UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2021

Commission File Number: 001-40212

Connect Biopharma Holdings Limited
(Translation of registrant's name into English)

Science and Technology Park
East R&D Building, 3rd Floor
6 Beijing West Road, Taicang
Jiangsu Province, China 215400
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Furnished as exhibits to this Report on Form 6-K is information regarding the Company's financial results for the six months ended June 30, 2021.

Exhibit Index

Exhibit No.	Description
Exhibit 99.1	Unaudited Interim Condensed Consolidated Financial Statements as of and for the Six Months Ended June 30, 2021
Exhibit 99.2	Management's Discussions and Analysis of Financial Conditions and Results of Operations
Exhibit 99.3	Press Release Dated August 31, 2021

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 31, 2021

CONNECT BIOPHARMA HOLDINGS LIMITED

By /s/ Eric Hall

Name: Eric Hall
Title: Interim Chief Financial Officer

Exhibit 99.1

CONNECT BIOPHARMA HOLDINGS LIMITED

INDEX TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONNECT BIOPHARMA HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Statements of Loss

	Notes	For Six Months Ended June 30, 2020	2021	2021
		RMB'000	RMB'000	USD'000 Note 2
Research and development expenses	5	(59,047)	(217,806)	(33,716)
Administrative expenses	5	(7,086)	(47,965)	(7,424)
Other income	7	2,715	5,041	780
Other gains/(losses) - net	8	878	(7,640)	(1,183)
Operating loss		**(62,540)**	**(268,370)**	**(41,543)**
Finance income		569	180	28
Finance cost		(19)	(22)	(4)
Finance income - net		550	158	24
Fair value loss of financial instruments with preferred rights	19	(13,217)	(674,269)	(104,374)
Loss before income tax		**(75,207)**	**(942,481)**	**(145,893)**
Income tax expense	9	—	—	—
Net loss		**(75,207)**	**(942,481)**	**(145,893)**
Net loss attributable to:				
Owners of the Company		**(75,207)**	**(942,481)**	**(145,893)**
		RMB	RMB	USD
Net loss attributable to:				
Basic and diluted	10	**(4.4)**	**(20.1)**	**(3.1)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONNECT BIOPHARMA HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

	Notes	For the Six Months Ended June 30, 2020 RMB'000	2021 RMB'000	2021 USD'000 Note 2
Net loss		**(75,207)**	**(942,481)**	**(145,893)**
Other comprehensive (loss)/income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		(5,173)	5,523	855
Items that will not be reclassified to profit or loss				
Exchange differences on translation of foreign operations		(672)	(21,846)	(3,382)
Other comprehensive loss, net of tax		**(5,845)**	**(16,323)**	**(2,527)**
Total comprehensive loss		**(81,052)**	**(958,804)**	**(148,420)**
Total comprehensive loss attributable to:				
Owners of the Company		(81,052)	(958,804)	(148,420)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONNECT BIOPHARMA HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Balance Sheets

	Notes	December 31, 2020 RMB'000	June 30, 2021 RMB'000	June 30, 2021 USD'000 Note 2
ASSETS				
Non-current assets				
Property, plant and equipment	11	6,939	24,524	3,796
Right-of-use assets	12	929	23,358	3,616
Intangible assets		342	284	43
Other non-current assets	13	19,860	27,614	4,275
Total non-current assets		**28,070**	**75,780**	**11,730**
Current assets				
Cash and cash equivalents	15	1,010,076	2,025,046	313,470
Other receivable and prepayments	14	33,655	72,900	11,285
Financial assets at fair value through profit or loss	3	13,068	—	—
Total current assets		**1,056,799**	**2,097,946**	**324,755**
Total assets		**1,084,869**	**2,173,726**	**336,485**
LIABILITIES				
Non-current liabilities				
Lease liabilities	12	309	482	75
Financial instruments with preferred rights	3, 19	2,071,508	—	—
Total non-current liabilities		**2,071,817**	**482**	**75**
Current liabilities				
Lease liabilities		604	615	95
Trade payables		24,638	65,628	10,159
Other payables and accruals	18	12,755	24,383	3,774
Total current liabilities		**37,997**	**90,626**	**14,028**
Total liabilities		**2,109,814**	**91,108**	**14,103**
Net (liabilities)/assets		**(1,024,945)**	**2,082,618**	**322,382**
SHAREHOLDERS' (DEFICIT)/EQUITY				
Share capital	16	24	66	10
Share premium	16	41,466	4,092,298	633,473
Treasury shares		(3)	(3)	—
Share-based compensation reserve		6,602	24,608	3,809
Other reserves		(1,693)	(20,529)	(3,178)
Accumulated losses		(1,071,341)	(2,013,822)	(311,732)
Total shareholders' (deficit)/equity		**(1,024,945)**	**2,082,618**	**322,382**
Total liabilities and shareholders' (deficit)/equity		**1,084,869**	**2,173,726**	**336,485**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONNECT BIOPHARMA HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' (Deficit)/Equity

	Notes	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Share-based compensation reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total shareholders' deficit RMB'000
Balance at December 31, 2019		**21**	**38,123**	**(1)**	**4,411**	**(48,725)**	**(292,116)**	**(298,287)**
Comprehensive loss								
Net loss		—	—	—	—	—	(75,207)	(75,207)
Exchange differences		—	—	—	—	(5,845)	—	(5,845)
		—	—	—	—	(5,845)	(75,207)	(81,052)
Transactions with owners								
Issuance of shares to co-founders	17	1	3,343	—	(3,344)	—	—	—
Issuance of treasury shares		1	—	(1)	—	—	—	—
Share-based compensations	17	—	—	—	1,590	—	—	1,590
		2	3,343	(1)	(1,754)	—	—	1,590
Balance at June 30, 2020		**23**	**41,466**	**(2)**	**2,657**	**(54,570)**	**(367,323)**	**(377,749)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONNECT BIOPHARMA HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' (Deficit)/Equity

	Notes	Share capital	Share premium	Treasury shares	Share-based compensation reserves	Other reserves	Accumulated losses	Total shareholders' (deficit)/equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2020		**24**	**41,466**	**(3)**	**6,602**	**(1,693)**	**(1,071,341)**	**(1,024,945)**
Comprehensive loss								
Net loss		—	—	—	—	—	(942,481)	(942,481)
Exchange differences		—	—	—	—	(16,323)	—	(16,323)
		—	—	—	—	(16,323)	(942,481)	(958,804)
Transactions with owners								
Issuance of ordinary shares, net of issuance costs	16	14	1,305,818	—	—	—	—	1,305,832
Conversion from preferred shares to ordinary shares	16	28	2,743,597	—	—	—	—	2,743,625
Repurchase of ordinary shares	16	—	—	—	—	(2,513)	—	(2,513)
Issuance of shares to co-founders	17	—	1,417	—	(1,417)	—	—	—
Share-based compensations	17	—	—	—	19,423	—	—	19,423
		42	4,050,832	—	18,006	(2,513)	—	4,066,367
Balance at June 30, 2021		**66**	**4,092,298**	**(3)**	**24,608**	**(20,529)**	**(2,013,822)**	**2,082,618**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONNECT BIOPHARMA HOLDINGS LIMITED

Unaudited Interim Condensed Consolidated Statements of Cash Flows

	Notes	For the Six Months Ended June 30,		
		2020	2021	2021
		RMB'000	RMB'000	USD'000 Note 2
Cash flows from operating activities				
Cash used in operations	20	(53,549)	(252,936)	(39,154)
Interest received		569	180	28
Net cash used in operating activities		**(52,980)**	**(252,756)**	**(39,126)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(343)	(23,477)	(3,634)
Payment in relation to right-of-use assets		—	(22,284)	(3,449)
Purchase of financial assets at fair value through profit or loss		(43,200)	(42,500)	(6,579)
Proceeds from disposal of financial assets at fair value through profit or loss		47,854	55,706	8,623
Net cash generated from/ (used in) investing activities		**4,311**	**(32,555)**	**(5,039)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	16	—	1,431,775	221,634
Payment in relation to listing expenses		—	(111,440)	(17,251)
Payment for lease liabilities		(223)	(480)	(74)
Payment in relation to share repurchase		—	(2,513)	(389)
Net cash (used in)/ generated from financing activities		**(223)**	**1,317,342**	**203,920**
Net (decrease)/increase in cash and cash equivalents		(48,892)	1,032,031	159,755
Cash and cash equivalents at the beginning of period		308,972	1,010,076	156,356
Effects of exchange rate changes on cash and cash equivalents		4,226	(17,061)	(2,641)
Cash and cash equivalents at end of the period		**264,306**	**2,025,046**	**313,470**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. General information and Basis of presentation

1.1 General information

Connect Biopharma Holdings Limited (the "Company") was incorporated on November 23, 2015 in the Cayman Islands as an exempted company with limited liability. The address of the Company's registered office is P.O. Box 613, Harbour Centre, George Town, Grand Cayman KY1-1107, Cayman Islands. The Company completed its initial public offering ("IPO") in March 2021 and the Company's American Depositary Shares ("ADSs") have been listed on the Nasdaq Global Market ("Nasdaq") since then. Each ADS of the Company represents one ordinary share, par value USD 0.000174 per share.

