Brii Biosciences

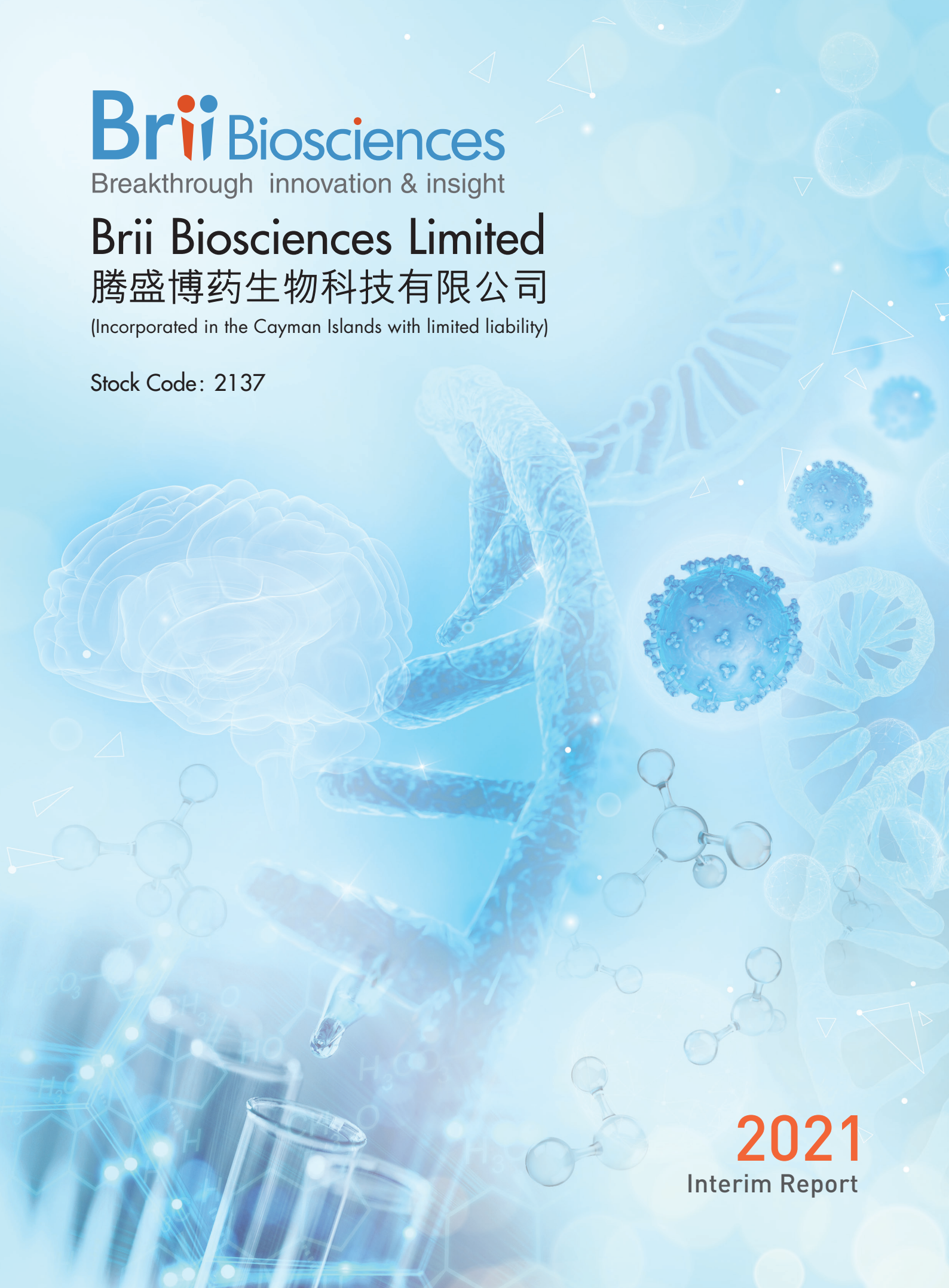
Breakthrough innovation & insight

Brii Biosciences Limited

腾盛博药生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2137



2021

Interim Report

CONTENTS

CORPORATE PROFILE

We are a biotechnology company based in China and the United States committed to advancing therapies for significant infectious diseases, such as HBV, HIV, MDR/XDR gram-negative infections, and other illnesses, such as the CNS diseases, which have significant public health burdens in China and worldwide. We are achieving this vision with a business model combining internal discovery and in-licensing.

Infectious diseases are a leading cause of death worldwide. However, for many infectious diseases with significant public health burdens there are a limited number of available therapeutics and companies dedicated to developing these therapeutics, resulting in a significant unmet need. HBV-related diseases, the global HIV pandemic, and the unprecedented outbreak of the COVID-19 pandemic each underscore the threat posed by infectious diseases to society and economies and the need for companies dedicated to developing therapeutics that cure, prevent or treat such diseases as well as the need to respond to both anticipated and unanticipated public health crises. For example, approximately 73 million people in China were HBV infected as of 2019, which accounted for about one-third of the total HBV patient population worldwide, translating into a total healthcare cost of RMB80 billion to RMB120 billion per year in China for HBV-related diseases, according to Frost & Sullivan. In 2019, HIV infection affected 39.1 million people globally, of which 1.7 million people became newly infected. Similarly, over the past 15 years, gram-negative bacteria related infections have accounted for about 70% of all clinical infections in China, according to Frost & Sullivan. It is also estimated by the World Bank that MDR gram-negative bacterial infections will cause a global GDP loss of US$1 trillion to US$3.4 trillion by 2030. As of the end of March 2021, the COVID-19 pandemic had resulted in over 2.7 million related deaths globally, with a significant impact on society and a global GDP loss of US$3.8 trillion in 2020, according to the World Bank.

We are currently developing a functional cure for chronic HBV infections, which has a disproportional health impact in China. In response to the global HIV pandemic, we discovered and are developing a long-acting, once-weekly single tablet regimen for HIV patients with an initial focus in the United States. We are also developing broad spectrum antibiotics to treat MDR/XDR gram-negative bacterial infections, both of which have a disproportional health impact in China. In response to the unprecedented global COVID-19 pandemic, and consistent with our commitment to public health matters, we are developing our neutralizing antibody cocktail therapy for the treatment of COVID-19. Furthermore, we are developing innovative therapies to address CNS disorders, such as postpartum depression and major depressive disorder. Depression is frequently observed not only in patients with CNS diseases but also with other chronic diseases. Furthermore, the COVID-19 pandemic, accompanied with resulting societal disruption and economic uncertainties, has exacerbated the prevalence of mood disorders globally. The global incidence of PPD reached 18.9 million in 2019. We believe that there is a significant unmet need for new therapies that can provide rapid relief and profound and sustained therapeutic effect against these disorders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Zhi HONG
Mr. Yongqing LUO

Non-executive Directors
Mr. Robert Taylor NELSEN
Dr. Axel BOUCHON

Independent non-executive Directors
Dr. Martin J MURPHY JR
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI
Mr. Gregg Huber ALTON

AUDIT COMMITTEE

Ms. Grace Hui TANG *(Chairlady)*
Dr. Martin J MURPHY JR
Mr. Yiu Wa Alec TSUI

REMUNERATION COMMITTEE

Dr. Martin J MURPHY JR *(Chairman)*
Ms. Grace Hui TANG
Mr. Yiu Wa Alec TSUI

NOMINATION COMMITTEE

Dr. Zhi HONG *(Chairman)*
Dr. Martin J MURPHY JR
Mr. Yiu Wa Alec TSUI

STRATEGY COMMITTEE

Dr. Zhi HONG *(Chairman)*
Mr. Robert Taylor NELSEN
Dr. Axel BOUCHON
Mr. Gregg Huber ALTON

JOINT COMPANY SECRETARIES

Dr. Ankang LI
Ms. Wing Tsz Wendy HO

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. Ankang LI
Ms. Wing Tsz Wendy HO

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Somerley Capital Limited

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman KY1 – 1104
Cayman Islands

CORPORATE HEADQUARTERS

3rd Floor, Building 7
Zhongguancun Dongsheng
International Science Park
No. 1 North Yongtaizhuang Road
Haidian District, Beijing 100192
China

WeWork One City Center
Suite 05-130, 110 N Corcoran St
Durham, NC 27701
United States of America

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

LEGAL ADVISERS

As to Hong Kong and U.S. laws:
O'Melveny & Myers

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Silicon Valley Bank
China Merchants Bank, Zhangjiang Branch
Bank of Beijing, Shuangxiu Branch

COMPANY WEBSITE

www.briibio.com

STOCK CODE

2137

LISTING DATE

July 13, 2021

1. OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	45,660	21,105
Bank interest income	620	1,750
Total	46,280	22,855

Our other income increased by RMB23.4 million from RMB22.9 million for the six months ended June 30, 2020 to RMB46.3 million for the six months ended June 30, 2021. This was primarily attributable to the increase in the recognition of government grants income of RMB24.6 million. These grants mainly represent the incentive and other subsidies from the PRC government, which are specifically for research and development activities, and are recognized upon compliance with the attached conditions.

2. OTHER GAINS AND LOSSES

Our other gains and losses decreased by RMB4.4 million from gains of RMB4.4 million for the six months ended June 30, 2020 to losses of RMB9,000 for the six months ended June 30, 2021. The decrease was primarily attributable to the differences resulting from the decrease in foreign currency exchange rates on the carrying amount of financial assets denominated in a foreign currency. We currently do not have a hedging policy, and the occurrence of any future currency exchange rate fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

3. FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FVTPL

Our fair value loss on financial liabilities at FVTPL increased by RMB2,723.9 million from RMB27.7 million for the six months ended June 30, 2020 to RMB2,751.6 million for the six months ended June 30, 2021. Fair value loss on financial liabilities measured at FVTPL consists of the issues of our Series A, Series B, and Series C Preferred Shares issued or outstanding during the period. The amount of loss represents the increase in fair value of the Preferred Shares.

All Preferred Shares were automatically converted into ordinary shares on July 13, 2021 in connection with our IPO and Listing on the Stock Exchange. We will incur an additional FVTPL charge for the period from July 1, 2021 to July 13, 2021 with no additional FVTPL charge thereafter.

4. RESEARCH & DEVELOPMENT EXPENSES

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Third-party contracting cost	99,678	100,475
Employee cost	49,673	24,483
Licensing fees	6,476	140,643
Amortization	1,358	–
Others	426	141
Total	157,611	265,742

Our research and development expenses decreased by RMB108.1 million from RMB265.7 million for the six months ended June 30, 2020 to RMB157.6 million for the six months ended June 30, 2021. The decrease was primarily due to license fees for our BRII-835 program incurred during the six months ended June 30, 2020, partially offset by a RMB25.2 million increase in our employee cost due to an increase in our R&D headcount since June 30, 2020.

5. ADMINISTRATIVE EXPENSES

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Employee cost	44,910	16,946
Professional fees	6,833	5,014
Depreciation and amortization	6,637	6,425
Office expenses	1,295	928
Others	8,315	11,853
Total	67,990	41,166

Our administrative expenses increased by RMB26.8 million from RMB41.2 million for the six months ended June 30, 2020 to RMB68.0 million for the six months ended June 30, 2021. This was primarily attributable to an increase of RMB28.0 million in employee costs from RMB16.9 million for the six months ended June 30, 2020 to RMB44.9 million for the six months ended June 30, 2021. Such increase was primarily attributable to the increase in employee headcount as well as the increase in stock compensation expense for employees.

6. LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, our bank and cash balances, including restricted bank deposits and time deposits mainly denominated in RMB and USD, increased to RMB1,445.1 million from RMB1,058.7 million as at December 31, 2020. The increase is primarily attributable to the proceeds received from the issuance of the Series C Preferred Shares.

In connection with our IPO, we issued in total of 125,333,000 ordinary shares at a price of HK$22.25 per share, resulting in aggregate gross proceeds of HK$2,788.7 million (approximately RMB2,325.1 million) before deduction of underwriting fees, commissions and related expenses.

7. NON-IFRS MEASURES

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, we also use adjusted loss for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

Adjusted loss for the period represents the loss for the period excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of the conversion feature of preferred shares (financial liabilities measured at fair value through profit or loss), share-based compensation expenses and listing expenses. The term adjusted loss for the period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS. The presentation of such adjusted figures may not be comparable to a similarly titled measure presented by other companies. However, we believe that this and other non-IFRS measures are reflections of our normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of our 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
	(unaudited)	(unaudited)
Loss for the period	(2,953,579)	(308,228)
Add:		
Fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**")	2,751,575	27,701
Share-based compensation expenses	27,391	6,953
Listing expenses	21,781	–
Adjusted loss for the period	(152,832)	(273,574)

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
	(unaudited)	(unaudited)
Research and development expenses for the period	(157,611)	(265,742)
Add:		
Share-based compensation expenses	5,252	1,823
Adjusted research and development expenses for the period	(152,359)	(263,919)

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
	(unaudited)	(unaudited)
Administrative expenses for the period	(67,990)	(41,166)
Add:		
Share-based compensation expenses	22,139	5,130
Adjusted administrative expenses for the period	(45,851)	(36,036)

8. KEY FINANCIAL RATIOS

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

	As at June 30, 2021	As at December 31, 2020
Current ratio[1]	972%	190%
Gearing ratio[2]	NM	NM

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date. Current ratio increased mainly due to the increase in cash balances from our Series C Preferred Shares financing.

(2) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Gearing ratio is not meaningful as we do not have any interest-bearing borrowings.

9. INDEBTEDNESS

Borrowings

As at June 30, 2021, the Group did not have any unutilized bank facilities, material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of the date of this report.

Contingent Liabilities

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

Lease liabilities

We lease our office places under operating lease arrangements. Leases for office places are negotiated for terms ranging mainly from one to five years. As at June 30, 2021, the Group had lease liabilities of RMB27.4 million recognized under IFRS 16.

10. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

As at June 30, 2021, we did not hold any significant investments. For the six months ended June 30, 2021, we did not have material acquisitions or disposals of subsidiaries, associates, and joint ventures.

11. CHARGE ON THE GROUP'S ASSETS

As at June 30, 2021, none of the Group's assets were charged with any parties or financial institutions (as at December 31, 2020: nil).

12. FOREIGN EXCHANGE EXPOSURE

We are exposed to foreign exchange risk arising from certain currency exposures. Our reporting currency is RMB, but a significant portion of our operating transactions, assets, and liabilities are denominated in other currencies such as USD and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

13. EMPLOYEES AND REMUNERATION

As at June 30, 2021, we had a total of 98 employees. The following table sets forth the total number of employees by function as of June 30, 2021:

Function	Number of employees	% of total
Research and development	67	68%
Administration	31	32%
Total	98	100%

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, equity incentive, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus, equity incentive and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

In accordance with applicable regulations in the PRC, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, and a personal injury insurance plan for our employees. We have made adequate provisions in accordance with applicable regulations. Additionally, in accordance with PRC regulations, we make annual contributions toward a housing fund, a supplemental medical insurance fund, and a maternity fund.

We provide formal and comprehensive company-level and department-level training to our new employees followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a biotechnology company committed to advancing therapies for significant infectious diseases and diseases of the central nervous system, with primary operations based in China and the United States. Our infectious disease programs are currently in clinical trials for the treatment of hepatitis B virus, human immunodeficiency virus, and multi-drug resistant or extensive drug resistant gram-negative infections. For our CNS program we are currently exploring treatments for postpartum depression and major depressive disorder, both of which pose significant public health burdens worldwide.

We strive to be the leading public health-inspired and infectious diseases/CNS diseases-focused biotechnology company. To realize this vision, we are leveraging our business model, which combines internal discovery and in-licensing, while actively advancing our clinical programs.

Infectious diseases are a leading cause of death worldwide. The limited number of available therapeutics and companies dedicated to developing therapies for infectious diseases has resulted in significant unmet medical needs and major public health burdens. The prevalence of HBV-related diseases, the global HIV pandemic and the unprecedented outbreak of the COVID-19 pandemic each underscore the societal and economic threats posed by infectious diseases. The solution is to dedicate more resources to developing therapeutics that cure, prevent or treat such diseases.

Since our inception in 2017, and under the leadership of our experienced management team with a track record of successfully developing and commercializing products across different geographies, we have built a pipeline of more than 10 innovative product candidates that focus on infectious diseases and CNS diseases, which are primarily in clinical stages.

We are currently developing a functional cure for chronic HBV infections, which have a disproportional health impact in China. This is one of our most advanced programs. In response to the global HIV pandemic, we discovered and are developing a long-acting, once-weekly single tablet regimen for HIV patients with an initial focus in the United States. We are also developing broad spectrum antibiotics to treat MDR/XDR gram-negative bacterial infections, which have a disproportional health impact in China. In response to the unprecedented global COVID-19 pandemic, and consistent with our commitment to public health matters, we are developing a neutralizing antibody cocktail therapy for the treatment of COVID-19. In August 2021 we completed patient enrollment in a Phase 3 trial as part of the ACTIV-2. Interim results were positive, demonstrating statistically significant reduction of 78% in the combined endpoint of hospitalization and death compared with placebo in 837 non-hospitalized high-risk COIVD-19 patients. In July of this year, we initiated a Phase 2 trial in China led by Professor Nanshan Zhong, the Academician of the Chinese Academy of Engineering and Director of the National Clinical Medical Research Center for Respiratory Diseases at the First Affiliated Hospital of Guangzhou Medical University.

In response to the recent emergence of new COVID-19 cases in China, including cases caused by the Delta variant, we began cooperating with governmental agencies and hospitals in China in June 2021 to supply BRII-196/BRII-198 for emergency use in Guangzhou, Shenzhen, Ruili, Kunming, Nanjing, Yangzhou, Zhangjiajie and Zhengzhou.

As another important arm of public health, we are also developing innovative therapies to address CNS disorders, such as PPD and MDD. Depression is frequently observed not only in patients with CNS diseases but also with other chronic diseases. The COVID-19 pandemic, accompanied by the resulting societal and economic disruption, has exacerbated the prevalence of mood disorders globally. We believe that there is a significant unmet need for new therapies that can provide rapid relief and profound and sustained therapeutic effect against these disorders.

Pipeline Summary

We have built a pipeline of more than 10 innovative product candidates that focus on infectious diseases and CNS diseases. Our strategic product pipeline is derived from (i) utilizing our in-house research and development capabilities to discover and develop our own innovative products and (ii) establishing collaborative licensing arrangements with carefully selected partners, whereby we in-license the Greater China rights to their important assets, leading the clinical development in China, and playing an integral role in the global development of such assets.

The following table sets forth the status of our key product candidates as of the date of this report:

Indication	Program	Preclinical	IND Approval	Phase 1	Phase 2	Phase 3	Regulatory Authority	Brii Rights	Licensing Partners/Internally Discovered
Infectious Disease Programs									
HBV	BRII-179 (VBI-2601)						NMPA	Greater China	VBI
	BRII-835 (VIR-2218)						NMPA	Greater China	VIR
	BRII-179/BRII-835 Combination						NMPA	Greater China	VBI VIR
COVID-19	BRII-196						FDA/NMPA	Global	
	BRII-198						FDA/NMPA	Global	
HIV	BRII-778						FDA	Global	Internally discovered
	BRII-732						FDA	Global	Internally discovered
MDR/XDR gram-negative infections	BRII-636[1] (QPX-7728)						FDA	Greater China	Qpex
	BRII-672[1] (QPX-7831)						FDA	Greater China	Qpex
	BRII-693[1] (QPX-9003)						FDA	Greater China	Qpex
MDR/XDR TB Mycobacteria	BRII-658[1] (AN2-501971)						FDA	Greater China	AN2Therapeutics
Central Nervous System Disease Programs									
PPD	BRII-296						FDA	Global	Internally discovered
MDD	BRII-296						FDA	Global	Internally discovered

Source: Company information as of August 26, 2021

Notes:
1. To this date, the development and clinical trials have been conducted by Qpex and AN2, respectively.

As of the date of this report, we had more than 10 product candidates, presenting a mix of preclinical and clinical-stage candidates, and a mix of in-licensed and self-discovered candidates.

Our **internally discovered drug** candidates for which we hold global rights include:

- BRII-196 and BRII-198 for the treatment of COVID-19 (global rights are collectively held by us and our partially owned subsidiary TSB); and
- BRII-778 and BRII-732 for the treatment of HIV;
- BRII-296 for the treatment of PPD and MDD.

Our **in-licensed drug candidates** for which we hold Greater China rights include:

- BRII-179 and BRII-835 for the development of a functional cure for HBV;
- BRII-636, BRII-672 and BRII-693 for the treatment of MDR/XDR gram-negative infections; and
- BRII-658 for the treatment of MDR/XDR tuberculosis.

BUSINESS REVIEW

During the first half of 2021, we continued to advance our product pipeline and business operations, including the following milestone and achievements:

Our Product Candidates

Infectious Disease Programs

HBV (licensed from VBI Vaccines Inc. and Vir Biotechnology, Inc.)

To treat HBV, we are currently developing BRII-179 (VBI-2601), an HBV-specific B cell and T cell therapeutic vaccine, and BRII-835, an HBV-targeting siRNA, which is a highly innovative and emerging class of therapy designed to reduce HBV antigens. We hold exclusive rights to develop and commercialize BRII-179 and BRII-835 in Greater China. As a potential HBV functional cure regimen, we are developing BRII-179 and BRII-835 as a combination therapy.

BRII-179: As one of our most advanced therapeutics candidates, BRII-179 is a novel recombinant protein-based HBV immunotherapeutic candidate. We in-licensed rights for Greater China for BRII-179 from VBI in December 2018. This therapeutic vaccine candidate builds upon the 3-antigen conformation of VBI's prophylactic 3-antigen HBV vaccine candidate and is designed to target enhanced B-cell and T-cell immunity.

Clinical Development Milestones and Achievements During Reporting Period

- In May, we completed and reported positive results from our Phase 1b/2a study in Mainland China, Hong Kong, New Zealand, Australia, Thailand and South Korea.
- In June, we released the final results from the study, which demonstrated:
  - Notable restimulation of cell immune response and antibody response to HBV surface antigens in a proportion of subjects with chronic HBV infection who received four monthly injections of 20 μg or 40 μg of BRII-179 admixed with or without IFN-α.
  - BRII-179 induced both B cell (antibody) and T cell responses in chronically infected hepatitis B patients and was well-tolerated with positive safety profiles.
  - Anti-HBs T cell immune responses to surface antigens were observed in all treatment groups. Anti-PreS1 and anti-PreS2 antibody responses were only detected in subjects who received BRII-179 admixed with IFN-α, whereas anti-HBs antibody responses were detected in the presence and absence of IFN-α.
  - Safety profile and vaccine-induced adaptive immune responses support continued development of BRII-179, with or without IFN-α, as a potential functional cure for chronic HBV infection.
- In June, we presented Phase 1b/2a data at the European Association for the Study of the Liver International Liver Congress 2021, where our abstract was selected for inclusion in the "Best of ILC" slide deck at EASL 2021, which highlights the most noteworthy contributions to the year's scientific program.
- In June 2021, we submitted an IND application to the CDE in Mainland China, for a Phase 2 study with BRII-179 in combination with PEG-IFN-α and NrtI treatment.

Post-Reporting Period Achievements and Upcoming Milestones

- In August 2021, we received IND clearance from the China's NMPA to conduct a Phase 2 study with BRII-179 in HBV patients receiving PEG-IFN-α and NrtI treatment.
- We plan to initial the patient enrollment and patient dose before Q1 2022.

BRII-835 (VIR-2218): BRII-835 is an investigational subcutaneously administered HBV-targeting siRNA that has the potential to stimulate an effective immune response and have direct antiviral activity against HBV. It is the first siRNA in the clinic to include Enhanced Stabilization Chemistry Plus technology to enhance stability and minimize off-target activity, which potentially can result in an increased therapeutic index. It is the first asset in Vir's collaboration with Alnylam Pharmaceuticals, Inc. to enter clinical trials. We licensed exclusive rights to develop and commercialize VIR-2218 for the greater China territory from Vir.

Clinical Development Milestones and Achievements During Reporting Period

- In May 2021, we completed patient enrollment in the Phase 2 randomized, placebo-controlled monotherapy study of BRII-835 in Mainland China to evaluate the safety, tolerability, pharmacokinetics, and antiviral activity.
- In June, Vir presented clinical data from its ongoing Phase 2 trial evaluating VIR-2218 (BRII-835) in combination with PEG-IFN-α for 12 weeks from Day 1, a more rapid and substantial decline in hepatitis B surface antigen was observed compared to VIR-2218 alone. The treatment regimen resulted in no new safety signals.

Post-Reporting Period Achievements and Upcoming Milestones

- The final result report of BRII-835 will be available by the end of 2021.
- Our partner Vir initiated a phase 2 trial to evaluate the combination of VIR-2218 and VIR-3434 (a monoclonal antibody targeting HBV) as a functional cure regimen for chronic HBV infection. Initial data are expected in the first half of 2022.
- In addition to our BRII-835 license, we have an exclusive option to obtain exclusive development and commercialization rights in Greater China to three additional products arising from designated other programs in Vir's pipeline including (VIR-3434) that achieve certain defined conditions.

Combination of BRII-179 and BRII-835 for HBV Functional Cure

Our BRII-179 and BRII-835 combination therapy may represent a novel HBV functional cure regimen that encompasses dual mechanisms of removing immunosuppressive viral antigens by siRNA gene silencing followed by stimulating the host HBV-specific immunity with a therapeutic vaccine.

Clinical Development Milestones and Achievements During Reporting Period

- The Phase 2 BRII-179/BRII-835 MRCT combination study, the first to evaluate the combination of these two HBV mechanisms of action, has been initiated in New Zealand, Australia, Singapore, and Hong Kong.
- In February 2021, we submitted an IND application for the Phase 2 BRII-179/BRII-835 MRCT combination study with the CDE in China.

Post-Reporting Period Achievements and Upcoming Milestones

- In Aug, we initial the trial in South Korea and start to patient dosing.
- We expect to begin Phase 2 BRII-179/BRII 835 patient dosing in Taiwan and Thailand by the end of 2021.
- The top-line interim clinical data for the Phase 2 combination study for BRII-179/BRII-835 is expected in the second half of 2022.
- If positive results are achieved in the combination study, we plan to submit a registration filing for a BRII-179/BRII-835 combination in China as early as 2024.

COVID-19 (discovered in collaboration with Tsinghua University and Third People's Hospital of Shenzhen through our subsidiary, TSB)

The COVID-19 pandemic is an ongoing public health crisis caused by the severe acute respiratory syndrome coronavirus 2, or SARS-CoV-2. To address the COVID-19 pandemic, we are leveraging our expertise in infectious diseases to develop BRII-196 and BRII-198, two neutralizing antibodies (nAbs) identified by our subsidiary TSB for the treatment of patients suffering from COVID-19 and providing potentially more than six months protection from infection for those exposed, or likely to be exposed, to SARS-CoV-2. If approved, this cocktail therapy will be administered by intravenous infusion ("**IV**") in two sequential doses. To date, the bulk of our development efforts for BRII-196 and BRII-198 have been conducted through cost-sharing partnerships with governments, with a goal of delivering an effective therapy to benefit people around the world.

BRII-196 and BRII-198: BRII-196 and BRII-198 are being studied in the clinical studies for BRII-196 and BRII-198. The U.S. National Institutes of Health has developed master trial protocols as part of the Accelerating COVID-19 Therapeutic Interventions and Vaccines program, a public private partnership to speed the development of the most promising COVID-19 vaccines and treatments.

