



Focus on BsAb pays off with world leading pipeline

October 24, 2022

INVESTMENT SUMMARY

- We believe Akeso is embarking on a journey to transform from a biotech to a biopharma at an opportune time. It has sufficient product backup and a world-leading Bispecific Antibody (BsAb) pipeline;
- Global sales of Penpulimab (PD-1 mAb) (*Anniko*) (AK105) and Cadonilimab (PD-1/CTLA-4 BsAb) (AK104) should drive next phase of growth. Akeso is also well represented in the PCSK9 competition;
- We believe license out revenue can come in as the company ramps up size, becoming a positive catalyst. The risk is low cash level but can be mitigated by licensing out in case product sales disappoints. We recommend BUY with TP of HK\$40.

Research Team



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Akeso Inc. (SEHK: 9926)

About to finish round one of biopharma transformation

- Akeso demonstrates there is little-to-no first mover advantage in biotech. Transition into biopharma requires patience and preparation;
- Akeso's first, test-water mAb has achieved Rmb500mn in first year sales, its 2nd, main focus BsAb is hitting the market with the 3rd BsAb on its way. Its 100% in-house pipeline is highly differentiated;
- We rate the stock Buy, with a TP of HK40.

On its way to achieve two mini-blockbusters

Akeso licensed its first, PD-1 mAb (Monoclonal Antibody) Penpulimab to SinoBio (1177 HK, NR) but accounting-wise booked the whole product sales, which exceeded Rmb500mn in its first year of sales. Akeso's 2nd, PD-1/CTLA4 BsAb (Bispecific Antibody), Cadonilimab, will be sold by the company alone. It received NMPA approval in June 2022. We expect Penpulimab to achieve peak sales of Rmb882mn in 2025 but Cadonilimab to achieve peak sales of Rmb2.2bn in 2028. Akeso will have two mini-blockbusters (>Rmb1bn in annual sales).

Focus on BsAb paid off with first global PD-1/L1 BsAb

Founded in 2012 from a veteran team both abroad and locally, Akeso stayed as a biotech for a long time. In 2015, Akeso licensed out its CTLA4 mAb, AK107, to Merck for US\$200mn. Our research found the first clinical trial for Cadonilimab started in 2017, abroad. Now Cadonilimab is the first approved BsAb in China, the 6th BsAb, the 3rd oncology BsAb and the first PD-1/L1 BsAb globally.

Strong late-stage pipeline safeguards the path to biopharma

After Cadonilimab, Ivonescimab (AK112), a PD-1/VEGF BsAb, Ebronucimab (AK102), a PSCK9 Inhibitor and Ebdarokimab (AK101), an IL-12/23 mAb, are in or near Phase III. Akeso has no biosimilar or license-in in its pipeline.

License out can be both a bonus and a cushion

Akeso's cash level is low but it has a first class pipeline with proven track record of out licensing. We currently factor in no license out revenue at all but believe it can act both as positive catalyst or cash cushion for the stock.

Summary financial data

Highlights	2021A	2022E	2023E	2024E	2025E
Revenues (Rmb mn)	226	567	1,682	3,254	4,919
Non-IFRS operating income (Rmb mn)	(1,183)	(1,332)	(1,030)	(491)	(156)
IFRS EPS (Rmb)	(1.54)	(1.52)	(1.26)	(0.81)	(0.59)
Price to sales	125	50	17	8.6	5.7
EBITDA margin	(498.7%)	(209.6%)	(47.8%)	(6.5%)	4.3%
Free cash flow yield (%)	(6.2%)	(7.8%)	(8.7%)	(7.4%)	(9.4%)

Source: Bloomberg, Blue Lotus (as of 2022/10/21)

BUY **HOLD** **SELL**

Target Price: HK40.0 **Current Price: HK\$31.0**
 RIC: (SEHL: 9926) BBG: 9926 HK
 Market cap (HK\$ mn) 21,909.5
 Average daily volume (HK\$ mn) 344.4
 Shares out/float (m) 841/380

Source: Bloomberg, Blue Lotus (as of 2022/10/17)