The Company and its subsidiaries (collectively the "Group") is a clinical-stage company focused on the discovery and development of next-generation immune modulators for the treatment of serious autoimmune diseases and inflammation. The Group has leveraged its expertise in the biology of T cell modulation to build a portfolio of drug candidates consisting of small molecules and antibodies targeting critical pathways of inflammation. The Group currently carries out clinical trials on its product candidates globally.

Connect Biopharma Hong Kong Limited ("Connect HK") is a direct wholly owned subsidiary of the Company, and the Group carries out its business through Connect HK's wholly owned subsidiaries: Suzhou Connect Biopharma Co., Ltd. ("Connect SZ"), Connect Biopharm LLC ("Connect US") and Connect Biopharma Australia PTY LTD ("Connect AU").

1.2 Basis of presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). Accordingly, they do not include all of the information and footnotes required by IFRS for complete financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted.

The unaudited interim condensed consolidated financial statements included all adjustments as necessary for the fair statement of the Company's financial position as of June 30, 2021, and results of operations and cash flows for the six months ended June 30, 2020 and 2021. The consolidated balance sheet as of December 31, 2020 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by International Financial Reporting Standards ("IFRS"). The unaudited interim condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited interim condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal years. Accordingly, these financial statements should be read in conjunction with audited consolidated financial statements and related footnotes for the years ended December 31, 2019, and 2020 included in the Company's final prospectus filed with the Securities and Exchange Commission on March 19, 2021. The accounting policies applied are consistent with those applied in the audited consolidated financial statements for the preceding fiscal year. Results for the six months ended June 30, 2021 are not necessarily indicative of the results expected for the full fiscal year or for any future period.

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2020 and 2021 were authorized for issue by the Company's board of directors (the "Board") on August 31, 2021.

1. General information and Basis of presentation (continued)

Liquidity

Since inception, the Group has incurred accumulated losses of RMB 2,013.8 million (USD 311.7 million) as of June 30, 2021. For the six months ended June 30, 2021, the Group had net operating loss of RMB 268.4 million (USD 41.5 million) and net operating cash outflow of RMB 252.8 million (USD 39.1 million). The principal sources of funding have historically been continuous cash contributions from common equity holders and preferred shareholders. The cumulative contributions up through June 30, 2021 approximated USD 440.1 million, among which included USD 219.9 million of proceeds from issuance of ordinary shares in connection with the IPO or RMB 1,431.8 million based on the exchange rate as of the date of the IPO. As of June 30, 2021, the Group had net assets of RMB 2,082.6 million (USD 322.4 million), including a cash and cash equivalents balance of RMB 2,025.0 million (USD 313.5 million). Taking this into consideration, the Board believes that the Group will have sufficient available financial resources to meet its obligations becoming due and working capital requirements in the next twelve months from the date of issuance of these financial statements. Accordingly, the Board considers that it is appropriate to prepare the consolidated financial information on a going concern basis.

Impact of COVID-19

The outbreak of a novel strain of the coronavirus, specifically identified as “COVID-19”, has spread globally. COVID-19 is a virus causing potentially deadly respiratory tract infections and has impacted the global economy. In March 2020, the World Health Organization declared COVID-19 a pandemic.

The Group has taken measures to protect the safety of its employees and continuously monitors and evaluates the situation regarding COVID-19. COVID-19 ultimately may impact the Group’s clinical trials, including potential delays and restrictions on the ability to recruit and retain patients, principal investigators, and healthcare employees. COVID-19 could also affect the operations of contract research organizations (“CROs”) engaged by the Group. The Group continuously monitors the possible impact of COVID-19 on the Group, its CROs, contract manufacturing organizations and clinical sites performing research and development activities for the Group and has developed alternatives to limit the impact of COVID-19 on its operations going forward.

Management expects that COVID-19 will have some impact on the Company’s business and operations, but it is not expected to have a material adverse effect on the financial condition or liquidity of the Company.

2. Summary of significant accounting policies

The accounting policies and method of computation used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the audited consolidated financial statements for the preceding fiscal years included in the Company’s final prospectus filed with the Securities and Exchange Commission on March 19, 2021.

Convenience translation

Translations of the unaudited interim condensed consolidated balance sheet, the unaudited interim condensed consolidated statement of loss, unaudited interim condensed consolidated statement of comprehensive loss and unaudited interim condensed consolidated statement of cash flows from RMB into USD as of and for the six months ended June 30, 2021 are solely for the convenience of the readers and calculated at the rate of USD 1.00 = RMB 6.4601, representing the exchange rate as of June 30, 2021 set forth in the China Foreign Exchange Trade System. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into USD at that rate, or at any other rate.

2. Summary of significant accounting policies (continued)

New and amended standards and interpretations not yet adopted by the Group

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

3. Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2020 and June 30, 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As of June 30, 2021, the Group did not carry any financial assets or liabilities measured at fair value.

As of December 31, 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	—	—	13,068	13,068
Total assets	—	—	13,068	13,068
Liabilities				
Financial instruments with preferred rights	—	—	2,071,508	2,071,508
Total liabilities	—	—	2,071,508	2,071,508

3. Fair value estimation (continued)

There were no transfers between Levels 1, 2 and 3 during the periods presented.

Financial instruments in Level 3

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability ("DLOM"), etc.

Level 3 instruments within the Group's assets and liabilities include short-term investment in wealth management products measured at fair value through profit or loss and financial instruments with preferred rights.

The following table presents the changes in Level 3 instruments of short-term investment in wealth management products for the six months ended June 30, 2020 and 2021.

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Opening balance	30,632	13,068
Additions	43,200	42,500
Settlements	(47,854)	(55,706)
Investment income credited to profit or loss*	396	138
Closing balance	26,374	—
*includes unrealized gains recognized in profit or loss attributable to balances held at the end of the reporting period	177	—

The valuation of financial instruments with preferred rights is set out in Note 19.

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

4. Critical accounting estimates and judgements

The preparation of the interim condensed consolidated financial statements requires the use of accounting estimates which, by definition, may not equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies. Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

In preparing the interim condensed consolidated financial statements, the nature of significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were consistent with those described in the audited consolidated financial statements for the preceding fiscal years included in the Company's final prospectus filed with the Securities and Exchange Commission on March 19, 2021.

5. Expenses by nature

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Clinical trials related expenses	40,486	182,545
Employee benefit expenses (Note 6)	9,861	40,635
Consultancy fee	11,716	31,002
Office expenses	696	2,821
R&D materials and consumable supplies	846	6,602
Depreciation and amortization	395	1,432
Others	2,133	734
	66,133	265,771

6. Employee benefit expenses

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	6,574	17,998
Share-based compensation expenses (Note 17)	1,590	19,423
Welfare expenses	436	2,641
Housing funds	307	573
Contributions to defined benefit plan (i)	954	—
	9,861	40,635

(i) The defined benefit plan was established in 2018 for one founder and subsequently terminated in 2020. The aggregate value of the benefits under this plan was fully funded and rolled over into an individual retirement account for the benefit of the founder. The Company will have no further obligations with respect to such plan and is no longer subject to actuarial risk and investment risk.

Employee benefit expenses were charged in the following line items in the interim condensed consolidated statements of loss:

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Research and development expenses	7,030	22,999
Administrative expenses	2,831	17,636
	9,861	40,635

7. Other income

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Government grants	2,715	5,041

Government grants are cash incentive received related to specific operating expenses incurred. During the six months ended June 30, 2021, the Group received a one-time award of RMB 5.0 million (USD 0.8 million) from China local government for its successful IPO.