Clinical Development Milestones and Achievements During Reporting Period

- **ACTIV-2 Trial:** Phase 2/3 clinical study for testing BRII-196 and BRII-198 as a combination therapy in ambulatory patients with COVID-19.
  - In January 2021, we dosed the first patient in the ACTIV-2 Phase 2 portion of the trial.
  - In April 2021, the DSMB determined we met the pre-specified safety and efficacy data screening to advance to the Phase 3 portion of the ACTIV-2 study.
- **Phase 2 trial in China (NCT04787211):** Phase 2 clinical study of a single dose IV infusion of BRII-196 and BRII-198 used as a combination therapy.
  - The Phase 2 BRII-196 and BRII-198 combination study was approved based on the CDE's review of the available clinical data with respect to BRII-196 and BRII-198, which had no indication of safety concerns.
  - In February 2021, we submitted an IND application to, and obtained approval from, the NMPA to initiate a Phase 2 study. In June 2021, we commenced the Phase 2 study in China. The leading PI is Professor. Nanshan Zhong.

Post-Reporting Period Achievements and Upcoming Milestones

- In July 2021, following the resurgence of COVID-19 caused by the Delta variant, we responded to requests from government agencies and hospitals in China for the emergency use of our antigens antibodies in COVID-19 patients in Guangzhou, Shenzhen, Ruili, Kunming, Nanjing, Yangzhou, Zhangjiajie and Zhengzhou.
- In August 2021, we completed enrollment in the Phase 3 ACTIV-2 trial. Shortly there after following review by DSMB, we reported positive interim data demonstrating statistically significant reduction of 78% in the combined endpoint of hospitalization and death, compared with placebo, in 837 non-hospitalized COVID-19 patients at high risk of clinical progression. In this interim analysis based on partial follow-up of the 837 participants, a reduction in both hospitalizations 12 (active) vs 45 (placebo) and deaths 1 (active) vs.9 (placebo), was observed. Additional subgroup analysis may further delineate the clinical benefits of early (≤5 days) versus late (6-10 days) treatment with BRII-196/BRII-198 following symptom onset, providing unique insight to inform real-world treatment decisions. In total 846 participants were treated at sites in the United States, Brazil, South Africa, Mexico, and Argentina. Data on the clinical efficacy of the combination BRII-196/BRII-198 by variant type will be evaluated as part of the study analysis. Current *in vitro* pseudovirus testing data suggests that combination BRII-196/BRII-198 retains activity against major SARS-CoV-2 variants of concern, including the following commonly identified variants, B.1.1.7 (Alpha), B.1.351 (Beta), P.1 (Gamma), B.1.429 (Epsilon), B.1.617.2 (Delta) and C.37 (Lambda).
- We expect to report more comprehensive top-line results from the ACTIV-2 trial later in the third quarter of 2021 and plan to submit an EUA in the second half of this year.
- We are continuing working with government agencies and hospitals in China to provide our antigens antibodies to COVID-19 patients on an emergency-use basis.

HIV (internally discovered)

We are developing BRII-778 and BRII-732 as a once-weekly single-tablet combination therapy that will offer a more discreet, convenient, and non-invasive maintenance therapy for HIV patients.

BRII-778: BRII-778 is an extended release formulation of an FDA-approved NNRTI, Edurant® (rilpivirine hydrochloride). Edurant, an instant release formulation of rilpivirine, has exhibited antiviral activity against a broad panel of HIV's most common strains. BRII-778, like all NNRTIs, binds to the NNRTI binding site, a flexible allosteric pocket located at a site adjacent to the DNA polymerizing processing site, resulting in conformational changes and altered function of reverse transcriptase.

Clinical Development Milestones and Achievements During Reporting Period

- In March 2021, we began dosing subjects in the Phase 1 study for BRII-778 in the United States.

Post-Reporting Period Achievements and Upcoming Milestones

- Top-line Phase 1 results are expected in the fourth quarter of 2021.

BRII-732: BRII-732 is a new chemical entity that is metabolized upon oral administration into EFdA or islatravir. EFdA functions not only as a potent chain-terminator like other NRTIs, but also functions as a potent HIV reverse transcriptase translocation inhibitor, with high binding affinity to the active site of RT, that inhibits HIV reverse transcriptase by blocking translocation of nascently synthesized strand for the next nucleotide incorporation.

Clinical Development Milestones and Achievements During Reporting Period

- In March 2021, we submitted an IND application with the FDA to initiate a Phase 1 study with BRII-732 in the United States. In April 2021, we received clearance from the FDA, and in May 2021 we began dosing subjects.

Post-Reporting Period Achievements and Upcoming Milestones

- Top-line Phase 1 results are expected in the first quarter of 2022.

MDR/XDR Gram-negative Infections (licensed from Qpex): We are developing our MDR/XDR therapies in collaboration with our partner Qpex as part of their global development plan. We retain responsibility for the development and regulatory activities in Greater China, while Qpex is responsible for all development and regulatory activities outside Greater China. Qpex is progressing BRII-636, BRII-672 and BRII-693 in parallel with a goal of moving each directly from Phase 1 studies to Phase 3 studies. We are collaborating with Qpex to progress OMNIvance® (BRII-636, a broad spectrum BLI, in combination with an IV β-lactamase antibiotic), ORAvance® (BRII-672, a broad spectrum BLI in combination with an oral β-lactamase antibiotic) as IV and oral formulation antibiotics, respectively, and BRII-693 (a next generation polymyxin) for the treatment of bacterial infections for which there are critical needs for new antibiotics.

BRII-636: BRII-636 is a novel cyclic boronic acid derived broad-spectrum inhibitor designed to cover all major SBLs and MBLs to restore the antibacterial activity of multiple carbapenems and cephalosporins. It is administered by the IV route to deliver BRII-636 into the bloodstream.

Clinical Development Milestones and Achievements During Reporting Period

- Qpex progressed its ongoing Phase 1 clinical trial in Australia under its U.S. IND.

Post-Reporting Period Achievements and Upcoming Milestones

- Qpex will continue to enroll subjects for a Phase 1 study of single and multiple ascending doses of BRII-636 alone, and in combination with a beta-lactamase, in Australia and the United States, which in the second half of 2021 will include a cohort of first- or second-generation Chinese subjects.
- Phase 1 top-line results are expected in the first half of 2022.
- We plan to file an IND application with China's NMPA as early as the first quarter of 2022 with a goal of participating in Qpex's global Phase 3 study.

BRII-672: BRII-672 is a form of BRII-636 that can be administered orally. These agents were discovered by Qpex as part of their expertise in BLIs using the boron atom as a part of pharmacophore.

Clinical Development Milestones and Achievements During Reporting Period

- In February 2021, Qpex submitted an IND application with the FDA for BRII-672 (ORAvance™) to initiate Phase 1 studies. The filing was approved by the FDA and in April 2021 Qpex initiated the trial in Australia.

Post-Reporting Period Achievements and Upcoming Milestones

- Phase I top-line results are expected in the first half of 2023.
- We plan to file an IND application with China's NMPA as early as the first quarter of 2023, with a goal of participating in Qpex's global Phase 3 study.

BRII-693: BRII-693 is a next generation, synthetic polymyxin, which has emerged as a development candidate based on a combination of increased in vitro and in vivo potency, and an improved safety profile. BRII-693 has the potential to represent a significant advancement in the polymyxin class of antibiotics.

Clinical Development Milestones and Achievements During Reporting Period

- In March 2021, Qpex submitted an IND application with the FDA for a Phase 1 study of BRII-693 in the Unites States. The study commenced enrollment in June 2021.

Post-Reporting Period Achievements and Upcoming Milestones

- Phase 1 top-line results from the Phase 1 study expected in 2022.
- We plan to file an IND application with China's NMPA as early as the fourth quarter of 2022 with a goal of participating in Qpex's global Phase 3 study.

MDR TB (licensed from AN2): BRII-658

BRII-658 is a novel antibiotic for MDR and XDR TB and has potent and broad-spectrum activity against mycobacteria and other pathogens of high unmet need. BRII-658 has a novel mechanism of action, oral and intravenous routes of administration, and an attractive safety and tolerability profile for addition to standard-of-care combinations. We believe BRII-658 has promise to be an effective therapy for TB. In addition to its novel mechanism of action, it is active against MDR and XDR TB isolates, and exhibits efficacy in preclinical models and has the potential to meet the target product profile for new TB drugs.

- We have exclusive rights to develop and commercialize BRII-658 against MDR/XDR TB in Greater China once BRII-658 meets the pre-defined clinical criteria against its targeted mycobacterial infections such as MDR and XDR TB.

Central Nervous System Programs

PPD/MDD (internally discovered): We are developing BRII-296 to address the challenges associated with current treatments for PPD and MDD. We are leveraging insight gained from, and applying drug formulation know-how utilized in, developing long-acting therapies for HIV where convenience of drug administration and patient compliance are critical to potential treatment success. Chronic illnesses, including infectious diseases are documented to cause depression.

BRII-296: BRII-296 is our novel, proprietary approach to address the challenges associated with current treatments for PPD. We are currently developing this therapy for the treatment of PPD.

Clinical Development Milestones and Achievements During Reporting Period

- In February 2021, we submitted an IND application to the FDA and received approval to proceed with our planned Phase 1 study for BRII-296. We began dosing subjects in the United States in April.

Post-Reporting Period Achievements and Upcoming Milestones

- Top-line results are expected in the fourth quarter of 2021.

Other Corporate Developments

- In March 2021, we completed a Series C financing of US$155 million. The financing, which included participation from both existing and new investors, was led by Invesco Developing Markets Fund. Additional funding was provided by GIC and SMALLCAP World Fund, Inc. ("**Capital**"), followed by Asia-based leading investment organization, as well as three current investors.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PRODUCT CANDIDATES SUCCESSFULLY.

Research and Development

We are a pre-revenue company primarily engaged in pharmaceutical R&D activities. We believe that R&D is key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry.

Our in-house R&D capabilities are led by Chief Executive Officer Dr. Zhi Hong, Dr. Li Yan (Chief Medical Officer), Dr. Lianhong Xu (Senior Vice President, Head of Medicinal Chemistry), Dr. Jean-Luc Girardet (Senior Vice President, Head of Pharmaceutical Sciences) and Dr. Qing Zhu (Senior Vice President, Head of Pharmaceutical Research).

With more than 25 years of experience in the biopharmaceutical industry, Dr. Hong previously led the infectious diseases departments of various multinational pharmaceutical companies, including GSK. He is widely credited as the key architect of GSK's comeback and success in HIV and other infectious diseases medicine discovery and development. Dr. Zhu's experience includes spearheading the antiviral R&D programs at MedImmune. Dr. Xu is a co-inventor of several successful antiviral therapies at Gilead Sciences and led the discovery efforts there in many therapeutic areas against HIV, HCV, HBV and cancers resulting in numerous clinical candidates. Dr. Girardet was the vice president of research operations at Ardea Biosciences, responsible for the chemistry and manufacturing controls function and expand our translational sciences.

As of June 30, 2021, we had 67 employees in China and the United States focusing on R&D activities. More than half of our employees hold advanced degrees such as M.D. or Ph.D.

Our R&D collaborations and in-house R&D capabilities facilitate our global sourcing of innovative therapies for the China and global markets. We have built our product candidate pipeline leveraging our in-house R&D capabilities, R&D collaborations and support from our strong scientific advisory board and veteran investors. Additionally, we have R&D collaborations with global pharmaceutical and biotech companies, leading CROs, CMOs, CDMOs, research institutions and other strategic partners.

With a widely respected Board of Directors who are well regarded in the industry, our R&D process and candidate selection are guided by a leading team of experts. Our diverse Board members hold exceptional industry experience across multiple scientific and corporate disciplines including leadership at large biopharmaceutical companies, specialization in infectious diseases, and successfully bringing biologic candidates through the clinical development, regulatory review, and commercialization process.

In light of our R&D strategies, the amount of R&D expenses varies with the number and scale of projects each year. Our R&D expenses were RMB157.6 million for the six months ended June 30, 2021. We intend to continue to leverage our technology and R&D capabilities to broaden our life sciences research and application capabilities and product candidate portfolio.

Other Important Events After the Reporting Period

- On July 13, 2021, we successfully completed our listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Date**"). We issued in total 125,333,000 shares globally (including 13,753,000 shares issued upon partial exercise of the over-allotment option) at HK$22.25 per share, raising in total approximately HK$2.789 billion in gross proceeds.
- To assist the Chinese government in managing the rampant spread of COVID-19, particularly upon the detection of the Delta variant in aggressive containment regions, we quickly delivered our antibodies for emergency use to treat COVID-19 infected persons in certain cities in China. While our clinical trials are ongoing, we continue to serve governments requesting assistance and hope to find viable treatment option soon to help treat and stop the spread of COVID-19.

FUTURE DEVELOPMENT

Our mission is to develop and bring transformative therapies to underserved markets addressing critical public health needs, becoming a leader in infectious diseases and central nervous system disease solutions. To bring us closer to our goal, following are our strategic priorities:

- Advance BRII-179 and BRII-179/BRII-835, our therapeutic vaccine and siRNA combination therapy designed to provide a functional cure for HBV infection in Greater China.
- Target EUA for BRII-196/BRII-198 for the treatment of COVID-19 in the United States and ensure sufficient antibody supply in China for emergency clinical use.
- Advance our HIV, PPD and other therapies for diseases with considerable unmet needs.
- Expand our pipeline of infectious disease programs through in-house discovery.
- Continue to scale our organization in China and the United States to support our developing business.

Commercialization

We maintain a mix of in-licensed Greater China rights and global rights to our pipeline candidates.

