CanSino Biologics Inc.
康希諾生物股份公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 6185)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The Board of Directors is pleased to announce the audited condensed consolidated interim results of the Group for the Reporting Period, together with the comparative figures for the corresponding period in 2020. The condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee and audited by the Company's auditor, Deloitte Touche Tohmatsu. Unless specified, figures in this announcement are prepared under the Hong Kong Financial Reporting Standards.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL SUMMARY

	Six months ended June 30,			
	2021 (Audited)	2020 (Unaudited)	Changes	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Operating Results				
Revenue	**2,061,455**	–	2,061,455	N/A
Operating profit (loss)	**802,332**	(123,001)	925,333	N/A
Profit (loss) before income tax	**836,834**	(102,201)	939,035	N/A
Profit (loss) and total comprehensive income (loss) for the period	**937,133**	(102,201)	1,039,334	N/A
Earnings (loss) per Share				
Basic and diluted earnings (loss) per share (in RMB)	**3.79**	(0.46)	4.25	N/A

	As of June 30, 2021 (Audited)	As of December 31, 2020 (Audited)	Changes	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Financial Position				
Non-current assets	**2,022,380**	1,327,430	694,950	52.35%
Current assets	**8,229,157**	5,420,643	2,808,514	51.81%
Total assets	**10,251,537**	6,748,073	3,503,464	51.92%
Total equity	**7,016,381**	6,070,854	945,527	15.57%
Non-current liabilities	**417,098**	264,366	152,732	57.77%
Current liabilities	**2,818,058**	412,853	2,405,205	582.58%
Total liabilities	**3,235,156**	677,219	2,557,937	377.71%
Total equity and liabilities	**10,251,537**	6,748,073	3,503,464	51.92%

MANAGEMENT DISCUSSION AND ANALYSIS

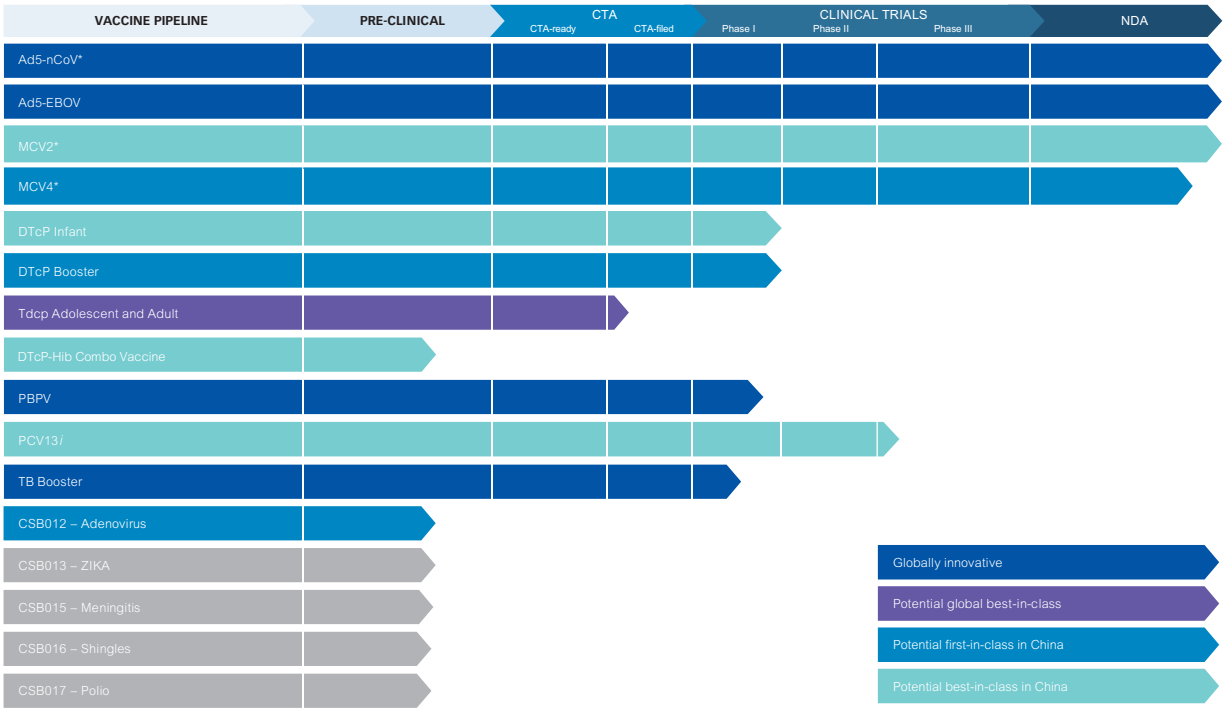
Overview

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. Our mission is being fulfilled by an accomplished team of founders and senior management – world-class scientists with a record of leading the development of innovative international vaccines at global pharmaceutical companies. Other management members are also vaccine industry veterans from leading multi-national and domestic biologics companies.

Our vaccine pipeline, which is strategically designed to address the vast and underserved market worldwide, can be summarized into three categories: (i) globally innovative vaccines to serve the unmet medical needs worldwide (such as our Ad5-nCoV, Ad5-EBOV, our TB Booster candidate and our PBPV candidate); (ii) potential first-in-class vaccines in China developed to replace the current primary vaccines with higher-quality world-class vaccines (such as our MCV4 candidate and DTcP vaccine candidates); and (iii) potential best-in-class vaccines in China developed to compete with the imported products in the PRC market (such as our PCV13*i* candidate).

We are developing 16 vaccine candidates for 13 disease areas. Since February 2021, our Ad5-nCoV has been granted emergency use authorization by various foreign countries including Mexico, Pakistan, Hungary, Chile, Argentina, Ecuador and Kyrgyzstan, and has been granted the conditional marketing authorization by the NMPA in the PRC and the conditional approval in Malaysia. In June 2021, our MCV2 has been granted NDA approval by the NMPA in the PRC. In addition to our Ad5-nCoV, MCV2, MCV4 and Ad5-EBOV, we have 6 vaccine candidates in clinical trial stage or CTA stage. We also have 6 pre-clinical vaccine candidates, including 1 combination vaccine candidate. As of the date of this announcement, except for Ad5-nCoV and MCV2, we did not commercialize any other products.

Our product pipeline as of the date of this announcement is set out below:



* denotes a core product

Business Review

During the Reporting Period and up to the date of this announcement, the Company made the following significant progress with respect to its product pipeline:

- *Clinical trials, emergency use authorization, conditional marketing authorization and a GMP certificate for Ad5-nCoV*

  In February 2021, the Company has completed case accrual for the interim analysis of the phase III clinical trial of Ad5-nCoV and has been informed by the Independent Data Monitoring Committee that Ad5-nCoV has successfully met its pre-specified primary safety and efficacy criteria at this interim analysis.

  Since February 2021, the Company's Ad5-nCoV has been granted emergency use authorization by various foreign countries including Mexico, Pakistan, Hungary, Chile, Argentina, Ecuador and Kyrgyzstan, and has been granted the conditional marketing authorization by the NMPA in mainland China and the conditional approval in Malaysia.

  In March 2021, the CTA for the Ad5-nCoV for inhalation has been approved by the NMPA. As of the date of this announcement, the clinical trial of Ad5-nCoV for inhalation is ongoing.

  In May 2021, the Hungarian National Institute of Pharmacy and Nutrition (OGYÉI) concluded the Company's compliance with the principles and guidelines of the European Union's GMP and issued a GMP certificate to the Company for Ad5-nCoV.

- *Clinical trial for PCV13i*

  In April 2021, the Company has initiated the enrollment of a phase III clinical trial for our PCV13*i*.

- *NDA Approval for MCV2*

  In June 2021, our MCV2 has been granted NDA approval by the NMPA in the PRC.

Commercialized Products

Ad5-nCoV

Ad5-nCoV is a vaccine jointly developed by the Company and the BIB. Ad5-nCoV is a genetic engineered vaccine with the replication-defective adenovirus type 5 as the vector to express SARS-CoV-2 spike protein, which is used to prevent COVID-19 disease.