8. Other gains/(losses) – net

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Net foreign exchange gains/(losses)	482	(741)
Investment income from wealth management products	396	138
Other loss (i)	—	(7,037)
	878	(7,640)

(i) The Group incurred a loss of RMB 7.0 million (USD 1.1 million) due to a phishing scam experienced in May 2021 which resulted in the Company remitting such amount to an account set up by the phishers rather than to one of the Company's vendors. No loss or download of company data nor any loss or compromise of customer or third-party information has been discovered and the Company is currently continuing to investigate this incident. Management has filed a claim with the Company's cyberinsurance underwriter. No recovery from insurance has been received as of the date of this filing.

9. Income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liabilities under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Due to loss position for the Group's other entities located in Hong Kong, United States, China, and Australia, no provision for income taxes has been provided for the six months ended June 30, 2020 or 2021.

10. Net loss per share

Upon approval of shareholders of the Company on March 12, 2021, every 1.74 ordinary shares were consolidated into one ordinary share (the "Share Consolidation") (Note 16). To calculate net loss per share, the number of shares used reflects such Share Consolidation retrospectively as of January 1, 2020 in the calculation of the weighted average number of ordinary shares outstanding.

Basic net loss per share is calculated by dividing the net loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding. Basic and diluted net losses per share reflecting the effect of the issuance of ordinary shares by the Company are presented as follows:

	Six Months Ended June 30,	
	2020	2021
Net loss attributable to owners of the Company (RMB'000)	(75,207)	(942,481)
Weighted average number of ordinary shares outstanding	17,090,228	46,935,542
Basic net loss per share (RMB)	(4.4)	(20.1)

Share options and preferred shares are considered as potential dilutive shares throughout the reporting periods. However, since the Group had incurred net losses for six months ended June 30, 2020 and 2021, the potential dilutive shares have anti-dilutive effect on net loss per share if they are converted to ordinary shares and were excluded from such calculation. Thus, diluted net loss per share is equivalent to the basic net loss per share.

11. Property, plant and equipment

	Laboratory equipment RMB'000	Leasehold improvements RMB'000	Office equipment, furniture and others RMB'000	Assets under construction RMB'000	Total RMB'000
As of December 31, 2020					
Cost	5,672	1,461	585	1,906	9,624
Accumulated depreciation	(1,460)	(808)	(417)	—	(2,685)
Net book value	4,212	653	168	1,906	6,939
Six months ended June 30, 2021					
Opening net book value	4,212	653	168	1,906	6,939
Additions	16,656	1,102	361	663	18,782
Transfers	—	2,449	—	(2,449)	—
Depreciation	(600)	(400)	(44)	—	(1,044)
Disposal	(151)	—	(2)	—	(153)
Closing net book value	20,117	3,804	483	120	24,524
As of June 30, 2021					
Cost	22,177	5,012	944	120	28,253
Accumulated depreciation	(2,060)	(1,208)	(461)	—	(3,729)
Net book value	20,117	3,804	483	120	24,524

12. Lease

Amounts recognized in the condensed consolidated balance sheets are as follows:

(i) Right-of-use assets

	Land use rights RMB'000	Office rental RMB'000	Total RMB'000
Opening net book amount-as of January 1, 2021	—	929	929
Additions	22,284	518	22,802
Depreciation	(74)	(299)	(373)
Closing net book amount-as of June 30, 2021	22,210	1,148	23,358
As of June 30, 2021			
Cost	22,284	2,607	24,891
Accumulated depreciation	(74)	(1,459)	(1,533)
Net book value	22,210	1,148	23,358

The addition of land use rights was the prepaid land lease payments to acquire long-term interest in the usage of land in the mainland People's Republic of China ("PRC") over the period of 50 years that is stated in the land use right certificate. The land is expected to be used for the construction of production and office facilities.

(ii) Lease liabilities

	December 31, 2020 RMB'000	June 30, 2021 RMB'000
Non-current	309	482
Current	604	615
	913	1,097

Amounts recognized in the interim condensed consolidated statements of loss in addition to depreciation shown above were as follows:

	Six Months Ended June 30,	
	2020 RMB'000	2021 RMB'000
Interest expense	19	22
Expense relating to short-term leases	82	17
Expense relating to leases of low-value assets that are not shown above as short-term leases	15	15

The total cash outflow for leases for the six months ended June 30, 2020 and 2021 was RMB 0.2 million and RMB 0.5 million, respectively.

13. Other non-current assets

	December 31, 2020 RMB'000	June 30, 2021 RMB'000
Deductible value-added tax	10,260	13,319
Prepayments for purchase of non-current assets (i)	9,600	14,295
	19,860	27,614

(i) As of June 30, 2021, the Group had made prepayments of approximately RMB 14.3 million, compared to RMB 9.6 million as of December 31, 2020, primarily due to the purchase of laboratory equipment for Connect SZ.

14. Other receivables and prepayments

	December 31, 2020 RMB'000	June 30, 2021 RMB'000
Prepayment for CRO services	28,043	52,658
Prepaid expenses (i)	—	12,936
Deposits (ii)	3,881	4,668
Others	1,731	2,638
	33,655	72,900

(i) In March 2021, the Group made payments to purchase director and officer liability insurance. Such expenses are amortized over 1 year.
(ii) Deposits held by CRO suppliers are refundable upon the completion of related services.

15. Cash and cash equivalents

	December 31, 2020 RMB'000	June 30, 2021 RMB'000
Cash at bank		
-USD deposits	975,810	1,981,028
-RMB deposits	28,113	41,953
-AUD deposits	6,153	2,065
	1,010,076	2,025,046

Cash at bank located in the PRC earns interest at floating rates based on daily bank deposit rates, while deposits in banks outside the PRC are with interest rate of nil.

Cash at banks denominated in RMB are deposited with banks in the PRC. The conversion of these RMB-denominated balances into foreign currencies and the remittance of funds out of China are subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC. As of June 30, 2021, USD 296.7 million of deposits and AUD 0.4 million of deposits were held in banks outside the PRC.

16. Share capital

Upon approval of shareholders of the Company on March 12, 2021, every 1.74 ordinary shares with a par value of USD 0.0001 each in the authorized share capital of the Company (including all issued and unissued shares) were consolidated into one share with a par value of USD 0.000174 each. Therefore, on June 30, 2021, the authorized share capital of the Company was changed from USD 50,000 into USD 76,560. The number of ordinary shares below are presented retrospectively as if such Share Consolidation took place as of January 1, 2021.

	Number of ordinary shares	Share capital RMB'000	Share premium(i) RMB'000	Total RMB'000
As of January 1, 2021	19,653,791	24	41,466	41,490
Issuance of ordinary shares (ii)	12,937,500	14	1,305,818	1,305,832
Conversion from preferred shares to ordinary shares (Note 19)	24,791,804	28	2,743,597	2,743,625
Repurchase of ordinary shares (iii)	(20,765)	—	—	—
Issuance of shares to co-founders (Note 17)	121,080	—	1,417	1,417
As of June 30, 2021	57,483,410	66	4,092,298	4,092,364

(i) Share premium mainly arose from the contributions to the Company by its holders of ordinary shares and the conversion from preferred shares.

16. Share capital (continued)

(ii) In March 2021, 12,937,500 ADSs (representing 12,937,500 ordinary shares, including the exercise of the option by the underwriters in full to purchase additional ADSs) were offered by the Company in connection with its listing on Nasdaq, and the proceeds received were USD 219.9 million or RMB 1,431.8 million based on the exchange rate as of the date of the IPO. The Company incurred issuance costs of USD 19.3 million in connection with this offering.

(iii) In March 2021, at the request of one co-founder, the Group repurchased 20,765 ordinary shares from him for a consideration of RMB 2.5 million (USD 0.4 million) for the payment of employee withholding taxes related to share-based awards, then such shares were cancelled accordingly.

17. Share-based compensation

2019 stock incentive plan

The Group adopted the 2019 stock incentive plan on November 1, 2019, under which the Group may grant various awards such as options, restricted shares or restricted share units to employees, directors, and consultants for services to be rendered. As of December 31, 2020, the Group had reserved 4,460,600 ordinary shares which were held by Connect Union for the issuance of options that are considered as treasury shares. After the Share Consolidation, the number of ordinary shares reserved was 2,563,563.