To date, our efforts have focused on building our drug candidate pipeline. Most of our programs are in clinical development at varying levels, with one pre-clinical candidate. As most of our candidates are engaged in ongoing clinical trials, we do not anticipate sales generation or commercialization in the immediate near term.

Our latest stage program is for our COVID-19 antibody cocktail therapy BRII-196 and BRII-198, which are in Phase 3 trials. Although we do not plan to commercialize our COVID-19 antibody cocktail therapy BRII-196 and BRII-198 for some time, depending on interim and other clinical study results, we may make government stockpile sales to a limited number of governmental agencies pursuant to the U.S. FDA's Emergency Use Authorizations (EUAs) or similar authorizations prior to registrational approval. Any such stockpile sales would require limited personnel additions.

Our most advanced product candidate BRII-179, is currently undergoing Phase 2 trials. One year before the expected launch of BRII-179, we plan to recruit commercialization personnel and establish sales channels.

As our pipeline matures, we will further evaluate strategic commercialization for our various drug candidates.

CORPORATE GOVERNANCE PRACTICES

As the shares of the Company were not listed on the Stock Exchange as at June 30, 2021, the principles and code provisions as set out in the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules had not been applicable to the Company during the six months ended June 30, 2021.

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

The Company has adopted the CG Code as its own code of corporate governance since the Listing Date. During the period from the Listing Date to the date of this report, the Company has complied with all the code provisions of the CG Code save and except for the following deviation from code provision A.2.1 of the CG Code.

Under paragraph A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Zhi Hong ("**Dr. Hong**") is the chairman of the Board and the chief executive officer of the Company. Dr. Hong, as the founder of the Group, has extensive experience in the biopharmaceutical industry and has served in the Company since its establishment. Dr. Hong is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer of the Company in the same person Dr. Hong is beneficial to the management of the Group. The Board also believes that the combined role of the chairman of the Board and the chief executive officer of the Company can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two executive Directors, two non-executive Directors and four independent non-executive Directors, and therefore has a strong independent element in its composition. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding securities transactions of the Directors (the "**Company's Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules since the Listing Date. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code and the Company's Code during the period from the Listing Date up to the date of this report. No incident of non-compliance of the Model Code or the Company's Code by the employees who are likely to be in possession of unpublished inside information of the Company was noted by the Company.

INTERIM DIVIDEND

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

CHANGES TO DIRECTORS' INFORMATION

Changes in Directors' biographical details since the date of the Prospectus, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:–

Name of Director	Details of Change
Mr. Robert Taylor Nelsen	Mr. Nelsen has ceased to be a director of Unity Biotechnology, Inc. (listed on NASDAQ stock market in the United States (stock code: UBX)) effective from December 2020, Beam Therapeutics Inc. (listed on NASDAQ stock market in the United States (stock code: BEAM)) and Karuna Therapeutics Inc. (listed on NASDAQ stock market in the United States (stock code: KRTX)) effective from June 2021. Mr. Nelsen has been appointed as a director of Lyell Immunopharma, Inc. (listed on NASDAQ stock market in the United States (stock code: LYEL)) effective from August 2018 and Revolution Healthcare Acquisition Corp. (listed on NASDAQ stock market in the United States (stock code: REVH)) effective from March 2021.
Mr. Gregg Huber Alton	Mr. Alton has been appointed as the chair of the audit committee of Novavax, Inc. (listed on NASDAQ stock market in the United States (stock code: NVAX)) effective from June 2021.

So far as the Directors are aware and save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were first listed on the Main Board of the Stock Exchange on July 13, 2021. During the period from the Listing Date to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

On July 13, 2021, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the IPO and the partial exercise of the Over-allotment Option (after deducting underwriting fee and relevant expenses) amounted to approximately HK$2,613.8 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. As of the date of this report, none of the net proceeds had been utilised.

The table below sets out the planned applications of the net proceeds from the IPO and the partial exercise of the Over-allotment Option and actual usage up to the date of this report:

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds *(HK$ million)*	Utilized amount as at the date of this report *(HK$ million)*	Unutilized amount as at the date of this report *(HK$ million)*
Used for our HBV functional cure programs	55%	1,437.6	0	1,437.6
• To fund ongoing and planned clinical trials, preparation for registration filings, milestone payments and other steps and activities related to commercialization for BRII-179, our Core Product	50%	1,306.9	0	1,306.9
• To fund ongoing and planned clinical trials and preparation for regulatory filings for BRII-179/BRII-835 combination therapy in chronic HBV patients	20%	522.8	0	522.8
• To fund planned clinical trials and preparation for regulatory filings for BRII-179/PEG-IFN-α combination therapy in chronic HBV patients	16%	418.2	0	418.2

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds *(HK$ million)*	Utilized amount as at the date of this report *(HK$ million)*	Unutilized amount as at the date of this report *(HK$ million)*
• To fund planned clinical trials and preparation for regulatory filings for BRII-179 in combination with other drug candidates with complimentary mechanism of actions	8%	209.1	0	209.1
• Used for regulatory milestone payments for BRII-179	1%	26.1	0	26.1
• Used for the launch and commercialization of BRII-179 (as a monotherapy and/or combination therapy)	5%	130.7	0	130.7
• Used to fund additional ongoing and planned clinical trials and the preparation for registration filings for BRII-835	5%	130.7	0	130.7
Used for our HIV programs, funding the ongoing and planned clinical trials and preparation for registration filings for BRII-778 and BRII-732	15%	392.1	0	392.1
Used for our MDR/XDR gram-negative infections programs	15%	392.1	0	392.1
• To fund the ongoing and planned clinical trials and preparation for registration filings for BRII-636, BRII-672 and BRII-693	9%	235.2	0	235.2
• Used for regulatory milestone payments for BRII-636, BRII-672 and BRII-693	6%	156.8	0	156.8
To fund the ongoing and planned clinical trials and preparation for registration filings for BRII-296	5%	130.7	0	130.7
Used for our early-stage pipeline, business development initiatives, working capital and general corporate purposes	10%	261.4	0	261.4
Total		**2,613.8**	**0**	**2,613.8**

For the Company's planned usage of the use of proceeds as described above, the Company expects the net proceeds will be used up by 2025 at the earliest or within the next 4 years.

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

As the Shares were listed on the Stock Exchange on July 13, 2021, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (the "**SFO**") as of June 30, 2021.

As of the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Long positions in the Shares or underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares/ underlying Shares	Approximate Percentage of Shareholding in the Company
Robert Taylor Nelsen[3]	Interest of controlled corporation	90,410,418	12.56%
Zhi Hong[4]	Trustee	16,400,000	2.28%
	Founder of a trust	16,000,000	2.22%
	Beneficial owner	12,000,000	1.67%
Yongqing Luo[5]	Beneficial owner	7,000,000	0.97%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 719,953,926 Shares in issue as of the date of this report.

3. As of the date of this report, ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, as of the date of this report, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC. For the purpose of the SFO, Mr. Robert Taylor Nelsen is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

4. As of the date of this report, each of the Hong Family 2020 Irrevocable Trust, the Jingfan Huang 2020 Revocable Trust and the Zhi Hong 2020 Revocable Trust directly held 16,000,000 Shares, 12,000,000 Shares and 4,400,000 Shares, respectively. Dr. Zhi Hong set up the Hong Family 2020 Irrevocable Trust as grantor. He is also the trustee of the Jingfan Huang 2020 Revocable Trust and the Zhi Hong 2020 Revocable Trust. In addition, Dr. Zhi Hong is interested as a grantee of options to subscribe for 12,000,000 Shares granted under the Pre-IPO Share Incentive Plan (as defined below).

5. Mr. Yongqing Luo is interested as a grantee of options to subscribe for 7,000,000 Shares granted under the Pre-IPO Share Incentive Plan.

Save as disclosed above, as of the date of this report, to the best knowledge of the Directors or chief executive of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As the Shares were listed on the Stock Exchange on July 13, 2021, the Company was not required to keep any register under Part XV of the SFO as of June 30, 2021.

As of the date of this report, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares/ underlying shares	Approximate Percentage of Shareholding
Booming Passion Limited[3]	Beneficial interest	105,821,112	14.70%
Boyu Capital Fund III, L.P.[3]	Interest of controlled corporation	105,821,112	14.70%
Boyu Capital General Partner III, L.P.[3]	Interest of controlled corporation	105,821,112	14.70%
Boyu Capital General Partner III, Ltd.[3]	Interest of controlled corporation	105,821,112	14.70%
Boyu Capital Group Holdings Ltd.[3]	Interest of controlled corporation	111,894,958	15.54%
XYXY Holdings Ltd.[3]	Interest of controlled corporation	111,894,958	15.54%
Xiaomeng Tong[3]	Interest of controlled corporation	111,894,958	15.54%
6 Dimensions Capital, L.P.[4]	Beneficial interest	100,530,060	13.96%
6 Dimensions Capital GP, LLC[4]	Interest of controlled corporation	105,821,112	14.70%
ARCH Venture Fund IX, L.P.[5]	Beneficial interest	45,205,210	6.28%
ARCH Venture Fund IX Overage, L.P.[5]	Beneficial interest	45,205,208	6.28%
ARCH Venture Partners IX, L.P.[5]	Interest of controlled corporation	45,205,210	6.28%
ARCH Venture Partners IX Overage, L.P.[5]	Interest of controlled corporation	45,205,208	6.28%

Name of Shareholder	Capacity/Nature of Interest	Number of Shares/ underlying shares	Approximate Percentage of Shareholding
ARCH Venture Partners IX, LLC[5]	Interest of controlled corporation	90,410,418	12.56%
Clinton Bybee[5]	Interest of controlled corporation	90,410,418	12.56%
Keith Crandell[5]	Interest of controlled corporation	90,410,418	12.56%
YF Bright Insight Limited[6]	Beneficial interest	53,495,664	7.43%
Yunfeng Fund III, L.P.[6]	Interest of controlled corporation	53,495,664	7.43%
Yunfeng Investment III, Ltd.[6]	Interest of controlled corporation	53,495,664	7.43%
Yun Ma[6]	Interest of controlled corporation	53,495,664	7.43%
Feng Yu[6]	Interest of controlled corporation	59,569,510	8.27%
SC China Holding Limited[7]	Interest of controlled corporation	58,523,010	8.13%
SNP China Enterprises Limited[7]	Interest of controlled corporation	58,523,010	8.13%
Neil Nanpeng Shen[7]	Interest of controlled corporation	58,523,010	8.13%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 719,953,926 Shares in issue as of the date of this report.

3. As of the date of this report, Booming Passion Limited directly held 105,821,112 Shares. Booming Passion Limited is wholly owned by Boyu Capital Fund III, L.P., the general partner of which is Boyu Capital General Partner III, L.P. The general partner of Boyu Capital General Partner III, L.P. is Boyu Capital General Partner III, Ltd., which is wholly owned by Boyu Capital Group Holdings Ltd. XYXY Holdings Ltd. is the controlling shareholder of Boyu Capital Group Holdings Ltd. Mr. Xiaomeng Tong holds 100% of the outstanding shares of XYXY Holdings Ltd. In addition. as of the date of this report, Aqua Ocean Limited directly held 4,329,846 Shares. Aqua Ocean Limited is wholly owned by Boyu Capital Opportunities Master Fund. All voting power in Boyu Capital Opportunities Master Fund is held by Boyu Capital Investment Management Limited, which is wholly owned by Boyu Capital Group Holdings Ltd. Furthermore, as of the date of this report, Boyu Capital Opportunities Master Fund directly held 1,744,000 Shares.

   For the purpose of the SFO, (i) each of Boyu Capital Fund III, L.P., Boyu Capital General Partner III, L.P. and Boyu Capital General Partner III, Ltd. is deemed to be interested in the Shares held by Booming Passion Limited; (ii) each of Boyu Capital Group Holdings Ltd., XYXY Holdings Ltd. and Mr. Xiaomeng is deemed to be interested in the Shares held by Booming Passion Limited, Aqua Ocean Limited and Boyu Capital Opportunities Master Fund in aggregate.

4. As of the date of this report, 6 Dimensions Capital, L.P. directly held 100,530,060 Shares. The general partner of 6 Dimensions Capital, L.P. is 6 Dimensions Capital GP, LLC, which is owned by several persons each holding a minority interest. In addition, as of the date of this report, 6 Dimensions Affiliates Fund, L.P. directly held 5,291,052 Shares. The general partner 6 Dimensions Affiliates Fund, L.P. is 6 Dimensions Capital GP, LLC. For the purpose of the SFO, 6 Dimensions Capital GP, LLC is deemed to be interested in the Shares held by 6 Dimensions Capital, L.P. and 6 Dimensions Affiliates Fund, L.P. in aggregate.

5. As of the date of this report, ARCH Venture Fund IX, L.P. directly held 45,205,210 Shares. The general partner of ARCH Venture Fund IX, L.P. is ARCH Venture Partners IX, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen (our non-executive Director), Mr. Clinton Bybee and Mr. Keith Crandell. In addition, as of the date of this report, ARCH Venture Fund IX Overage, L.P. directly held 45,205,208 Shares. The general partner ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC.

   For the purpose of the SFO, each of ARCH Venture Partners IX, LLC, Mr. Robert Taylor Nelsen (as set out above), Mr. Clinton Bybee and Mr. Keith Crandell is deemed to be interested in the Shares held by ARCH Venture Fund IX, L.P. and ARCH Venture Fund IX Overage, L.P. in aggregate.