- *Clinical trials*

  In March 2020, Ad5-nCoV was approved for clinical trial after registration documents review, and the Company conducted the phase I clinical trial immediately upon such approval. In April 2020, based on the preliminary safety data of the phase I clinical trial for the Ad5-nCoV, phase II clinical trial for Ad5-nCoV was initiated. In September 2020, the Company initiated the global multicenter phase III clinical trial for Ad5-nCoV in 5 countries including Pakistan, Mexico, Russia, Chile and Argentina.

  As disclosed in the announcement of the Company dated February 24, 2021, the Company has completed the vaccination of more than 40,000 volunteers and the interim data analysis. The interim analysis data of the phase III clinical trial of Ad5-nCoV showed that Ad5-nCoV has an overall efficacy of 65.28% at preventing all symptomatic COVID-19 disease 28 days after single dose vaccination, and 68.83% at preventing all symptomatic COVID-19 disease 14 days after single dose vaccination. Ad5-nCoV has an efficacy of 90.07% at preventing severe disease 28 days after single dose vaccination, and 95.47% at preventing severe disease 14 days after single dose vaccination. The efficacy of Ad5-nCoV has met the relevant technical standards laid out by the World Health Organization and relevant standards and requirements set out in "Guiding Principles for Clinical Evaluation of Novel Coronavirus Preventive Vaccines (Trial Implementation)* (新型冠狀病毒預防用疫苗臨床評價指導原則（試行))" issued by the NMPA.

  In March 2021, the CTA for the Ad5-nCoV for inhalation has been approved by the NMPA. As of the date of this announcement, the clinical trial of Ad5-nCoV for inhalation is ongoing.

- *Authorization, approval and certificate*

  Since February 2021, the Company's Ad5-nCoV has been granted emergency use authorization by various foreign countries including Mexico, Pakistan, Hungary, Chile, Argentina, Ecuador and Kyrgyzstan, and has been granted the conditional marketing authorization by the NMPA in the PRC and conditional approval in Malaysia.

  In May 2021, the Hungarian National Institute of Pharmacy and Nutrition (OGYÉI) concluded the Company's compliance with the principles and guidelines of the European Union's GMP and issued a GMP certificate to the Company for Ad5-nCoV.

  The Company is closely working with the World Health Organization to obtain the emergency use listing, and is preparing to apply for emergency use authorization for Ad5-nCoV in several foreign countries with an aim to further commercialize the Ad5-nCoV globally.

MCV2

The Company's MCV2 is a potential China best-in-class bi-valent meningococcal vaccine. It is expected to compete with domestic MCV2 products marketed by well-known manufacturers in China. Compared with the primary MCV2 products currently approved in China, the phase III clinical trial showed that the Company's MCV2 demonstrated a superior safety profile in the age group of 3 months and superior immunogenicity in the age groups of 6 to 23 months.

The Company obtained an umbrella CTA approval for its MCV2 in December 2015, and filed the NDA for MCV2 on January 31, 2019. On June 29, 2020, the CFDI announced the notice of on-site inspection for NDA licensure for MCV2 and the Company has passed the on-site inspection. On June 23, 2021, the Company's MCV2 has been granted NDA approval by the NMPA for commercialization in China. To date, the Company has initiated the commercialization of the Company's MCV2 in the PRC.

Near Commercial-Stage Products

MCV4

The Company's MCV4 candidate is a potential China first-in-class vaccine preventing meningococcal meningitis, and the first NDA for MCV4 being accepted in China. The Company's MCV4 candidate was found to be safe and well-tolerated, and showed good immunogenicity and efficacy in all age groups in the clinical trials.

The Company obtained an umbrella CTA approval for the MCV4 candidate in December 2015. The Company has completed clinical trials and has submitted the NDA application. The NMPA accepted the Company's NDA in November 2019. Later in December 2019, the CDE granted priority review status to the Company's NDA for MCV4.

On September 2, 2020, the CFDI announced the notice of on-site inspection for NDA licensure for MCV4 and the Company has passed the on-site inspection. For commercialization of MCV4 after obtaining NDA approval, the Company entered into a promotional service agreement with Pfizer Investment Co., Ltd. (輝瑞投資有限公司) ("**Pfizer**") in July 2020 to promote the MCV4 (to be commercialized under the trade name Menhycia™) in China.

Since the outbreak of COVID-19, the entire society has worked together to confront the public health challenge posed by the pandemic. CanSinoBIO, as an enterprise in vaccine industry, has shouldered the social responsibilities by making response to COVID-19 pandemic as its primary focus and sparing no effort to launch Ad5-nCoV. Thus, the NDA progress for MCV4 was delayed. The Company expects to obtain the NDA for its MCV4 in the second half of 2021.

Ad5-EBOV

Ad5-EBOV is jointly developed by the BIB and the Company. It uses adenovirus vector technology to induce the immune response. Ad5-EBOV received NDA approval in China in October 2017 for emergency use and national stockpile, which is the first approved Ebola virus vaccine in China. There is no other approved Ebola virus vaccine in China.

Compared with the current vaccine and vaccine candidates, Ad5-EBOV has advantages including (i) it has a better stability profile attributable to its freeze-dried dosage form and is approved to be stored between 2°C to 8°C for 12 months; (ii) it is an inactive non-replicating viral vector vaccine with less safety concerns; and (iii) it is a potential broad spectrum protection vaccine against the Zaire Ebola virus.

The Company currently does not expect Ad5-EBOV to contribute significantly to its business commercially in the future.

Drug Candidates in the Pipeline

The Company made response to COVID-19 pandemic as its primary focus and spared no effort to launch the Ad5-nCoV since the outbreak of COVID-19, so as to shoulder the social responsibilities to confront the public health challenge posed by the pandemic. The Company has tried its best to make full use of its remaining capacity to push forward the clinical trial progress of the following drug candidates.

PCV13*i*

The Company is developing a potential best-in-class improved PCV13 candidate, namely PCV13*i*, which is designed to compete with a world-class PCV13 product for children under 2 years old. The Company has made improvements in the conjugate design and manufacturing processes of its PCV13*i* candidate based on its proprietary conjugate vaccine manufacturing know-how.

The Company received the CTA approval for the PCV13*i* from the NMPA in April 2019. The Company has completed phase I clinical trial in 2020. In April 2021, the Company initiated the enrollment of a phase III clinical trial for PCV13*i*. Despite the adverse impact of COVID-19, the PCV13*i* candidate continues to make progress as scheduled. The Company expects to complete the phase III clinical trial for its PCV13*i* candidate in 2022.

PBPV

PBPV is a globally innovative pneumococcal vaccine candidate. Currently, PPV23 products and PCV13 products are all serotype-based and therefore are effective against only up to 23 pneumococcal serotypes but not able to protect against all of the 90 plus serotypes. The Company's PBPV candidate is not serotype-dependent. It adopts antigens that are based on the pneumococcal surface protein A, or PspA, a highly-conserved protein which is expressed by virtually all pneumococci. The results from a large global study showed that over 99% of the clinical isolates from seven different countries are classified as PspA family 1 or family 2 strains. The Company's in-house study also demonstrated that approximately 98% of the strains isolated in the city of Nanjing belong to PspA families 1 or 2. Therefore, the Company's PBPV candidate has the potential to have a much broader coverage in the elderly than that offered by the current PPV23 and PCV13 products.

The CTA for the Company's PBPV candidate was approved in October 2018. The Company has commenced a phase Ia clinical trial and has completed such clinical trial in 2020. The Company expects to initiate Ib or phase II clinical trial in the second half of 2021.

DTcP Infant

The Company is developing a potential best-in-class DTcP vaccine for infants, or DTcP Infant candidate, for primary vaccination. The manufacturing process of DTaP vaccines involves copurification of the pertussis antigens, which results in the quantities of each pertussis antigen varying from batch to batch. In contrast, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition. Compared with Pentaxim, the only DTcP vaccine in China, the Company's DTcP Infant candidate contains three pertussis antigens as compared to two pertussis antigens, which translates to better protection.

The Company received the CTA approval for our DTcP Infant candidate in January 2018. The Company has commenced a phase I clinical trial in China and has completed such clinical trial in 2020. The progress was delayed to a certain degree as most of the Company's resources have been allocated to support its Ad5-nCoV product. The Company expects to complete the phase III clinical trial for its DTcP Infant candidate in 2023.