In January 2021, 95,000 options were granted to three new employees with an exercise price of USD 4.69 per ordinary share. After the Share Consolidation, those options granted were exercisable to acquire 54,598 ordinary shares with an exercise price of USD 8.2 per ordinary share.

On February 20, 2021, 564,981 options were granted to each of the co-founders and 337,000 options were granted to certain non-executive employees, directors and consultants. The exercise price per share of each option was USD 6.72. After the Share Consolidation, those options were exercisable at a price of USD 11.7 each to acquire 324,702 ordinary shares by each of the co-founders and 193,677 ordinary shares by certain non-executive employees, directors and consultants.

The activities of the options outstanding as of June 30, 2021 were as follows:

	Number of options	Weighted average exercise price per share option
Options outstanding as of December 31, 2020	1,665,883	
Granted	897,679	USD 11.5
Forfeited (i)	(82,759)	USD 8.7
Options outstanding as of June 30, 2021	2,480,803	
Options exercisable as of June 30, 2021	283,499	

The weighted average remaining contractual life of options outstanding as of December 31, 2020 and June 30, 2021 was 9.3 years and 8.8 years, respectively.

(i) The options were forfeited when the employment terminated.

17. Share-based compensation (continued)

Fair value of options granted

The Group determined its equity value which was estimated using the hybrid method and adopted the allocation model to determine the fair value of its underlying ordinary shares.

Based on the fair value of underlying ordinary shares, the Group used the Binomial option-pricing model to determine the fair value of options as of the grant date. Key assumptions (before the Share Consolidation) for the options granted are set forth below:

	December 31, 2020	June 30, 2021
Weighted average exercise price during the period	USD 3.8	USD 6.6
Grant date share price	USD 1.2~USD 6.4	USD 7.5
Risk-free interest rate	0.8%~1.1%	1.3%~1.5%
Expected volatility	61.8%~77.4%	60.5%
Option life	10 years	10 years
Expected early exercise multiple	2.2	2.2
Dividend yield	Nil	Nil
Forfeiture rate	9.5%	9.5%
Weighted average fair value of options granted during the period	USD 2.4	USD 4.2

The Company adopted the average volatility of comparable companies as a proxy of the expected volatility of the underlying shares. The volatility of each comparable company was based on the historical daily stock prices for a period with length commensurate to the remaining maturity life of the share options.

Share-based compensation to co-founders

Pursuant to the shareholders agreement, upon achievement of certain R&D milestones, 210,682 ordinary shares were issued to the co-founders during the six months ended June 30, 2021. After the Share Consolidation, these have become 121,080 ordinary shares.

Based on the anti-dilutive obligation of the Company to issue additional Series C preferred shares, the Company also issued 80,457 Series C preferred shares in March 2021. After the Share Consolidation, these have become 46,232 preferred shares.

The Group determined its equity value which was estimated using the hybrid method and adopted the allocation model to determine the fair value of this share-based payment as USD 0.9 per share before the Share Consolidation (USD 1.57 after the Share Consolidation) on the grant date. Key assumptions included risk-free interest rate of 2.5%, expected volatility of 60.0%, dividend yield of nil and were based on the management’s best estimates.

17. Share-based compensation (continued)

Share-based compensation expenses included in the interim condensed consolidated financial statements of loss for the six months ended June 30, 2020 and 2021 were as follows:

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Research and development expenses (Note 6)	1,428	8,529
Administrative expenses (Note 6)	162	10,894
	1,590	19,423

18. Other payables and accruals

	December 31, 2020	June 30, 2021
	RMB'000	RMB'000
Accrued professional service fee	8,090	22,215
Payroll and welfare payables	4,124	1,856
Others	541	312
	12,755	24,383

19. Financial Instruments with preferred rights

The Group has completed a series of financings by issuing preferred shares with the following details:

Date of subscription	Round	Number of preferred shares	Subscription consideration
			RMB'000
March 3, 2016	Series Pre-A	3,109,000	33,110
January 3, 2017	Series A	8,471,200	137,868
December 20, 2018	Series B	10,127,579	379,148
August 21, 2020 / December 1, 2020	Series C	21,349,537	923,247
		43,057,316	1,473,373

After the Share Consolidation, the above number of preferred shares were changed to 24,745,572 and together with 46,232 preferred shares as disclosed in the Note 17, the Company's issued and outstanding preferred shares were 24,791,804 prior to March 19, 2021. Upon completion of the IPO, such preferred shares were converted to ordinary share on a one-for-one basis.

19. Financial instruments with preferred rights (continued)

Movements of financial instruments with preferred rights during the six months ended June 30, 2020 and 2021 were as follows:

	Fair Value RMB'000
Six months ended June 30, 2020	
As of January 1, 2020	643,008
Change in fair value recognized in profit or loss	13,217
Change in fair value due to foreign currency translation recognized in other comprehensive income	9,589
As of June 30, 2020	665,814
Six months ended June 30, 2021	
As of January 1, 2021	2,071,508
Change in fair value recognized in profit or loss	674,269
Change in fair value due to foreign currency translation recognized in other comprehensive income	(2,152)
Converted to ordinary shares upon IPO	(2,743,625)
As of June 30, 2021	—

The Group first determined the equity value and then allocated the equity value to each element of the Group's capital structure using either the option pricing back-solve method ("OPM") or a hybrid method.

Key valuation assumptions used to determine the fair value of the financial instruments with preferred rights for the six months ended June 30, 2020 were as follows:

DLOM	23.9% ~ 25.8%
Expected volatility	68.0% ~ 75.2%
Risk-Free interest rate	0.1% ~ 0.2%

20. Cash used in operations

	Notes	Six Months Ended June 30, 2020 RMB'000	Six Months Ended June 30, 2021 RMB'000
Loss before income tax		(75,207)	(942,481)
Adjustments for:			
- Finance income – net		(550)	(158)
- Investment income from wealth management products	8	(396)	(138)
- Amortization of intangible assets		—	15
- Depreciation of property, plant and equipment	11	191	1,044
- Depreciation of rights-of-use assets	12	204	373
- Share-based compensation expenses	17	1,590	19,423
- Net foreign exchange differences	8	(482)	741
- Fair value changes of financial instruments with preferred rights	19	13,217	674,269
- Loss on disposal of property, plant and equipment		—	153
Changes in working capital			
- Other receivables and prepayments		(6,289)	(42,522)
- Other non-current assets		(2,422)	(3,059)
- Other payables and accruals		724	(1,628)
- Trade payables		15,871	41,032
Net cash used in operations		**(53,549)**	**(252,936)**

21. Commitments

As of June 30, 2021, the Group had capital commitments of approximately RMB 9.6 million (as of December 31, 2020: RMB 23.2 million), primarily in conjunction with the acquisition of laboratory equipment.

22. Related party transactions

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

23. Related party transactions (continued)

Names of related parties	Nature of relationship
Hangzhou Simo Company Limited	Entity controlled by a director of the Company
Frontage Laboratories (Suzhou) Company Limited	Entity controlled by a director of the Company
Hangzhou Tigermed Consulting Company Limited	Entity controlled by a director of the Company
Beijing Medical Development (Suzhou) Company Limited	Entity controlled by a director of the Company

As the former director Xiaoping Ye resigned on February 2, 2021, the above companies were no longer considered as related parties for the six months ended June 30, 2021.

In addition to other related party transactions and balances disclosed elsewhere in these notes to financial statements, the following is a summary of significant transactions and balances with related parties during the six months ended June 30, 2020 and 2021 and at each period end.

(a) Significant transactions with related parties:

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Purchase of clinical trials related services		
Hangzhou Simo Company Limited	3,585	—
Frontage Laboratories (Suzhou) Company Limited	1,291	—
Hangzhou Tigermed Consulting Company Limited	88	—
Beijing Medical Development (Suzhou) Company Limited	252	—

(b) Balances with related parties:

	December 31, 2020	June 30, 2021
	RMB'000	RMB'000
(i) Prepayments		
Hangzhou Tigermed Consulting Company Limited	850	—
Hangzhou Simo Company Limited	507	—

All the above balances with related parties were unsecured, interest-free and had no fixed repayment terms.