Key Changes

	New	Old	Diff
BLRI Recommendation	BUY	-	
BLRI Target Price	HK\$40	-	
2022E EPS (HK\$)	(1.64)		
2023E EPS (HK\$)	(1.31)		
2024E EPS (HK\$)	(1.36)		

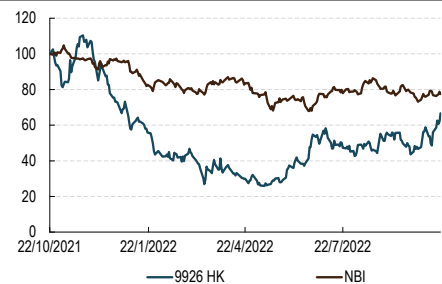
Source: Blue Lotus (as of 2022/10/21), IFRS, Rmb=HK\$1.09

BLRI vs. The Street

No. of Bloomberg Recommendations	22
Target price vs. Bloomberg mean	21%
1-year-fwd EPS vs. Bloomberg mean	NM
Bloomberg recommendation	4.95

Source: Bloomberg Recommendation, Blue Lotus (1=SELL,5=BUY)(as of 2022/10/21)

Price performance and volume data



Source: Bloomberg, Blue Lotus (as of 2022/10/21)

Research team



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See the last page of the report for important disclosures

Blue Lotus Capital Advisors Limited

Akeso Inc.: Financial Summary

Fiscal year ends-31-Dec

Exhibit 1. Income statement

(RMB mn or Rmb)	2021A	2022E	2023E
Product sales	212	869	2,076
License fee income	129	0	0
Less: distribution cost	(115)	(301)	(394)
Revenue	226	567	1,682
Gross profit	194	473	1,331
Gross margin	86.1%	83.3%	1
Selling and marketing expenses	(179)	(362)	(788)
Administrative expenses	(244)	(254)	(310)
Research and development expenses	(1,123)	(1,242)	(1,431)
Other expenses	(13)	(110)	(252)
Share based compensation	(181)	(54)	(168)
Operating income (IFRS)	(1,248)	(1,210)	(999)
Operating margin, IFRS	(553%)	(213%)	(59%)
Operating income (non-IFRS)	(1,183)	(1,332)	(1,030)
Operating margin, non-IFRS	(524%)	(235%)	(61%)
Net income, IFRS	(1,258)	(1,241)	(1,029)
EPS, diluted and basic	(1.54)	(1.52)	(1.26)

Source: Akeso Inc., Blue Lotus (2022/10/21)

Exhibit 2. Balance sheet

(RMB mn)	2021A	2022E	2023E
Non-current assets	1,654	2,740	3,940
PPE	1,353	2,105	2,438
Right of use assets	152	623	1,488
Intangible assets	4	2	4
Advance payments for PPE	145	10	10
Current assets	3,152	2,191	7,601
Inventories	197	520	2,277
Trade and bill receivables	102	418	1,557
Prepayments and other receivables	212	784	1,245
Bank balances and cash	2,642	469	2,521
Total assets	4,806	4,931	11,541
Current liabilities	656	1,462	3,582
Trade payables	206	577	1,401
Other payables and accrued exp.	395	852	2,102
Interest bearing borrowings	46	-	-
Lease liabilities	8	32	77
Non-current liabilities	870	813	1,826
Interest bearing borrowings	804	804	1,804
Deferred income	64	245	306
Total liabilities	1,526	2,275	5,408
Share capital	0.1	0.1	0.1
Reserves	3,164	1,923	895
Non-controlling interest	116	733	5,239
Equities	3,280	2,656	6,134
Total liabilities and equities	4,806	4,931	11,541

Source: Akeso Inc., Blue Lotus (2022/10/21)

Company Description

Akeso is about to transform from an IP-licensing biotech to a product-sales-driven biopharma. Its products and pipeline focus on BsAb and mAb with 100% in-house ratio. Penpulimab (AK105), co-marketed with SinoBio, contributed 100% of product revenue and 62% of total in 2021. Cadonilimab (AK104) shall drive product revenue to 100% of total in 2022. Through its in-house ACE Platform and TETRABODY technology, Akeso has established systematic process and ability for antibody drug development.

