加科思 Jacobio

加科思藥業集團有限公司

JACOBIO PHARMACEUTICALS GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1167

2021

INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Yinxiang WANG (王印祥) *(Chairman)*
Ms. Xiaojie WANG (王曉潔)
Ms. Yunyan HU (胡雲雁)
Dr. Shaojing HU (胡邵京)

Non-executive Directors

Dr. Ting FENG (馮婷)
Ms. Yanmin TANG (唐豔旻)
Dr. Dong LYU (呂東)
Dr. Te-li CHEN (陳德禮)

Independent Non-executive Directors

Dr. Ruilin SONG (宋瑞霖)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)
Dr. Xiaoming WU (吳曉明)

AUDIT COMMITTEE

Dr. Daqing CAI (蔡大慶) *(Chairman)*
Dr. Ge WU (吳革)
Dr. Te-li CHEN (陳德禮)

REMUNERATION COMMITTEE

Dr. Ruilin SONG (宋瑞霖) *(Chairman)*
Ms. Xiaojie WANG (王曉潔)
Ms. Yanmin TANG (唐豔旻)
Dr. Ge WU (吳革)
Dr. Daqing CAI (蔡大慶)

NOMINATION COMMITTEE

Dr. Yinxiang WANG (王印祥) *(Chairman)*
Dr. Dong LYU (呂東)
Dr. Ruilin SONG (宋瑞霖)
Dr. Daqing CAI (蔡大慶)
Dr. Xiaoming WU (吳曉明)

JOINT COMPANY SECRETARIES

Ms. Qing XUE (薛青)
Mr. Lok Kwan YIM (嚴洛鈞) *(ACG, ACS)*

AUTHORISED REPRESENTATIVES

Ms. Xiaojie WANG (王曉潔)
Mr. Lok Kwan YIM (嚴洛鈞) *(ACG, ACS)*

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Corporate Information

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STOCK CODE

1167

Chairman's Statement

Dear Fellow Shareholders of Jacobio Pharmaceuticals,

In the first half of 2021, we have made steady progress in our core business, expediting ongoing programs, completing the patient enrollment of several trials, and obtaining 2 IND approvals. It is estimated that there will be 10 programs going into clinical phase in 2022.

Just in the past July, we have received US$20 million from our collaborative partners as part of the total milestone payment of US$850 million, which will not only provide financial support for research and development ("**R&D**"), but also be a staged achievement of our global strategic share.

With the increased number of clinical trial programs, we have new scientists and staff members for clinical operation joined us in Boston, and also a new office in Shanghai, further expanding our clinical and R&D team. For all shareholders and investors, figures and ongoing programs are indeed important metrics and indicators of the development of the company. With this letter, however, I would also like to deliver my strategic thinking about corporate development, trend of the industry and future for Jacobio, which are beyond what can be demonstrated by numbers.

Recently, the Chinese Center for Drug Evaluation ("**CDE**") has released the draft of guiding principles for public comments, which sparked heated discussions with many people considering this as the sign of the end of "me-too drug era" (me-too藥時代). I would not deem the release of a document as a turning point of the industry. We have been not surprised by such policy changes though. As "clinical value oriented approach" has been the long-term policy, and also the fundamental significance of innovative drug R&D, it is how we have been doing in the past years in company development. Excessive homogenizing competition is a waste of resources, deviation from commerce values and will eventually become detrimental to the whole industry, as well as patient benefits.

Looking into the future, I believe that the opportunities for domestic biotech companies come from the following three aspects:

1. OPPORTUNITIES COME FROM CUTTING-EDGE THERAPIES

The R&D of first-in-class drugs has now entered the uncharted territory. There are about a few thousands of potential drug targets in the human body, 30% of which are relatively easier to develop into drugs. These targets have either been developed as new drugs already, or have been involved competitions in red oceans. The remaining two thirds of the targets, which are hard to be developed, are the key area of R&D in the future.

We are pleased that our SHP2 protein phosphatase inhibitor, the industry-recognized "difficult drug target", has entered into the clinical validation phase. Jacobio is the second company to initiate the SHP2 clinical trials and this program has entered into phase II trials. KRAS inhibitor has also been developed successfully in May 2021, the progress achieved by others brings us confidence in developing KRAS inhibitors, and we started clinical trials of KRAS G12C inhibitor in China and U.S. during the period. We are still exploring the next-generation innovative therapy such as cell therapy, in addition to small molecule drugs and antibody drugs. In the first half of 2021, we made a strategic investment in a iPSC CAR-NK company Hebecell with the unique technology of a 3D PSC-NK manufacture platform.

Chairman's Statement

2. OPPORTUNITIES COME FROM BASIC RESEARCH

To develop innovative drugs based on the state-of-art scientific research and oriented by patients' benefits is the fundamental principle in pharmaceutical industry. Jacobio conducts first-in-class drugs research based on our own allosteric inhibitor technology platform. Our clinical programs are on validated targets in oncological signal pathways with best molecular biology rationale, focusing on the new targets in the five major signal pathways: SHP2/RAS, I/O, RB, oncological metabolism and c-MYC. We have planned more than ten first-in-class programs related to the five major pathways with the allosteric inhibitor technology platform.

In order to keep updated the latest scientific research achievements, Jacobio organizes internal academic workshops and new program exploration meetings, in which our scientists take turns to present the noteworthy developments in recent academic journals to look for potential program opportunities.

3. OPPORTUNITIES COME FROM THE GROWING CHINA MARKET AND MORE FROM THE GLOBAL MARKET

As the population keeps ageing in China, it is the mission of each company to meet patients' growing needs. In addition to the share of China market, gaining revenue from global company is the key to success for domestic biotech companies. While it is still challenging for domestic biotech companies to build their own sales capabilities overseas, it is more efficient nowadays to go abroad by out-licensing the clinical stage drugs to MNCs, so that the company's innovation can go global with the help of international partners. In June 2020, Jacobio completed the first out-licensing deal of SHP2 inhibitors with $855 million worth, while retaining all Chinese rights and gaining a future global sales share of low-to mid double digits. We are pleased to see that similar deals made by domestic biotech companies are booming in 2021, indicating that Chinese innovative drugmakers going abroad has become a commonly shared strategy in the industry.

The above three points are not isolated from each other, but closely intertwined with each other. Only by looking for potential new research programs from the latest research and then developing the world's first-in-class drugs can we have the chance to gain more market share by more involvement in global participation.

We have a clear strategic goal: (i) be with in-house R&D of world's first-in-class drugs; (ii) own core assets ranking within the top 3 in the world and gain global market share; and (iii) aim to become a biopharma company in China with the comprehensive capacity of R&D, manufacture and sales.

As a clinical stage biotech company, we achieve our strategic goals by expediting ongoing pipelines. In the first half of 2021, the R&D investment[(1)] has reached to RMB175 million increased by 146% YoY on the same period. We will continue to increase the investment in R&D to accelerate the development of existing products and to look for new targets and programs.

Note:

1. The R&D investment represents the sum of cost of revenue and research and development expenses as all research and development expenditures in relation to our collaboration with AbbVie was recorded in the account of cost of revenue during the Reporting Period.

Chairman's Statement

We will also continue to expand our talent team as staff members and scientists are our core assets. In the first half of 2021, our staff members has expanded from 180 to 213, half of which hold master's degree or above. A unique corporate culture that encourages young people to learn by doing has been cultivated, and the young staff grow rather quickly in our efficient system. We are pleased to see that 80s generation has become the backbone of our team.

We are active to seek opportunities to corporate with industry partners. It has only been 80 years since the first oncology drug invented, and there are still lots of diseases without effective therapies. Therefore, there should be corporations in the industry to address miscellaneous diseases. In the first half of 2021, we have established collaborations with a number of oncology hospitals, CROs, research institutes and other organizations to give full play to respective strengths.

Competition in the industry is fierce, yet which brings better products and healthier future for the patients.

Chairman and Chief Executive Officer
Dr. Yinxiang WANG

Financial Highlights

REVENUE

We recorded revenue of RMB57.7 million for the six months ended June 30, 2021, which was attributable to the reimbursement of R&D costs generated from the license and collaboration agreement with AbbVie regarding the R&D, manufacture and commercialization of our SHP2 inhibitors.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by RMB50.7 million or 71.4% from RMB71.0 million for the six months ended June 30, 2020 to RMB121.7 million for the six months ended June 30, 2021, primarily due to the expansion of pre-clinical research portfolio associated with R&D activities and the increased staff costs accompanied with expanding of relative R&D departments.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by RMB6.1 million or 49.2% from RMB12.4 million for the six months ended June 30, 2020 to RMB18.5 million for the six months ended June 30, 2021. This was primarily attributable to the increase of employee benefit expenses and other administrative expenses in line with our business expansion.

LOSS FOR THE PERIOD

As a result of the above factors and taking into account our fair value changes of financial instruments with preferred rights from a loss of RMB733.1 million for the six months ended June 30, 2020 to nil for the six months ended June 30, 2021, the loss for the period decreased from RMB810.9 million for the six months ended June 30, 2020 to RMB136.6 million for the six months ended June 30, 2021.

Business Highlights

During the Reporting Period, our Group continued advancing the development of our drug candidates and business operations, including the following milestones and achievements:

SHP2 INHIBITORS

Our lead drug development programs include two clinical-stage, oral, small-molecule allosteric SHP2 inhibitors (JAB-3068 and JAB-3312), for the potential treatment of cancers driven by RAS signaling pathway and immune checkpoint pathway.

JAB-3312 (SHP2 INHIBITOR)

- The global Phase Ib/IIa trial of JAB-3312 in combination with either a PD-1 antibody or a MEK inhibitor has been initiated. The IND approval was granted by the U.S. FDA in December 2020. The IND application with the NMPA was also approved in May 2021. The two patients' dosage in the U.S. has been completed in May 2021. Our Group received a milestone payment of US$20 million pursuant to the license and collaboration agreement with AbbVie in July 2021. For details, please refer to the below "Collaboration with AbbVie" in this report.

JAB-3068 (SHP2 INHIBITOR)

- The Phase I trial of JAB-3068 for the treatment of solid tumors in the U.S. is in the close-out process.

- The Phase IIa trial of JAB-3068 for the treatment of ESCC, HNSCC and NSCLC in China is currently ongoing.

- The Phase I/IIa trial of JAB-3068 in combination with a PD-1 antibody was initiated for the treatment of advanced solid tumors in China after the NMPA approval in December 2020. The first patient for this clinical trial was dosed in April 2021.

JAB-8263 (BET INHIBITOR)

- JAB-8263 is an innovative, selective and potent small molecule inhibitor of BET family proteins regulating MYC transcription.

- The first patient enrollment of Phase I clinical trial of JAB-8263 for the treatment of MF and AML was completed in China in April 2021, and the first patient enrollment for solid tumor was completed in the U.S. in November 2020.

JAB-21822 (KRAS G12C INHIBITOR)

- JAB-21822 is a potent, selective and oral small molecule drug candidate targeting mutant KRAS G12C protein.

- We have received the IND approval for JAB-21822 in patients with tumors harboring KRAS G12C mutation from the U.S. FDA and the NMPA in May 2021, respectively. The first patient enrollment of Phase I clinical trial of JAB-21822 was completed in China in July 2021. IND applications of new studies of JAB-21822 in monotherapy with specific co-mutation and in combination with PD-1 have been submitted to the NMPA in August 2021.

Business Highlights

IND-ENABLING STAGE DRUG CANDIDATES

- **JAB-BX102** – a humanized antibody against human CD73. An IND application of JAB-BX102 monotherapy and combination with PD-1 in adult patients with advanced solid tumors will be filed with the U.S. FDA in September 2021, and the NMPA filing is expected to be submitted in the second half of 2021.

- **JAB-6343** – a potent and highly selective inhibitor that targets fibroblast growth factor receptor 4 (FGFR4). An IND application is expected to be filed in the second half of 2021.

- **JAB-2485** – a highly selective Aurora A kinase inhibitor developed for the treatment of various RB1-deficient tumors. An IND application is expected to be filed in the second half of 2021.

- **JAB-24000** – a small-molecule drug candidate targeting tumor metabolic pathway. The candidate has been nominated in March 2021 and is currently at the IND-enabling stage.

- **JAB-BX300** – a large molecule antibody targeting RAS pathway. The candidate has been nominated in March 2021 and is currently at the IND-enabling stage.

OTHER KEY SELECTED PRE-CLINICAL PROGRAMS

- **JAB-22000** – a small-molecule KRAS G12D inhibitor. It is currently in the lead optimization stage, targeting to file an IND application in 2022 to 2023.