6. As of the date of this report, YF Bright Insight Limited directly held 53,495,664 Shares. YF Bright Insight Limited is owned by Yunfeng Fund III, L.P., its parallel fund and certain co-investment funds as to 79.47%, 20.03% and 0.5% respectively. The general partner of each of Yunfeng Fund III, L.P., its parallel fund and the co-investment funds is Yunfeng Investment III, Ltd. Yunfeng Investment III, Ltd. is owned by Mr. Feng Yu and Mr. Yun Ma as to 60% and 40%, respectively. In addition, Youyu Global Limited directly held 6,073,846 Shares. Youyu Global Limited is wholly owned by Yunfeng Financial Group Ltd., a company whose shares are listed on the Stock Exchange (stock code: 376). Yunfeng Financial Group Ltd. is controlled by Jade Passion Limited, which is in turn controlled by Key Imagination Limited. Key Imagination Limited is controlled by Yunfeng Financial Holdings Limited, which is in turn controlled by Mr. Feng Yu.

   For the purpose of the SFO, (i) each of Yunfeng Fund III, L.P., Yunfeng Investment III, Ltd. and Mr. Yun Ma is deemed to be interested in the Shares held by YF Bright Insight Limited; and (ii) Mr. Feng Yu is deemed to be interested in the Shares held by YF Bright Insight Limited and Youyu Global Limited in aggregate.

7. As of the date of this report, SCC Venture VI Holdco, Ltd. directly held 29,792,450 Shares. SCC Venture VI Holdco, Ltd. is wholly owned by Sequoia Capital China Venture Fund VI, L.P. The general partner of Sequoia Capital China Venture Fund VI, L.P. is SC China Venture VI Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. In addition, as of the date of this report, SCC Growth V Holdco Q, Ltd. directly held 28,033,060 Shares. SCC Growth V Holdco Q, Ltd. is wholly owned by Sequoia Capital China Growth Fund V, L.P. The general partner of Sequoia Capital China Growth Fund V, L.P. is SC China Growth V Management, L.P., whose general partner is SC China Holding Limited. Furthermore, Sequoia Capital China Growth Fund V, L.P. directly held 697,500 Shares.

   For the purpose of the SFO, each of SC China Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is deemed to be interested in the Shares held by SCC Venture VI Holdco, Ltd., SCC Growth V Holdco Q, Ltd. and Sequoia Capital China Growth Fund V, L.P. in aggregate.

Save as disclosed above, as of the date of this report, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEMES

We have adopted three share incentive schemes, namely Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. For details of the principal terms of the Pre-IPO Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme, please refer to Appendix IV to the Prospectus.

Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan was approved and adopted by the Shareholders on October 30, 2018 and subsequently amended on August 27, 2020 and February 26, 2021. The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally. The Pre-IPO Share Incentive Plan became valid and effective for a period of 10 years commencing on the adoption date after which period no further options will be granted.

The summary of the options granted under the Pre-IPO Share Incentive Plan as at June 30, 2021 is as follows:

Name of grantee	Exercise price[7]	Date of grant	Vesting commencement date	No. of options outstanding as at December 31, 2020	No. of options granted during the Reporting Period and up to June 30, 2021	No. of options exercised during the Reporting Period and up to June 30, 2021	No. of options cancelled during the Reporting Period and up to June 30, 2021	No. of options lapsed during the Reporting Period and up to June 30, 2021	No. of options outstanding as at June 30, 2021	Notes
Dr. Zhi Hong	US$0.68	September 18, 2020	October 31, 2020	5,000,000	-	-	-	-	5,000,000	1
Chairman, Chief executive officer	US$0.68	September 18, 2020	October 31, 2020	3,000,000	-	-	-	-	3,000,000	2
and executive Director	US$0.68	September 18, 2020	September 18, 2020	4,000,000	-	-	-	-	4,000,000	3
Mr. Yongqing Luo	US$0.13	September 18, 2020	September 11, 2021	7,000,000	-	-	-	-	7,000,000	4
Executive Director										
Employees (in aggregate)	From US$0.035 to US$1.33	From October 30, 2018 to June 4, 2021	From July 1, 2018 to June 7, 2022	11,650,400	2,214,000	-	317,500	-	13,546,900	1, 4, 5, 6
Other grantees (in aggregate)	From US$0.035 to US$1.330	From October 30, 2018 to May 14, 2021	From July 1, 2018 to May 14, 2022	1,160,000	6,800	-	-	-	1,166,800	1, 6
Total:									33,713,700	

Notes:

1. In accordance with a vesting schedule, the Shares subject to the corresponding options will be vested in 24 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs.

2. In accordance with a vesting schedule, the Shares subject to the corresponding options will be vested in 48 substantially equal monthly installments with the first installment vesting on the vesting commencement date occurs.

3. In accordance with a vesting schedule, the first 1,333,334 Shares subject to the corresponding options will be vested upon the achievements by the Group of one of the four milestones as specified in the relevant award agreement, the second 1,333,334 Shares will be vested upon the achievements by the Group of one of the remaining three milestones, and the remaining 1,333,332 Shares will be vested upon the achievements by the Group of one of the remaining two milestones, in each case the satisfaction of any milestones will be determined by the Board in its sole discretion.

4. In accordance with a vesting schedule, 25% of the Shares subject to the corresponding options will be vested on the vesting commencement date, and the remaining 75% of the Shares subject to the corresponding options will be vested in 36 substantially equal monthly installments with the first installment vesting on the last day of the month following the month in which the vesting commencement date occurs.

5. In accordance with a vesting schedule and subject to the satisfaction of certain IPO vesting conditions as specified in the relevant award agreement, 25% of the Shares subject to the corresponding options will be vested on the first anniversary of the completion of the IPO, and 75% of the Shares subject to the corresponding options will be vested in a series of 36 successive equal monthly installments for each monthly period of the relevant grantee's continuous full-time employment with the Company thereafter.

6. In accordance with a vesting schedule, 100% of the Shares subject to the corresponding options will be vested on the vesting commencement date.

7. Closing price of the Shares is not applicable as the Shares of the Company were not listed at the date of grant.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the Shareholders on June 22, 2021. The purpose of the Post-IPO is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

No share options were granted, exercised, cancelled or lapsed under the Post-IPO Option Scheme throughout the six months ended June 30, 2021.

Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was approved by the Shareholders on June 22, 2021. The purpose of the Post-IPO Share Award Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Post-IPO Share Award Scheme shall be valid and effective for the period of 10 years commencing on the Listing Date.

No share award were granted, cancelled or lapsed under the Post-IPO Share Award Scheme throughout the six months ended June 30, 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended June 30, 2021 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations pursuant to Rules 13.20, 13.21 and 13.22 of the Listing Rules.

EMPLOYMENT AND COMPENSATION RELATED MATTERS

The Company is committed to attracting and retaining its management and employees and is in the process of setting standard cash and share-based incentives at various levels in the Company's organization.

In addition, the Company's Chief Executive Officer, Chairman of the Board and co-founder, Dr. Hong, will receive a bonus of US$5 million payable from the Group's June 30, 2021 cash balances. This previously contingent bonus was subject to successful completion of our listing and meeting certain other post-listing conditions (deemed satisfied by the Board). The bonus amount rewards Dr. Hong for helping create significant company value and leading a successful IPO and was also designed to compensate Dr. Hong for his substantial long-term incentive compensation forfeited by him when he left his former long-term employer approximately 3 months prior to his retirement eligibility to found our company.

REVIEW OF INTERIM REPORT AND AUDIT COMMITEE

The external auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Ms. Grace Hui Tang, Dr. Martin J Murphy Jr and Mr. Yiu Wa Alec Tsui. Ms. Grace Hui Tang serves as the chairlady of the Audit Committee, who has the professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021) of the Group, and is of the view that the interim results of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

To the Board of Directors of Brii Biosciences Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Brii Biosciences Limited (the "Company") and its subsidiaries set out on pages 33 to 60, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2020 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 26, 2021

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
		2021	2020
		RMB'000	RMB'000
	Notes	(unaudited)	(unaudited)
Other income	4	46,280	22,855
Other gains and losses, net	5	(9)	4,360
Research and development expenses		(157,611)	(265,742)
Administrative expenses		(67,990)	(41,166)
Fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**")	18	(2,751,575)	(27,701)
Finance costs	6	(893)	(834)
Listing expenses		(21,781)	–
Loss before tax	7	(2,953,579)	(308,228)
Income tax expense	8	–	–
Loss for the period		(2,953,579)	(308,228)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		25,158	(1,481)
Fair value gain on equity instruments at fair value through other comprehensive income ("**FVTOCI**")		8,918	27,760
		34,076	26,279
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,953)	(11,534)
Other comprehensive income for the period		32,123	14,745
Total comprehensive expense for the period		(2,921,456)	(293,483)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
		2021	2020
		RMB'000	RMB'000
	Notes	(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(2,953,177)	(308,229)
Non-controlling interests		(402)	1
		(2,953,579)	(308,228)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(2,921,054)	(293,484)
Non-controlling interests		(402)	1
		(2,921,456)	(293,483)
Loss per share			
Basic and diluted (RMB)	9	(14.86)	(1.63)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT JUNE 30, 2021

	Notes	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	15,862	16,506
Right-of-use assets	11	26,224	27,413
Intangible assets	12	10,864	12,222
Financial assets at FVTPL	13	74,617	75,365
Equity instruments at FVTOCI	14	49,669	41,182
Rental deposits	15	3,030	2,414
		180,266	175,102
Current assets			
Deposits, prepayments, and other receivables	15	43,989	34,120
Restricted bank deposits	16	323	3,757
Time deposits with original maturity over three months	16	–	20,000
Cash and cash equivalents	16	1,444,816	1,034,965
		1,489,128	1,092,842
Current liabilities			
Other payables	17	117,191	497,390
Lease liabilities		9,247	8,021
Deferred income		26,799	69,824
		153,237	575,235
Net current assets		1,335,891	517,607
Total assets less current liabilities		1,516,157	692,709

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT JUNE 30, 2021

	Notes	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		18,165	20,306
Financial liabilities at FVTPL	18	6,125,176	2,403,022
Deferred income		9,583	12,083
		6,152,924	2,435,411
Net liabilities		(4,636,767)	(1,742,702)
Capital and reserves			
Share capital	19	7	7
Share premium and reserves		(4,631,959)	(1,738,296)
Equity attributable to owners of the Company		(4,631,952)	(1,738,289)
Non-controlling interests		(4,815)	(4,413)
Total deficits		(4,636,767)	(1,742,702)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investments revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000 (Note)	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total deficits RMB'000
At January 1, 2021 (audited)	7	74,332	18,529	77,922	(75,917)	40,887	(1,874,049)	(1,738,289)	(4,413)	(1,742,702)
Loss for the period	–	–	–	–	–	–	(2,953,177)	(2,953,177)	(402)	(2,953,579)
Exchange differences on translation from functional currency to presentation currency	–	–	–	25,158	–	–	–	25,158	–	25,158
Exchange differences arising on translation of foreign operations	–	–	–	(1,953)	–	–	–	(1,953)	–	(1,953)
Fair value gain on investments in equity instruments at FVTOCI	–	–	8,918	–	–	–	–	8,918	–	8,918
Total comprehensive income (expense) for the period	–	–	8,918	23,205	–	–	(2,953,177)	(2,921,054)	(402)	(2,921,456)
Vesting of restricted ordinary shares	–	5,264	–	–	–	(5,264)	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	27,391	–	27,391	–	27,391
At June 30, 2021 (unaudited)	7	79,596	27,447	101,127	(75,917)	63,014	(4,827,226)	(4,631,952)	(4,815)	(4,636,767)
At January 1, 2020 (audited)	7	62,274	(3,168)	(10,743)	–	23,318	(684,449)	(612,761)	–	(612,761)
(Loss) profit for the period	–	–	–	–	–	–	(308,229)	(308,229)	1	(308,228)
Exchange differences on translation from functional currency to presentation currency	–	–	–	(1,481)	–	–	–	(1,481)	–	(1,481)
Exchange differences arising on translation of foreign operations	–	–	–	(11,534)	–	–	–	(11,534)	–	(11,534)
Fair value gain on investments in equity instruments at FVTOCI	–	–	27,760	–	–	–	–	27,760	–	27,760
Total comprehensive income (expense) for the period	–	–	27,760	(13,015)	–	–	(308,229)	(293,484)	1	(293,483)
Capital contribution upon incorporation of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	13,580	13,580
Vesting of restricted ordinary shares	–	6,061	–	–	–	(6,061)	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	6,953	–	6,953	–	6,953
Exercise of share options	–*	305	–	–	–	(244)	–	61	–	61
At June 30, 2020 (unaudited)	7	68,640	24,592	(23,758)	–	23,966	(992,678)	(899,231)	13,581	(885,650)

* The amount is less than RMB1,000

Note: Other reserve represents the adjustment to the non-controlling interests to reflect the changes in the respective share of the carrying amounts of the net liabilities of a subsidiary upon the capital contribution by Brii Biosciences Limited (the "Company") which resulted in its additional interest in that subsidiary.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(601,964)	(211,770)
INVESTING ACTIVITIES		
Interest received	620	909
Receipt of return from money market funds	51	2,061
Placement of time deposits with original maturity over three months	–	(170,643)
Withdrawal of time deposits with original maturity over three months	20,000	70,321
Placement of restricted bank deposits	–	(3,422)
Withdrawal of restricted bank deposits	3,434	–
Purchase of property, plant and equipment	(1,771)	–
Additions of financial assets at FVTPL	–	(18,589)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	22,334	(119,363)
FINANCING ACTIVITIES		
Proceeds from issuance of Series C Preferred Shares (as defined in note 18)	1,002,455	–
Proceeds from exercise of share options	–	61
Payments of deferred issue costs	(620)	–
Payments of lease liabilities	(3,948)	(3,745)
Interest paid	(893)	(834)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	996,994	(4,518)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	417,364	(335,651)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,034,965	880,359
Effects of exchange rate changes	(7,513)	7,738
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,444,816	552,446

1. GENERAL INFORMATION

Brii Biosciences Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on December 8, 2017. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on July 13, 2021. The addresses of the Company's registered office and principal place of business is PO Box 309, Ugland House, Grand Cayman, KY1 – 1104, Cayman Islands and 3rd Floor, Building 7 Zhongguancun Dongsheng, International Science Park, No. 1 North Yongtaizhuang Road, Haidian District, Beijing, People's Republic of China (the "**PRC**"), respectively.