Industry View

We estimate the global biologics market to grow from US\$341bn in 2021 to US\$665bn in 2030, in which China's biologics market will grow from US\$65bn to US\$200bn over the same period. We expect global PD-1/L1 market to grow from US\$30bn in 2021 to US\$79bn in 2030, in which China's PD-1/L1 market to grow from US\$4bn to US\$20bn.

Exhibit 3. Cash flow statement

(RMB mn)	2021A	2022E	2023E
Pre-tax profit, IFRS	(1,258)	(1,241)	(1,029)
Adjustment from operating activities	142	99	259
Adjustment from balance sheet			
Increase in inventories	(135)	(324)	(1,757)
Increase in trade-receivables	(102)	(316)	(1,139)
Increase in prepayments	(68)	(572)	(462)
Increase in trade payables	94	371	824
Increase in other payables	355	457	1,251
Increase in deferred income	10	181	61
Increase in contract liabilities	4	31	58
Cash used in/generated from operations	(958)	(1,314)	(1,933)
Income tax paid	0	0	0
Net cash used in operating activities	(958)	(1,314)	(1,933)
Interest received	14	11	10
Capex	(793)	(869)	(519)
Purchase of intangible assets	(4)	(2)	(6)
Proceeds from disposal of PPE	1	1	1
Decrease in pledged deposits	1,853	0	0
Net cash used in investing activities	1,071	(859)	(514)
New borrowings raised less repayment	672	0	1,000
Net cash used in financing activities	1,633	0	4,500
Cash and cash equivalents at the beginning	2,684	2,642	469
Effects of foreign exchange rate changes	0	0	0
Cash and cash equivalents at the end	2,642	469	2,521

Source: Akeso Inc., Blue Lotus (2022/10/21)

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Recent Reports

October 21, 2022: [S.F. Express (002352 SZ, HOLD, TP RMB 55) Target Price Change]: **Raise TP for stable ASP and margin improvement;**

October 21, 2022: [Kuaishou (1024 HK, HOLD, TP HK\$49.4) Target Price Change]: **Cut TP for intensified Video Account challenge;**

October 20, 2022: [Mercari Inc. (4385 JP, SELL, TP JPY1744) Earnings Preview]: **Lack of near-term catalyst with waning GMV growth;**

October 20, 2022: [Kanzhun (BZ US, HOLD, TP US\$17.6) Rating Change]: **UG to HOLD for signs of recovery;**

October 19, 2022: [Tencent (700 HK, BUY, TP HK\$390) Earnings Preview]: **International gaming and ads show positive signs;**

October 18, 2022: [Xiaomi (1810 HK, SELL, TP HK\$8) Target Price Change]: **No escape from competitors and growing costs;**

October 18, 2022: [JD Logistics (2618 HK, HOLD, TP HK\$15) Rating Change]: **Expect weak demand in ISC service;**

October 18, 2022: [KE Holdings (BEKE US, BUY, TP US\$17.5) Target Price Change]: **Short term pain continues;**

October 18, 2022: [Xiaomi (1810 HK, SELL, TP HK\$8) Target Price Change]: **No escape from competitors and growing costs;**

October 18, 2022: [Vipshop (VIPS US, SELL, TP US\$7.5) Target Price Change]: **User and GMV downtrends continue;**

October 17, 2022: [Bilibili (BILI US, SELL, TP US\$9.1) Rating Change]: **Facing increasing difficulty, DG to SELL;**