- **JAB-26000** – a small-molecule drug targeting immuno-oncology pathway. It is currently in the lead optimization stage, targeting to file an IND application in 2022 to 2023.

- **JAB-23000** – a small-molecule KRAS G12V inhibitor. It is in the hit-to-lead stage, targeting to file an IND application in 2023 to 2024.

OTHER EVENTS

- In April 2021, we launched our third R&D center in Shanghai, China, to attract and recruit the well-trained scientists and physicians across the world.

- In March 2021, our Company was selected as a constituent of each of the Hang Seng Composite Index, Hang Seng Composite Hong Kong – Listed Biotech Index and Hang Seng Healthcare Index.

- In August 2021, our Company entered into a share purchase agreement with Hebecell, pursuant to which our Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement. While our Company is primarily focused on small molecule cancer drugs, it opportunistically develops and seeks collaboration and strategic investment opportunities for compelling biological technologies where our Company can leverage its existing expertise in cancer biology to treat diseases with unmet needs and enhance our innovative portfolio with new modalities. Through the strategic investment in Hebecell, our Group expects to pool complementary expertise and resources to further improve its layout in the fields of oncology and immunology, and extend our capability to explore clinical value of combination therapies between our current programs and allogeneic cell therapy. For details, please refer to the announcement published on websites of the Stock Exchange and the Company dated on August 31, 2021.

Management Discussion and Analysis

OVERVIEW

We are a clinical-stage pharmaceutical company focusing on the in-house discovery and development of innovative oncology therapies. Established in July 2015, we are an explorer in developing clinical-stage small-molecule drug candidates to modulate enzymes by binding to their allosteric sites, i.e., sites other than the active site that catalyzes the chemical reaction, in order to address targets that lack easy-to-drug pockets where drugs can bind, such as protein tyrosine phosphatases ("**PTPs**") and Kirsten rat sarcoma 2 viral oncogene homolog ("**KRAS**"). We intend to proactively explore and enter into strategic and synergistic partnerships with leading multinational corporations (MNCs), as exemplified by the collaboration with AbbVie Ireland Unlimited Company ("**AbbVie**"), a wholly-owned subsidiary of AbbVie Inc. (NYSE: ABBV), for our innovative, allosteric Src homology region 2 domain-containing phosphatase-2 ("**SHP2**") inhibitors. Such partnerships pool complementary expertise and resources to increase the chances of success for our drug candidates and ensure the maximization of their clinical and commercial value on a global scale.

Tremendous progress in cancer biology in the past several decades has elucidated several critical cellular pathways involved in cancer, including KRAS, MYC proto-oncogene ("**MYC**") and Retinoblastoma ("**RB**"), as well as certain immune checkpoints such as programmed cell death protein-1 or its ligand (PD-(L)1) checkpoint, that are implicated in more than 50% of total cancer incidence. However, many known targets in these pathways including PTPs like SHP2 and GTPases like KRAS, among others, that play crucial roles in tumorigenesis, have until recently been deemed "undruggable", owing to a variety of drug discovery challenges.

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

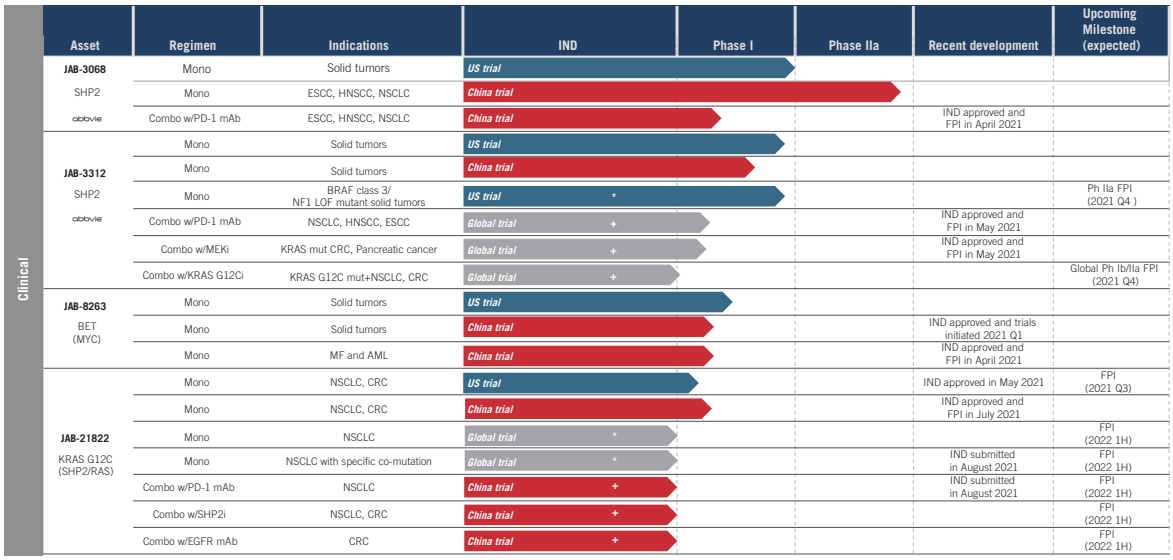
OUR PRODUCTS AND PRODUCT PIPELINE

In the past five years, by leveraging our proprietary technologies and know-how in drug discovery and development, we have discovered and developed an innovative pipeline of drug candidates, including four assets in Phase I/II trials, and several others at the IND-enabling stage. These drug candidates may have broad applicability across various tumor types and demonstrate combinatorial potential among themselves.

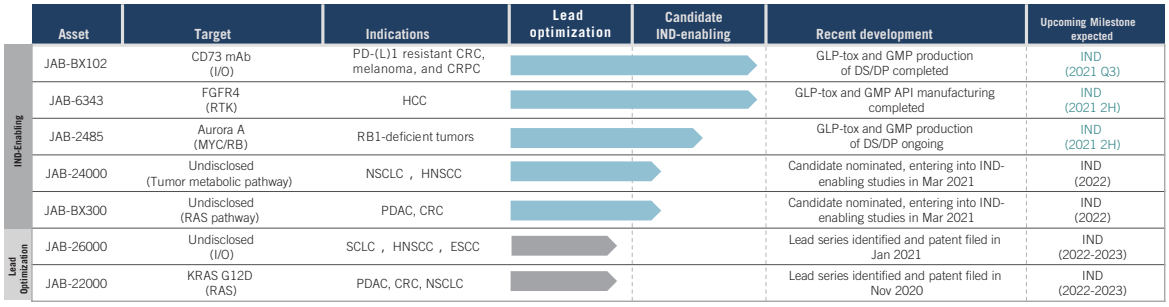
Management Discussion and Analysis

The following chart summarizes our pipeline, the development status of each clinical stage candidate and the selected IND-enabling stage candidates as of August 26, 2021.

Clinical stage candidates:



IND-enabling stage candidates:



Notes:

* *We will initiate Phase IIa study directly once RP2D is determined.*

\+ *We have initiated or will initiate Phase Ib/IIa studies directly once we receive IND approval.*

Management Discussion and Analysis

We believe there is tremendous potential for combinatorial strategy among our in-house pipeline assets. For instance, KRAS inhibitors alone can trigger adaptive resistance mechanisms. Based on our pre-clinical studies and other publications, SHP2 inhibitors (upstream of the RAS pathway) may potentially be the best combination therapy partners for KRAS inhibitors to address adaptive drug resistance. We plan to explore the combination of our SHP2 and KRAS inhibitors. Please refer to the paragraphs headed "Business – I. Our Drug Candidates" of the Prospectus for more details.

BUSINESS REVIEW

- **JAB-3068 and JAB-3312**

  Our lead drug development programs include two clinical-stage, oral allosteric SHP2 inhibitors (JAB-3068 and JAB-3312), for the potential treatment of cancers driven by RAS signaling pathway and immune checkpoint pathway. We believe SHP2 inhibition is a promising novel therapeutic approach either as a monotherapy or in combination with other therapies for treating multiple cancer types. JAB-3068 is the second SHP2 inhibitor that received IND approval from the U.S. FDA to enter clinical development. In the U.S., JAB-3068 and JAB-3312 have received an orphan drug designation (ODD) from the U.S. FDA for the treatment of esophageal cancer. The current issued patents and published patent applications have already provided a broad scope of protection for SHP2 inhibitors, as the established players in this field have built a wall of patent that is hard for any newcomers to circumvent, and therefore enlarged our first-mover advantages in the market.

  JAB-3068 and JAB-3312 have different chemical features and potency in our pre-clinical and clinical studies, and their clinical development plans are designed to focus on different indications and different combination strategies.

JAB-3068 Monotherapy

We have completed the Phase I dose finding portion in the Phase I/IIa trial of JAB-3068 in China.

Our Phase I trial in the U.S. is in the close-out process.

In the U.S. Phase I trial, the interim results identified the maximum tolerated dose and recommended Phase II dose (RP2D). The dose escalation phase of Phase I/IIa trial in China showed a similar safety profile of JAB-3068 to the U.S. study. The tolerability of JAB-3068 further supported the development of JAB-3068 in the Phase IIa stage.

We are currently evaluating the clinical efficacy of JAB-3068 in three solid tumor types in the Phase IIa stage in China.

JAB-3068 in combination with PD-1 mAb study in China

We have initiated a Phase I/IIa trial of JAB-3068 in combination with a PD-1 antibody for the treatment of advanced solid tumors in China after NMPA approval in December 2020. The first patient for this clinical trial was dosed in April 2021.

Management Discussion and Analysis

JAB-3312 Monotherapy

We are evaluating JAB-3312 in Phase I trials in both China and the U.S. The dose escalation phase has been completed in the U.S.

We enrolled the first patient for the China trial in July 2020 and the trial is ongoing.

We also plan to further explore JAB-3312 as monotherapy in biomarker driven solid tumors such as BRAF class 3/NF1 LOF mutant solid tumors.

JAB-3312 in combination with PD-1 mAb/MEK inhibitor/KRAS G12C inhibitor global study

We have initiated a global Phase Ib/IIa trial to evaluate our JAB-3312 in combination with either a PD-1 antibody or a MEK inhibitor for patients with advanced solid tumors. The IND approval was granted by the U.S. FDA in December 2020. The IND application with the NMPA was also approved in May 2021.

The first two patients' dosage in the U.S. was completed in May 2021. Our Group received a milestone payment of US$20 million pursuant to the license and collaboration agreement with AbbVie in July 2021. For details, please refer to the below "Collaboration with AbbVie" in this section.

We also plan to explore JAB-3312 in combination with a KRAS G12C inhibitor for a variety of solid tumors.

Collaboration with AbbVie

We have entered into a license and collaboration agreement with AbbVie to develop and commercialize our SHP2 inhibitors on a global basis in May 2020, including JAB-3068 and JAB-3312 (the "**AbbVie Collaboration**"). Under the license and collaboration agreement, subject to our option (the "**PRC Option**") to exclusively develop and commercialize our SHP2 inhibitors in mainland China, Hong Kong and Macau (the "**Territory**"), which we exercised in September 2020, we have granted AbbVie a worldwide, exclusive, sub-licensable license to research, develop, manufacture, commercialize and otherwise exploit our SHP2 inhibitors. As we have exercised the PRC Option, we have the exclusive rights (even as to AbbVie and its affiliates) to develop, commercialize and, if we elect to, manufacture such SHP2 products to seek regulatory approval of and to commercialize in the Territory and, subject to limited exceptions, we are entitled to retain the final decision-making power, over all development, commercialization, manufacturing and regulatory activities to support regulatory approval of our SHP2 Products in the Territory.

This collaboration provides strong validation of our internally discovered SHP2 programs and ensures the maximization of their medical and commercial value on a global scale.

Our Group has completed the first two patients' dosage in the U.S. of the global trial which is a Phase Ib/IIa study of JAB-3312 in combination with the PD-1 antibody Pembrolizumab and MEK inhibitor Binimetinib for the treatment of advanced solid tumors. This progress in clinical development has qualified our Group for a milestone payment according to the license and collaboration agreement. Pursuant to the terms of the license and collaboration agreement with AbbVie, our Group has received a milestone payment of US$20 million in July 2021.

For more details of our collaboration with AbbVie, please refer to the paragraphs headed "Business – III. Collaboration with AbbVie" of the Prospectus.