DTcP Booster

There are no DTP booster vaccines for children in China. The Company's DTcP Booster candidate is a potential China first-in-class DTcP booster vaccine for children, which is designed to have the same composition as the DTcP Infant candidate and therefore has the same safety, immunogenicity and manufacturing productivity profiles.

The Company has received CTA approval for its DTcP Booster candidate in January 2018. The Company has commenced a phase I clinical trial in China and has completed such clinical trial in 2020. The progress was delayed to a certain degree as most of its resources have been allocated to support its Ad5-nCoV product. The Company expects to complete all of the clinical trials for the DTcP Booster candidate by 2022.

Tdcp Adolescent and Adult

Tdcp vaccines for adolescents and adults are in the routine vaccination schedule of developed countries. However, there are no approved Tdcp vaccines for adolescents and adults in China. The Company's Tdcp Adolescent and Adult candidate is a potential global best-in-class vaccine developed to compete against world-class vaccines such as Boostrix and Adacel. As compared with the composition of the Company's DTcP Infant candidate, the Tdcp Adolescent and Adult candidate contains a slightly higher amount of the tetanus toxoid antigen, and reduced amounts of pertussis antigens (FHA, PT and PRN) and the DT antigen in line with international industry standards.

The Company plans to conduct overseas clinical trials for its Tdcp Adolescent and Adult candidate first and then submit CTAs in China. The progress was slower than the Company's expectation due to the impact of COVID-19 pandemic.

TB Booster

The Company is developing a globally innovative TB Booster candidate for the Bacillus Calmette-Guerin-vaccinated population. The phase Ia clinical trial showed the Ad5Ag85A TB candidate to be safe and well tolerated, and able to boost the immunity in the BCG-vaccinated population. The Company has obtained a world-wide exclusive license from McMaster University to develop and commercialize products in the tuberculosis field based on technology information rights owned by McMaster University related to TB Booster and its phase I clinical trial, as well as a non-exclusive sub-license to relevant adenovirus patent rights licensed to McMaster University.

The phase Ib clinical trial for the TB Booster candidate is being conducted in Canada to evaluate the safety and immune responses stimulated by the TB Booster candidate in the blood and lungs, however the progress is slower than the Company's expectation due to the impact of COVID-19 pandemic.

Pre-Clinical Programs with Proof of Concept

The Group has various vaccine candidates in pre-clinical programs, including but not limited to one combination vaccine candidate and five disease-specific vaccine candidates targeting shingles, meningitis, polio, adenovirus and Zika. The Group will update in due course if there is material progress in respect of these pre-clinical programs.

The Group's Facilities

To date, the Group's manufacturing activities focus on commercialization and product registration. The Group's manufacturing facility is equipped with advanced equipment and machinery include fermentation, purification, conjugation, and ultrafiltration, auto-packaging and filling machinery.

The Group owns and operates a commercial-scale manufacturing facility located in Tianjin city currently for the manufacture of, among other things, its MCVs. For commercialization of Ad5-nCoV, the Company has built a manufacturing facility located in Tianjin. The Group has also worked with Shanghai Pharma and built a manufacturing facility located in Shanghai. For further information in relation to the Company's cooperation with Shanghai Pharma, please refer to the section headed "Significant Investments, Material Acquisitions and Disposals" below. In addition, the Company will continue to cooperate with external business partner(s) to deliver additional capacity. The designed annual capacity of Ad5-nCoV is approximately 500 million doses in total.

Taking into account the trend of the development of vaccine industry since the outbreak of COVID-19 pandemic, the Group keeps improving its capabilities of research and development, manufacturing, testing and storage. The Group has initiated the construction of CanSino Innovative Vaccine Industrial Campus Project with part of the proceeds from A Share Offering, aiming to enhance the manufacturing capacity to satisfy its long-term development strategies. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated May 12, 2021 in relation to the proposed change in use of proceeds from A Share Offering.

Employees And Remuneration Policies

As of June 30, 2021, the Company had a total of 1,159 employees, and approximately 68% of the employees held a bachelor's or higher degree. The Company has developed a remuneration and welfare management system that provides employees with competitive remuneration and five types of social insurances and housing fund for employees in strict compliance with the relevant laws and regulations.

Future and Outlook

CanSinoBIO's mission is to develop, manufacture and commercialize high quality, innovative and affordable vaccines. To accomplish the mission, we will prioritize our response to COVID-19 pandemic, and spare no effort to commercialize our Ad5-nCoV domestically and globally. We will continue to commercialize our MCV2, advance our near commercial candidates towards the NDA approval and develop our clinical trial stage assets through our in-house research and development and medical/clinical teams. Also, we will explore to discover and develop new vaccine candidates through both in-house research and development and external collaborations. We will continue to evaluate possible global collaborations and acquisitions of high-potential assets related to vaccines and biological products. In addition, we are expanding our sales and marketing team to strengthen the sales of our commercialized products and prepare for the launch of near commercial-stage products.

Although the vaccination of COVID-19 vaccines is ongoing worldwide, the spread of variant still poses a threat to global public health. Thus, the pandemic may continue to have an impact on our business operations to varying degrees. On one hand, it may lead to further commercialization of our Ad5-nCoV, and on the other, it may cause delays in the clinical trials of our other vaccine candidates, construction of facilities, regulatory approvals, and even commercialization of our other vaccine candidates. It is difficult to estimate the duration of the pandemic and the safety, efficacy and availability of vaccines and treatments for COVID-19 in the upcoming months given the volatile nature of these circumstances. Thus, we are unable to accurately predict the extent of the impact of the pandemic on our business operations. We will focus on all aspects of our business operations and will react actively to the impacts.

Cautionary Statement required under Rule 18A.08(3) of the Hong Kong Listing Rules: We cannot guarantee that we will ultimately develop or commercialize our core products (with the meaning ascribed to it under the Hong Kong Listing Rules) successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the Shares.

Financial Review

Revenue

For the six months ended June 30, 2021, we recorded a total revenue of approximately RMB2,061.5 million (six months ended June 30, 2020: nil), which is mainly contributed by the revenue generated from the sales of our vaccine products.

Other Income

Our other income decreased by 37.2% from approximately RMB19.9 million for the six months ended June 30, 2020 to approximately RMB12.5 million for the six months ended June 30, 2021. Our other income primarily consisted of (i) investment income on structured deposits that we placed with certain reputable commercial banks, and (ii) government grants.

Selling Expenses

Our selling expenses increased from approximately RMB4.5 million for the six months ended June 30, 2020 to approximately RMB34.6 million for the six months ended June 30, 2021, primarily due to an increase of approximately RMB20.6 million in employee benefits expenses and approximately RMB3.4 million in conference expenses.

Administrative Expenses

Our administrative expenses increased by 196.1% from approximately RMB30.6 million for the six months ended June 30, 2020 to approximately RMB90.5 million for the six months ended June 30, 2021, primarily due to (i) an increase of approximately RMB32.2 million in employee benefits expenses, (ii) an increase of approximately RMB11.6 million in professional service fee (including auditors' remuneration), and (iii) an increase of approximately RMB7.3 million in utilities and office expenses.

Research and Development Expenses

Our research and development expenses increased from approximately RMB107.9 million for the six months ended June 30, 2020 to approximately RMB551.3 million for the six months ended June 30, 2021, primarily due to (i) an increase of approximately RMB380.1 million in clinical trial and testing fee for the research and development of our vaccines, (ii) an increase of approximately RMB22.3 million in raw materials and consumables used, and (iii) an increase of approximately RMB12.6 million in employee benefits expenses.

The following table sets forth the components of our research and development expenses for the period indicated.