Investment Cases at a Glance

Why is it a Buy

- **Bispecific Antibody (BsAb) is a promising new field with high entry barrier and few incumbents:** BsAb combines two antibodies in one molecule, capable of achieving better efficacy and/or lower toxicity than two Monoclonal Antibodies (mAb). Globally about seven BsAb's have been approved with Cadonilimab the sixth. Within these seven four were approved in 2022 and only two were targeting solid tumours, which were Amivantamab (*RYBREVANT*) by Janssen for lung cancer and Cadonilimab for cervical cancer;
 - **Domestic competitions are upcoming but Akeso has at least one year lead:** Besides Cadonilimab, Akeso has two BsAb's in the late stage. In terms of competition, BeiGene (BGNE US, BUY, US\$197) has been selling Amgen's BsAb Blinatumomab (*BLINCYTO*) since 3Q21 but it is a blood cancer drug. BGNE also has three oncology BsAb's in its pipeline but only one, Zanidatamab (Zymeworks), is in Phase III. Innovent (1801 HK, SELL, HK\$17) has four BsAb's (IBI389, 322, 323, 363) in its pipeline but all are in early stages. RemeGen (9995 HK, BUY, HK\$70) is worth watching as BsAb/fusion-protein are its stated focuses. RemeGen has five BsAb's (RC138, 148, 158, 218 and 228) in its early-stage pipeline. Zai Lab (ZLAB US, HOLD, US\$30) has four license-in BsAb's in its pipeline (CD3/CD47 x 4) but all are still in pre-clinical. HENGRUI's (600276 CH, NR) fusion protein SHR1701 is in Phase III but similar drug, Bintrafusp Alfa (Merck) failed in clinical in 2021. Alphamab (9966 HK, NR) has two BsAb (KN026, 046) in Phase III. Alphamab is Akeso's closest competitor. All others are at least one year away from commercializing BsAb drugs;
 - **Diversified pipeline is next:** Although Akeso leads in BsAb globally, it is not a BsAb-only company. Its first drug Penpulimab (*Anniko*) is an mAb. It also has a PCSK9 Inhibitor (AK102) in Phase III. Its early-stage pipeline actually has more mAb's than BsAb's. Its other late-stage drug AK101 and several early stage drugs target Psoriasis and Systemic Lupus Erythematosus (SLE);
 - **Strong pipeline safeguards the path to a product-driving biopharma:** Founded in 2012, Akeso stayed as a biotech for a long time. Akeso cut its R&D teeth by licencing its CTLA4 mAb (AK107) to Merck for US\$200mn in 2015. It licensed out first PD-1 Penpulimab to SinoBio for commercialization in China in 2021. Now Akeso is at an opportune time to launch an in-house sales organization. Sales marketing employee reached 630 in C1H22, up from 512 in C2H21 and 196 in C1H21.
- What are the key catalysts for the next 3-6 months**
- **Sales momentum for Cadonilimab:** We forecast sales of Rmb200mn in C2H22 and Rmb1bn in 2023, below company guidance of first year sales of Rmb1bn, to be conservative;

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October 14, 2022: [ZTO Express (ZTO US, BUY, TP US\$30) Rating Change]:

Delayed price war leads to stable pricing;

October 14, 2022: [Agora, Inc. (API US, BUY, TP US\$6) Target Price Change]:

Cut TP for weak international expansion pace;

October 13, 2022: [Pinduoduo (PDD US, BUY, TP US\$76.6) Target Price Change]:

GMV slowdown and more spending, cut TP to US\$77;

October 12, 2022: [Blue Lotus Semiconductor Sector Update]:

Implications of BIS controls are mostly long term;

October 12, 2022: [JD.com (JD US, BUY, TP US\$58) Target Price Change]:

Margin improvement under macro challenges;

October 11, 2022: [Meituan (3690 HK, BUY, TP HK\$232) Company Update]:

Instashopping supports Meituan's growth;

October 11, 2022: [NetEase (NTES US, HOLD, TP US\$85.8) Rating Change]:

Lack of new games, DG to HOLD;

September 30, 2022: [Alibaba (BABA US, HOLD, TP US\$87) Target Price Change]:

Cut TP for weak retail sales and cloud demand;

September 29, 2022: [XPeng Inc. (XPEV US, HOLD, TP US\$15) Rating Change]:

DG to HOLD due to concern over growth momentum;

September 21, 2022: [PDT (650 HK, BUY, TP HK\$1.57) Company Update]:

Takeaways from factory visit and management Q&A;

September 19, 2022: [Blue Lotus Multiplatforms Sector Update]:

BAT don't have advantage in government-backed cloud

- **Sales momentum for Penpulimab:** Akeso obtained PD-1/L1 exclusivity from SinoBio when it formed a 50:50 JV with it in 2019, which means SinoBio will not be able to develop or commercialize other PD-1/L1 drugs, thereby putting all its sales effort behind Penpulimab. We therefore expect continued performance of Penpulimab in the competition of PD-1/L1 market. In C1H22, Sino Bio had 25.5K employees with ~50% in sales and marketing;
- **US approval of Penpulimab:** FDA accepted Akeso's BLA (Biological License Application) in May 2021. The approval is taking longer than expected;
- **FDA and NMPA approval of rival drugs:** We expect the FDA approval of Zanidatamab (ZW25) by Zymeworks/BGNE and NMPA application of KN026 and 046 by Alphamab to negatively impact Akeso.