Management Discussion and Analysis

- **JAB-8263**

  Our JAB-8263 is an innovative, selective and potent small molecule inhibitor of BET family proteins regulating MYC transcription. We are evaluating JAB-8263 for the treatment of various cancer types associated with elevated MYC expression including both solid tumors (such as NMC, NSCLC, SCLC, CRPC, ESCC and ovarian cancer) and blood cancers such as myelofibrosis (MF) and acute myeloid leukemia (AML).

  In July 2020, we received the IND approval for JAB-8263 from the U.S. FDA for the treatment of solid tumors. We also received the IND approval from the NMPA for JAB-8263 for the treatment of solid tumors, MF and AML in November 2020. The first patient enrollment was completed in the U.S. in November 2020 and was completed in China in April 2021.

- **JAB-21822**

  Our lead KRAS inhibitor candidate, JAB-21822, is a potent, selective and orally bioavailable small molecule targeting mutant KRAS G12C protein, and it has demonstrated encouraging in vivo antitumor effects either as a single agent or in combination with a SHP2 inhibitor or EGFR antibody. In our internal head-to-head pre-clinical animal studies, JAB-21822 has shown a superior pharmacokinetics (PK) profile and favorable tolerability as well as the potential for a superior dosing profile in comparison with Amgen's and Mirati's KRAS G12C inhibitors in clinical development (which we internally synthesized based on published molecular structures).

  We have received the IND approvals for JAB-21822 in patients with tumors harboring a KRAS G12C mutation from the NMPA and U.S. FDA in May 2021, respectively. The first patient enrollment of Phase I clinical trial of JAB-21822 was completed in China in July 2021. In addition, IND applications of new studies of JAB-21822 in monotherapy with specific co-mutation and in combination with PD-1 were submitted to the NMPA in August 2021. We also plan to explore JAB-21822 in combination with a SHP2 inhibitor and an EGFR antibody.

  We will continue to proactively communicate with regulatory authorities in the respective major markets, and pursue opportunities for expedited track of regulatory approval or designations with preferential treatment, such as orphan drug or breakthrough therapies. In addition, we will also actively explore synergistic opportunities to work with potential, value-adding collaborators, and to maximize the clinical and commercial value of our drug candidates on a global scale.

- **IND-Enabling Stage Drug Candidates**

  We have also developed a diverse pipeline of assets targeting various other major and critical pathways involved in cancer (including RAS, MYC, RB, immuno-oncology and tumor metabolic pathways) and have demonstrated potential to be among the first few market entrants in their respective drug classes globally. These include potentially first-in-class and/or best-in-class innovative drug candidates against novel or validated targets. We will continue to advance the drug discovery and development of these portfolio assets in both China and the U.S. in parallel, and actively explore possible combinations amongst our pipeline drug candidates.

  - **JAB-BX102** – JAB-BX102 is a humanized inhibitory antibody against human CD73, for the treatment of PD-1 resistant cancer, such as CRC. The GMP production of JAB-BX102 drug substance and drug product have been completed. We expect to filed the IND application for JAB-BX102 monotherapy and combination with PD-1 in adult patients with advanced solid tumors with the U.S. FDA in September 2021. The IND application with the NMPA is expected to be filed in the second half of 2021.

Management Discussion and Analysis

- **JAB-6343** – JAB-6343 is a potent and highly selective inhibitor that targets fibroblast growth factor receptor 4 (FGFR4), a kinase that is aberrantly activated in a defined subset of patients with hepatocellular carcinoma (HCC). We are developing JAB-6343 for the treatment of advanced HCC with FGF19 overexpression. The GLP-tox and GMP API manufacturing have been completed. We expect to file an IND application in the second half of 2021.

- **JAB-2485** – JAB-2485 is highly selective an Aurora A kinase inhibitor developing for the treatment of various RB1-deficient tumors such as SCLC. Loss of function mutations in the RB1 is common in several treatment refractory cancers such as SCLC and triple-negative breast cancer (TNBC). While loss-of-function mutations (such as in RB1) have historically been untargetable, cancer cells with loss of function of RB1 lead to dependency on Aurora A kinase for their survival. The GLP-tox and GMP production of drug substance and drug production of JAB-2485 have been initiated. We expect to file an IND application in the second half of 2021.

- **JAB-24000** – JAB-24000 is targeting tumor metabolic pathway developed for the treatment of solid tumors including NSCLC and HNSCC. Tumor metabolism has emerged as a promising new field for cancer drug discovery. Through genetic mutations that alter fundamental metabolic pathways, tumor cells can acquire the ability to grow in an uncontrolled manner, but they also acquire dependencies that can differentiate them from normal cells. JAB-24000 can also be used in combination with SHP2 inhibitors or KRAS inhibitors. The first patent filing was made in May 2020. The drug candidate has been nominated in March 2021 and is currently at the IND-enabling stage. Currently there is only one program in Phase I clinical stage in respective drug classes globally, therefore JAB-24000 has the potential to be among the first few market entrants.

- **JAB-BX300** – JAB-BX300 is a large molecule antibody targeting RAS pathway for the treatment of pancreatic and other solid tumors with KRAS mutations. The first patent filing was in September 2019. The drug candidate has been nominated in March 2021 and is currently at the IND-enabling stage. Currently there is only one program in Phase I clinical stage in respective drug classes globally, therefore JAB-BX300 has the potential to be among the first few market entrants.

- **Our Selected Preclinical Programs**

  - **JAB-22000** – JAB-22000 is a small-molecule KRAS G12D inhibitor. Lead series with high potency and selectivity have been identified and our first patent filing was made in November 2020. Subsequent patent filings have covered multiple directions. It is currently in the lead optimization stage, targeting to file an IND application in 2022 to 2023. Currently, there is no clinical stage small molecule KRAS G12D programs globally, therefore JAB-22000 has the potential to be among the first few market entrants.

  - **JAB-26000** – JAB-26000 is a targeting immuno-oncology pathway for the treatment of a variety of solid tumors such as SCLC, HNSCC and ESCC. The first patent filing was in January 2021. It is currently in the lead optimization stage, targeting to file an IND application in 2022 to 2023. Currently, there is only one program in Phase I clinical stage in respective drug classes globally, therefore JAB-26000 has the potential to be among the first few market entrants.

  - **JAB-23000** – JAB-23000 is a small-molecule KRAS G12V inhibitor. JAB-23000 project is in the hit-to-lead stage, targeting to file an IND application in 2023 to 2024.

Management Discussion and Analysis

OUR CORPORATE DEVELOPMENT

- In March 2021, our Company was selected as a constituent of each of the Hang Seng Composite Index, Hang Seng Composite Hong Kong-Listed Biotech Index and Hang Seng Healthcare Index.

- We launched our third R&D center in April 2021 in Shanghai, China, to attract and recruit the well-trained scientists and physicians across the world.

- In August 2021, our Company entered into a share purchase agreement with Hebecell, pursuant to which our Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, 1,321,257 series A preferred shares of Hebecell with the consideration of US$25,000,000, which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as converted basis upon completion of the closings of the share purchase agreement. While our Company is primarily focused on small molecule cancer drugs, it opportunistically develops and seeks collaboration and strategic investment opportunities for compelling biological technologies where our Company can leverage its existing expertise in cancer biology to treat diseases with unmet needs and enhance our innovative portfolio with new modalities. Through the strategic investment in Hebecell, our Group expects to pool complementary expertise and resources to further improve its layout in the fields of oncology and immunology, and extend our capability to explore clinical value of combination therapies between our current programs and allogeneic cell therapy. For details, please refer to the announcement published on websites of the Stock Exchange and the Company dated on August 31, 2021.

- We have a solid patent portfolio to protect our drug candidates and technologies. As of June 30, 2021, we owned (i) two issued patent in China; (ii) two issued patents in the U.S.; (iii) two issued patents in Australia; (iv) four issued patents in Taiwan (China); (v) two issued patents in Japan; (vi) one issued patent in Indonesia; (vii) one issued patent in South Korea; and (viii) 101 pending patent applications, including one allowed patent application in South Africa, one allowed patent application in Europe, ten patent applications in China, nine patent applications in the U.S., seven PCT filings, and 73 patent applications in other jurisdictions.

IMPACT OF THE COVID-19 OUTBREAK

An outbreak of a novel strain of coronavirus causing coronavirus disease 2019 ("**COVID-19**") emerged in late 2019, which has materially and adversely affected the global economy.

Since the outbreak, we have deployed various measures to mitigate any impact the COVID-19 pandemic may have on our business, especially our ongoing clinical trials. We have endeavored to provide a safe work environment and adopted a thorough disease prevention scheme to protect our employees. There remains uncertainty regarding the future impact of the pandemic globally. Our Company is striving to minimize delays and disruptions and we believe that the COVID-19 pandemic did not significantly and materially affect our operation. However, the potential negative impact on our global operations in the future, including clinical trial recruitment and participation and regulatory interactions, may be difficult to predict.

FUTURE AND OUTLOOK

We are a front runner in selecting, discovering and developing potential first-in-class therapies with innovative mechanisms for global oncology treatment. By continuing to strengthen our drug discovery platform and to advance our pipeline, we expect to obtain global market leadership with a number of transforming therapies and expect to benefit cancer patients significantly. In addition, we also plan to add world-class manufacturing and commercialization capabilities to our integrated discovery and development platform as we achieve clinical progress and anticipate regulatory approvals.

Management Discussion and Analysis

In the near term, we plan to focus on pursuing the following significant opportunities:

- **Develop our SHP2 and KRAS lead assets in China and worldwide**

  We are one of the early movers globally in developing allosteric drugs, including two lead assets – SHP2 inhibitors and KRAS G12C inhibitors at the clinical stage, which we expect to be the key revenue drivers. In 2021, we will continue to advance the development of each of our SHP2 and KRAS assets to reach important milestones.

  Regarding the SHP2 inhibitors, a phase I/II trial of JAB-3312 combined with a PD-1 antibody or a MEK inhibitor is ongoing globally. The first two patients' dosage in the U.S was completed in May 2021.We also plan to explore JAB-3312 in combination with KRAS G12C inhibitor for a variety of solid tumors. A Phase I/II JAB-3068 plus a PD-1 antibody trial was initiated in China in April 2021. By executing this global clinical development plan in an efficient and timely manner, we believe that we can establish our SHP2 inhibitors as monotherapy and the backbone drugs for combination therapies for multiple solid tumors.

  With regards to our KRAS G12C inhibitor program, the IND application for a Phase I/II trial of JAB-21822 in patients with tumors harboring a KRAS G12C mutation has been approved by the NMPA and the U.S. FDA in May 2021. The enrollment of the first patient for these trials was completed in China in July 2021. In addition, IND applications of new studies of JAB-21822 in monotherapy with specific co-mutation and in combination with PD-1 were submitted to the NMPA in August 2021. We also plan to explore JAB-21822 in combination with a SPH2 inhibitor and an EGFR antibody. We will continue to proactively communicate with regulatory authorities in the respective major markets, and pursue opportunities for expedited track of regulatory approval or designations with preferential treatment.

  Other than JAB-21822, we also have two discovery programs of small molecule KRAS inhibitors targeting G12D (JAB-22000) and G12V (JAB-23000) mutations, which will initially be developed for the treatment of pancreatic, CRC and NSCLC. JAB-22000 is currently in the lead optimization stage and we expect to file the IND application in 2022 to 2023. JAB-23000 is currently in the hit to lead optimization stage and we expect to file an IND application in 2023 to 2024. In addition to small molecules, we also discovered a large molecule antibody targeting RAS pathway, JAB-BX300, for the treatment of pancreatic and other solid tumors with KRAS mutations. JAB-BX300 has been recently nominated drug candidate and is currently in IND-enabling stage. We expect to file an IND application in 2022 for this program.

  As we have both SHP2 and KRAS assets in our pipeline, we are well-positioned to explore the clinical benefits of this science-based combination therapy.

- **Continuously progress and expand the additional pipeline targeting multiple other promising pathways**

  We have an established track record of successfully selecting important yet often overlooked or passed-over cancer targets. In addition to our SHP2 and KRAS assets, we will continue to progress our rich pipeline including several early-stage drug candidates that target a variety of other major and critical pathways.

Management Discussion and Analysis

With regards to our BET inhibitor JAB-8263, the enrollment of the first patient in the U.S. was completed in November 2020 and the enrollment of the first patient in China was completed in April 2021.

Leveraging our strong internal research capabilities, we will continue to advance our IND-enabling stage assets towards the IND filing and clinical development in 2021. Except for JAB-21822 (KRAS G12C inhibitor), we expect to submit 3 additional IND applications including JAB-BX100 (CD73 antibody), JAB-2485 (Aurora A kinase inhibitor), and JAB-6343 (FGFR4 inhibitor) in 2021. In addition, JAB-24000 (tumor metabolic pathway) and JAB-BX300 are currently in the IND-enabling stage. We expect to file an IND application in 2022 for JAB-24000 and JAB-BX300.