The Company and its subsidiaries (collectively referred to as the "Group") are committed to advancing therapies for significant infectious diseases and other illnesses which have significant public health burdens in the PRC and worldwide. The Group is based in the PRC and the United States of America (the "**USA**") and primarily focused on developing therapies for infectious diseases.

The functional currency of the Company and the operating subsidiary incorporated in the USA is United States Dollars ("**US$**"). The functional currency of the PRC operating subsidiaries is Renminbi ("**RMB**"). The presentation currency of the condensed consolidated financial statements is RMB as it best suits the needs of the shareholders and investors.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the financial information of the Group for the year ended December 31, 2020 reported in the accountants' report as included in the prospectus of the Company dated June 30, 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The application of the amendments to IFRSs in the current interim period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's chief operating decision maker ("**CODM**") has been identified as the Chief Executive Officer of the Group. For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the Group's accounting policies. Accordingly, the Group has only one reportable segment and only entity-wide disclosures are presented.

Geographical information

The Group's information about its non-current assets by location of the assets are detailed below:

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
The PRC	52,950	56,141

Non-current assets excluded financial instruments.

4. OTHER INCOME

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Government grants (Note)	45,660	21,105
Bank interest income	620	1,750
	46,280	22,855

Note: Government grants include the incentive and other subsidies from the PRC government which are specifically for research and development activities, and are recognized upon compliance with the attached conditions. No government grant was received during the six months ended June 30, 2021 (for the six months ended June 30, 2020: RMB25.0 million). Government grants of approximately RMB36.4 million (December 31, 2020: RMB81.9 million) have not fully reached the relevant conditions as at June 30, 2021 and December 31, 2020, respectively, and therefore these government grants were deferred and recorded as deferred income.

5. OTHER GAINS AND LOSSES, NET

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange (loss) gain	(64)	2,482
Fair value gain of money market funds	55	1,878
	(9)	4,360

6. FINANCE COSTS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on lease liabilities	893	834

7. LOSS BEFORE TAX

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss before tax for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	2,415	2,413
Depreciation of right-of-use assets	4,222	4,012
Amortization of intangible assets (included in research and development expenses)	1,358	–

8. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from income tax for both periods.

The USA subsidiary is subject to federal tax rate at 21% and state income tax at rates range from 2.5% to 9.9% for both periods.

Pursuant to the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

No provision for taxation has been made since the operating subsidiaries of the Company have no assessable profits for both periods.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	(2,953,177)	(308,229)

Number of shares

	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	198,736,792	188,717,746

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that share subdivision as disclosed in note 23 has been effective on January 1, 2020.

The computation of basic and diluted loss per share for the six months ended June 30, 2021 and 2020 excluded the unvested restricted ordinary shares of the Company. Details of these restricted ordinary shares are set out in note 20.

The computation of diluted loss per share for the six months ended June 30, 2021 and 2020 did not assume conversion of the preferred shares, the exercise of share options and the vesting of restricted ordinary shares since their assumed conversion, exercise and vesting would result in a decrease in loss per share.

10. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended June 30, 2021 and 2020, nor has any dividend been proposed subsequent to the end of the reporting period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended June 30, 2021, the Group had additions of property, plant and equipment of approximately RMB1,771,000 (for the six months ended June 30, 2020: nil) and no disposal of property, plant and equipment (for the six months ended June 30, 2020: nil).

During the six months ended June 30, 2021, the Group leased a property for its office premise. The lease contract is entered into for a fixed term of 3 years. On the lease commencement, the Group recognized right-of-use asset and lease liability of approximately RMB3,034,000. No new lease contracts were entered into by the Group during the six months ended June 30, 2020.

12. INTANGIBLE ASSETS

During the six months ended June 30, 2021, the Group recognized amortization of intangible assets of approximately RMB1,358,000 (for the six months ended June 30, 2020: nil) and had no additions of intangible assets.

13. FINANCIAL ASSETS AT FVTPL

The amount represents unlisted preferred shares investments of certain private entities established in the USA. During the six months ended June 30, 2021, the Group has no additions of unlisted preferred shares investments, and there was additions of investments of approximately RMB18,589,000 during the six months ended June 30, 2020.

14. EQUITY INSTRUMENTS AT FVTOCI

The amount represents the listed equity investment in an entity listed in the USA. The investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate the investment in equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realizing their performance potential in the long run.

15. RENTAL DEPOSITS/DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Prepayments	4,327	2,945
Rental and other deposits	3,030	2,416
Deferred issue costs	5,376	5,017
Prepaid listing expenses	–	1,360
Value-added tax recoverable	32,736	24,034
Others	1,550	762
	47,019	36,534
Analyzed as:		
Non-current	3,030	2,414
Current	43,989	34,120
	47,019	36,534

16. RESTRICTED BANK DEPOSITS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

Restricted bank deposits represent bank deposits which are restricted for credit facilities and carry interests at 0.1% (December 31, 2020: 0.01% to 0.10%) per annum as at June 30, 2021.

As at December 31, 2020, time deposits with original maturity over three months represent deposits amounted to RMB20,000,000 carry fixed interest rate at 2.25% per annum with maturity more than three months from the date of acquisition.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rate which range from 0.05% to 0.30% (December 31, 2020: 0.05% to 0.30%) per annum as at June 30, 2021.

Cash and cash equivalents of the Group also include the low volatility net asset value money market funds which are measured at FVTPL of approximately RMB1,254,321,000 (December 31, 2020: RMB789,084,000) as at June 30, 2021.

17. OTHER PAYABLES

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Payables for research and development expenses	71,919	142,463
Accrued listing expenses	14,719	6,334
Payroll payables	12,627	15,269
Accrued research and development expenses	11,163	325,462
Other payables for		
– legal and professional fee	2,511	3,474
– others	1,196	1,258
Accrued issue costs	1,881	2,111
Other tax payables	1,175	1,019
	117,191	497,390

18. FINANCIAL LIABILITIES AT FVTPL

Preferred Shares

On June 22, 2018 and December 20, 2018, the Company issued 30,300,002 and 56,213,190 Series A Preferred Shares with par value of US$0.00001 each ("**Series A Preferred Shares**") at a price of US$1 per share to a group of investors for total considerations of US$30,300,002 (approximately equivalent to RMB196,675,000) and US$56,213,190 (approximately equivalent to RMB387,369,000), respectively.

On December 27, 2019, the Company issued 29,835,309 Series B Preferred Shares with par value of US$0.00001 each ("**Series B Preferred Shares**") at a price of US$2.5138 per share to a group of investors for a total consideration of US$75,000,000 (approximately equivalent to RMB524,698,000).

On August 21, 2020, the Company issued 38,756,890 Series B Preferred Shares at a price of US$2.5138 per share to a group of investors for a total consideration of US$97,427,000 (approximately equivalent to RMB668,384,000).

On February 26, 2021, the Company entered into an agreement with a group of investors for the issuance of a total of 33,556,314 Series C Preferred Shares with par value of US$0.00001 each ("**Series C Preferred Shares**") at a price of US$4.6191 per share. The total consideration of US$155,000,000 (approximately equivalent to RMB1,002,455,000) was received in March 2021 and 30,308,930 and 3,247,384 Series C Preferred Shares were issued by the Company on March 4, 2021 and March 8, 2021, respectively.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Preferred Shares (Continued)

The key terms of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (collectively referred to as the "**Preferred Shares**") are as follows:

(a) Dividend rights

Each holder of the Preferred Shares shall be entitled to receive dividends in preference to any dividend on the ordinary shares on a pro rata basis at the rate of 4% of the Preferred Shares issue price per annum, as applicable.

The Preferred Shares shall also be entitled to participate on an as-converted basis pro-rata in any dividends or distributions paid to the holders of ordinary shares. The Company cannot declare, pay or set aside any dividends on ordinary shares unless the Preferred Shares holders shall first receive, or simultaneously receive, such dividends. The Series C Preferred Shares dividend shall be in preference to and satisfied before any dividend payment on Series B Preferred Shares and Series A Preferred Shares.

(b) Conversion feature

Each Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective conversion price, determined as hereinafter provided, in effect at the time of the conversion. The conversion price shall initially be the respective issue price per Preferred Share. Such initial conversion price shall be subject to adjustment (including but not limited to dividends, share splits and combinations, capital reorganization or reclassification, and adjustment upon issuance of new securities for consideration per share less than conversion price), vesting in an initial conversion ratio for Preferred Shares to ordinary shares of 1:1.

Each Preferred Share shall automatically be converted into ordinary shares at the then respective effective conversion price upon (i) the closing of a Qualified Public Offering (as defined below); (ii) other than in connection with the closing of any Qualified Public Offering or Quasi-Qualified Public Offering (as defined below), the date specified by written consent or agreement of the holders of at least a majority of the voting power of the issued and outstanding Preferred Shares (voting as together as a single class); or (iii) with the written consent or agreement of the holders of at least a majority of the voting power of the issued and outstanding Preferred Shares (voting as together as a single class), the closing of any public offering in which the offering price per share represents an implied pre-money valuation of the Company that is below US$1.6 billion but not less than US$1.47 billion (on a fully diluted as converted and exercised to ordinary share basis) ("**Quasi-Qualified Public Offering**"), unless all of the Series C Preferred Shares investors object in writing to such conversion in connection with a Quasi-Qualified Public Offering within twenty-four (24) hours after receipt of a written notice of a proposed Quasi-Qualified Public Offering from the Company setting forth the related details thereof.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Preferred Shares (Continued)

(b) Conversion feature (Continued)

Qualified Public Offering means a firm commitment underwritten public offering of the ordinary shares of the Company in the United States, or in another jurisdiction which results in the ordinary shares trading publicly on a recognized international securities exchange approved by the directors of the Company, in each case, resulting in at least US$100,000,000 of net proceeds to the Company (net of the underwriting discount and commissions) with an implied pre-money valuation of the Company of at least US$1.6 billion (on a fully diluted as converted and exercised to ordinary share basis).

(c) Liquidation preferences

In the event of any liquidation event (including customarily-deemed-liquidation events such as acquisition), whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders shall be distributed to the shareholders of the Company as follows:

(1) First, the holders of the Series C Preferred Shares shall be entitled to receive on a pro rata basis for each Series C Preferred Shares held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares by reason of their ownership of such shares, the amount equal to the sum of (i) 100% of the Series C Preferred Shares issue price, (ii) all accrued but unpaid dividends on such Series C Preferred Shares and (iii) an additional amount that will result in an internal rate of return of 12% on such Series C Preferred Shares through the closing of such liquidation event (the "**Series C Preferred Preference Amount**").

(2) Second, if there are any assets or funds remaining after the aggregate Series C Preferred Preference Amount has been distributed or paid in full to the applicable holders of Series C Preferred Shares pursuant to clause (1) above, the holders of the Series A Preferred Shares and Series B Preferred Shares shall be entitled to receive on a pro rata basis for each Series A Preferred Shares or Series B Preferred Shares held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares by reason of their ownership of such shares, the amount equal to 100% of the Series A Preferred Shares issue price or the Series B Preferred Shares issue price, as applicable, plus all accrued but unpaid dividends on such Series A Preferred Shares or Series B Preferred Shares (collectively, the "**Series A and B Preferred Preference Amount**").

(3) Third, if there are any assets or funds remaining after the aggregate Series A and B Preferred Preference Amount and Series C Preferred Preference Amount (collectively, the "**Preferred Preference Amount**") has been distributed or paid in full to the applicable holders of Preferred Shares pursuant to clause (1) and (2) above, the remaining assets and funds of the Company available for distribution to the shareholders shall be distributed ratably among all holders of ordinary shares according to the relative number of ordinary shares (on an as-converted basis) held by such holder.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Preferred Shares (Continued)

(c) Liquidation preferences (Continued)

(4) Notwithstanding the foregoing, if the pro rata value of the Company upon such liquidation event on an as-converted basis is higher than the Preferred Preference Amount, then, the holders of Preferred Shares shall be entitled to receive the value on pro-rata basis instead of the distribution as set forth in clauses (1), (2) and (3) above.

(d) Voting rights

The holder of any ordinary share issued and outstanding shall have one vote for each ordinary share held by such holder, and the holder of any Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class except as otherwise provided herein. The holders of the Preferred Shares shall have the right to vote separately as a class or series with respect to any matters to the extent that the Companies Act of the Cayman Islands or the Memorandum and Articles of the Company allow such separate voting.

(e) Anti-dilution rights

In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share less than the respective conversion price of any class of Preferred Shares in effect on the date of and immediately prior to such issue, the respective applicable conversion price of that class of Preferred Shares shall be adjusted on a weighted average basis, concurrently with such issue.