	Six months ended June 30,			
	2021		2020	
	(Audited)		(Unaudited)	
	RMB' 000	***%***	*RMB' 000*	*%*
Employee benefits expenses	**55,062**	**10.0**	42,497	39.4
Raw materials and consumables used	**50,497**	**9.2**	28,247	26.2
Depreciation and amortization	**11,822**	**2.1**	11,833	11.0
Clinical trial and testing fee	**400,230**	**72.6**	20,097	18.6
Others	**33,669**	**6.1**	5,249	4.9
Total	**551,280**	**100.0**	107,923	100.0

Finance Income – Net

Our net finance income increased by 65.9% from approximately RMB20.8 million for the six months ended June 30, 2020 to approximately RMB34.5 million for the six months ended June 30, 2021, primarily due to the increase of approximately RMB28.5 million in interest income offset by the decrease of foreign exchange gain amounting to approximately RMB8.1 million and the increase of finance costs amounting to approximately RMB6.7 million.

Income Tax Credit

Our income tax credit for the six months ended June 30, 2021 was approximately RMB100.3 million due to the recognition of deferred tax asset amounting to RMB100.3 million (six months ended June 30, 2020: nil).

Intangible Assets

Our intangible assets were approximately RMB51.8 million as of June 30, 2021 which primarily represented the capitalized clinical trial expenses and non-proprietary technologies (as of December 31, 2020: approximately RMB36.8 million).

Inventories

Our inventories comprised finished goods, work in progress, raw materials outsourced for processing, raw materials and consumable materials purchased for manufacture and research and development activities. Our inventories increased significantly from approximately RMB170.5 million as of December 31, 2020 to approximately RMB517.4 million as of June 30, 2021, primarily due to the increase in procurement of raw materials and consumable materials to cope with our increasing research and development activities and our booming sales.

Trade Receivables

Our trade receivables increased significantly from approximately RMB21.6 million as of December 31, 2020 to approximately RMB696.9 million as of June 30, 2021, primarily due to the booming sales achieved in the Reporting Period.

Other Receivables and Prepayments

The following table sets forth the components of our other receivables and prepayments as of the dates indicated.

	As of June 30, 2021 (Audited) *RMB'000*	As of December 31, 2020 (Audited) *RMB'000*
Value added tax recoverable	**36,057**	72,427
Prepayments to suppliers of intangible assets and property, plant and equipment	**171,785**	35,262
Prepayments to suppliers of raw materials	**265,659**	114,067
Others	**2,441**	845
	475,942	222,601
Less: non-current portion	**(172,979)**	(107,778)
Current portion	**302,963**	114,823

Our other receivables and prepayments increased from approximately RMB222.6 million as of December 31, 2020 to approximately RMB475.9 million as of June 30, 2021, which was primarily due to (i) an increase of approximately RMB151.6 million in prepayments to suppliers of raw materials; and (ii) an increase of approximately RMB136.5 million in prepayments to suppliers of intangible assets and property, plant and equipment. Such increase was partially offset by a decrease of approximately RMB36.3 million in value added tax recoverable.

Trade Payables

Our trade payables mainly included payments to be paid to raw material suppliers. The following table sets forth the aging analysis of our trade payables presented based on the date of receipt of goods or services.

	As of June 30, 2021 (Audited) *RMB'000*	As of December 31, 2020 (Audited) *RMB'000*
Within 1 year	**484,818**	60,420
Between 1 year and 2 years	**172**	10
Between 2 years and 3 years	**41**	31
More than 3 years	**–**	112
	485,031	60,573

Our trade payables increased significantly from approximately RMB60.6 million as at December 31, 2020 to approximately RMB485.0 million as of June 30, 2021. We did not have any material defaults in payment of trade payables for the six months ended June 30, 2021.

Other Payables and Accruals

The following table sets forth the components of our other payables and accruals as of the dates indicated.

	As of June 30, 2021 (Audited) *RMB'000*	As of December 31, 2020 (Audited) *RMB'000*
Other payables to suppliers of property, plant and equipment	**277,051**	135,722
Payroll and welfare payable	**121,313**	71,862
Clinical trial and testing fee	**106,738**	78,677
Performance guarantee deposits received	**60,000**	–
Deposits from suppliers	**655**	35
Consulting fees	**5,242**	1,731
Accrued taxes other than income tax	**4,442**	1,159
Others	**54,203**	10,542
	629,644	299,728

Our other payables and accruals increased significantly from approximately RMB299.7 million as of December 31, 2020 to approximately RMB629.6 million as of June 30, 2021, primarily due to (i) an increase of approximately RMB141.3 million in other payables to suppliers of property, plant and equipment, (ii) the receipt of a performance guarantee deposit amounting to RMB60.0 million as of June 30, 2021 (December 31, 2020: nil), (iii) an increase of approximately RMB49.5 million in payroll and welfare payable, and (iv) an increase of approximately RMB28.1 million in clinical trial and testing fee.

Financial Resources, Liquidity and Capital Structure

Our net current assets increased significantly from approximately RMB5,007.8 million as of December 31, 2020 to approximately RMB5,411.1 million as of June 30, 2021, which is primarily attributable to the increased profit during the Reporting Period. We are of the view that our financial resources are sufficient for our daily operations.

The capital of the Company comprises H Shares and A Shares. Total equity attributable to owners of the Company amounted to approximately RMB7,016.4 million as of June 30, 2021, representing an increase of 15.6% as compared with that of approximately RMB6,070.9 million as of December 31, 2020, which was primarily attributable to the increased profit during the Reporting Period.

Investment in Financial Assets

With regard to capital management, based on the principles of prudence and soundness, the Company generally chooses principal-protected structured deposits with interest rates higher than those of bank deposits for the same period to maximize our capital gains. As of June 30, 2021, the Company held structured deposits of RMB1,949.7 million issued by reputable banks in China. The annual interest rate of the structured deposits purchased during the six months ended June 30, 2021 varied from 2.8% to 3.3%. Such structured deposits have a maturity period ranging from 31 days to 357 days and are non-cancellable before maturity.

Significant Investments, Material Acquisitions and Disposals

In January 2021, the Company, Shanghai Sunway Biotech (a subsidiary of Shanghai Pharma) and Industry Investment Fund entered into a joint venture agreement in respect of the formation of CanSino SPH. CanSino SPH is a limited liability company established in the PRC in February 2021, and is principally engaged in the research, development and manufacture of vaccines and other biomedical products. CanSino SPH has been a subsidiary of the Company since its formation as a result of a concert party agreement entered into by and between the Company and Industry Investment Fund. On May 17, 2021, the Company, Shanghai Sunway Biotech and CanSino SPH entered into the capital increase agreement in relation to the Capital Increase in CanSino SPH, pursuant to which, the Company and Shanghai Sunway Biotech agreed to increase the registered capital of CanSino SPH from RMB100,000,000 to RMB1,204,890,000 by way of capital contribution of an amount of RMB555,000,000 and RMB549,890,000 into CanSino SPH by the Company and Shanghai Sunway Biotech, respectively. Upon completion of the Capital Increase (which took place in early June 2021) and as of the date of this announcement, CanSino SPH remains as a subsidiary of the Company and is owned as to approximately 49.8% by the Company, approximately 49.0% by Shanghai Sunway Biotech and approximately 1.2% by Industry Investment Fund. The capital contributed by the Company and Shanghai Sunway Biotech under the Capital Increase is expected to be used to upgrade the manufacture facilities, hire technical and manufacture personnel, procure manufacture machines and equipment, and purchase raw materials, which will allow CanSino SPH to rapidly build up its manufacture lines and hire sufficient experienced personnel for the manufacture of Ad5-nCoV, so as to meet the worldwide needs of COVID-19 vaccines. For details, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange dated May 17, 2021 and June 1, 2021.

Save as disclosed above, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. The Group did not have any future plans for material investments or capital assets as of June 30, 2021. The Company will make further announcement in accordance with he Hong Kong Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Contingent Liabilities

As of June 30, 2021, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Capital Commitments

The capital commitments of the Group as of June 30, 2021 were approximately RMB240.3 million, representing an increase of 33.1% as compared with that of approximately RMB180.5 million as of December 31, 2020, primarily due to the construction of manufacture facilities to meet the Group's manufacture and operation needs.

Charge on Assets

As of June 30, 2021, certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements with banks. The carrying amount of property, plant and equipment pledged as collateral were approximately RMB349.2 million as of June 30, 2021 (as of December 31, 2020: approximately RMB275.5 million).