(c) Key management personnel compensation:

	Six Months Ended June 30,	
	2020	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	3,042	8,422
Share-based compensation expenses	208	13,200
Contributions to defined benefit plan	965	—
Welfare, housing funds and other	101	182

24. Events after the reporting period

Grant of stock options under 2021 stock incentive plan

On July 30, 2021, 570,000 options were granted to certain newly hired employees and a consultant. The weighted- average exercised price was USD 20.7 per share.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited interim condensed consolidated financial statements, including the notes thereto, included with this report and our audited financial statements included in our final prospectus filed with the Securities and Exchange Commission on March 19, 2021. The following discussion is based on our financial information prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting." Certain information and disclosures normally included in the unaudited interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted.

Our consolidated financial statements are presented in Renminbi, or RMB. For the convenience of the reader, we have translated information in the tables below presented in RMB into U.S. dollars at the rate of RMB6.4601 to $1.00, the exchange rate set forth in the China Foreign Exchange Trade System on June 30, 2021. These translations should not be considered representations that any such amounts have been, could have been, or could be converted into U.S. dollars at that or any other exchange rate as of that or any other date.

Unless otherwise indicated or the context otherwise requires, all references in this section to the terms "Company," "we," "us," "our," "our company" and "Connect Biopharma" refer to Connect Biopharma Holdings Limited, together with our direct and indirect wholly owned subsidiaries.

Overview

We are a global clinical-stage biopharmaceutical company developing therapies for the treatment of T cell-driven inflammatory diseases. Our core expertise is in the use of functional cellular assays with T cells to screen and discover potent product candidates against immune targets. Our two most advanced clinical-stage programs include highly differentiated product candidates against validated targets. Our lead product candidate, CBP-201, is an antibody designed to target IL-4Rα, which is a validated target for the treatment of inflammatory diseases such as atopic dermatitis ("AD") and asthma. The estimated global market for AD was approximately USD 10.4 billion in 2020 and is expected to grow to USD 19.3 billion by 2025, a compounded annual growth rate of 13.2%. We have completed the enrollment of a global Phase 2 clinical trial evaluating CBP-201 in patients with AD in April 2021 and have enrolled the first patient dosed in our global Phase 2 clinical trial in adults with moderate-to-severe persistent asthma in May 2021. Furthermore, we are developing CBP-307, a modulator of a T cell receptor known as sphingosine 1-phosphate receptor 1, or S1P1, for the treatment of inflammatory bowel disease ("IBD"), including ulcerative colitis ("UC") and Crohn's disease ("CD"). We anticipate reporting top-line results from our ongoing global Phase 2 trial in UC before the end of the first quarter of 2022. We intend to initiate a global clinical trial in CD based on the encouraging preliminary data from an early CD clinical trial.

Since our inception, we have devoted our resources to developing a differentiated drug discovery approach based on our deep understanding of the immune system and conducting preclinical studies and clinical trials, as well as protecting our intellectual property estate comprising multiple patent families and know-how. Additionally, we have applied resources to business planning and capital raising to develop a pipeline of product candidates. We have funded our operations primarily through equity financing. On March 23, 2021, we completed our initial public offering ("IPO") for a total cash consideration of USD 219.9 million, before netting underwriting discounts and commissions of USD 15.4 million. As of June 30, 2021, we had a balance of approximately RMB 2,025.0 million (USD 313.5 million) in cash and cash equivalents.

As a research intensive, innovation-focused entity, we have incurred losses and experienced negative operating cash flows since our inception. Our net losses were approximately RMB 75.2 million and approximately RMB 942.5 million (USD 145.9 million) for the six months ended June 30, 2020 and 2021, respectively. As of June 30, 2021, we had an accumulated deficit of approximately RMB 2.0 billion (USD 311.7 million). We expect to continue to incur significant expenses and operating losses for the foreseeable future as we conduct our ongoing and planned preclinical studies and clinical trials, continue our research and development activities, build our facilities, increase our production capacity, and seek regulatory approvals for our product candidates, as well as hire additional personnel, obtain and protect our intellectual property and expand our pipeline of product candidates.

As our product candidates move further into clinical development stages, we may receive milestone and other payments from third parties with whom we may choose to collaborate. In addition, we may also receive revenues from product commercialization if we obtain regulatory approval for any of our product candidates. However, even with these sources of revenue and income, we may continue to experience losses and negative operating cash flows. We believe that our existing cash and cash equivalents noted above will be sufficient to meet our anticipated daily operation needs for at least the next 12 months.

Program and Business Updates

First Half 2021 Operating Highlights

- In April 2021, the Company completed the enrollment of a global Phase 2 clinical trial evaluating CBP-201 in patients with AD.
- In May 2021, the first patient was dosed in a global Phase 2 clinical trial evaluating CBP-201 in adults with moderate-to-severe persistent asthma.
- In June 2021, the first patient was dosed in the first in human Phase 1 clinical trial evaluating CBP-174 in healthy volunteers.
- In March 2021, the Company completed a successful IPO of American Depositary Shares ("ADSs"), raising net proceeds of approximately USD 204.5 million, and commenced trading on the Nasdaq Global Select Market ("Nasdaq") under the ticker symbol "CNTB".
- The Company expanded its leadership team with the appointment of Mr. Yau Wing Yiu (Felix) as Vice President, Finance.

Key Components of Our Results of Operations

Revenue

We do not currently have any approved products. Accordingly, we have not generated any revenue and do not expect to do so unless we obtain regulatory approval and commercialize any of our product candidates or until we receive revenues from collaborations or other arrangements with third parties, neither of which may occur.

Operating Expenses

Research and Development Expenses

Research and development expenses are primarily related to preclinical and clinical development of our product candidates and discovery efforts.

Elements of research and development expenses primarily include (1) expenses related to preclinical testing of our technologies under development and clinical trials such as payments to clinical research organizations ("CROs"), investigators and clinical trial sites that conduct the clinical studies, (2) consultant services related to the design of clinical trials and data analysis, (3) payroll and other related expenses of personnel engaged in research and development activities, (4) expenses to develop our product candidates, including raw materials and supplies, product testing, depreciation, and facility-related expenses, and (5) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development services and have no alternative future uses.

The majority of our third-party expenses have been related to the development of CBP-201 and CBP-307. During the six months ended June 30, 2020 and 2021, we spent RMB 3.9 million and RMB 142.8 million (USD 22.1 million), respectively, in clinical trial related expenses relating to CBP-201 and RMB 34.5 million and RMB 35.9 million (USD 5.6 million), respectively, in clinical trial related expenses relating to CBP-307. We deploy our personnel and facility-related resources across all of our research and development activities. We have substantially increased our research and development expenditures as we continue the development of our product candidates and conduct discovery and research activities for our preclinical programs. Product candidates in a later stage of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials. We expect that our research and development costs will continue to increase as we conduct new and ongoing preclinical studies and clinical trials and manufacture our product candidates.

We cannot determine with certainty the timing of initiation, duration, or completion costs of current or future preclinical studies and clinical trials of our product candidates due to the inherently unpredictable nature of preclinical and clinical development. Preclinical and clinical development timelines, the probability of success and development costs can differ materially from expectations. We anticipate that we will make determinations as to which product candidates to pursue, as well as how much funding is needed to direct to each product candidate on an ongoing basis in response to the results of preclinical studies and clinical trials, regulatory developments and our assessments as to each product candidate's commercial potential. It is likely that we will need to raise additional capital in the future for commercialization of our products, assuming that we obtain regulatory approval. Our clinical development costs are highly uncertain and may vary significantly based on factors such as:

- per patient trial costs;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the cost and timing of manufacturing our product candidates;
- the phase of development of our product candidates; and
- the efficacy and safety profile of our product candidates.

Any of these variables with respect to the development of our product candidates or any other future candidate that we may develop could result in a significant change in the costs and timing associated with their development. For example, if the FDA, the PRC National Medical Products Administration, or another regulatory authority were to require us to conduct preclinical studies and clinical trials beyond those we currently anticipate will be required for the completion of clinical development, or if we experience significant delays in enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of our clinical development programs. We may never succeed in obtaining regulatory approval for any of our product candidates.