We will continue to explore possible science-based combinations amongst our pipeline drug candidates.

- **Strengthen our talent pool and increase multi-regional presence**

In order to execute our global development strategy, we have established dual R&D centers in both Beijing, China and Massachusetts, the U.S., the two main global R&D hubs. Besides, we launched our third R&D center in April 2021 in Shanghai, China, to attract and recruit the well-trained scientists and physicians across the world.

Our clinical development team has expanded its global footprint with clinical networks in China and the U.S. and is expected to expand to other territories in the future. Our global clinical development capabilities are well demonstrated by our rapid implementation of ten ongoing clinical trials, including multi-regional clinical trials ("**MRCT**") following specific regulatory requirements.

We have developed a cohesive and vibrant corporate culture that inspires and encourages innovation, which we believe helps us to attract, retain and motivate an aspiring team to drive our fast growth. We are committed to exploring cutting-edge anti-cancer therapies, with this belief, we plan to enrich our scientific teams in both China and the U.S..

- **Enhance our advanced research and development platform**

We have built an integrated research platform to enable our strategic focus on the research and development of innovative drugs in oncology with large unmet medical needs. Our integrated R&D platform consists of three specialized platforms, including a drug target discovery and validation platform, an allosteric inhibitor technology platform and a translational medicine platform.

We believe that R&D is key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry. With this belief, we are committed to further strengthening and advancing our R&D platforms to continuously fuel innovation.

- **Expand our manufacturing capabilities in China**

We are building our in-house GMP-compliant manufacturing facilities to expand our manufacturing capabilities. We cooperate with a third party to construct new facilities for R&D, manufacturing and general administration with a total gross floor area of around 20,000 sq.m. in Beijing, China. The commercial-scale manufacturing facilities are currently under construction. It is estimated that the construction and fit-out of the manufacturing facilities will be completed by the end of 2023.

Management Discussion and Analysis

- **Capture global market opportunities and expand to compelling area of research through collaborations**

  On the coattails of our landmark collaboration with AbbVie for our SHP2 portfolio inhibitors, we plan to continue exploring partnerships around the world to fulfill people's shared dream of curing cancer and living a better life. We intend to find the most suitable and resourceful partners for collaboration to expand our footprint of global development and the commercialization of our drug candidates. Through our recent collaboration with Hebecell, we are expanding our pipeline of novel medicines from small molecule and antibody therapeutics to off-the-shelf cell therapies. We will continue exploring partnerships around the world to look for compelling areas of research that have been primarily out of reach for many of the world's patients.

We are committed to be an innovative biopharmaceutical company that enjoys global market shares. To achieve this goal, we plan to build fully functional capabilities including R&D, manufacturing and commercialization in China, and obtain global market shares by partnering with top MNCs. We strive to deploy our innovation engine for creating a robust pipeline in the fight against cancer for the benefit of patients around the world.

Cautionary Statement under Rule 18A.08(3) of the Listing Rules: Our Company cannot guarantee that it will be able to successfully develop or ultimately market our Core Products. Shareholders and potential investors are advised to exercise caution when dealing in the shares of our Company.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

	Six months ended June 30,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Revenue from the license and collaboration agreement	**57,689**	**100**	–	–

Our revenue increased from nil for the six months ended June 30, 2020 to RMB57.7 million for the six months ended June 30, 2021, which was attributable to the R&D costs reimbursement generated from the license and collaboration agreement with AbbVie regarding the R&D, manufacture and commercialization of our SHP2 inhibitors.

Cost of Revenue

	Six months ended June 30,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Clinical trial expenses of our SHP2 inhibitors	**53,133**	**100**	–	–

Our cost of revenue consists of research and development expenses related to our SHP2 inhibitors. For the six months ended 30 June 2021, we recorded cost of revenue of RMB53.1 million, mainly attributable to the clinical trial expenses of our SHP2 inhibitors, as compared with nil for the six months ended 30 June 2020. Before we have entered into the license and collaboration agreement with AbbVie, the research and development expenses related to our SHP2 inhibitors were recorded in research and development expenses.

Management Discussion and Analysis

Gross Profit

	Six months ended June 30,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Gross profit from the license and collaboration agreement	**4,556**	**100**	–	–

As a result of the foregoing, our gross profit increased from nil for the six months ended June 30, 2020 to RMB4.6 million for the six months ended June 30, 2021.

Other Income

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**3,624**	3,280
Investment income on wealth management products	**–**	100
Total	**3,624**	3,380

Our other income increased from RMB3.4 million for the six months ended June 30, 2020 to RMB3.6 million for the six months ended June 30, 2021, primarily attributable to an increase in government grants of RMB0.3 million.

Other (Losses)/Gains – Net

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(14,631)**	1,069
Net fair value gains on derivative financial instruments	**2,701**	–
Total	**(11,930)**	1,069

The decrease in other gains was primarily attributable to the depreciation of US dollar and HK dollar for the six months ended June 30, 2021 which has resulted in foreign exchange losses of RMB14.6 million for the six months ended June 30, 2021.

Our other gains and losses consisted primarily of gains or losses due to fluctuations in the exchange rates between Renminbi and US dollar and between Renminbi and HK dollar. Our other losses and gains decreased by RMB15.7 million from gains of RMB1.1 million for the six months ended June 30, 2020 to losses of RMB14.6 million for six months ended June 30, 2021, which was mainly attributable to foreign exchange losses in connection with bank balances and cash dominated in US dollar and HK dollar and the depreciation of US dollar and HK dollar against Renminbi for the six months ended June 30, 2021, compared to the appreciation of US dollar against Renminbi for the six months ended June 30, 2020.

Management Discussion and Analysis

Our business mainly operates in the PRC, and most of our Group's transactions are settled in Renminbi. Since our inception, we have financed our business solely through equity financings, with related proceeds denominated in US dollar, HK dollar and Renminbi. We converted a portion of those USD and HKD proceeds to RMB with the remaining amounts reserved for additional conversions to RMB as needed. Translation for financial statement presentation purposes of our assets and liabilities exposes us to currency-related gains or losses and the actual conversion of our USD and HKD denominated cash balances will also expose us to currency exchange risk.

Our foreign exchange hedging related activity has resulted in a gain of RMB2.7 million for the six months ended June 30, 2021. We have managed our foreign exchange risk by closely reviewing the movement of the foreign currency rates and would consider hedging against foreign exchange exposure should the need arise.

Research and Development Expenses

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Testing fee	**51,994**	26,190
Employee benefits expenses	**38,184**	23,516
Raw material and consumables used	**18,985**	9,359
Depreciation and amortization	**3,765**	4,042
Others	**8,732**	7,905
Total	**121,660**	71,012

Our research and development expenses increased by RMB50.7 million from RMB71.0 million for the six months ended June 30, 2020 to RMB121.7 million for the six months ended June 30, 2021, primarily due to the expansion of pre-clinical research portfolio associated R&D activities and the increased staff costs accompanied with expanding of relative R&D departments. Such increase in research and development expenses are resulted from (i) an increase of RMB25.8 million in testing fee mainly due to the advancement of our pre-clinical drug candidates; (ii) an increase of RMB14.7 million in employee benefits expenses primarily due to an increase in the number of research and development employees and their salary level; and (iii) an increase of RMB9.6 million in raw material and consumables used due to the development of our drug candidates.

Administrative Expenses

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Employee benefits expenses	**12,379**	7,136
Professional services expenses	**961**	1,895
Depreciation and amortization	**308**	831
Listing expenses	**–**	516
Others	**4,880**	1,996
Total	**18,528**	12,374

Management Discussion and Analysis

Our administrative expenses increased by RMB6.1 million from RMB12.4 million for the six months ended June 30, 2020 to RMB18.5 million for the six months ended June 30, 2021. This was primarily attributable to the increase of employee benefits expenses and other administrative expenses in line with our business expansion.

Finance Income

Our finance income increased by RMB5.8 million from RMB1.8 million for the six months ended June 30, 2020 to RMB7.6 million for the six months ended June 30, 2021, which was mainly attributable to an increase of bank interest income earned on the proceeds from the Global Offering.

Income Tax Expense

We recognized no income tax expenses for the six months ended June 30, 2020 and 2021.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards (IFRS), our Company also uses adjusted loss for the Reporting Period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. Our Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our Group's consolidated results of operations in the same manner as they help our Company's management.

Adjusted loss for the Reporting Period represents the loss for the Reporting Period excluding the effect of certain noncash items and one-time events, namely the fair value losses in financial instruments with preferred rights, share-based payment expenses and listing expenses. The term adjusted loss for the Reporting Period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and should not consider it in isolation from, or as substitute for analysis of, our Group's results of operations or financial condition as reported under IFRS. Our Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, our Company believes that this and other non-IFRS measures are reflections of our Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of our Group's operating performance, and thus, facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the period	**(136,597)**	(810,904)
Added:		
Fair value losses in financial instruments with preferred rights	**–**	733,079
Share-based payment expenses	**10,829**	6,806
Listing expenses	**–**	516
Adjusted loss for the period	**(125,768)**	(70,503)

Management Discussion and Analysis

The table below sets forth a reconciliation of the research and development expenses to adjusted research and development expenses during the periods indicated:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Research and development expenses for the period	**(121,660)**	(71,012)
Added:		
Share-based payment expenses	**6,748**	6,244
Adjusted research and development expenses for the period	**(114,912)**	(64,768)

The table below sets forth a reconciliation of the administrative expenses to adjusted administrative expenses during the periods indicated:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Administrative expenses for the period	**(18,528)**	(12,374)
Added:		
Share-based payment expenses	**3,047**	562
Listing expenses	**–**	516
Adjusted administrative expenses for the period	**(15,481)**	(11,296)

Cash Flows

During the six months ended June 30, 2021, net cash used in operating activities of our Group amounted to RMB114.8 million, representing an increase of RMB42.8 million compared to the net cash used in operating activities during the six months ended June 30, 2020. The increase was mainly due to the increase of research and development expenses.

During the six months ended June 30, 2021, net cash flows generated from investing activities of our Group amounted to RMB182.1 million, representing an increase of RMB252.2 million over the six months ended June 30, 2020. The increase was mainly due to the settlement of deposits with original maturities over 3 months during the six months ended June 30, 2021.

During the six months ended June 30, 2021, net cash flows generated from financing activities of our Group amounted to RMB119.6 million, representing an decrease of RMB43.1 million over the six months ended June 30, 2020. The decrease was mainly due to the combined impact of (i) fund raised from the issuance of Series C+ preferred shares of RMB182.5 million during the six months ended June 30, 2020, and (ii) fund raised from the exercise of over-allotments option of RMB132.8 million during the six months ended June 30, 2021.

Significant Investments, Material Acquisitions and Disposals

During the six months ended June 30, 2021, our Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates, and joint ventures.

Management Discussion and Analysis

Liquidity, Capital Resources and Gearing Ratio

We expect our liquidity requirements will be satisfied by a combination of revenue generated from operating activities and other funds raised from the capital markets from time to time and the net proceeds from the initial public offering.

We currently do not have any plan for material additional external debt or equity financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

As of June 30, 2021, our cash and bank balances were RMB1,612.4 million, as compared to RMB1,627.4 million as of December 31, 2020. Our trade receivable balances of RMB159.4 million in relation to the license and collaboration with AbbVie were transferred out by AbbVie in June 2021 while received by us in July 2021 due to relevant receipt procedures. Our primary uses of cash are to fund research and development efforts of drug candidates, working capital and other general corporate purposes. Our cash and cash equivalents are held in US dollar, HK dollar and Renminbi.

On January 13, 2021, the international underwriters of the Global Offering partially exercised the over-allotment option, pursuant to which our Company is required to allot and issue the option shares, being 11,808,300 Shares, representing approximately 12.24% of the maximum number of shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK$158.7 million (after deducting the commissions and other offering expenses payable by our Company in relation to the partial exercise of the over-allotment option).

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

As of June 30, 2021, our Group did not have any interest-bearing bank and other borrowings. Thus, neither the gearing ratio nor the debt to equity ratio was applicable to our Group.

Lease Liabilities

IFRS 16 Leases is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. IFRS 16 has been consistently applied to our Group's consolidated financial statements for the six months ended June 30, 2021 and for the year ended December 31, 2020. As at June 30, 2021, our lease liabilities amounted to RMB12.7 million.