As of June 30, 2021, certain of the Group's land use rights have been pledged as collateral under the Group's borrowing arrangements with banks. The carrying amount of land use rights pledged as collateral were approximately RMB10.2 million as of June 30, 2021 (as of December 31, 2020: approximately RMB10.4 million).

Saved as disclosed above, there were no other charges on the Group's assets as of June 30, 2021.

Exchange Rate Risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group is not exposed to foreign exchange risk significantly as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the functional currency, except (i) the cash and term deposits at bank in U.S. dollars and HKD which were primarily received from the investors as capital contributions, (ii) the trade receivables generated from overseas customers, and (iii) the trade payables and other payables to overseas suppliers. During the Reporting Period, the Group has been sparing no effort to establish a foreign currency hedging policy and closely monitoring foreign exchange exposure and will consider hedging significant foreign exchange exposure of the Group should the needs arise.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of June 30, 2021, the Group was in a net cash position and thus, gearing ratio is not applicable.

OTHER INFORMATION

Purchase, Sale or Redemption of the Listed Securities

The Group had not purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Corporate Governance

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the Reporting Period, except for the following:

In respect of code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer of the Company are not separate and are both performed by Dr. Yu. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Yu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and Supervisors.

Having made specific enquiry of all Directors and Supervisors, all of them have confirmed that they have complied with the Model Code for the six months ended June 30, 2021. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

Review of Interim Financial Results

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Zhu XIN, Mr. Shiu Kwan Danny WAI and Mr. Shuifa GUI. The chairman of the Audit Committee is Ms. Zhu XIN. The Audit Committee has jointly reviewed with the management and the independent auditor of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the audited interim results for the six months ended June 30, 2021) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

Scope of Work of Deloitte Touche Tohmatsu

The independent auditor of the Group, namely, Deloitte Touch Tohmatsu, has carried out an audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") on the condensed consolidated financial statements of the Group which are prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

Use of Proceeds from Listing of H Shares and A Share Offering

Use of H-Share IPO Proceeds

The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses from its Listing of H Shares and the exercise of over-allotment option of approximately HK$1,309.8 million in aggregate, equivalent to approximately RMB1,122.3 million (the "**H-Share IPO Proceeds**"). Taking into account the net proceeds received from the A Share Offering, together with the market collaboration with Pfizer and the Company's operation needs, and in order to strengthen the Company's capital efficiency, on August 21, 2020, the Board resolved to change the use of the remaining unutilized H-Share IPO Proceeds of approximately RMB682.8 million in total as of June 30, 2020, which was subsequently approved by the Shareholders of the Company on October 9, 2020.

The table below sets out, among other things, the revised allocation of unutilized H-Share IPO Proceeds and actual usage up to June 30, 2021:

Intended use of H-Share IPO Proceeds	Proposed use of H-Share IPO Proceeds as of the time of Listing (RMB million)	Unutilized H-Share IPO Proceeds as of June 30, 2020 (RMB million)	Revised allocation of unutilized H-Share IPO Proceeds as of June 30, 2020 (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to June 30, 2021 (RMB million)	Unutilized net proceeds as of June 30, 2021 (RMB million)	Expected time of full utilization of remaining balance
Research and development and commercialization of MCV candidates	505.1	458.2	38.2	–	51.1	34.0	By the end of 2021
Research and development of DTcP candidates	224.5	166.6	166.6	–	61.3	163.2	By the end of 2023
Research and development of other key products	168.3	41.8	41.8	–	133.4	35.0	By the end of 2021
Continued research and development of our pre-clinical vaccine candidates	112.2	10.7	10.7	1.8	111.2	1.0	By the end of 2021
Working capital and other general corporate purposes	112.2	5.5	5.5	1.8	112.2	–	Not applicable
(i) cooperation, licensing and introduction of advanced technologies, vaccine candidates and biological products; (ii) development of vaccine candidates; and (iii) acquisition of high-quality assets related to vaccines and biological products	–	–	420.0	–	–	420.0	By the end of 2023
Total	**1,122.3**	**682.8**	**682.8**	**3.6**	**469.2**	**653.2**	

Use of A-Share IPO Proceeds

The A Shares were listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the A Share Offering of approximately RMB4,979.5 million (the "**A-Share IPO Proceeds**"). Taking into the account the trend of the vaccine industry and the Company's long-term development strategies, in order to improve the Company's capabilities of research and development, manufacturing, testing and storage, on April 29, 2021, the Board resolved to change the use of the remaining unutilized A-Share IPO Proceeds, which was subsequently approved by the Shareholders of the Company on May 28, 2021.

The table below sets out, among other things, the revised planned applications of the A-Share IPO Proceeds and actual usage up to June 30, 2021:

Intended use of A-Share IPO Proceeds	Planned applications of A-Share IPO Proceeds (RMB million)	Revised Planned applications of A-Share IPO Proceeds (RMB million)	Actual usage during the Reporting Period (RMB million)	Actual usage up to June 30, 2021 (RMB million)	Unutilized net proceeds as of June 30, 2021 (RMB million)	Expected time of full utilization of remaining balance
CanSino Innovative Vaccine Industrial Campus Project[1]	550.0	1,100.0	8.6	8.6	1,091.4	By the end of 2024[3]
Development of vaccine candidates	150.0	150.0	8.9	15.4	134.6	By the end of 2023
Construction of vaccine traceability and cold chain logistics system and information system	50.0	50.0	3.6	5.6	44.4	By the end of 2022
Working capital	250.0	250.0	–	250.0	–	NA
Sub-total[2]	1,000.0	1,550.0	21.1	279.5	1,270.5	
Over-raised proceeds from A Share Offering[1,2]	3,979.5	3,429.5	–	1,190.0	2,239.5	By the end of 2023
Total	**4,979.5**	**4,979.5**	**21.1**	**1,469.5**	**3,510.0**	

Notes:

1. On April 29, 2021, the Board proposed to upgrade and replace the construction plan of phase II manufacture facilities with the CanSino Innovative Vaccine Industrial Campus Project, which was subsequently approved by the Shareholders on May 28, 2021. The Company plans to invest approximately RMB2,244.7 million into the CanSino Innovative Vaccine Industrial Campus Project, which will be funded by (1) the proposed change of use in the unutilized A-Share IPO Proceeds planned for the construction of phase II manufacture facilities, being approximately RMB550.0 million, as well as any interests generated therefrom; (2) the proposed application of a portion of the unutilized over-raised proceeds from the A Share Offering of RMB550.0 million; and (3) the Group's internal resources and bank borrowings to be arranged by the Company (if any) to cover the remaining amount. For details, please refer to the circular of the Company published on the website of Hong Kong Stock Exchange dated May 12, 2021 in relation to the proposed change in use of proceeds from A Share Offering.

2. The A-Share IPO Proceeds consist of: (1) a total of RMB1,000.0 million, the proposed applications of which have been disclosed in the prospectus of the A Share Offering; and (2) the over-raised proceeds of RMB3,979.5 million. STAR Market Listing Rules do not require intended use to be applied to the overraised proceeds obtained from A Share Offering. Any subsequent intended use for the over-raised proceeds from A Share Offering shall be approved by the Shareholders at a general meeting.

3. As disclosed in note 1 above, the original construction plan of phase II manufacture facilities was upgraded and replaced with the CanSino Innovative Vaccine Industrial Campus Project, which resulted in the increase from RMB550.0 million to RMB1,100.0 million in the planned applications of A-Share IPO Proceeds. Thus, the expected time of full utilization of remaining balance was delayed for one year.

The expected timeline for utilizing the remaining proceeds from each of the Listing of H Shares and A Share Offering is set on the basis of the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to adjustment. Based on our estimates, we currently intend to apply the unutilized net proceeds in accordance with the plans set out in the tables above.

Important Events after the End of the Reporting Period

On August 20, 2021, the 2021 Restricted Share Incentive Scheme of the Company and the Management Measures for Assessment for the Implementation of the 2021 Restricted Share Incentive Scheme have been considered and approved by the Board for the purpose to improve the Company's incentive mechanism, further enhance the enthusiasm, creativity, and cohesion of employees, promote the continuous growth of Company's performance, and achieve common development by enhancing the value of the Company and granting benefits to the employees, the implemention of which is subject to Shareholders's approval at the 2021 second extraordinary general meeting and class meetings to be held on September 10, 2021. For details, please refer to the circular of the Company dated August 26, 2021.