Administrative Expenses

Administrative expenses primarily include payroll and related expenses for employees involved in general corporate functions including finance, legal and human resources, rental and depreciation expenses related to facilities and equipment used by these functions, professional service expenses and other general corporate related expenses.

We expect that administrative expenses will increase due to professional fees, including audit, legal, regulatory and tax-related services, associated with maintaining compliance with Nasdaq listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

Other Income

Other income consists of government grants received by us. Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and that we will comply with all attached conditions. Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Fair Value Loss of Financial Instruments with Preferred Rights

The fair value of financial instruments with preferred rights that are not traded in an active market is determined using valuation techniques. We determine the equity value and then allocated the equity value to each element of our capital structure using either an option pricing back-solve method, or OPM, or a hybrid method, which employs the concepts of the OPM and the probability-weighted expected return method, or PWERM, that merged into a single framework. The fair value difference is accounted for as fair value loss of financial instruments with preferred rights within the consolidated statements of loss. Our financial instruments with preferred rights were converted into our ordinary shares upon completion of our IPO.

Income Taxes

Income tax expense is recognized based on the income tax rates in the following main tax jurisdictions where we operate.

(a) Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Accordingly, we are exempted from Cayman Islands income tax.

(b) Hong Kong

Hong Kong profits tax rate has been 16.5% since April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$ 2 million and 16.5% for any assessable profits in excess thereof. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended June 30, 2020 or 2021.

(c) United States

Our subsidiary, Connect Biopharm LLC, is incorporated in the United States and is a disregarded entity wholly owned by Suzhou Connect Biopharma Co., Ltd. (before September 2018) and then by Connect Biopharma Hong Kong Limited, from a tax perspective. During the periods ended June 30, 2020 and 2021, from a U.S. tax perspective, Connect HK is subject to U.S. federal corporate income tax at a rate of 21% and to state income tax in California at a rate of 8.84%, to the extent the income is apportionable to Connect US. No provision for income taxes was made for the six months ended June 30, 2020 or 2021.

(d) Australia

Our subsidiary, Connect Biopharma Australia PTY LTD (“Connect AU”), is incorporated in Australia. Companies registered in Australia are subject to Australian profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant Australian tax laws. The applicable tax rate in Australia is 30%. Connect AU had no taxable income for the six months ended June 30, 2020 or 2021, therefore, no provision for income taxes has been provided.

(e) People’s Republic of China (PRC)

Provision for PRC corporate income tax is calculated based on the statutory income tax rate of 25% on the assessable income of our respective subsidiaries in the PRC during the six months ended June 30, 2020 and 2021 in accordance with relevant PRC enterprise income tax rules and regulations. No provision for PRC corporate income tax has been made for the six months ended June 30, 2020 or 2021 as we did not have any assessable profit for the year ended December 31, 2020 and do not expect any assessable profit for the year ending December 31, 2021.

Results of Operation

Comparison of the Six Months Ended June 30, 2020 and 2021

The following table summarizes key components of our results of operations:

	Six Months Ended June 30,			
	2020	2021	2021	Change
	RMB'000	RMB'000	USD'000 (1)	RMB'000
Research and development expenses	(59,047)	(217,806)	(33,716)	(158,759)
Administrative expenses	(7,086)	(47,965)	(7,425)	(40,879)
Other income	2,715	5,041	780	2,326
Other gains/(losses) - net	878	(7,640)	(1,183)	(8,518)
Operating loss	**(62,540)**	**(268,370)**	**(41,544)**	**(205,830)**
Finance income	569	180	28	(389)
Finance cost	(19)	(22)	(3)	(3)
Finance (cost) income - net	550	158	25	(392)
Fair value loss of financial instruments with preferred rights	(13,217)	(674,269)	(104,374)	(661,052)
Loss before income tax	**(75,207)**	**(942,481)**	**(145,893)**	**(867,274)**
Income tax	—	—	—	—
Net loss	**(75,207)**	**(942,481)**	**(145,893)**	**(867,274)**

(1) USD 1.00 = RMB 6.4601.

Research and Development Expenses

Research and development expenses increased from RMB 59.0 million to approximately RMB 217.8 million (USD 33.7 million) for the six months ended June 30, 2021 compared to that of the same period in 2020. This increase was driven primarily by increased clinical trials related expenses, personnel expenses and lab related expenses. Clinical trials related expenses increased from RMB 40.5 million to approximately RMB 182.5 million (USD 28.3 million) as the Company expanded its CBP-201 clinical program in patients moderate to severe persistent asthma and chronic rhinosinusitis with nasal polyps (CRSwNP). Personnel expense increased from RMB 7.0 million to approximately RMB 23.0 million (USD 3.6 million) because of the significant increase in the number of employees. Lab related expenses increased from RMB 0.8 million to approximately RMB 6.6 million (USD 1.0 million) primarily because of expansion of our lab space.

Administrative Expenses

Administrative expenses increased from RMB 7.1 million to approximately RMB 48.0 million (USD 7.4 million) for the six months ended June 30, 2021, compared to that of the same period in 2020. The increase in administrative expenses during the six months ended June 30, 2021 was primarily due to (i) professional fees from audit, legal, regulatory and tax-related services which were related to our IPO but were not deducted from our equity of RMB 19.7 million (USD 3.1 million); (ii) RMB 10.9 million (USD 1.7 million) of stock-based compensation expense; (iii) director and officer insurance expenses of RMB 6.5 million (USD 1.0 million); (iv) headcount and resources related costs totaling RMB 5.4 million (USD 0.8 million) to support our business operations; and (v) market research expenses of RMB 2.5 million (USD 0.4 million).

Other Income

Other income increased from RMB 2.7 million to RMB 5.0 million (USD 0.8 million) for the six months ended June 30, 2021, compared to that of the same period in 2020. For the six months ended June 30, 2021, the amount consisted of a one-time award of RMB 5.0 million (USD 0.8 million) from Chinese local government for our successful IPO listing. For the six months ended June 30 2020, the amount primarily consisted of a research and development incentive refund of RMB 2.7 million.

Other Gains (losses)—Net

We recorded a net loss of approximately RMB 7.6 million (USD 1.2 million) compared to a net gain of approximately RMB 0.8 million recorded on June 30, 2020. The loss primarily consisted of expenses incurred of RMB 7.0 million (USD 1.1 million) due to a phishing scam experienced in May 2021 which resulted in our remitting such amount to an account set up by the phishers rather than to one of our vendors. No loss or download of company data nor any loss or compromise of customer or third-party information has been discovered and the Company is currently continuing to investigate this incident. Management has filed a claim with the Company's cyberinsurance underwriter. No recovery from insurance has been received as of the date of this filing.

Finance Costs

Finance costs are principally interest related to lease liabilities which remained approximately the same for the periods ended June 30, 2020 and 2021.

Fair Value Loss of Financial Instruments with Preferred Rights

Fair value loss of financial instruments with preferred rights increased from RMB 13.2 million to approximately RMB 674.3 million (USD 104.4 million) for the six months ended June 30, 2021, compared to that of the same period in 2020. The increase was mainly due to (i) the issuance of 21.3 million shares of financial instruments with preferred rights in 2020 and, (ii) the increase in fair value per share in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to milestones achieved after the six months ended June 30, 2020 and the completion of our IPO in March 2021. Upon our IPO, the financial instruments with preferred rights converted into our ordinary shares.

Liquidity and Capital Resources

Overview

We are a clinical development stage company that has generated no revenues and are exposed to a variety of financial risks including liquidity risks. We have incurred significant losses and negative cash flows from operations since our inception. As of June 30, 2021, we had an accumulated deficit of RMB 2.0 billion (USD 311.7 million) as of June 30, 2021, and we expect to continue to incur significant losses for the foreseeable future. As of June 30, 2021, we had cash and cash equivalents of approximately RMB 2.0 billion (USD 313.5 million). Our principal sources of funding have historically been continuous cash contributions from common equity holders and preferred shareholders, including our IPO that we completed on March 23, 2021 for total cash consideration of USD 219.9 million before underwriting discounts and commissions. We believe, based on our current operating plan and expected expenditures, that our existing cash, cash equivalents and short-term investments in wealth management products will be sufficient to meet our anticipated operating cash for at least the next 12 months and meet the requirements of a going concern.