(f) Redemption rights

Series A Preferred Shares and Series B Preferred Shares

Upon the written request from at least two thirds (2/3) of the holders of the Series A Preferred Shares or Series B Preferred Shares at any time on or after seventh (7th) anniversary of the Series A Preferred Shares issue date, the Company shall redeem the Series A Preferred Shares and Series B Preferred Shares at a price equal to the applicable Series A Preferred Shares and Series B Preferred Shares issue price per share, plus all the accrued but unpaid dividends thereon, whether or not earned (the "**Series A and Series B Redemption Price**"), in three annual installments. The date of each such installment shall be referred to as a "**Series A and Series B Redemption Date**". On each Series A and Series B Redemption Date, the Company shall redeem, on a pro rata basis in accordance with the number of Series A Preferred Shares and Series B Preferred Shares owned by each holder, that number of issued and outstanding Series A Preferred Shares and Series B Preferred Shares determined by dividing (i) the total number of Series A Preferred Shares and Series B Preferred Shares issued and outstanding immediately prior to such Series A and Series B Redemption Date by (ii) the number of remaining Series A and Series B Redemption Date.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Preferred Shares (Continued)

(f) Redemption rights (Continued)

Series C Preferred Shares

At any time after the earlier of (i) the failure by the Company to complete a Qualified Public Offering before June 30, 2024 or (ii) any holder of the Series A Preferred Shares or Series B Preferred Shares has requested the Company to redeem any such shares at any time on or after the seventh (7th) anniversary of the Series A Preferred Shares issue date, upon the written notice requesting redemption from holders of at least a majority of the voting power of the issued and outstanding Series C Preferred Shares, the Company shall within ten (10) business days give written notice (the "**Series C Redemption Notice**") to each other holder of record of any Series C Preferred Shares which specifies the date on which the Series C Preferred Shares requested to be redeemed (which shall be not less than twenty (20) days and not more than forty-five (45) days from the date of the Company's delivery of the Series C Redemption Notice to all holders of Series C Preferred Shares (the "**Series C Redemption Date**")). On the Series C Redemption Date, the Company shall redeem the Series C Preferred Shares equal to the amount of (i) 100% of the Series C Preferred Shares issue price, plus (ii) all accrued but unpaid dividends on such Series C Preferred Shares whether or not earned, and (iii) an additional amount that will result in an internal rate of return of 12% on such Series C Preferred Shares through the full payment of the Series C Preferred Shares redemption price (inclusive of the amounts in subclauses (i) and (ii) and any other dividends or distributions paid or payable on such Series C Preferred Shares) (the "**Series C Redemption Price**").

Notwithstanding any provision to the contrary, the rights of the holders of Series C Preferred Shares shall be senior in all respects to the rights of the holders of the Series A Preferred Shares and Series B Preferred Shares to receive any payments to be made for the redemption.

If the Company fails to pay (1) on the Series C Redemption Date the full Series C Redemption Price in respect of each Series C Preferred Share to be redeemed on such date or (2) on the Series A and Series B Redemption Date the full Series A and Series B Redemption Price in respect of each Series A Preferred Share and Series B Preferred Share (as applicable) to be redeemed on such date, in either case, because it has inadequate funds or assets legally available therefor or for any other reason, the funds that are legally available shall nonetheless be paid and applied (i) first, if applicable, on the Series C Redemption Date in a pro-rata manner against each Series C Preferred Share to be redeemed on such date in accordance with all the relative full amounts owed thereon and (ii) second, on the Series A and Series B Redemption Date in a pro-rata manner against each Series A Preferred Shares and Series B Preferred Shares to be redeemed on such date in accordance with all the relative full amounts owed thereon, and in each case, the amount of any such shortfall shall be paid and applied from time to time out of legally available funds or assets immediately as and when such funds become legally available in a pro-rata manner remaining amounts owed thereon as provided above, such that, in any case, the redemption of any Series C Preferred Share with partial Series C Redemption Price or any Series A Preferred Share or Series B Preferred Share with partial Series A and Series B Redemption Price shall be deemed to have been consummated.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Preferred Shares (Continued)

All issued Preferred Shares were automatically converted to 377,323,410 ordinary shares upon the successful IPO of shares of the Company on July 13, 2021, taking into account the Share Subdivision as defined in note 23.

The series of Preferred Shares were issued as follows:

	Date of grant	Total number of shares subscribed	Subscription price per share	Total consideration	Equivalent to RMB
				US$'000	RMB'000
Series A					
Tranche 1	June 22, 2018	30,300,002	US$1	30,300	196,675
Tranche 2	December 20, 2018	56,213,190	US$1	56,213	387,369
		86,513,192		86,513	584,044
Series B					
Tranche 1	December 27, 2019	29,835,309	US$2.5138	75,000	524,698
Tranche 2	August 21, 2020	38,756,890	US$2.5138	97,427	668,384
		68,592,199		172,427	1,193,082
Series C					
Tranche 1	March 4, 2021	30,308,930	US$4.6191	140,000	905,443
Tranche 2	March 8, 2021	3,247,384	US$4.6191	15,000	97,012
		33,556,314		155,000	1,002,455

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Presentation and Classification

The Preferred Shares are financial liabilities measured at FVTPL. The directors of the Company considered that the changes in the fair value of the financial liabilities attributable to the change in credit risk of the Group is minimal.

Changes in fair value of the Preferred Shares are charged to profit or loss and presented as "fair value loss on financial liabilities at FVTPL".

The Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer which has appropriate qualifications and experience in valuation of similar instruments. The Company used the back-solve method to determine the underlying share value of the Company and performed an equity allocation based on a hybrid method of Binomial Option Pricing model ("**OPM model**") and Probability Weighted Expected Return method ("**PWERM method**") to arrive the fair value of the Preferred Shares at the end of the reporting period.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM model and PWERM method to determine the fair value are as follows:

	As at June 30 2021 (unaudited)	As at June 30 2020 (unaudited)
Time to IPO	0.03 year	1 year
Time to liquidation	1.7 year	2.5 year
Risk-free interest rate under liquidation scenario	0.19%	0.17%
Volatility under liquidation scenario	70.9%	80.2%
Dividend yield	0%	0%
Possibilities under liquidation scenario	10%	70%
Possibilities under redemption scenario	0%	0%
Possibilities under Qualified Public Offering scenario	90%	30%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Presentation and Classification (Continued)

The movements of the Preferred Shares were as follows:

	Series A Preferred Shares RMB'000	Series B Preferred Shares RMB'000	Series C Preferred Shares RMB'000	Total RMB'000
At January 1, 2020 (audited)	1,012,128	523,215	–	1,535,343
Changes in fair value	22,204	5,497	–	27,701
Exchange realignment	15,330	7,883	–	23,213
At June 30, 2020 (unaudited)	1,049,662	536,595	–	1,586,257
Issuance of Series B Preferred Shares	–	668,384	–	668,384
Changes in fair value	262,258	60,413	–	322,671
Exchange realignment	(96,289)	(78,001)	–	(174,290)
At December 31, 2020 (audited)	1,215,631	1,187,391	–	2,403,022
Issuance of Series C Preferred Shares	–	–	1,002,455	1,002,455
Changes in fair value	1,561,227	1,033,682	156,666	2,751,575
Exchange realignment	(15,972)	(14,373)	(1,531)	(31,876)
At June 30, 2021 (unaudited)	2,760,886	2,206,700	1,157,590	6,125,176

19. SHARE CAPITAL

	Number of shares			
	Class A	Class B	Total	Share capital
				US$
Authorized ordinary shares				
Ordinary shares of US$0.00001 each				
At January 1, 2020 (audited), June 30, 2020 (unaudited), December 31, 2020 (audited) and January 1, 2021 (audited)	317,357,841	20,000,000	337,357,841	3,374
Increase in authorized ordinary shares on February 26, 2021 (Note)	40,733,068	30,000,000	70,733,068	707
At June 30, 2021 (unaudited)	358,090,909	50,000,000	408,090,909	4,081

	Class A			Class B			Total			
	Number of shares	Par value per share US$	Amount US$	Number of shares	Par value per share US$	Amount US$	Number of shares	Par value per share US$	Amount US$	Equivalent amount of total ordinary shares RMB'000
Issued and fully paid										
At January 1, 2020 (audited)	101,898,757	0.00001	1,019	6,525,000	0.00001	65	108,423,757	0.00001	1,084	7
Exercise of share options	–	–	–	225,001	0.00001	2	225,001	0.00001	2	–*
At December 31, 2020 (audited) and June 30, 2021 (unaudited)	101,898,757	0.00001	1,019	6,750,001	0.00001	67	108,648,758	0.00001	1,086	7

* Less than RMB1,000.

Note: On February 26, 2021, the authorized share capital of the Company was increased to US$6,000 divided into 600,000,000 shares, consisting of (i) 358,090,909 Class A ordinary shares of par value of US$0.00001 each, (ii) 50,000,000 Class B ordinary shares of par value of US$0.00001 each, (iii) 86,513,192 Series A Preferred Shares of par value of US$0.00001 each, (iv) 68,592,199 Series B Preferred Shares of par value of US$0.00001 each, and (v) 36,803,700 Series C Preferred Shares of par value of US$0.00001 each.

According to the articles of association of the Company, the Class A ordinary shareholders have voting right, while the Class B ordinary shareholders have no voting right.

20. SHARE-BASED PAYMENT TRANSACTIONS

Restricted share award

To provide the incentive and maintain the key management of the Group, on June 19, 2018, the Company issued 12,600,000 time-based restricted ordinary shares and 3,500,000 milestone-based restricted ordinary shares to a director and 6,525,000 time-based restricted ordinary shares to key management of the Group (collectively referred to as "**Restricted Person**") at a total consideration of approximately RMB1,000 (at US$0.00001 per share).

The Company shall have the right to repurchase the unvested shares from the Restricted Person at the initial issuance price upon termination of the Restricted Person's employment or upon his voluntary termination of his employment with the Company (the "**Repurchase Right**") during the vesting period.

All restricted ordinary shares are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assessment, pledge, encumbrance or charge, directly or indirectly, by the Restricted Person prior to the termination of the Repurchase Right. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted ordinary shares as of the grant date and recognized the amount as compensation expense over four years for each separately vesting portion of the unvested restricted ordinary shares. Time-based restricted ordinary shares shall have one forth (25%) vested upon first anniversary of grant date and the remaining portion vested ratably on a monthly basis over a 36-months vesting period afterwards. Milestone-based restricted ordinary shares will be vested upon the earlier of (i) the completion of issuance of the Series B Preferred Shares and completion of issuance of the Series C Preferred Shares with valuation higher than the Series B Preferred shares or IPO on an internationally recognized exchange, whichever is earlier; or (ii) the fifth anniversary of the grant date. The expected vesting period is estimated by directors of the Company based on the most likely outcome of each of the performance condition.

The total expenses recognized in the condensed consolidated statements of profit or loss and other comprehensive income for the restricted ordinary shares granted are approximately RMB5,264,000 for the six months ended June 30, 2021 (for the six months ended June 30, 2020: approximately RMB5,356,000).

The restricted ordinary shares were valued by the directors of the Company with reference to the valuation carried out by an independent qualified professional valuer which has appropriate qualifications and experience in valuation of similar instruments, on the grant date of the restricted ordinary shares. The fair value of the restricted ordinary shares was determined to be RMB2.2 per share as of June 19, 2018.

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Restricted share award (Continued)

The following table summarized the Group's restricted ordinary shares movement during the six months ended June 30, 2021.

	Number of unvested restricted ordinary shares	Weighted average grant date fair value
Restricted ordinary shares		
At January 1, 2020 (audited)	15,175,521	2.2
Vested	(4,781,250)	2.2
At December 31, 2020 (audited)	10,394,271	2.2
Vested	(2,390,625)	2.2
At June 30, 2021 (unaudited)	8,003,646	2.2

Equity-settled share option scheme of the Company

The Company's pre-IPO share incentive plan (the "**Incentive Plan**") was adopted pursuant to a resolution passed on October 30, 2018. The primary purpose of the Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees, directors and consultants (the "**Eligible Persons**") and to further link the Eligible Persons' interests with those of the Company's shareholders generally.

The Incentive Plan provides for the grant of the following types of share awards: (i) share options, (ii)share appreciation rights, (iii) restricted share awards and (iv) other share awards. The directors of the Company approved up to 3,408,251 shares of the Company, in which share awards may be granted under the Incentive Plan. On December 4, 2019, September 18, 2020 and February 19, 2021, resolutions were passed by the board of directors of the Company to increase the capacity of the Incentive Plan to 9,408,251 shares, 16,408,251 shares and 17,908,251 shares, respectively.

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

Set out below are details of the movements of the outstanding options granted under the Incentive Plan during the six months ended June 30, 2021:

Option	Name of grantee	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding as at January 1, 2021 (audited)	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at June 30, 2021 (unaudited)
Time-based										
Option A	Employee	30.10.2018	Note i	31.10.2019 – 30.10.2028	US$0.07	925,000	–	–	–	925,000
Option B	Consultants	30.10.2018	Note ii	1.12.2018 – 30.10.2028	US$0.07	480,000	–	–	–	480,000
Option C	Employee	3.4.2019	Note i	4.4.2020 – 3.4.2029	US$0.1	147,000	–	–	–	147,000
Option D	Employee	14.6.2019	Note i	15.6.2020 – 14.6.2029	US$0.1	169,000	–	–	(5,208)	163,792
Option E	Employee	16.9.2019	Note i	17.9.2020 – 16.9.2029	US$0.1	241,000	–	–	(22,209)	218,791
Option F	Consultants	16.9.2019	Note ii	17.10.2019 – 16.9.2029	US$0.1	100,000	–	–	–	100,000
Option G	Employee	4.2.2020	Note i	5.2.2021 – 4.2.2030	US$0.26	362,000	–	–	–	362,000
Option I	Employee	13.5.2020	Note i	14.5.2021 – 13.5.2030	US$0.26	197,000	–	–	(55,750)	141,250
Option J	Employee	18.9.2020	Note i	19.9.2021 – 18.9.2030	US$0.26	4,900,000	–	–	–	4,900,000
Option K	Employee	18.9.2020	Note i	19.9.2021 – 18.9.2030	US$1.36	921,200	–	–	(35,583)	885,617
Option L	Employee	18.9.2020	Note ii	19.10.2021 – 18.9.2030	US$1.36	2,500,000	–	–	–	2,500,000
Option M	Employee	18.9.2020	Note iii	19.10.2021 – 18.9.2030	US$1.36	1,500,000	–	–	–	1,500,000
Option P	Employee	11.12.2020	Note i	12.12.2021 – 11.12.2030	US$1.36	863,000	–	–	(20,000)	843,000
Option Q	Employee	18.2.2021	Note i	19.2.2022 – 18.2.2031	US$1.36	–	573,000	–	–	573,000
Option R	Employee	1.4.2021	Note i	2.4.2022 – 1.4.2031	US$2.12	–	226,000	–	(20,000)	206,000
Option S	Consultants	1.4.2021	Note vii	2.4.2022 – 1.4.2031	US$2.12	–	2,900	–	–	2,900
Option T	Employee	14.5.2021	Note i	15.5.2022 – 14.5.2031	US$2.12	–	2,000	–	–	2,000
Option U	Employee	14.5.2021	Note i	15.5.2022 – 14.5.2031	US$2.66	–	225,000	–	–	225,000
Option V	Consultants	14.5.2021	Note vii	15.5.2022 – 14.5.2031	US$2.66	–	500	–	–	500
Option W	Employee	4.6.2021	Note i	5.6.2022 – 4.6.2031	US$2.12	–	51,000	–	–	51,000
Sub-total						13,305,200	1,080,400	–	(158,750)	14,226,850
Milestone-based										
Option N	Employee	18.9.2020	Note iv	Note vi	US$0.26	600,000	–	–	–	600,000
Option O	Employee	18.9.2020	Note v	Note vi	US$1.36	2,000,000	–	–	–	2,000,000
Option X	Employee	4.6.2021	Note iv	Note vi	US$2.12	–	30,000	–	–	30,000
Sub-total						2,600,000	30,000	–	–	2,630,000
Total						15,905,200	1,110,400	–	(158,750)	16,856,850
Exercisable at the end of the period										2,925,355
Weighted average exercise price						US$0.77	US$1.84	–	US$0.85	US$0.84

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

(i) The share options were granted to employees of the Group. One forth (25%) of the share options shall vest on the first anniversary of the grant date and the remaining share options shall vest ratably over 36-months vesting period from the end of the first anniversary of the grant date.