Capital Commitments

As at June 30, 2021 and December 31, 2020, our Group had capital commitments contracted for but not yet provided of RMB0.8 million and RMB0.5 million primarily in connection with contracts entered into with suppliers for the purchase of property, plant and equipment, respectively.

Contingent Liabilities

As at June 30, 2021, our Group did not have any contingent liabilities (2020: Nil).

Management Discussion and Analysis

Pledge of Assets

There was no pledge of our Group's assets as of June 30, 2021.

Foreign Exchange Exposure

Our financial statements are expressed in Renminbi, but certain of our cash and cash equivalents, time deposits, restricted bank deposits, contract assets, trade receivables, trade payables and other payables and accruals are denominated in foreign currencies, and are exposed to foreign currency risk. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

As of June 30, 2021, we recorded net current assets of RMB1,738.6 million, representing the decrease of RMB2.9 million from RMB1,741.5 million as of December 31, 2020. In the management of the liquidity risk, our Company monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows.

Employees and Remuneration Policies

As at June 30, 2021, we had 213 employees in total. The total remuneration costs amounted to RMB59.3 million for the six months ended June 30, 2021, as compared to RMB30.7 million for the six months ended June 30, 2020. The increase reflected the increased number of employees and their salary level which is in line with our business expansion.

In order to maintain the quality, knowledge and skill levels of our workforce, we provides continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. Our Group also provides training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects.

We provide various incentives and benefits for our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. We have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in accordance with applicable laws.

Supplementary Information

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended June 30, 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Group is committed to implementing high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. Our Company has adopted the CG Code set out in Appendix 14 to the Listing Rules as our own code of corporate governance.

The Board is of the view that our Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2021 and up to the date of this interim report, except for a deviation from the code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the responsibility between the chairman and chief executive should be separate and should not be performed by the same individual. However, Dr. Yinxiang Wang ("**Dr. Wang**") is our Company's chairman of our Board and the chief executive officer of our Company. With extensive experience in the pharmaceutical industry and having served in our Company since its establishment, Dr. Wang is in charge of overall strategic planning, business direction and operational management of our Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the Board and our Company's senior management, which comprises experienced and diverse individuals. The Board currently comprises four executive Directors, four non-executive Directors and four independent non-executive Directors, and therefore has a strong independence element in its composition.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as our code for dealing in securities in our Company by the Directors. All Directors have confirmed compliance with the required standard set out in the Model Code for the six months ended June 30, 2021 and up to the date of this interim report. No incident of non-compliance by the Directors was noted by the Company during the Reporting Period.

REVIEW OF FINANCIAL STATEMENTS AND INTERIM REPORT BY THE AUDIT COMMITTEE

Our Company has established an Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the CG Code, and has adopted written terms of reference. The Audit Committee consists of one non-executive Director, Dr. Te-li Chen, and two independent non-executive Directors, Dr. Ge Wu and Dr. Daqing Cai. The Audit Committee is currently chaired by Dr. Daqing Cai, who possesses suitable professional qualifications.

The Audit Committee has discussed with our Company's management and reviewed the unaudited condensed consolidated interim financial information of our Group for the Reporting Period and this interim report. The Audit Committee considered that the interim results and this interim report are in compliance with the applicable accounting standards, laws and regulations, and our Company has made appropriate disclosures thereof.

Supplementary Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF OUR COMPANY

Save for the issuance of 11,808,300 ordinary shares on January 18, 2021 pursuant to the partial exercise of the over-allotment option as disclosed in the announcement of the Company dated January 13, 2021, neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of our Company's listed securities during the six months ended June 30, 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this interim report, we do not have other plans for material investments and capital assets.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

Dr. Dong LYU, our non-executive Director, is the non-executive director of Keymed Biosciences Inc.(康諾亞生物醫藥科技有限公司) (a company listed on the Hong Kong Stock Exchange (stock code: 2162)) since March 2021.

Dr. Ge WU, our independent non-executive Director, retired as independent non-executive director of Beijing North Star Company Limited (北京北辰實業股份有限公司) (a company listed on the Hong Kong Stock Exchange (stock code: 0588) and Shanghai Stock Exchange (stock code: 601588)) in May 2021.

Save as disclosed above, there was no change in the Board and the information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2021, the interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by our Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to our Company and the Stock Exchange pursuant to the Model Code, are set out below:

Supplementary Information

Interests in Shares of our Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[2]
Dr. Yinxiang Wang	Interest in controlled corporation; interest held jointly with another person	277,098,975[3]	35.92%
Ms. Xiaojie Wang	Interest in controlled corporation; interest held jointly with another person	277,098,975[4]	35.92%
Dr. Shaojing Hu	Interest in controlled corporation; interest held jointly with another person	277,098,975[5]	35.92%
Ms. Yunyan Hu	Interest in controlled corporation; interest held jointly with another person	277,098,975[6]	35.92%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 771,462,180 Shares in issue as at June 30, 2021.

3. The entire share capital of each of Dr. Wang's SPV 1 and Dr. Wang's SPV 2 is directly owned by Dr. Wang and indirectly wholly owned by Dr. Wang and Ms. Zhu Shen, the spouse of Dr. Wang, respectively, and the voting rights of the Shares held by Willgenpharma Ltd and Honourpharma Ltd which are intended to used for employee incentive purposes are exercisable by Dr. Wang. Accordingly, Dr. Wang is deemed to be interested in such number of Shares held by Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd and Honourpharma Ltd. Dr. Wang is also deemed to be interested in all Shares held by Wordspharma Ltd, a company wholly-owned by Ms. Zhu Shen as Ms. Zhu Shen is the spouse of Dr. Wang. In addition, each of Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, and Honourpharma Ltd is also deemed to be interested in all Shares held by Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

4. The entire share capital of Ms. Wang's SPV is directly owned by Ms. Wang, and the voting rights of the Share held by Gloryviewpharma Ltd and Blesspharma Ltd which are intended to used for employee incentive purposes are exercisable by Ms. Wang. Accordingly, Ms. Wang is deemed to be interested the Shares held by Ms. Wang's SPV, Gloryviewpharma Ltd and Blesspharma Ltd. In addition, each of Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Honourpharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

5. The entire share capital of Dr. Hu's SPV is directly owned by Dr. Hu. Accordingly, Dr. Hu is deemed to be interested in the Shares held by Dr. Hu's SPV. In addition, each of Dr. Hu and Dr. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

6. The entire share capital of Ms. Hu's SPV is wholly owned by Ms. Hu. Accordingly, Ms. Hu is deemed to be interested in such number of Shares held by Ms. Hu's SPV. In addition, each of Ms. Hu and Ms. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu and Dr. Hu's SPV as they are parties acting in concert.

Supplementary Information

Save as disclosed above, as at June 30, 2021, none of the Directors and chief executives of our Company had any interests or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF OUR COMPANY

So far as is known to our Company, as at June 30, 2021, as recorded in the register required to be kept by our Company under section 336 of the SFO, the following persons, other than a Director or chief executive of our Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[2]
Dr. Yinxiang Wang[3]	Interest in controlled corporation; interest held jointly with another person	277,098,975	35.92%
Dr. Wang's SPV 1[3]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Dr. Wang's SPV 2[3]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Honourpharma Ltd[3]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Ms. Zhu Shen[4]	Interest of spouse	277,098,975	35.92%
Ms. Wang[5]	Interest in controlled corporation; interest held jointly with another person	277,098,975	35.92%
Ms. Wang's SPV[5]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Gloryviewpharma Ltd[5]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Blesspharma Ltd[5]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Mr. Ze Liu[6]	Interest of spouse	277,098,975	35.92%
Dr. Hu[7]	Interest in controlled corporation; interest held jointly with another person	277,098,975	35.92%
Dr. Hu's SPV[7]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
Ms. Xiaohong Zhang[8]	Interest of spouse	277,098,975	35.92%
Ms. Hu[9]	Interest in controlled corporation; interest held jointly with another person	277,098,975	35.92%
Ms. Hu's SPV[9]	Beneficial interest; interest held jointly with another person	277,098,975	35.92%
BioEngine Capital Holding Limited[10]	Beneficial interest	98,330,000	12.75%
Center Laboratories, Inc.[10]	Interest in controlled corporation	118,818,890	15.40%

Supplementary Information

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding[2]
LAV Coda Limited[11]	Beneficial interest	42,134,075	5.46%
LAV Biosciences Fund IV, L.P.[11]	Interest in controlled corporation	42,134,075	5.46%
LAV GP IV, L.P.[11]	Interest in controlled corporation	42,134,075	5.46%
LAV Corporate IV GP, Ltd.[11]	Interest in controlled corporation	42,134,075	5.46%
Mr. Yi Shi[11]	Interest in controlled corporation	51,282,225	6.65%
Qiming Venture Partners VI, L.P. [12]	Beneficial interest	48,305,740	6.26%
Qiming Corporate GP V, Ltd[12]	Interest in controlled corporation	32,222,000	4.18%
Qiming Corporate GP VI, Ltd[12]	Interest in controlled corporation	49,605,555	6.43%
HH SPR-III Holdings Limited[13]	Beneficial interest	56,861,110	7.37%
Hillhouse Capital Management Ltd.[13]	Interest in controlled corporation	56,861,110	7.37%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 771,462,180 Shares in issue as at June 30, 2021.

3. The entire share capital of each of Dr. Wang's SPV 1 and Dr. Wang's SPV 2 is directly owned by Dr. Wang and indirectly wholly owned by Dr. Wang and Ms. Zhu Shen, the spouse of Dr. Wang, respectively, and the voting rights of the Shares held by Willgenpharma Ltd and Honourpharma Ltd which are intended to used for employee incentive purposes are exercisable by Dr. Wang. Accordingly, Dr. Wang is deemed to be interested in such number of Shares held by Dr. Wang's SPV 1, Dr. Wang's SPV 2 and Willgenpharma Ltd and Honourpharma Ltd. Dr. Wang is also deemed to be interested in all Shares held by Wordspharma Ltd, a company wholly-owned by Ms. Zhu Shen as Ms. Zhu Shen is the spouse of Dr. Wang. In addition, each of Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, and Honourpharma Ltd is also deemed to be interested in all Shares held by Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

4. The entire share capital of Wordspharma Ltd is wholly owned by Ms. Zhu Shen. Accordingly, Ms. Zhu Shen is deemed to be interested in such number of Shares held by Wordspharma Ltd. In addition, Ms. Zhu Shen is the spouse of Dr. Wang. Accordingly, Ms. Shen Zhu is also deemed to be interested in the Shares in which Dr. Wang is interested.

5. The entire share capital of Ms. Wang's SPV is directly owned by Ms. Wang, and the voting rights of the Share held by Gloryviewpharma Ltd and Blesspharma Ltd which are intended to used for employee incentive purposes are exercisable by Ms. Wang. Accordingly, Ms. Wang is deemed to be interested the Shares held by Ms. Wang's SPV, Gloryviewpharma Ltd and Blesspharma Ltd. In addition, each of Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Honourpharma Ltd, Dr. Hu, Dr. Hu's SPV, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

Supplementary Information

6. Mr. Ze Liu is the spouse of Ms. Wang. Accordingly, Mr. Ze Liu is deemed to be interested in the Shares in which Ms. Wang is interested.

7. The entire share capital of Dr. Hu's SPV is directly owned by Dr. Hu. Accordingly, Dr. Hu is deemed to be interested in the Shares held by Dr. Hu's SPV. In addition, each of Dr. Hu and Dr. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Ms. Hu and Ms. Hu's SPV as they are parties acting in concert.

8. Ms. Xiaohong Zhang is the spouse of Dr. Hu. Accordingly, Ms. Xiaohong Zhang is deemed to be interested in the Shares in which Dr. Hu is interested.

9. The entire share capital of Ms. Hu's SPV is wholly owned by Ms. Hu. Accordingly, Ms. Hu is deemed to be interested in such number of Shares held by Ms. Hu's SPV. In addition, each of Ms. Hu and Ms. Hu's SPV is deemed to be interested in all Shares held by Dr. Wang, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Willgenpharma Ltd, Honourpharma Ltd, Ms. Wang, Ms. Wang's SPV, Gloryviewpharma Ltd, Blesspharma Ltd, Dr. Hu and Dr. Hu's SPV as they are parties acting in concert.