Cash Flows for the Six Months Ended June 30, 2020 and 2021

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,		
	2020	2021	2021
	RMB'000	RMB'000	USD'000 (1)
Cash Flow Data:			
Net cash used in operating activities	(52,980)	(252,756)	(39,126)
Net generated from (used in) investing activities	4,311	(32,555)	(5,039)
Net cash (used in) generated from financing activities	(223)	1,317,342	203,920
Net (decrease) increase in cash and cash equivalents	(48,892)	1,032,031	159,755

(1) USD 1.00 = RMB 6.4601.

Operating Activities

During the six months ended June 30, 2021, net cash used in operating activities was RMB 252.8 million (USD 39.1 million), primarily due to our net loss of RMB 942.5 million (USD 145.9 million), offset by certain adjustments of RMB 695.8 million (USD 107.7 million) and negative working capital change in our operating assets and liabilities of RMB 6.2 million (USD 1.0 million). The certain adjustments consisted primarily of the fair value changes of financial instruments with preferred rights of RMB 674.3 million (USD 104.4 million), share-based compensation expense of RMB 19.4 million (USD 3.0 million), the net foreign exchange loss of RMB 0.7 million (USD 0.1 million), and depreciation and amortization expense of RMB 1.4 million (USD 0.2 million). The negative working capital change in operating assets and liabilities was primarily due to an increase in other receivables and prepayments of RMB 42.5 million (USD 6.6 million) driven by prepayments to the clinical trials related vendors for CBP-307 and CBP-201 and preparation for the production of CBP-201 to be used in future clinical trials, an increase in other non-current assets of RMB 3.1 million (USD 0.5 million) due to higher deductible value-added tax, or VAT, balances which can offset against future VAT payables and a decrease in other payables and accruals of RMB 1.6 million (USD 0.3 million). These were offset by an increase in trade payables of RMB 41.0 million (USD 6.4 million) due to timing of payments on outstanding payables, including IPO expenses, and increases in research and development activities related to clinical trials for CBP-307 and CBP-201.

During the six months ended June 30, 2020, net cash used in operating activities was RMB 53.0 million, primarily due to our net loss of RMB 75.2 million, offset by certain adjustments of RMB 14.7 million and positive working capital change in our operating assets and liabilities of RMB 7.9 million. The certain adjustments consisted of fair value changes of financial instruments with preferred rights of RMB 13.2 million, share-based compensation expense of RMB 1.6 million, and depreciation and amortization expense of RMB 0.4 million, offset by the net foreign exchange gain of RMB 0.5 million. The positive working capital change in operating assets and liabilities was primarily due to increases in trade payables and other payables and accruals of RMB 16.6 million due to timing of payments on outstanding payables, an increase in other receivables and prepayments of RMB 6.3 million primarily related to the prepayments to the clinical trials related vendors for CBP-307 Phase 2 clinical trials, and an increase in other non-current assets of RMB 2.4 million due to higher deductible VAT, balances which can offset against future VAT payables.

Investing Activities

During the six months ended June 30, 2021, net cash used in investing activities of RMB 32.6 million (USD 5.0 million) was primarily related to the purchase of financial assets of RMB 42.5 million (USD 6.6 million), the purchase of property, plant and equipment of RMB 23.5 million (USD 3.6 million), and the prepayment of land lease payments of RMB 22.3 million (USD 3.4 million), offset by the proceeds from the disposal of financial assets of RMB 55.7 million (USD 8.6 million).

During the six months ended June 30, 2020, net cash used in investing activities of RMB 4.3 million was primarily related to the purchase of financial assets of RMB 43.2 million and the purchase of property, plant and equipment of RMB 0.3 million, offset by the proceeds from the disposal of financial assets of RMB 47.9 million.

Financing Activities

During the six months ended June 30, 2021, net cash generated from financing activities was RMB 1,317.3 million (USD 203.9 million), primarily resulting from the proceeds of USD 219.9 million from the sale of ordinary shares in the IPO or RMB 1,431.8 million based on the exchange rate as of the date of the IPO, offset by the payments in relation to underwriting discounts and commissions and issuance costs of USD 17.1 million or RMB 111.4 million based on the exchange rates as of the dates they were incurred and other payments in relation to share repurchase and lease liabilities.

During the six months ended June 30, 2020, net cash used in financing activities was RMB 0.2 million related to the payments of lease liabilities.

Exhibit 99.3

Connect Biopharma Provides Business Update and Reports First Half 2021 Financial Results

- On Track to Report CBP-201 Phase 2B Top-Line Data Evaluating Moderate-to-Severe Atopic Dermatitis (AD) in Q4 of 2021 -

- Cash Balance of RMB 2,025.0 Million (USD 313.5 Million) at June 30, 2021 -

SAN DIEGO, CA and TAICANG, SUZHOU, China – August 31, 2021 – Connect Biopharma Holdings Limited (Nasdaq: CNTB) ("Connect Biopharma" or the "Company"), a global clinical-stage biopharmaceutical company dedicated to improving the lives of patients with chronic inflammatory diseases through the development of therapies derived from T cell-driven research, today announced financial results for the six months ended June 30, 2021 and recent corporate highlights.

"The first half of 2021 marked the achievement of a number of key milestones for Connect, including the transition to a public company with our oversubscribed Nasdaq Initial Public Offering in March 2021, strong execution and progress on our development programs with our three lead assets now in the clinic targeting multiple chronic inflammatory diseases, and advancing our operational capabilities as we continue to attract key talent in both China and the U.S.," said Zheng Wei, PhD, Co-founder and CEO of Connect Biopharma. "For the remainder of 2021, despite the uncertainties related to the COVID-19 pandemic, we remain confident in executing against our corporate strategy and we look forward to important clinical trial data readouts toward the end of this year that we believe will validate our approach in developing potential first-in-class or best-in-class therapies for T cell-driven inflammatory diseases."

First Half 2021 and Recent Operating Highlights

- **Completed successful listing on Nasdaq**: In March 2021, Connect Biopharma completed an IPO of American Depositary Shares on the Nasdaq Global Select Market and commenced trading under the ticker symbol "CNTB". The Company raised net proceeds of approximately USD 204.5 million.
- **Completed enrollment of Phase 2 trial of CBP-201 in moderate-to-severe atopic dermatitis (AD)**: In April 2021, Connect Biopharma completed full enrollment of the Phase 2 clinical trial evaluating CBP-201 in adult patients with moderate-to-severe AD. The global, randomized, double-blind, placebo-controlled, dose-ranging clinical trial is intended to assess the efficacy, safety, and pharmacokinetics (PK) profile of CBP-201 in 220 subjects and is being conducted at 60 sites across the U.S., China, Australia, and New Zealand. CBP-201 or placebo was administered to eligible adult subjects with moderate-to-severe AD for 16 weeks with eight weeks of follow up.
- **Dosed first patient in Phase 2 trial of CBP-201 in moderate-to-severe persistent asthma**: In May 2021, dosed the first patient in a global Phase 2 clinical trial evaluating CBP-201 in adults with moderate-to-severe persistent asthma. This multicenter, randomized, double-blind, parallel group, placebo-controlled trial was designed to assess the efficacy and safety of two doses of CBP-201 administered subcutaneously (SC) to eligible patients with moderate to severe persistent asthma with Type 2 inflammation. The trial is expected to enroll approximately 300 patients across 80 clinical sites in the United States, China, the European Union, the United Kingdom, Ukraine and South Korea and is divided into a treatment period of 24 weeks and a follow-up period of eight weeks.

- **Dosed first subject in Phase 1 trial of CBP-174**: In May 2021, Connect Biopharma dosed the first subject in a Phase 1 clinical trial evaluating CBP-174 in the treatment of chronic inflammatory pruritus. This randomized, double-blind, placebo-controlled, single ascending dose trial in healthy subjects, aims to evaluate the safety, tolerability and PK of CBP-174 in different dose levels given orally, compared to placebo. Following the single dose, each subject will be followed for up to seven days.
- **Expanded senior leadership team**: Announced that Mr. Yau Wing Yiu (Felix) joined Connect Biopharma as Vice President, Finance and Mr. Jiang Bian as General Counsel and Chief Compliance Officer.
- **Appointed Jean Liu, J.D., as Independent Director to the Board**: Ms. Liu is an Executive Vice President, Legal Affairs, General Counsel and Secretary of Seagen Inc., a targeted cancer therapeutic company.