Where can we be wrong?

- **Cadonilimab sales is below expectation:** Although BsAb is a new and promising category, there has not been a global blockbuster (>US\$1bn in annual sales) in the past. If Cadonilimab sales disappoints, the damage to Akeso's investment case is severe as its differentiation will be mostly gone;
- **Cash level is low:** Akeso's cash level is only equivalent to 2.3 quarters of its free cash flow run rate, which is relatively low in our universe of coverage. If Cadonilimab sales disappoints, Akeso might run directly into liquidity problems. We expect Akeso to seek license-out deals for its pipeline if such situation happens.

What can change our view?

- **Performance by global BsAb oncology drugs:** Amivantamab (*RYBREVANT*) is a lung cancer treating BsAb marketed by Janssen starting from C3Q21. Its sales ramp up can act as a reference for Cadonilimab;
- **Values of out-licensing deals if any:** Unlike its peers, Akeso hasn't licensed out its pipeline since 2015. While this might be interpreted as confidence in selling these drugs in house, it also removes the 3rd party evaluation of their worth. We would gain more clarity on Akeso's pipeline worth from a few out-licensing deals in the future.

Operating Metrics

Exhibit 4. Interim revenue table

Rmb mn, or Rmb	C2H20A	C1H21A	C2H21A	C1H22A	C2H22E	C1H23E
Product sales	-	-	212	297	571	827
License fee income	-	129	-	-	-	-
Less: Distribution cost (on Penpulimab only)	-	-	(115)	(134)	(167)	(192)
Revenue	-	129	97	163	404	635
Product sales						
Penpulimab (PD-1) (Anniko) (AK105)	-	-	212	297	371	427
Cadonilimab (PD-1/CTLA-4) (AK104)	-	-	-	-	200	400
Ivonescimab (PD-1/VEGF) (AK112)	-	-	-	-	-	-
Gross margin	NM	100%	68%	83%	84%	81%

Source: Akeso, Blue Lotus (2022/10/21)

Valuation and peer comparisons

We use WACC of 16% and terminal growth of 5% for Akeso to reflect its up-and-coming status as a biopharma, which commands a higher WACC. Since Akeso currently loses money, we use basic shares to calculate EPS but we use diluted shares to calculate DCF. Based on our calculation, at the end of 2021, Akeso's Pre-IPO RSU scheme, 2021 RSU and Share Option Scheme add ~21mn shares to its 814mn basic shares outstanding. By C2H22, we estimate Akeso has 814mn basic shares and 835mn diluted shares outstanding.

We use basic shares to compute EPS because Akeso loses money. But we use diluted share to calculate DCF value per share. The difference is about 2.5%.

We use a DCF to 2040 to calculate the DCF value of Akeso, We expect Akeso to achieve EBITDA breakeven in 2027, non-IFRS operating and IFRS net income breakeven in 2028 but free cash flow breakeven in 2031.

Please see Sector Initiation, <Picking certainty ahead of the great consolidation>, published at the same date, for peer comparisons

