization
“CTTQ”	Chia-Tai Tianqing
“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
”Dr. Chen”	Dr. Michael (Chen) Chen
“Dr. Zhang”	Dr. Zhang Xinfeng
“EMA”	European Medicines Agency
“FDA”	the Food and Drug Administration of the United States
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GMP”	good manufacturing practice
“Group”, “our Group”, “our”, “we”, “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 dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
“Independent Third Party” or “Independent Third Parties”	a person or entity who is not a connected person of the Company under the Listing Rules

“IPO”	the initial public offering of the Shares on the Main Board of the Stock Exchange on April 24, 2020
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	April 24, 2020, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“MSI-H”	metastatic microsatellite-instability-high
“MST”	manufacturing science and technology
“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
“Reporting Period”	the six months ended June 30, 2020
“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
“Prof. Monk”	Professor Bradley J. Monk
“Prospectus”	the prospectus of the Company dated April 14, 2020

“R&D”	Research and Development
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary share(s) with nominal value of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TETRABODY”	a portmanteau of the phrase “tetravalent antibody”, refers to our proprietary technology for the design and production of innovative tetravalent bi-specific antibodies (with four antigen-binding sites in each antibody molecule)
“%”	per cent

By order of the Board
Akeso, Inc.
Dr. XIA Yu
Chairwoman and executive director

Hong Kong, August 17, 2020

As at the date of this announcement, the Board comprises Dr. XIA Yu as chairwoman and executive director, Dr. LI Baiyong, Dr. WANG Zhongmin Maxwell and Mr. XIA Yu (Ph.D.) as executive directors, Mr. LIN Lijun and Dr. ZHOU Yi as non-executive directors, and Dr. ZENG Junwen, Dr. XU Yan and Mr. TAN Bo as independent non-executive directors.