Save as disclosed above, there is no other important event occurred after the Reporting Period and up to the date of this announcement.

Interim Dividend

The Board does not recommend any payment of an interim dividend for the Reporting Period (corresponding period in 2020: nil).

Changes in Biographies of Directors, Supervisors and Senior Management

In April 2021, Ms. Nisa Bernice Wing-Yu LEUNG started to serve as an independent non-executive director of Hong Kong Exchanges and Clearing Limited (a company listed on the Hong Kong Stock Exchange, stock code: 388).

In June 2021, Mr. Zhi XIAO ceased to serve as an independent non-executive director of Guangdong Great River Smarter Logistics Co., Ltd. (廣東宏川智慧物流股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002930).

Save as disclosed above, there are no material changes in biographies of Directors, Supervisors and senior management of the Company during the Reporting Period that need to be disclosed pursuant to Rule 13.51 of the Hong Kong Listing Rules.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

		Six months ended June 30,	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Audited)	(Unaudited)
Revenue	*6*	**2,061,455**	–
Cost of sales	*8*	**(624,979)**	–
Gross profit		**1,436,476**	–
Other income		**12,478**	19,857
Other gains (losses), net		**29,778**	93
Selling expenses	*8*	**(34,582)**	(4,472)
Administrative expenses	*8*	**(90,464)**	(30,556)
Research and development expenses	*8*	**(551,280)**	(107,923)
Impairment losses under expected credit loss model		**(74)**	–
Operating profit (loss)		**802,332**	(123,001)
Finance income		**41,250**	20,849
Finance costs		**(6,748)**	(49)
Finance income-net		**34,502**	20,800
Profit (loss) before income tax		**836,834**	(102,201)
Income tax credit	*9*	**100,299**	–
Profit (loss) and total comprehensive income (expense) for the period		**937,133**	(102,201)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		**937,133**	(102,201)
– Non-controlling interests		**–**	–
		937,133	(102,201)
Earnings (loss) per share			
– Basic and diluted (in RMB)	*10*	**3.79**	(0.46)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Notes	As at June 30, 2021 RMB'000 (Audited)	As at December 31, 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,416,498**	873,375
Right-of-use assets		**251,234**	43,998
Intangible assets		**51,770**	36,838
Financial assets at fair value through profit or loss		**29,600**	–
Deferred tax assets	*12*	**100,299**	–
Other receivables and prepayments		**172,979**	107,778
Term deposits with initial term of over three months		**–**	265,441
Total non-current assets		**2,022,380**	1,327,430
Current assets			
Inventories		**517,393**	170,512
Trade receivables	*13*	**696,863**	21,639
Contract costs		**246**	–
Other receivables and prepayments		**302,963**	114,823
Financial assets at fair value through profit or loss		**1,949,749**	666,640
Term deposits with initial term of over three months		**270,281**	–
Cash and cash equivalents		**4,491,662**	4,447,029
Total current assets		**8,229,157**	5,420,643
Total assets		**10,251,537**	6,748,073

	Notes	**As at June 30, 2021 *RMB'000* (Audited)**	As at December 31, 2020 *RMB'000* (Audited)
EQUITY			
Share capital and share premium		**6,772,398**	6,772,398
Capital reserves		**71,542**	63,148
Accumulated profits (losses)		**172,441**	(764,692)
Equity attributable to owners of the Company		**7,016,381**	6,070,854
Non-controlling interests		**–**	–
Total equity		**7,016,381**	6,070,854
LIABILITIES			
Non-current liabilities			
Borrowings		**45,000**	90,000
Lease liabilities		**196,927**	3,790
Deferred income		**175,171**	170,576
Total non-current liabilities		**417,098**	264,366
Current liabilities			
Trade payables	*14*	**485,031**	60,573
Contract liabilities	*6*	**446,469**	420
Other payables and accruals		**629,644**	299,728
Borrowings		**646,686**	40,159
Gross obligations from put options written	*15*	**591,690**	–
Lease liabilities		**11,460**	8,588
Deferred income		**7,078**	3,385
Total current liabilities		**2,818,058**	412,853
Total liabilities		**3,235,156**	677,219
Total equity and liabilities		**10,251,537**	6,748,073

1. GENERAL INFORMATION

CanSino Biologics Inc. (the "Company") was incorporated in Tianjin of the People's Republic of China (the "PRC") on January 13, 2009 as a limited liability company by Xuefeng Yu, Tao Zhu, Dongxu Qiu, Xuan Liu and Helen Huihua Mao. The address of the Company's registered office is 401-420, 4th Floor, Biomedical Park, 185 South Avenue, TEDA West District, Tianjin, the PRC. Upon approval by the shareholders' general meeting held on February 10, 2017, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司)" to "CanSino Biologics Inc. (康希諾生物股份公司)" on February 13, 2017. The Company and its subsidiaries (collectively referred to as the "Group"), are principally engaged in the research and development, manufacturing and commercialisation of vaccine products for human use.

The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since March 28, 2019, and the Company's A shares were listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange on August 13, 2020.

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

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During the six months ended June 30, 2021, the Group was granted the conditional marketing authorisation for the Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector) (the "Ad5-nCoV") in mainland China and emergency use authorisation of Ad5-nCoV by certain other countries, which resulted in an increased sales of Ad5-nCoV amounted to RMB2,061,455,000 and a turnaround of profit for the period.

On February 2, 2021, CanSino SPH Biologics lnc. (上海上藥康希諾生物製藥有限公司) ("CanSino SPH") was established in Shanghai with a registered capital of RMB100,000,000 pursuant to an investment agreement entered into by the Company, Shanghai Sunway Biotech Co., Ltd., ("Sunway Biotech") and Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership) ("Industry Investment Fund"), both being independent third parties. CanSino SPH was owned as to 45% by the Company, 40% by Sunway Biotech and 15% by Industry Investment Fund. CanSino SPH is a subsidiary of the Company as a result of a concert party agreement entered into by and between the Company and Industry Investment Fund. On May 17, 2021, the Company, Sunway Biotech and Industry Investment Fund entered into a capital increase agreement, pursuant to which, the Company and Sunway Biotech agreed to increase the registered capital of CanSino SPH from RMB100,000,000 to RMB1,204,890,000 by way of capital contribution of an amount of RMB555,000,000 and RMB549,890,000 into CanSino SPH by the Company and Sunway Biotech, respectively. Upon completion of the capital increase, CanSino SPH was owned as to approximately 49.8% by the Company, approximately 49.0% by Sunway Biotech and approximately 1.2% by Industry Investment Fund and remained as a subsidiary of the Company. Under the investment agreement, each of Sunway Biotech or Industry Investment Fund is entitled to terminate the agreement by way of exercising a put option written by the Company to each of them upon occurrence of certain specific triggering events with the exercise price being no more than the then net asset value of CanSino SPH and no less than 80% of the exercising party's total cost of investment in CanSino SPH. As of June 30, 2021, gross obligations from the put options written by the Company was recognised by the Group. Details of the gross obligations from the put options written was set out in Note 15.

CanSino SPH is principally engaged in the research and development and manufacture of vaccines and other biomedical products.

3. BASIS OF PREPARATION

This condensed consolidated financial statements has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

4. 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 values.

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

The Group has applied Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" and also early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021". The application of the amendment to HKFRSs in the current interim period has 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.

Accounting policies became relevant during current period

Obligation arising from a put option over the equity interest of a subsidiary written to non-controlling shareholders by the Company

The gross financial liability arising from the put options over the equity interest of a subsidiary written by the Company is recognised when contractual obligation to repurchase the equity interest in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the equity interest to the Group. The gross liability is initially recognised at present value of the redemption amount with the corresponding debit to "non-controlling interests". Prior to the exercise of the put options by non-controlling shareholders, the remeasurement of the estimated gross obligation under the put options to the non-controlling shareholders is recognised in the profit or loss.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed consolidated financial statements, except the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty that were applied to the consolidated financial statements for the year ended December 31, 2020, the following significant judgement and key source of estimation uncertainty became relevant during the six months ended June 30, 2021:

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations, that the management of the Group have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Control over CanSino SPH

Note 2 describes that CanSino SPH is a subsidiary of the Group although the Group has only 49.8% ownership interest in CanSino SPH as of June 30, 2021.