Exhibit 5. DCF valuation of Akeso

Year to Dec (RMB mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	...	2040E
Core model assumptions																
Group revenue	567	1,682	3,104	4,919	7,324	10,239	13,017	15,555	18,917	23,200	27,153	30,958	34,855	39,224	...	60,490
EBIT	(1,156)	(830)	(347)	82	882	2,341	3,937	5,199	7,025	9,537	11,903	13,881	15,647	17,646	...	33,015
NOPAT	(1,156)	(830)	(347)	82	882	2,341	3,937	5,199	6,147	8,345	10,415	10,411	11,736	13,234	...	24,761
Capex,	(871)	(525)	(863)	(559)	(1,973)	(1,080)	(3,330)	(1,621)	(4,743)	(2,388)	(2,800)	(3,144)	(2,869)	(3,236)	...	(2,584)
Depreciation & amortization	120	190	234	307	357	521	613	884	1,014	1,389	1,569	1,786	2,534	2,821	...	6,344
Change in working capital	(172)	(1,164)	(1,044)	(2,351)	(920)	(1,363)	480	1,574	(2,514)	(3,657)	(988)	(336)	(297)	(119)	...	4,033
Free operating CF (FoCF)	(2,079)	(2,329)	(2,020)	(2,521)	(1,654)	419	1,701	6,036	(96)	3,689	8,196	8,718	11,104	12,701	...	32,554
Discount Period	0.2	1.2	2.2	3.2	4.2	5.2	6.2	7.2	8.2	9.2	10.2	11.2	12.2	13.2	...	18.2
Discount Factors	97%	84%	72%	62%	54%	46%	40%	34%	30%	26%	22%	19%	16%	14%	...	7%
NPV of FoCF	(2,021)	(1,952)	(1,459)	(1,570)	(888)	194	678	2,076	(28)	943	1,806	1,656	1,818	1,793	...	2,188
Terminal Value Calculation																
Terminal Growth rate	5.0%															
Terminal FCF	32,554															
Terminal Value	310,741															
Discount Factor	6.7%															
NPV of Terminal Value	20,883															
WACC	16%															
NPV of FOCF (Equity)	34,904															
+ Net debt, current	1,792															
+ Minorities (Market)	0															
= Enterprise value	36,697															
# of shares ('000)	989															
Target price (RMB)	37.1															
Target price (HK\$)	40.4															

Source: Akeso, Blue Lotus (2022/10/21)

[See the last page of the report for important disclosures](#)

Annual Income Statement

Fiscal year ends-31-Dec

Exhibit 6. Annual income statement (Report Currency: RMB)

(Rmb mn or Rmb)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Product sales	-	-	212	869	2,076	3,407	5,395	7,776
License fee income	71	-	129	-	-	150	-	-
Less: distribution cost	0	0	(115)	(301)	(394)	(453)	(476)	(452)
Revenue	71	-	226	567	1,682	3,104	4,919	7,324
Gross profit	71	-	194	473	1,331	2,354	3,653	5,458
<i>Gross margin</i>	100.0%	NM	86.1%	83.3%	79.2%	75.9%	74.3%	74.5%
Selling and marketing expenses	0	0	(179)	(362)	(788)	(1,175)	(1,672)	(2,137)
Administrative expenses	(55)	(253)	(244)	(254)	(310)	(495)	(661)	(802)
Research and development expenses	(308)	(769)	(1,123)	(1,242)	(1,431)	(1,552)	(1,968)	(2,564)
Other expenses	(1)	(2)	(13)	(110)	(252)	(443)	(593)	(700)
Share based compensation	0	(347)	(181)	(54)	(168)	(310)	(492)	(659)
Operating income (IFRS)	(243)	(900)	(1,248)	(1,210)	(999)	(657)	(410)	223
<i>Operating margin, IFRS</i>	(344%)	#DIV/0!	(553%)	(213%)	(59%)	(21%)	(8%)	3%
Operating income (non-IFRS)	(294)	(677)	(1,183)	(1,332)	(1,030)	(557)	(156)	615
<i>Operating margin, non-IFRS</i>	(415%)	#DIV/0!	(524%)	(235%)	(61%)	(18%)	(3%)	8%
Net income, IFRS	(347)	(1,321)	(1,258)	(1,241)	(1,029)	(722)	(493)	122
EPS, diluted and basic, IFRS	(3.37)	(2.10)	(1.54)	(1.52)	(1.26)	(0.88)	(0.59)	0.14

Source: Akeso, Blue Lotus (2022/10/21)

See the last page of the report for important disclosures

Annual Balance Sheet

Fiscal year ends-31-Dec

Exhibit 7. Annual Balance Sheet (Report Currency: RMB)