Anticipated Upcoming Milestones

- On track to report top-line results from the global Phase 2b trial for CBP-201 evaluating moderate-to-severe AD in the fourth quarter of 2021.
- On track to dose first patient in the global Phase 2 trial of CBP-201 in patients with chronic rhinosinusitis with nasal polyps (CRSwNP) in the second half of 2021.
- Plan to initiate a China standalone phase 2 trial for CBP-201 in AD patients in the second half of 2021.
- On track to report top-line results from the phase 1 trial of CBP-174 evaluating the safety and pharmacokinetics in healthy volunteers in the second half of 2021.
- Anticipate reporting the global CBP-307 phase 2b top-line data evaluating ulcerative colitis (UC) in the first quarter of 2022.

First Half 2021 Financial Results

- Cash and cash equivalents were RMB 2,025.0 million (USD 313.5 million) as of June 30, 2021, compared to RMB 1,010.1 million as of December 31, 2020. The increase in cash and cash equivalents was mainly due to proceeds received from the IPO in March 2021.
- Research and development expenses increased to RMB 217.8 million (USD 33.7 million) for the six months ended June 30, 2021, from RMB 59.0 million in the same period in 2020. This increase was driven primarily by higher clinical trials related expenses, personnel expenses, and lab-related expenses.
- Administrative expenses increased to RMB 48.0 million (USD 7.4 million) for the six months ended June 30, 2021, from RMB 7.1 million in same period in 2020. The increase was primarily due to higher professional fees, stock-based compensation expenses, director and officer insurance expenses, additional personnel costs and market research expenses.
- Net loss was approximately RMB 942.5 million (USD 145.9 million) for the six months ended June 30, 2021, compared to RMB 75.2 million in the same period in 2020.

Conference Call and Webcast

Connect Biopharma will host a conference call and webcast to review its first half 2021 results on Wednesday, September 1, 2021, beginning at 8:30 am Eastern Time.

The conference call can be accessed using the following information:

Webcast: https://edge.media-server.com/mmc/p/d8b5cvaf
U.S. : 844-646-2698
Outside of U.S.: 918-922-6903
Conference ID: 5567966

A replay of the call will be available for two weeks by dialing 855-859-2056 for U.S. callers or 404-537-3406 for international callers and using Conference ID: 5567966. The webcast will also be available in the "Investors" section of the Company's website following the completion of the call.

About Connect Biopharma Holdings Limited

Connect Biopharma Holdings Limited is a global clinical-stage biopharmaceutical company dedicated to improving the lives of patients living with chronic inflammatory diseases through the development of therapies derived from our T cell-driven research.

Our lead product candidate, CBP-201, is an antibody designed to target interleukin-4 receptor alpha (IL-4Rα) and is currently being evaluated in clinical trials for the treatment of atopic dermatitis (AD) and asthma and in development for CRSwNP. Our second lead product candidate is CBP-307, a modulator of a T cell receptor known as sphingosine 1-phosphate receptor 1 (S1P1) that is in development for the treatment of UC and Crohn's disease (CD). Furthermore, we are developing CBP-174, a peripherally restricted antagonist of histamine receptor 3, for the treatment of pruritus associated with skin inflammation.

With headquarters in China, additional operations in the United States and Australia, and clinical development activities in those geographies as well as Europe, Connect Biopharma is building a rich global pipeline of internally designed, wholly owned small molecules and antibodies targeting several aspects of T cell biology. For additional information about Connect Biopharma, please visit our website at www.connectbiopharm.com.

FORWARD-LOOKING STATEMENTS

Connect Biopharma cautions that statements included in this press release that are not a description of historical facts are forward-looking statements. Words such as "may," "could," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "seek," "contemplate," "potential," "continue" or "project" or the negative of these terms or other comparable terminology are intended to identify forward-looking statements. These statements include the Company's statements regarding the timing of initiation and dosing of clinical trials and the timing of clinical data readouts from such trials and whether such data will validate the Company's approach in developing potential therapies. The inclusion of forward-looking statements should not be regarded as a representation by Connect Biopharma that any of its plans will be achieved. Actual results may differ from those set forth in this release due to the risks and uncertainties inherent in the Connect Biopharma business and other risks described in the Company's filings with the Securities and Exchange Commission ("SEC"). Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and Connect Biopharma undertakes no obligation to revise or update this news release to reflect events or circumstances after the date hereof. Further information regarding these and other risks is included in Connect Biopharma's filings with the SEC which are available from the SEC's website (www.sec.gov) and on Connect Biopharma's website (www.connectbiopharm.com) under the heading "Investors." All forward-looking statements are qualified in their entirety by this cautionary statement. This caution is made under the safe harbor provisions of Section 21E of the Private Securities Litigation Reform Act of 1995.

Connect Biopharma Holdings Limited

Unaudited Interim Condensed Consolidated Statements of Loss

	For Six Months Ended June 30,		
	2020	2021	2021
	RMB'000	RMB'000	USD'000 (1)
Research and development expenses	(59,047)	(217,806)	(33,716)
Administrative expenses	(7,086)	(47,965)	(7,424)
Other income	2,715	5,041	780
Other gains/(losses) - net	878	(7,640)	(1,183)
Operating loss	**(62,540)**	**(268,370)**	**(41,543)**
Finance income	569	180	28
Finance cost	(19)	(22)	(4)
Finance income - net	550	158	24
Fair value loss of financial instruments with preferred rights	(13,217)	(674,269)	(104,374)
Loss before income tax	**(75,207)**	**(942,481)**	**(145,893)**
Income tax expense	—	—	—
Net loss	**(75,207)**	**(942,481)**	**(145,893)**
Net loss attributable to:			
Owners of the Company	**(75,207)**	**(942,481)**	**(145,893)**
	RMB	RMB	USD
Net loss attributable to:			
Basic and diluted	**(4.4)**	**(20.1)**	**(3.1)**

Connect Biopharma Holdings Limited

Unaudited Interim Condensed Consolidated Balance Sheets

	December 31, 2020 RMB'000	June 30, 2021 RMB'000	June 30, 2021 USD'000 (1)
ASSETS			
Non-current assets			
Property, plant and equipment	6,939	24,524	3,796
Right-of-use assets	929	23,358	3,616
Intangible assets	342	284	43
Other non-current assets	19,860	27,614	4,275
Total non-current assets	**28,070**	**75,780**	**11,730**
Current assets			
Cash and cash equivalents	1,010,076	2,025,046	313,470
Other receivable and prepayments	33,655	72,900	11,285
Financial assets at fair value through profit or loss	13,068	—	—
Total current assets	**1,056,799**	**2,097,946**	**324,755**
Total assets	**1,084,869**	**2,173,726**	**336,485**
LIABILITIES			
Non-current liabilities			
Lease liabilities	309	482	75
Financial instruments with preferred rights	2,071,508	—	—
Total non-current liabilities	**2,071,817**	**482**	**75**
Current liabilities			
Lease liabilities	604	615	95
Trade payables	24,638	65,628	10,159
Other payables and accruals	12,755	24,383	3,774
Total current liabilities	**37,997**	**90,626**	**14,028**
Total liabilities	**2,109,814**	**91,108**	**14,103**
Net (liabilities)/assets	**(1,024,945)**	**2,082,618**	**322,382**
SHAREHOLDERS' (DEFICIT)/EQUITY			
Share capital	24	66	10
Share premium	41,466	4,092,298	633,473
Treasury shares	(3)	(3)	—
Share-based compensation reserve	6,602	24,608	3,809
Other reserves	(1,693)	(20,529)	(3,178)
Accumulated losses	(1,071,341)	(2,013,822)	(311,732)
Total shareholders' (deficit)/equity	**(1,024,945)**	**2,082,618**	**322,382**
Total liabilities and shareholders' (deficit)/equity	**1,084,869**	**2,173,726**	**336,485**

(1) Translations of the unaudited interim condensed consolidated balance sheet and the unaudited interim condensed consolidated statement of loss from RMB into USD as of and for the six months ended June 30, 2021 are solely for the convenience of the readers and calculated at the rate of USD 1.00 = RMB 6.4601, representing the exchange rate as of June 30, 2021 set forth in the China Foreign Exchange Trade System. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into USD at that rate, or at any other rate, on June 30, 2021.

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