The directors of the Company assessed whether the Group has control over CanSino SPH based on the Group's practical ability to direct the relevant activities of CanSino SPH unilaterally. In making the judgement, the directors of the Company considered the Group's voting power in CanSino SPH. As disclosed in Note 2, the Company entered into a concert party agreement with the investment fund, pursuant to which the investment fund delegated its voting power over CanSino SPH to the Company on matters related to directing the relevant activities of CanSino SPH, resulting the Company having over 50% voting power over CanSino SPH. After the assessment, the directors of the Company concluded that the Group has sufficiently dominant voting power to direct the relevant activities of CanSino SPH and therefore the Group has control over CanSino SPH.

Key source of estimation uncertainty

Deferred tax asset

As at June 30, 2021, deferred tax assets of RMB100,299,000 (31 December 2020: nil) has been recognised in the condensed consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits and taxable temporary differences generated are less than expected, or changes in facts and circumstances which result in revision of future taxable profits and taxable temporary differences estimation, a material reversal may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. REVENUE

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Sales of vaccine products – at a point in time	**2,061,455**	–
Geographical markets		
Mainland China	**981,095**	–
Overseas	**1,080,360**	–
	2,061,455	–

Revenue is recognised when control of the vaccine products has transferred, being when the goods have been shipped to the specific location and accepted by customers.

A contract liability is recognised for the Group's obligation to transfer goods to customers for which the Group has received considerations. Contract liabilities as of June 30, 2021 amounting to RMB446,469,000 (December 31, 2020: RMB420,000) is recognised, mainly representing the unfulfilled sales of vaccine products.

All the contracts that are partially or fully unsatisfied are for periods of one year or less. As the Group applies the practical expedient in HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENT INFORMATION

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

The Group is principally engaged in the research and development, manufacture and commercialisation of vaccine products for human use. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

As at June 30, 2021 and December 31, 2020, the Group's assets were mainly located in the PRC.

8. EXPENSES BY NATURE

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Employee benefits expenses	**243,264**	60,379
Listing expenses	**–**	1,472
Depreciation and amortisation	**23,946**	14,483
Freight and insurance	**43,829**	–
Other cost of sales	**489,420**	28,535
Clinical trial and testing fee	**400,230**	20,097
Utilities and office expenses	**46,263**	5,951
Consulting fee	**16,021**	4,588
Travelling and transportation expenses	**7,772**	1,893
Other transaction taxes	**11,450**	1,666
Auditors' remuneration		
– Audit services	**2,016**	1,357
Others	**17,094**	2,530
	1,301,305	142,951

Note:

For the six months ended June 30, 2021, expense relating to short-term leases of RMB262,000, primarily the rentals for employee apartments, was included in employee benefits expenses (six months ended June 30, 2020 (unaudited): RMB180,000).

9. INCOME TAX CREDIT

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Current income tax expense	**–**	–
Deferred income tax credit (Note 12)	**100,299**	–
	100,299	–

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Profit (loss) before income tax	**836,834**	(102,201)
Tax expense calculated at statutory income tax rate of 25%	**(209,209)**	25,550
Expenses not deductible for taxation purposes	**(2,663)**	(63)
Income not taxable for taxation purpose	**3,300**	–
Previously unrecognised tax losses utilised or recognised as deferred tax assets	**278,944**	33
Temporary differences not recognised as deferred tax assets	**–**	2,334
Tax losses not recognised as deferred tax assets	**(6,573)**	(26,740)
Extra deduction of research and development expenses	**103,365**	9,106
Impact of applying preferential tax rate	**(66,865)**	(10,220)
Income tax credit	**100,299**	–

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company and its PRC subsidiaries is 25% for both periods.

On November 24, 2016, the "Certificate of New Hi-tech Enterprise" was granted to the Company from Tianjin Science and Technology Committee and renewed on November 28, 2019. The Company is eligible for a corporate income tax rate of 15% for six months ended June 30, 2021 (six months ended June 30, 2020 (unaudited):15%).

10. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

	Six months ended June 30,	
	2021	2020
	(Audited)	(Unaudited)
Profit (loss) for the period (in RMB'000)	**937,133**	(102,201)
Weighted average number of ordinary shares in issue (in thousand)	**247,450**	222,650
Basic earnings (loss) per share (in RMB)	**3.79**	(0.46)

(b) Diluted earnings (loss) per share

Diluted earnings (loss) per share for the six months ended June 30, 2021 is same with basic earnings (loss) per share, since there are no potential issuable shares as at June 30, 2021.

11. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended June 30, 2021 (six months ended June 30, 2020 (unaudited): Nil).

12. DEFFERRED TAX ASSETS AND LIABILITIES

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

	Tax losses ***RMB'000***	**Other temporary differences** ***RMB'000***	**Total** ***RMB'000***
As at December 31, 2020	996	(996)	–
Credit (charge) to profit or loss	100,688	(389)	100,299
As at June 30, 2021	**101,684**	**(1,385)**	**100,299**

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at June 30, 2021 ***RMB'000*** **(Audited)**	As at December 31, 2020 *RMB'000* (Audited)
Deferred tax liabilities	**(3,680)**	(996)
Deferred tax assets	**103,979**	996
	100,299	–

At the end of the current interim period, the Group has carryforward unused tax losses of RMB704,190,000 (December 31, 2020: RMB1,227,151,000) available for offset against future profits. A deferred tax asset of RMB101,684,000 (December 31, 2020: RMB996,000) in respect of tax losses of RMB677,895,000 (December 31, 2020: RMB6,640,000) has been recognised. No deferred tax asset has been recognised in respect of tax losses of RMB26,295,000 of subsidiaries (December 31, 2020: RMB1,227,151,000 of the Group) due to the unpredictability of future profit streams. The majority of the unrecognised tax losses will expire in 2026.

At the end of the current interim period, the Group has deductible temporary differences of RMB167,769,000 (December 31, 2020: RMB67,101,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

13. TRADE RECEIVABLES

	As at June 30, 2021 ***RMB'000*** **(Audited)**	As at December 31, 2020 *RMB'000* (Audited)
Trade receivables from contracts with customers	**696,937**	21,639
Less: expected credit losses	**(74)**	–
	696,863	21,639

The normal credit terms range from 30 to 180 days upon issuance of billings.

(a) Trade receivables by overdue analysis

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit losses for all trade receivables. As of June 30, 2021 and December 31, 2020, the provision for expected credit losses of accounts receivables was insignificant. The overdue analysis of trade receivables of the Group is as follows:

	As at June 30, 2021 ***RMB'000*** **(Audited)**	As at December 31, 2020 *RMB'000* (Audited)
Within credit term	**695,455**	21,639
Overdue	**1,482**	–
	696,937	21,639

(b) Trade receivables by ageing analysis

As of June 30, 2021 and December 31, 2020, the ageing analysis of trade receivables presented based on the revenue recognition date of the Group is as follows:

	As at June 30, 2021 ***RMB'000*** **(Audited)**	As at December 31 2020 *RMB'000* (Audited)
Within 30 days	**469,936**	15,859
31 – 60 days	**130,878**	5,780
61 – 90 days	**15,088**	–
91 – 180 days	**79,553**	–
Over 180 days	**1,482**	–
	696,937	21,639

14. TRADE PAYABLES

The aging analysis of trade payables presented based on the date of receipt of goods or services is as follows:

	As at June 30, 2021 ***RMB'000*** **(Audited)**	As at December 31, 2020 *RMB'000* (Audited)
Within 1 year	**484,818**	60,420
Between 1 and 2 years	**172**	10
Between 2 years and 3 years	**41**	31
More than 3 years	**–**	112
	485,031	60,573

15. GROSS OBLIGATIONS FROM PUT OPTIONS WRITTEN

During the six months ended June 30, 2021, the Company entered into certain agreements with Sunway Biotech and Industry Investment Fund to establish CanSino SPH, a subsidiary of the Company. The Company granted each of Sunway Biotech and Industry Investment Fund put options to request the Company to purchase their respective investment in CanSino SPH with the exercise price being no more than the then net asset value of CanSino SPH and no less than 80% of the exercising party's total cost of investment in CanSino SPH upon occurrence of certain specific triggering events. Since the occurrence of these triggering events was conditional as of June 30, 2021, a financial liability was recognised by the Group amounted to RMB591,690,000, which was the corresponding portion of the net asset value of CanSino SPH as of June 30, 2021 and represented the gross redemption amount for the put options written.