(Rmb mn or Rmb)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Non-current assets	417	855	1,654	2,740	3,940	5,523	7,199	10,522
PPE	214	608	1,353	2,105	2,438	3,062	3,306	4,911
Right of use assets	52	151	152	623	1,488	2,443	3,868	5,575
Intangible assets	1	1	4	2	4	8	15	26
Advance payments for PPE	51	94	145	10	10	10	10	10
Current assets	1,256	3,001	3,152	2,191	7,601	8,773	15,395	15,911
Inventories	16	61	197	520	2,277	4,122	5,700	6,531
Trade and bill receivables	0	0	102	418	1,557	2,555	3,776	5,055
Prepayments and other receivables	51	144	212	784	1,245	1,704	2,158	2,333
Bank balances and cash	1,186	2,684	2,642	469	2,521	391	3,760	1,992
Total assets	1,673	3,856	4,806	4,931	11,541	14,295	22,594	26,433
Current liabilities	8,534	8,278	7,629	6,543	7,474	8,170	8,973	9,841
Trade payables	43	113	206	577	1,401	2,623	3,800	4,665
Other payables and accrued exp.	34	40	395	852	2,102	2,998	2,533	2,799
Interest bearing borrowings	38	14	46	-	-	-	-	-
Lease liabilities	3	3	8	32	77	126	200	289
Non-current liabilities	1,337	236	870	813	1,826	1,840	2,861	2,886
Interest bearing borrowings	173	179	804	804	1,804	1,804	2,804	2,804
Deferred income	60	53	64	245	306	382	478	598
Total liabilities	1,457	406	1,526	2,275	5,408	7,589	9,395	10,640
Share capital	0	0	0	0	0	0	0	0
Reserves	(6)	3,185	3,164	1,923	895	173	(320)	(198)
Non-controlling interest	222	265	116	733	5,239	6,534	13,519	15,991
Equities	216	3,450	3,280	2,656	6,134	6,707	13,199	15,793
Total liabilities and equities	1,673	3,856	4,806	4,931	11,541	14,295	22,594	26,433

Source: Akeso, Blue Lotus (2022/10/21)

See the last page of the report for important disclosures

Annual Cash Flow Statement

Fiscal year ends-31-Dec

Exhibit 8. Annual Cash Flow Statement (Report Currency: RMB)

(Rmb mn or Rmb)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Pre-tax profit, IFRS	(347)	(1,321)	(1,258)	(1,241)	(1,029)	(722)	(493)	122
Adjustment from operating activities	78	676	142	99	259	491	761	988
Adjustment from balance sheet								
Increase in inventories	1	(46)	(135)	(324)	(1,757)	(1,845)	(1,577)	(832)
Increase in trade-receivables	0	0	(102)	(316)	(1,139)	(999)	(1,221)	(1,278)
Increase in prepayments	(25)	(92)	(68)	(572)	(462)	(458)	(454)	(175)
Increase in trade payables	(4)	70	94	371	824	1,222	1,176	865
Increase in other payables	24	5	355	457	1,251	896	(465)	266
Increase in deferred income	21	(7)	10	181	61	76	96	120
Increase in contract liabilities	1	(1)	4	31	58	63	95	114
Cash used in/generated from operations	(250)	(716)	(958)	(1,314)	(1,933)	(1,275)	(2,083)	189
Income tax paid	0	0	0	0	0	0	0	0
Net cash used in operating activities	(250)	(716)	(958)	(1,314)	(1,933)	(1,275)	(2,083)	189
Interest received	5	42	14	11	10	7	10	14
Capex	(90)	(410)	(793)	(869)	(519)	(852)	(539)	(1,944)
Purchase of intangible assets	(0)	(1)	(4)	(2)	(6)	(11)	(19)	(29)
Proceeds from disposal of PPE	0	0	1	1	1	1	1	1
Decrease in pledged deposits	0	313	1,853	0	0	0	0	0
Net cash used in investing activities	(85)	(57)	1,071	(859)	(514)	(855)	(548)	(1,958)
New borrowings raised less repayment of borrowings	86	37	672	0	1,000	0	1,000	0
Net cash used in financing activities	1,555	2,885	1,633	0	4,500	0	6,000	0
Cash and cash equivalents at the beginning	314	1,186	2,684	2,642	469	2,521	391	3,760
Effects of foreign exchange rate changes	0	0	0	0	0	0	0	0
Cash and cash equivalents at the end	1,186	2,684	2,642	469	2,521	391	3,760	1,992

Source: Akeso, Blue Lotus (2022/10/21)

See the last page of the report for important disclosures

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