(ii) The share options were granted to employees of the Group or consultants who are in contractual agreements with the Group in providing services similar to those rendered by the Group's employees. The share options are vested ratably over 24-months vesting period from the grant date.

(iii) The share options were granted to an employee of the Group. The share options are vested ratably over 48-months vesting period from the grant date.

(iv) The milestone-based share options are vested conditionally if (i) prior to the second anniversary of the share options grant date, the Company completes an IPO on an internationally recognized exchange; and (ii) on the first anniversary of the completion of the IPO, the Company has a market capitalisation of at least US$2 billion.

If such vesting conditions are satisfied, twenty-five percent (25%) of the milestone-based share options will vest immediately on the first anniversary of the completion of the IPO and the other seventy-five percent (75%) of the milestone-based share options will vest ratably over 36-months vesting period. The expected vesting period is estimated by the directors of the Company based on the most likely outcome of the performance conditions.

(v) The milestone-based share options are vested conditionally, (i) with respect to the first 666,667 share options, upon achievement by the Group of one of the four specified milestones, (ii) with respect to the second 666,667 share options, upon achievement by the Group of one of the remaining three specified milestones, and (iii) with respect to the remaining 666,666 share options, upon achievement of one of the remaining two specified milestones.

The specified milestones include the completion of the IPO, increase in the Company's market capitalization after the IPO by a specific time, achieving proof-of-concept therapeutic potential at a recommended dose for two drug candidates developed by the Group. The expected vesting period is estimated by the directors of the Company based on the most likely outcome of the performance conditions.

(vi) Each vested option is exercisable during a period from and including the vesting date of the relevant option to the tenth anniversary of grant date of the option.

(vii) The share options were granted to consultants who are in contractual agreements with the Group in providing services similar to those rendered by the Group's employees. The share options are vested on the final anniversary of the share options grant date.

The fair value of the options granted during the six months ended June 30, 2021 was determined using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	Option Q	Option R	Option S	Option T	Option U	Option V	Option W	Option X
Grant date option fair value per share	US$1.42	US$1.63	US$3.44	US$2.43	US$2.35	US$3.38	US$3.24	US$3.24
Exercise price	US$1.36	US$2.12	US$2.12	US$2.12	US$2.66	US$2.66	US$2.12	US$2.12
Volatility	87.89%	87.91%	86.40%	87.91%	87.91%	86.40%	87.91%	87.91%
Expected life	7 years	7 years	7 years	7 years	7 years	7 years	7 years	7 years
Risk-free interest rate	0.85%	1.22%	1.42%	1.14%	1.14%	1.44%	1.09%	1.09%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Fair value at grant date	US$813,000	US$368,000	US$9,000	US$4,000	US$528,000	US$1,000	US$165,000	US$97,000

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognized the total expense of approximately RMB22,127,000 for the six months ended June 30, 2021, in relation to share options granted by the Company (for the six months ended June 30, 2020: approximately RMB1,597,000).

21. RELATED PARTY TRANSACTIONS

Save for disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with the related parties during the six months ended June 30, 2021.

Related party transactions

Consultancy service fee paid to a related party by the Group:

	Six months ended June 30,	
	2021	2020
Name of related party	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dr. Jingfan Huang (Note)	–	633

Note: Dr. Jingfan Huang is the spouse of Dr. Zhi Hong, the Chief Executive Officer and executive director of the Company.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Listed equity investments at FVTOCI

The Group's listed equity investments at FVTOCI in the USA are measured at fair value at June 30, 2021 and December 31, 2020 and are grouped under Level 1 hierarchy. The fair values are estimated based on quoted bid prices in an active market.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Unlisted financial assets at FVTPL

The Group's unlisted preferred shares investments at FVTPL in the USA are measured at fair value at June 30, 2021 and December 31, 2020 and are grouped under Level 2 hierarchy. The fair values are estimated based on recent transactions. Fair value of unlisted financial assets at FVTPL is most significantly affected by the recent transaction price. A decrease in recent transaction price would cause decrease in the fair value of unlisted financial assets at FVTPL.

A 5% increase/decrease in the recent transaction price and holding all other variables constant would increase/decrease the fair value of the unlisted financial assets at FVTPL of the Group by approximately RMB3,731,000 as at June 30, 2021 (December 31, 2020: approximately RMB3,768,000).

Money market funds

The Group's and the Company's investments in money market funds are measured at fair value at June 30, 2021 and December 31, 2020 and are grouped under Level 2 hierarchy. The fair values are estimated based on the net asset values of the funds, which are determined with reference to observable and quoted prices of underlying investment portfolio.

Preferred Shares designated as financial liabilities at FVTPL

The Group's Preferred Shares designated as financial liabilities at FVTPL are measured at fair value at June 30, 2021 and December 31, 2020 and are grouped under Level 3 hierarchy. The fair values are estimated based on back-solve method, details of the valuation parameters and major assumptions used in the valuation are disclosed in note 18. Fair value of Preferred Shares is most significantly affected by volatility. An increase in volatility would cause increase in the fair value of Preferred Shares.

A 5% increase/decrease in the volatility and holding all other variables constant would increase/decrease the fair value of the Preferred Shares of the Group and the Company by approximately RMB2,637,000 as at June 30, 2021 (December 31, 2020: approximately RMB11,290,000).

There was no transfer among different levels of the fair value hierarchy during the six months ended June 30, 2021.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for Preferred Shares designated as financial liabilities at FVTPL are set out in note 18. The fair value changes are unrealized and are presented as "fair value loss on financial liabilities at FVTPL" in the condensed consolidated statement of profit or loss and other comprehensive income.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

23. SUBSEQUENT EVENTS

Saved as disclosed elsewhere in the consolidated financial statements, the following significant events took place subsequent to June 30, 2021:

a. On July 13, 2021, the Company re-designated and re-reclassified the issued and unissued Class A ordinary shares and Class B ordinary shares as ordinary shares and converted all the issued and unissued preferred shares into ordinary shares. Following the share re-designation, re-classification and conversion, each of the Company's authorized share capital of a par value of US$0.00001 each were subdivided into 2 shares with par value of US$0.000005 each, such that following the subdivision, the authorized share capital of the Company is US$6,000 divided into 1,200,000,000 shares with par value of US$0.000005 each (the "Share Subdivision").

b. On July 13, 2021, the Company issued 111,580,000 ordinary shares with par value of US$0.000005 each pursuant to the global offering of the shares of the Company at the price of HK$22.25 per share (the "Offer Price") and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on the same date.

c. On July 6, 2021, the Company granted over-allotment options to the international underwriters, which may require the Company to allot and issue up to 16,737,000 additional ordinary shares at the Offer Price. The over-allotment options were partially exercised on August 5, 2021 and the Company issued additional 13,753,000 ordinary shares with par value of US$0.000005 each on August 10, 2021.

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

ACTIV	Accelerating COVID-19 Therapeutic Interventions and Vaccines program
AIDS	Acquired immunodeficiency syndrome, defined as an HIV infection with either a CD4+ T-cell count below 200 cells per μL or the occurrence of specific diseases associated with HIV infection
AN2	AN2 Therapeutics, Inc., a corporation incorporated in Delaware, U.S. and an Independent Third Party
AN2 License Agreement	The license agreement dated as of November 20, 2019 between AN2 and the Company
BLI	Beta-Lactmase Inhibitor
CDE	Center for Drug Evaluation of the NMPA, a division of the NMPA mainly responsible for review and approval of IND and NDA
CDMO	Contract development and manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
CG Code	Corporate Governance Code
CMO	Contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide drug manufacturing services
CNS	Central nervous system
CODM	Chief operating decision maker
Company or our Company	Brii Biosciences Limited 騰盛博藥生物科技有限公司(formerly known as BiiG Therapeutics Limited and B.I.G. Therapeutics Limited), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 8, 2017
COVID-19	Coronavirus disease 2019, a disease caused by the novel virus 2 SARS-CoV-2 and designated as severe acute respiratory syndrome
CRO	Contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
CRS	Common Reporting Standard

DEFINITIONS

DNA	Deoxyribonucleic acid
DSMB	Data and Safety Monitoring Board
EASL	the European Association for the Study of the Liver
EFdA or Islatravir	A NRTTI and an investigational drug for the treatment of HIV infection
EFdA-TP	EFdA-triphosphate, the active metabolite (a substance formed in or necessary for metabolism) in EFdA
EIT	Enterprise Income Tax
ER	Extended Release
ESC+	Enhanced Stabilization Chemistry Plus, platform developed by Alnylam to improve the therapeutic index of GalNAc-siRNA conjugates
EUA	Emergency Use Authorization
FDA	U.S. Food and Drug Administration
FVTOCI	Fair value gain on equity instruments at fair value through other comprehensive income
FVTPL	Fair value loss on financial liabilities at fair value through profit or loss
GIC	GIC Private Limited, a global investment management company investing in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity.
Group, our, we or us	Our Company and all of its subsidiaries at the relevant time, 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
GSK	GlaxoSmithKline
HBV	Hepatitis B virus
HIV	Human immunodeficiency virus
IASB	International Accounting Standards Board

IFN-α	A type of interferon which is produced in the leukocytes infected with virus
IFRS	International Financial Reporting Standard
ILC	International Liver Congress
IND	Investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
IPO	Initial Public Offering
MBL	Metallo-Beta-lactamases, a subclass of lactamases that use one of two Zinc ions in their active site
MDD	Major depressive disorder
MDR	Multi-drug resistant
MRCT	Multi-regional clinical trial
NCE	New chemical entity
NIAID	The U.S. National Institute of Allergy and Infectious Diseases
NIH	The U.S. National Institutes of Health
NMPA	The National Medical Products Administration
NNRTI	Non-nucleoside reverse transcriptase inhibitor, a form of ART used to treat HIV infection or AIDS
NRTI	Nucleotide/nucleoside reverse transcriptase inhibitors, a form of ART used to treat HIV infection or AIDS
NRTTI	Reverse transcriptase translocation inhibitor, a form of ART used to treat HIV infection or AIDS
NUC	Nucleos(t)ide analog
PEG- IFN-α	Pegylated interferon alfa
POC	Proof of concept

DEFINITIONS

PPD	Postpartum depression
PRC	People's Republic of China
Prospectus	The prospectus of the Company dated June 30, 2021
PWERM method	Probability Weighted Expected Return method
Qpex	Qpex Biopharma Inc., a corporation incorporated in Delaware, United States and an Independent Third Party
QW STR	Once-weekly single tablet regimen
R&D	Research and Development
Reporting Period	The six months ended June 30, 2021
SARS-CoV-2	Severe acute respiratory syndrome coronavirus 2
SBL	Serine -lactamases, a diverse set of enzymes sharing several highly conserved amino acid sequences with PBPs that act as a catalyst to break down a broad range of -lactam drugs, including carbapenems
siRNA	Small interfering RNA, sometimes known as short interfering RNA or silencing RNA, a class of doublestranded non-coding RNA molecules
TB	Tuberculosis
TSB	TSB Therapeutics Ltd (Beijing) Co. Limited* (騰盛華創醫藥技術(北京)有限公司), a limited liability company incorporated under the laws of the PRC on May 26, 2020, being an indirect non-wholly owned subsidiary of our company, in which Brii Beijing holds a 72.77% equity interest and the remaining 27.23% equity interest is held by Shenzhen National Infectious Disease Clinical Medicine Research Center* (深圳國家感染性疾病臨床醫學研究中心) (13.34%), Linqi Zhang (張林琦) (6.81%), Tsinghua Holding Technology Transfer Co., Ltd.* (華控技術轉移有限公司) (4.17%), Qi Zhang (張綺) (1.94%) and Xuanling Shi (史宣玲) (0.97%)
USA	The United States of America
XDR	Extensive drug resistant

Note: Unless otherwise defined in this report, capitalized terms used herein shall have the same meanings as defined in the Prospectus.