PUBLICATION OF THE 2021 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cansinotech.com). The interim report of the Company for the six months ended June 30, 2021 containing all the information in accordance with the requirements under the Hong Kong Listing Rules will be despatched to the Shareholders and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

DEFINITIONS AND ACRONYMS

"A Share Offering"	the Company's initial public offering of 24,800,000 A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange on August 13, 2020
"A Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and traded in RMB
"Ad5-EBOV"	an adenovirus type 5 vector based Ebola virus disease vaccine, a vaccine jointly developed by, among others, CanSinoBIO, that protects against Ebola by relying on the recombinant replication-defective human adenovirus type-5 vector to induce the immune response, the NDA approval of which has been approved in China in October 2017
"Ad5-nCoV"	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector)
"adenovirus"	a DNA virus originally identified in human adenoid tissue, causing infections of the respiratory system, conjunctiva, and gastrointestinal tract
"Audit Committee"	the audit committee of the Board
"BIB"	Beijing Institute of Biotechnology, Academy of Military Medical Sciences (中國人民解放軍軍事科學院軍事醫學研究院生物工程研究所)
"Board" or "Board of Directors"	the board of Directors of the Company
"CanSino Innovative Vaccine Industrial Campus Project"	an upgrade and replacement of the construction plan of phase II manufacture facilities originally planned by the Company in its A Share Offering prospectus

"CanSino SPH"	CanSino SPH Biologics Inc.* (上海上藥康希諾生物製藥有限公司), a limited liability company established in the PRC in February 2021 pursuant to a joint venture agreement entered into by and among the Company, Shanghai Sunway Biotech and Industry Investment Fund in January 2021, and a subsidiary of the Company as of the date of this announcement
"CanSinoBIO", or "Company"	CanSino Biologics Inc. (康希諾生物股份公司), a joint stock company incorporated in the PRC with limited liability on February 13, 2017, or, where the context requires (as the case may be), its predecessor, Tianjin CanSino Biotechnology Inc. (天津康希諾生物技術有限公司), a company incorporated in the PRC with limited liability on January 13, 2009
"Capital Increase"	the increase of the registered capital of CanSino SPH by way of injecting capital in an aggregate amount of RMB1,104,890,000 by the Company and Shanghai Sunway Biotech, the completion of which has taken place in early June 2021, details of which as set out in the announcements of the Company dated May 17, 2021 and June 1, 2021
"CDE"	Center for Drug Evaluation of the National Medical Products Administration (國家藥品監督管理局藥品審評中心)
"CFDI"	Center for Food and Drug Inspection of the NMPA
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"conjugate"	chemically link bacterial capsular polysaccharide to a protein to enhance immunogenicity
"controlling shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules and unless the context requires otherwise
"core product(s)"	for the purpose of this announcement, include our MCV2 and MCV4 candidate, namely the core products under the Chapter 18A of the Hong Kong Listing Rules, together with our Ad5-nCoV
"COVID-19"	the disease caused by a new coronavirus called SARS-CoV-2
"CTA"	clinical trial application, the PRC equivalent of investigational new vaccine application

"Director(s)"	the director(s) of the Company
"Dr. Yu"	Dr. Xuefeng YU, chairman of the Board, executive Director, chief executive officer and general manager of the Company, our co-founder and a controlling shareholder
"DTcP"	diphtheria, tetanus and acellular pertussis (components) combined vaccine, each pertussis antigen of DTcP vaccines is purified individually and are subsequently combined in a defined ratio, hence ensuring a fixed and consistent composition
"DTcP Booster"	a vaccine being developed by us that addresses the weaker protection preventing pertussis after primary vaccination, designed for children (4 to 6 years old)
"DTcP Infant"	DTcP vaccine for infants (below 2 years old)
"FHA"	filamentous hemagglutinin adhesion, a large, filamentous protein that serves as a dominant attachment factor for adherence to respiratory epithelium
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Hong Kong Stock Exchange
"Hib"	haemophilus influenzae type B infection
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended or supplemented from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"immunogenicity"	the ability of a particular substance, such as an antigen, to provoke an immune response in the body of a human and other animal
"Industry Investment Fund"	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)* (上海生物醫藥產業股權投資基金合夥企業(有限合夥)), an existing shareholder of CanSino SPH and an independent third party of the Company as of the date of this announcement, the general partner of which is Shanghai Biomedical Industry Equity Investment Fund Co., Ltd.* (上海生物醫藥產業股權投資基金管理有限公司)
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on March 28, 2019
"Main Board"	the Main Board of the Hong Kong Stock Exchange
"MCV"	meningococcal conjugate vaccine, used to prevent infection caused by meningococcal bacteria
"MCV2"	Groups A and C MCV, a vaccine used for the prevention of *N. meningitides* (Lta), the NDA of which has been approved by the NMPA in June 2021
"MCV4"	Groups A, C, Y and W135 MCV, a vaccine used for the prevention of *N. meningitides* (Lta)
"MCVs"	MCV2 and MCV4
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"PBPV"	a globally innovative, serotype-independent protein-based pneumococcal vaccine being developed by us
"PCV13"	13-Valent pneumococcal conjugate vaccine, 13-valent vaccine primarily used for the prevention of invasive pneumococcal diseases
"PCV13*i*"	an improved pneumococcal polysaccharide conjugate vaccine being developed by us
"pertussis"	commonly known as whooping cough, a respiratory tract infection characterized by a paroxysmal cough
"polysaccharide"	a carbohydrate that can be decomposed by hydrolysis into two or more molecules of monosaccharides

"PPV23"	23-valent pneumococcal polysaccharide vaccine, used for the prevention of invasive pneumococcal disease in children aged above two years of old and adults
"PRN"	pertactin, originally known as the 69-kDa protein, is a surface-associated protein that is exported to the outer membrane, where it undergoes proteolytic cleavage
"PT"	pertussis toxin, a protein-based AB5-type exotoxin produced by the bacterium Bordetella pertussis, which causes whooping cough
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the six-month period from January 1, 2021 to June 30, 2021
"Shanghai Pharma"	Shanghai Pharmaceuticals Holding Co., Ltd.* (上海醫藥集團股份有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 2607) and the Shanghai Stock Exchange (stock code: 601607)
"Shanghai Sunway Biotech"	Shanghai Sunway Biotech Co., Ltd.* (上海三維生物技術有限公司), a non-wholly owned subsidiary of Shanghai Pharma and a connected person of the Company at the subsidiary level as of the date of this announcement
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and H Shares as of the date of this announcement
"STAR Market Listing Rules"	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》)
"Supervisor(s)"	supervisor(s) of our Company
"TB"	tuberculosis, an infection caused by *Mycobacterium tuberculosis* that primarily affects the lungs
"TB Booster"	a recombinant human type 5 adenovirus-based tuberculosis vaccine, a globally innovative TB booster vaccine for Bacillus Calmette- Guerin vaccinated population
"Tdcp Adolescent and Adult"	a vaccine being developed by us for adolescents and adults (above 10 years old) that protects against pertussis, containing slightly increased amount of TT antigen to DTcP vaccine candidate for infants, but reduced amounts of pertussis and DT antigens

"vector"	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong, August 27, 2021

As of the date of this announcement, the Board of Directors comprises Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU and Dr. Dongxu QIU as executive Directors, Mr. Qiang XU, Mr. Liang LIN, Ms. Nisa Bernice Wing-Yu LEUNG and Mr. Zhi XIAO as non-executive Directors, and Mr. Shiu Kwan Danny WAI, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU as independent non-executive Directors.

* *For identification purposes only*