10. To the best of our Director's knowledge, BioEngine Capital Holding Limited is an indirectly non-wholly owned subsidiary of Center Laboratories, Inc. Accordingly, Center Laboratories, Inc. is deemed to be interested in the Shares in which BioEngine Capital Holding Limited is interested. In addition, since Center Laboratories, Inc. is interested in 33.23% of the interests in Fangyuan, Center Laboratories, Inc. is also deemed to be interested in the Shares held by Fangyuan Growth SPC – PCJ Healthcare Fund SP.

11. To the best of our Director's knowledge, LAV Coda Limited is wholly owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund IV, L.P. is LAV GP IV, L.P., whose general partner is LAV Corporate IV GP, Ltd., a Cayman company owned by Mr. Yi Shi. Therefore, under the SFO, each of LAV Biosciences Fund IV, L.P., LAV GP IV, L.P., LAV Corporate IV GP, Ltd. and Mr. Yi Shi is deemed to be interested in the Shares held by LAV Coda Limited.

    To the best of our Director's knowledge, the general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman company owned by Mr. Yi Shi as well. Therefore, under the SFO, each of LAV Biosciences Fund V, L.P., LAV GP V, L.P., LAV Corporate V GP, Ltd. and Mr. Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund V, L.P.

    Therefore, Mr. Yi Shi is deemed to be interested in the Shares held by both LAV Coda Limited and LAV Biosciences Fund V, L.P.

Supplementary Information

12. To the best of our Director's knowledge, Qiming Corporate GP V, Ltd is the general partner of Qiming Managing Directors Fund V,L.P. and the ultimate general partner of Qiming Venture Partners V, L.P. Qiming Corporate GP VI, Ltd is the general partner of Qiming Managing Directors Fund VI, L.P. and the ultimate general partner of Qiming Venture Partners VI, L.P. Accordingly, Qiming Corporate GP V, Ltd is deemed to be interested in the Shares held by Qiming Managing Directors Fund V, L.P. and Qiming Venture Partners V, L.P., whereas Qiming Corporate GP VI, Ltd is deemed to be interested in the Shares held by Qiming Managing Directors Fund VI, L.P. and Qiming Venture Partners VI, L.P.

13. Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Fund IV, L.P., which owns HH SPR-III Holdings Limited. Therefore, Hillhouse Capital Management, Ltd. is deemed to be interested in the Shares held by HH SPR-III Holdings Limited.

Save as disclosed above, as at June 30, 2021, our Company had not been notified of any persons (other than a Director or chief executive of our Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

From the six months ended June 30, 2021, our Company did not have any share option scheme which was required to be disclosed.

SHARE AWARD SCHEME

On August 31, 2021, our Company has adopted the 2021 Stock Incentive Plan. For details, please refer to the announcement published on websites of the Stock Exchange and the Company dated on August 31, 2021.

USE OF PROCEEDS FROM GLOBAL OFFERING

Our Company's Shares started to list on the Main Board of the Stock Exchange on the Listing Date. Our Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK$1,421.8 million, equivalent to RMB1,183.1 million including shares issued as a result of the partial exercise of the over-allotment option. Our Company intends to use the net proceeds in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the Prospectus and will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes by 2025. This expected timeline is based on the best estimation of future market conditions and our business operations, and remains subject to change based on our current and future development of market conditions and actual business needs.

Supplementary Information

As at 30 June 2021, approximately RMB93.9 million of the net proceeds of the Global Offering had been utilized as follows:

	Percentage to net proceeds from the Global Offering	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus *RMB million*	Utilization as at June 30, 2021 *RMB million*	Unutilized as at June 30, 2021 *RMB million*
Fund registrational clinical trials and preparation for registration filings of JAB-3068 in the Territory	44%	520.6	–	520.6
Fund registrational clinical trials and preparation for registration filings of JAB-3312 in the Territory	18%	213.0	–	213.0
Fund the set-up of our sales and marketing team and commercialization activities of JAB-3068 and JAB-3312 in the Territory	4%	47.3	–	47.3
Fund ongoing and planned clinical trials of JAB-8263	10%	118.3	6.4	111.9
Fund ongoing pre-clinical and clinical development of JAB-21822 and the preparation of its IND filing	8%	94.6	33.3	61.3
For the ongoing and planned early-stage drug discovery and development, including pre-clinical and clinical development of our other pipeline assets, discovery and development of new drug candidates	4%	47.3	37.0	10.3
Fund the planned construction of our in-house GMP-compliant manufacturing facility	8%	94.6	–	94.6
For working capital and general corporate purposes	4%	47.4	17.2	30.2
Total	**100%**	**1,183.1**	**93.9**	**1,089.2**

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, no important events affecting our Company occurred since the reporting period and up to the date of this interim report.

Definitions and Glossary

"AbbVie"	AbbVie Ireland Unlimited Company, incorporated on July 19, 2020 in Ireland, which is a wholly-owned subsidiary of AbbVie Inc. (NYSE: ABBV) and an Independent Third Party
"Articles of Association"	articles of association of our Company
"Audit Committee"	the audit committee of the Board
"Aurora A"	Aurora A kinase, one of the key regulators of mitosis progression
"Beijing Jacobio"	Jacobio Pharmaceuticals Co., Ltd. (北京加科思新藥研發有限公司), a limited liability company incorporated under the laws of PRC on July 17, 2015, being an indirect wholly-owned subsidiary of our Company
"BET"	bromodomain and extra-terminal; BET proteins interact with acetylated lysine residues in histone to regulate gene expression, and promote aberrant expression of many oncogenes such as MYC, CCND1, and BCL2L1
"BID"	"bis in die," Latin for twice daily
"Board"	The board of Directors
"BRAF"	B-Raf proto-oncogene, a gene that encodes a protein called B-Raf
"CD73"	ecto-5'-nucleotidase, a surface-expressed enzyme that hydrolyzes AMP into adenosine. CD73 is an immunosuppressive molecule that can be therapeutically targeted to restore effector T-cell function
"China" or "PRC"	the People's Republic of China
"Company" or "our Company"	JACOBIO PHARMACEUTICALS GROUP CO., LTD. (加科思藥業集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 1, 2018, which was formerly known as JACOBIO (CAY) PHARMACEUTICALS CO., LTD., the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1167)
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wang, Dr. Hu, Ms. Wang, Ms. Hu, Dr. Wang's SPV 1, Dr. Wang's SPV 2, Dr. Hu's SPV, Ms. Wang's SPV, Ms. Hu's SPV, Hanourpharma Ltd, Ms. Shen Zhu, Gloryviewpharma Ltd, Blesspharma Ltd, Mr. Ze Liu, and Ms. Xiaohong Zhang
"Core Product(s)"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which for purposes of this interim report, refers to JAB-3068
"Corporate Governance Code" or "CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CRPC"	castration-resistant prostate cancer

Definitions and Glossary

"Directors"	director(s) of our Company
"Dr. Hu"	Dr. Shaojing Hu (胡邵京), our executive Director and one of our Controlling Shareholders upon Listing
"Dr. Hu's SPV"	Emmanuelhupharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Dr. Shaojing Hu
"Dr. Wang"	Dr. Yinxiang Wang (王印祥), our executive Director, Chief Executive Officer, Chairman of our Board and one of our Controlling Shareholders upon Listing
"Dr. Wang's SPV 1"	Yakovpharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Dr. Yinxiang Wang
"Dr. Wang's SPV 2"	Johwpharma Ltd, a limited liability company incorporated under the laws of the BVI which is indirectly wholly owned by Dr. Yinxiang Wang and Ms. Zhu Shen, the spouse of Dr. Wang
"EGFR"	epidermal growth factor receptor
"ESCC"	esophageal squamous cell carcinoma, a high-mortality cancer with complex etiology and progression involving both genetic and environmental factors
"FPI"	First-Patient-In
"G12C/D/V"	specific variations in the KRAS protein
"Global Offering	the offer of Shares for subscription as described in the Prospectus
"GLP-tox"	GLP-compliant toxicity study
"GMP"	good manufacturing practice
"GMP API"	GMP-compliant active pharmaceutical ingredients
"Group", "our Group", "we", "us" or "our"	our 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
"GTPases"	a large family of hydrolase enzymes that bind to the nucleotide guanosine triphosphate (GTP) and hydrolyze it to guanosine diphosphate (GDP)
"Hebecell"	Hebecell Holding Limited, an exempted company incorporated with limited liability under the Laws of the Cayman Islands
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

Definitions and Glossary

"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Independent Third Party"	a person or entity who is not a connected person of our Company under the Listing Rules
"KRAS G12X-mutant"	Multiple mutant forms at codon-12 of the KRAS protein
"Jacobio HK"	JACOBIO (HK) PHARMACEUTICALS CO., LIMITED (加科思(香港)藥業有限公司), a limited liability company incorporated under the laws of Hong Kong on July 3, 2018, being a direct wholly-owned subsidiary of our Company
"Jacobio US"	JACOBIO (US) PHARMACEUTICALS, INC., a limited liability company incorporated under the laws of the State of Delaware on December 20, 2018, being an indirect wholly-owned subsidiary of our Company
"Jacomab"	Jacomab Pharmaceuticals Co., Ltd. (北京加科天實新藥研發有限公司), a limited liability company incorporated under the laws of PRC on December 7, 2016, being an indirect wholly-owned subsidiary of our Company
"Listing"	the listing of our Company on the main board of the Stock Exchange on December 21, 2020
"Listing Date"	December 21, 2020, being the date on which the Offer Shares were listed and dealings in the Offer Shares first commenced 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
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"MEK"	mitogen-activated protein kinase kinase (also known as MAPKK), a kinase enzyme which phosphorylates MAPK
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Ms. Hu"	Ms. Yunyan Hu (胡雲雁), our executive Director, Senior Vice President and one of our Controlling Shareholders upon Listing
"Ms. Hu's SPV"	Hmed Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Yunyan Hu
"Ms. Wang"	Ms. Xiaojie Wang (王曉潔), our executive Director, President of Administration and one of our Controlling Shareholders upon Listing

Definitions and Glossary

"Ms. Wang's SPV"	Risepharma Ltd, a limited liability company incorporated under the laws of the BVI which is wholly owned by Ms. Xiaojie Wang
"NF1"	a gene located on chromosome 17, which produces a protein called neurofibromin that helps regulate cell growth. The mutated NF1 gene causes a loss of neurofibromin, which allows uncontrolled cells grow
"NMC"	a rare type of cancer that forms in the respiratory tract and other places along the middle of the body, from the head to the abdomen
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"NSCLC"	non-small cell lung cancer
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell-mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell
"PD-(L)1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"Phase I"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"Phase Ib/IIa"	Phase Ib/IIa is the study that tests the safety, side effects, and best dose of a new treatment. It is conducted in target patient popular with selected dose levels. Phase Ib/IIa study also investigates how well a certain type of disease responds to a treatment. In the phase IIa part of the study, patients usually receive multiple dose levels and often include the highest dose of treatment that did not cause harmful side effects in the phase Ia part of the study. Positive results will be further confirmed in a Phase IIb or Phase III study
"Phase II"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Prospectus"	the prospectus of our Company dated December 9, 2020 being issued in connection with the Listing
"QD"	once daily

Definitions and Glossary

"RAS"	a low-molecular-weight GDP/GTP-binding guanine triphosphatase, which is a prototypical member of the small-GTPase superfamily
"Register of Members"	the register of members of our Company
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with a nominal value of US$0.0001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA"	U.S. Food and Drug Administration

Report on Review of Interim Financial Information

To the board of Directors of JACOBIO PHARMACEUTICALS GROUP CO., LTD.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 41 to 64, which comprises the interim condensed consolidated balance sheet of JACOBIO PHARMACEUTICALS GROUP CO., LTD. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated statement of loss, the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in shareholders' equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2021

Interim Condensed Consolidated Statement of Loss

	Note	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	5	**57,689**	–
Cost of revenue	6	**(53,133)**	–
Gross profit		**4,556**	–
Research and development expenses	6	**(121,660)**	(71,012)
Administrative expenses	6	**(18,528)**	(12,374)
Other income	7	**3,624**	3,380
Other (losses)/gains – net	8	**(11,930)**	1,069
Operating loss		**(143,938)**	(78,937)
Finance income	9	**7,644**	1,831
Finance expenses	9	**(303)**	(719)
Finance income – net	9	**7,341**	1,112
Fair value losses in financial instruments with preferred rights		**–**	(733,079)
Loss before income tax		**(136,597)**	(810,904)
Income tax expense	10	**–**	–
Loss for the period		**(136,597)**	(810,904)
Loss attributable to:			
Owners of the Company		**(136,597)**	(810,896)
Non-controlling interests		**–**	(8)
		(136,597)	(810,904)
Loss per share attributable to owners of the Company:			
– Basic and diluted (in RMB per share)	11	**(0.18)**	(2.42)

The above interim condensed consolidated statement of loss should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Comprehensive Loss

	Note	Six months ended 30 June 2021 **RMB'000** **(Unaudited)**	2020 RMB'000 (Audited)
Loss for the period		**(136,597)**	(810,904)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	*20*	**(38)**	(5)
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial instruments with preferred rights due to own credit risk	*20*	**–**	(3,518)
Other comprehensive loss for the period, net of tax		**(38)**	(3,523)
Total comprehensive loss		**(136,635)**	(814,427)
Total comprehensive loss attributable to:			
Owners of the Company		**(136,635)**	(814,419)
Non-controlling interests		**–**	(8)
		(136,635)	(814,427)

The above interim condensed consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**35,422**	30,261
Right-of-use assets	*14*	**5,648**	3,868
Intangible assets		**1,088**	1,171
Other receivables and prepayments		**17,292**	16,702
Total non-current assets		**59,450**	52,002
Current assets			
Contract assets	*5*	**28,349**	171,413
Trade receivables	*15*	**159,374**	–
Other receivables and prepayments		**10,631**	15,743
Derivative financial instruments	*4*	**2,636**	784
Cash and bank balances	*16*	**1,612,373**	1,627,408
Total current assets		**1,813,363**	1,815,348
Total assets		**1,872,813**	1,867,350
SHAREHOLDERS' EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**510**	502
Other reserves	*20*	**3,979,387**	3,846,602
Share-based compensation reserve	*21*	**111,557**	100,728
Accumulated losses		**(2,298,229)**	(2,161,632)
		1,793,225	1,786,200
Non-controlling interests		**–**	–
Total shareholders' equity		**1,793,225**	1,786,200
LIABILITIES			
Non-current liabilities			
Lease liabilities	*17*	**2,583**	2,011
Deferred income		**2,254**	5,261
Total non-current liabilities		**4,837**	7,272
Current liabilities			
Trade payables	*18*	**48,243**	28,281
Other payables and accruals		**16,417**	37,376
Lease liabilities	*17*	**10,091**	8,221
Total current liabilities		**74,751**	73,878
Total liabilities		**79,588**	81,150
Total equity and liabilities		**1,872,813**	1,867,350

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated financial information on pages 41 to 64 was approved by the board of Directors on 31 August 2021 and were signed on its behalf

Yinxiang Wang	**Xiaojie Wang**
Name of director	*Name of director*

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

	Note	Attributable to owners of the Company						
		Share capital *RMB'000*	Other reserves *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2021		502	3,846,602	100,728	(2,161,632)	1,786,200	–	1,786,200
Comprehensive loss								
Loss for the period		–	–	–	(136,597)	(136,597)	–	(136,597)
Exchange differences on translation of foreign operations		–	(38)	–	–	(38)	–	(38)
Transactions with owners								
Exercise of over-allotment option	*19, 20*	8	132,823	–	–	132,831	–	132,831
Share-based payments	*21*	–	–	10,829	–	10,829	–	10,829
Balance at 30 June 2021 (Unaudited)		510	3,979,387	111,557	(2,298,229)	1,793,225	–	1,793,225

	Note	Attributable to owners of the Company						
		Share capital *RMB'000*	Other reserves *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2020		30	85,206	81,072	(636,117)	(469,809)	(269)	(470,078)
Comprehensive loss								
Loss for the period		–	–	–	(810,896)	(810,896)	(8)	(810,904)
Exchange differences on translation of foreign operations		–	(5)	–	–	(5)	–	(5)
Changes in fair value of financial instruments with preferred right due to own credit risk	*20*	–	(3,518)	–	–	(3,518)	–	(3,518)
Transactions with owners								
Contributions from shareholders		23	1	–	–	24	–	24
Share-based payments	*21*	–	–	6,806	–	6,806	–	6,806
Transactions with non-controlling interests	*20*	–	(5,791)	–	–	(5,791)	291	(5,500)
Balance at 30 June 2020 (Audited)		53	75,893	87,878	(1,447,013)	(1,283,189)	14	(1,283,175)

The above interim condensed consolidated statement of changes in shareholders' equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Cash flows from operating activities			
Cash used in operations		**(119,601)**	(73,412)
Interest received		**4,849**	1,409
Net cash used in operating activities		**(114,752)**	(72,003)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,381)**	(748)
Purchase of intangible assets		**(589)**	–
Proceeds from disposal of property, plant and equipment		**10**	3
Purchases of wealth management products		**–**	(12,000)
Proceeds from disposal of wealth management products		**–**	12,000
Receipt of investment income on wealth management products		**–**	100
Purchase of deposits with original maturities of over 3 months		**–**	(69,481)
Proceeds from settlement of deposits with original maturities of over 3 months		**194,905**	–
Interest received on deposits with original maturities of over 3 months		**549**	–
Payments for restricted bank deposits		**(169,001)**	–
Withdraw of restricted bank deposits		**162,766**	–
Proceeds from derivative financial instruments		**853**	–
Net cash generated from/(used in) investing activities		**182,112**	(70,126)
Cash flows from financing activities			
Interest paid		**(108)**	(1,771)
Net proceeds from exercise of over-allotment option	*19, 20*	**132,831**	–
Proceeds from issuance of financial instruments with preferred rights		**–**	182,497
Transactions with non-controlling interests	*20*	**–**	(5,500)
Contributions from shareholders	*19, 20*	**–**	24
Repayment to a third party		**–**	(12,000)
Principal elements of lease payments		**(1,189)**	(424)
Payments for listing expenses		**(11,892)**	(84)
Net cash generated from financing activities		**119,642**	162,742
Net increase in cash and cash equivalents		**187,002**	20,613
Cash and cash equivalents at beginning of the period		**1,430,416**	314,338
Effects of exchange rate changes on cash and cash equivalents		**(12,267)**	1,049
Cash and cash equivalents at end of the period	*16*	**1,605,151**	336,000

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

JACOBIO PHARMACEUTICALS GROUP CO., LTD. (the "Company") was incorporated in the Cayman Islands on 1 June 2018 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, "the Group") are principally engaged in research and development of new drugs.

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 21 December 2020.

This condensed consolidated interim financial information is presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

These condensed interim financial statements were approved for issue by the board of Directors on 31 August 2021.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

– Amendments to IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform – Phase 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Notes to the Condensed Consolidated Interim Financial Information

2 BASIS OF PREPARATION (Continued)

(b) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group, are as follows:

		Effective for accounting periods beginning on or after
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Update reference to the conceptual framework	1 January 2022
Annual improvements to IFRS standards 2018 – 2020	Annual improvements to IFRS standards 2018 – 2020	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

There have been no changes in the risk management policies for the period ended 30 June 2021.

4.2 Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at 30 June 2021 (Unaudited)					
Trade payables	**48,243**	**–**	**–**	**–**	**48,243**
Other payables and accruals (excluding non-financial liabilities)	**5,036**	**–**	**–**	**–**	**5,036**
Lease liabilities	**11,357**	**2,119**	**545**	**–**	**14,021**
Total	**64,636**	**2,119**	**545**	**–**	**67,300**
As at 31 December 2020 (Audited)					
Trade payables	28,281	–	–	–	28,281
Other payables and accruals (excluding non-financial liabilities)	22,555	–	–	–	22,555
Lease liabilities	8,653	1,046	1,080	–	10,779
Total	59,489	1,046	1,080	–	61,615

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments;

– Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and

– A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Notes to the Condensed Consolidated Interim Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets that were measured at fair value at 30 June 2021 and 31 December 2020:

	As at 30 June 2021 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Derivative financial instruments	**–**	**2,636**	**–**	**2,636**

	As at 31 December 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments	–	784	–	784

There were no changes in valuation techniques during the six months ended 30 June 2021 (2020: nil).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2021 (2020: nil).

The carrying amounts of the Group's other financial assets and liabilities, including cash and bank balances, trade and other receivables, contract assets, lease liabilities, trade payables and other payables, approximate their fair values.

5 SEGMENT AND REVENUE INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

(a) Description of segments

The Group is principally engaged in the research and development of new drugs. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT AND REVENUE INFORMATION (Continued)

(b) License and collaboration agreement with a customer

The Group recognised revenue totalled RMB57,689,000 for the six months ended 30 June 2021 in relation to a license and collaboration agreement entered by the Group with a customer (the "Agreement"). Under the terms of the Agreement, the Group agreed to grant licenses of certain intellectual properties and to provide research and development services in relation to certain licensed products to this customer. The considerations of the Agreement consist of non-refundable upfront payment, reimbursements for research and development costs incurred, and variable considerations including milestone payments and royalties on net sales of the licensed products.

(c) An analysis of revenue from contracts with customers is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from the Agreement	**57,689**	–

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Timing of revenue recognition:		
Over time	**57,689**	–

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT AND REVENUE INFORMATION (Continued)

(d) Assets related to contracts with customers

The Group has recognised the following assets related to contracts with customers:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Contract assets relating to the Agreement	**28,349**	171,413
Less: loss allowance	**–**	–
Current portion	**28,349**	171,413

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Audited)
Testing fee	**91,448**	26,190
Employee benefits expenses	**59,274**	30,652
Raw materials and consumables used	**21,057**	9,359
Depreciation and amortisation	**4,885**	4,873
Professional services expenses	**4,728**	6,383
Utilities and office expenses	**4,162**	1,758
Short-term leases expenses	**3,658**	2,002
Auditor's remuneration	**990**	130
Travelling and transportation expenses	**467**	300
Listing expenses	**–**	516
Others	**2,652**	1,223
Total	**193,321**	83,386

7 OTHER INCOME

	Six months ended 30 June	
	2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Audited)
Government grants	**3,624**	3,280
Investment income on wealth management products	**–**	100
	3,624	3,380

Notes to the Condensed Consolidated Interim Financial Information

8 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net foreign exchange (losses)/gains	**(14,631)**	1,069
Net fair value gains on derivative financial instruments	**2,701**	–
	(11,930)	1,069

9 FINANCE INCOME – NET

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance income		
– Interest income	**7,644**	1,831
Finance expenses		
– Interest costs on lease liabilities	**(303)**	(475)
– Interest costs on other payable to a third party	**–**	(244)
	(303)	(719)
Finance income – net	**7,341**	1,112

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax expense	**–**	–
Deferred income tax expense	**–**	–
	–	–

Notes to the Condensed Consolidated Interim Financial Information

10 INCOME TAX EXPENSE (Continued)

(a) The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

Hong Kong

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2 million and 16.5% for any assessable profits in excess. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended 30 June 2021 and 2020.

United States

The subsidiary incorporated in Massachusetts, United States is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in Massachusetts at a rate of 8.00% during the six months ended 30 June 2021 and 2020.

Mainland China

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to enterprise income tax at a rate of 25% on the taxable income.

Pursuant to the relevant laws and regulations, a subsidiary of the Company has been eligible as a High/New Technology Enterprise ("HNTE") which is subject to a tax concession rate of 15% during the six months ended 30 June 2021 and 2020.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for that year.

Notes to the Condensed Consolidated Interim Financial Information

11 LOSS PER SHARE

(a) Basic loss per share

Basic and diluted loss per share reflecting the effect of the issuance of ordinary shares by the Company are presented as follows.

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
Loss attributable to owners of the Company for the period (RMB'000)	**(136,597)**	(810,896)
Weighted average number of fully paid ordinary shares in issue (in thousands) (i)	**746,365**	335,508
Basic loss per share (in RMB per share) (ii)	**(0.18)**	(2.42)

(i) Movement of number of fully paid ordinary shares outstanding for the periods are shown in Note 19.

As at 30 June 2021, 32,690,345 shares are relevant to share-based payments of the Group, 8,766,780 shares of which have been vested and included in the calculation of basic loss per share, and the remaining 23,923,565 shares have not been included in the calculation of loss per share.

29,499,000 series A preferred shares without redemption rights and 2,812,193 series B preferred shares without redemption rights were treated as ordinary shares for the purpose to calculate loss per share for the six months ended 30 June 2020 as they were recognised in equity and had no preferred right as to dividends compared with ordinary shares prior to the conversion to ordinary shares.

Pursuant to the shareholders' resolution dated 30 November 2020, a total of 530,542,224 ordinary shares credited as fully paid at par value were allotted and issued to the shareholders of the register of members of the Company at the close of business on the date immediately preceding the date on which the global offering becomes unconditional by way of capitalisation of the sum of USD53,000 (equivalent to RMB347,000) standing to the credit of the capital reserve of the Company. The ordinary shares allotted and issued pursuant to the resolution rank pari passu in all respects with the then existing issued ordinary shares (the "Capitalisation Issue").

The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2020 has been retrospectively adjusted for the Capitalisation Issue.

(ii) The calculation of basic loss per share has not considered the shares which were issued but not fully paid before the global offering as dividends shall be declared and paid according to the amounts paid on the shares.

Notes to the Condensed Consolidated Interim Financial Information

11 LOSS PER SHARE (Continued)

(b) Diluted loss per share

The Group had potential dilutive shares throughout the six months ended 30 June 2021 and 2020 related to the shares held for share award scheme. Due to the Group's negative financial results for the six months ended 30 June 2021 and 2020, shares held for share award scheme has anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share.

12 DIVIDEND

No dividend has been declared by the Company for the six months ended 30 June 2021 (2020: nil).

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *RMB'000*	Office equipment and furniture *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
As at 31 December 2020				
Cost	**38,624**	**3,511**	**8,022**	**50,157**
Accumulated depreciation	**(10,943)**	**(2,040)**	**(6,913)**	**(19,896)**
Net book value	**27,681**	**1,471**	**1,109**	**30,261**
Six months ended 30 June 2021				
Opening net book amount	**27,681**	**1,471**	**1,109**	**30,261**
Additions	**5,979**	**662**	**1,560**	**8,201**
Disposals	**–**	**(10)**	**–**	**(10)**
Depreciation charge	**(2,063)**	**(374)**	**(579)**	**(3,016)**
Effects of exchange rate changes	**(14)**	**–**	**–**	**(14)**
Closing net book value	**31,583**	**1,749**	**2,090**	**35,422**
As at 30 June 2021 (Unaudited)				
Cost	**44,588**	**4,162**	**9,582**	**58,332**
Accumulated depreciation	**(13,005)**	**(2,413)**	**(7,492)**	**(22,910)**
Net book value	**31,583**	**1,749**	**2,090**	**35,422**

Notes to the Condensed Consolidated Interim Financial Information

14 RIGHT-OF-USE ASSETS

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Leased properties	**5,648**	3,868

The Group leases properties for own use. Information about leases for which the Group is a lessee is presented below:

	Leased properties *RMB'000*
As at 31 December 2020	
Cost	14,567
Accumulated depreciation	(10,699)
Net book amount	3,868
Six months ended 30 June 2021	
Opening net book amount	3,868
Additions	3,436
Depreciation charge	(1,656)
Closing net book amount	5,648
As at 30 June 2021 (Unaudited)	
Cost	18,003
Accumulated depreciation	(12,355)
Net book amount	5,648

Notes to the Condensed Consolidated Interim Financial Information

15 TRADE RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables from contracts with customers	**159,374**	–

The Group's trade receivables, of which the ageing analysis were within 90 days, were denominated in USD and approximate their fair value. The outstanding trade receivables amounting to USD24,612,000 (equivalent to approximately RMB159,374,000) were transferred out by the customer in June 2021 while received by the Group in July 2021 due to relevant receipt procedures.

16 CASH AND BANK BALANCES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cash on hand		
– RMB	**–**	–
Cash at bank		
– RMB	**899,382**	98,486
– USD	**319,174**	431,188
– HKD	**393,817**	1,097,734
	1,612,373	1,627,408

Reconciliation to interim condensed consolidated statement of cash flows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cash and bank balances	**1,612,373**	1,627,408
less: Deposits with original maturities of over 3 months	**–**	(195,747)
less: Restricted bank deposits (a)	**(7,222)**	(1,245)
Cash and cash equivalents	**1,605,151**	1,430,416

(a) Restricted bank deposits are the retention deposits for the Group's foreign currency forward contracts.

Notes to the Condensed Consolidated Interim Financial Information

17 LEASE LIABILITIES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Current	**10,091**	8,221
Non-current	**2,583**	2,011
	12,674	10,232

18 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Less than 1 year	**48,203**	28,004
Between 1 and 2 years	**–**	237
Between 2 and 3 years	**40**	40
	48,243	28,281

Notes to the Condensed Consolidated Interim Financial Information

19 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *USD'000*	Number of preferred shares	Nominal value of preferred shares *USD'000*
Authorised:				
As at 1 January 2021 and 30 June 2021	1,000,000,000	100	–	–
As at 1 January 2020	429,976,807	43	70,023,193	7
Re-designation upon issuance of preferred shares (a)	(7,135,556)	(1)	7,135,556	1
As at 30 June 2020	422,841,251	42	77,158,749	8

	Number of shares in equity	Share capital *USD'000*	*RMB'000*
Issued and fully paid:			
As at 1 January 2021	**759,653,880**	**75**	**502**
Exercise of over-allotment option (b)	**11,808,300**	**1**	**8**
As at 30 June 2021 (Unaudited)	**771,462,180**	**76**	**510**
As at 1 January 2020	**43,763,526**	**4**	**30**
Contributions from shareholders	**33,445,200**	**3**	**23**
As at 30 June 2020 (Audited)	**77,208,726**	**7**	**53**

(a) The Company re-designated 7,135,556 ordinary shares as series C+ preferred shares on 27 February 2020. All preferred shares were converted into ordinary shares upon the global offering on 21 December 2020.

(b) On 13 January 2021, the international underwriters of the global offering partially exercised the over-allotment option, pursuant to which the Company issued 11,808,300 ordinary shares with par value of USD0.0001 each at a price of HKD14.00 per share and USD1,000 (equivalent to approximately RMB8,000) are credited to share capital, and remaining amounts, after netting of listing expenses, RMB132,823,000 are credited to capital reserve.

Notes to the Condensed Consolidated Interim Financial Information

20 OTHER RESERVES

	Capital reserve *RMB'000*	Losses from financial instruments with preferred rights due to own credit risk *RMB'000*	Foreign currency translation reserve (a) *RMB'000*	Total *RMB'000*
As at 1 January 2021	**3,846,538**	**–**	**64**	**3,846,602**
Exercise of over-allotment option (Note 19 (b))	**132,823**	**–**	**–**	**132,823**
Exchange differences on translation of foreign operations	**–**	**–**	**(38)**	**(38)**
As at 30 June 2021 (Unaudited)	**3,979,361**	**–**	**26**	**3,979,387**
As at 1 January 2020	91,559	(6,386)	33	85,206
Contributions from shareholders	1	–	–	1
Exchange differences on translation of foreign operations	–	–	(5)	(5)
Changes in fair value of financial instruments with preferred rights due to own credit risk	–	(3,518)	–	(3,518)
Transaction with non-controlling interests (b)	(5,791)	–	–	(5,791)
As at 30 June 2020 (Audited)	85,769	(9,904)	28	75,893

(a) Foreign currency translation reserve represents the difference arising from the translation of financial information of a subsidiary of the Company, which has a functional currency different from the presentation currency of the Company.

(b) On 22 May 2020, the Group acquired the remaining 10% of the shares of an insignificant subsidiary Jacobio-Beta Pharmaceuticals Co., Ltd. ("Jacobio-Beta") from an independent third party at a consideration of RMB5,500,000. Upon the completion of the transaction, Jacobio-Beta is wholly owned by the Group.

Notes to the Condensed Consolidated Interim Financial Information

21 SHARE-BASED PAYMENTS

(a) 2017 employee incentive plan

On 1 January 2017, 19 eligible employees ("Grantees A") were granted 4,540,000 share options of a subsidiary of the Company which are vested when Grantees A complete a five-year service period ("2017 Plan"). The exercise price of the options is RMB1.00 per ordinary share.

(b) Modification of 2017 Plan

On 1 March 2020, Grantees A were granted 2,231,864 restricted shares at a consideration of RMB0.1 per ordinary share, taking place of the 4,540,000 share options under 2017 Plan. The Group records the incremental fair value, amounting to RMB4,151,000, and the remaining expense of the original share options granted, amounting to RMB1,298,000, in the consolidated statement of comprehensive loss pursuant to the modified vesting schedule.

(c) 2020 employee incentive plan

On 1 March 2020, the board of Directors passed a resolution to adopt 2020 employee incentive plan ("2020 Plan"). The restricted shares and share options granted under the 2020 Plan are as follows:

(i) On 1 March 2020, 608,205 restricted shares were granted to certain employees of the Group at a consideration of RMB0.1 per share. The Group records the expenses arising from 2020 Plan in the consolidated statement of comprehensive loss pursuant to the vesting schedule from March 2020 to March 2025.

The fair value of the restricted shares granted is RMB28.03 per share at the grant date, which has been valued by an independent qualified valuer using back-solve method.

(ii) On 16 July 2020, 1,200,000 share options of Willgenpharma Ltd, an employee incentive platform of the Company, were granted to 2 employees, and each 25% of the share options granted will be vested on the 2nd, 3rd, 4th and 5th year anniversary of the grant date, respectively. The share options vested shall become exercisable commencing from the 5th year anniversary of the grant date, and after the exercise of share options, each grantee will indirectly hold ordinary shares of the Company.

The exercise price of these options is USD0.0001 per ordinary share and shall be adjusted to USD4.00 per ordinary share retroactively if these entire options are not fully vested.

The fair value of the share options granted on the grant date, has been valued to be USD2.34 per share when the exercise price is USD4.00 per share, and USD4.04 per share when the exercise price is USD0.0001 per share, by an independent qualified valuer using binomial model.

Notes to the Condensed Consolidated Interim Financial Information

21 SHARE-BASED PAYMENTS (Continued)

(c) 2020 employee incentive plan (Continued)

(iii) On 20 July 2020, 50,000 restricted shares were granted to an individual and vested immediately. On the same day, 388,000 restricted shares were granted to the Founders of the Company, and each one third of the restricted shares granted will be vested on the 1st, 2nd and 3rd year anniversary of the grant date, respectively. The exercise price of 198,000 restricted shares granted is USD0.0001 per ordinary share, and the exercise price of 240,000 restricted shares granted is RMB0.1 per ordinary share.

The fair value of these restricted shares is USD4.04 per share at the grant date, which has been valued by an independent qualified valuer using back-solve method.

The number of shares granted under Modification of 2017 Plan and 2020 Plan are modified, as a result of the Capitalisation Issue (Note 11). The modifications mentioned above did not result in any incremental fair value granted.

(d) Expenses arising from share-based payment transactions

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
2017 Plan and Modification of 2017 Plan	**371**	3,636
2020 Plan	**10,458**	3,170
	10,829	6,806

As at 30 June 2021, the accumulated expenses arising from share-based payment transactions amounting to RMB111,557,000 are recognised in the share-based compensation reserve (30 June 2020: RMB87,878,000).

22 COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted for but not provided in the condensed consolidated interim financial information.

	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– Property, plant and equipment	**767**	462

In September 2019, the Group entered into an agreement with Beijing Economic-Technological Development Area Administration Commission on a total capital expenditure of no less than RMB140 million for the new-drug research and development base. The capital expenditure is expected to be incurred from 2022 to 2025.

Notes to the Condensed Consolidated Interim Financial Information

22 COMMITMENTS (Continued)

(b) Operating lease commitments

As at 30 June 2021 and 31 December 2020, the future aggregate minimum lease payment for short-term lease and low-value lease under irrevocable lease contracts are as follows:

	As at 30 June 2021 ***RMB'000*** **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Less than 1 year	**1,468**	3,382

23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

No significant transaction was carried out between the Group and its related parties during the six months ended 30 June 2021 and 2020.

(a) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
Salaries and other short-term employee benefits	**7,480**	3,893
Share-based compensation expenses	**7,082**	1,337
	14,562	5,230

24 SUBSEQUENT EVENTS

(a) In August 2021, the Company entered into a share purchase agreement with Hebecell Holding Limited ("Hebecell"), pursuant to which the Company has agreed to purchase and subscribe, and Hebecell has agreed to allot and issue, certain series A shares through three closings, the aggregated amount of which represents approximately 19.74% of the issued share capital of Hebecell on a fully-diluted and as-converted basis upon completion of the closings of the share purchase agreement, at a total consideration of USD25,000,000.

(b) On 31 August 2021, the Company adopted an incentive plan (the "Plan"), pursuant to which awards may be granted in the form of shares to a grantee. The maximum aggregate number of shares underlying the Plan is 10,000,000 shares plus shares purchased on the open market from time to time. Subject to early termination by the board of Directors, the Plan shall be valid and effective for 10 years commencing on its adoption date. As at the date of this report, no share has been granted under the Plan.