Hua Medicine
華領醫藥

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2552

INTERIM REPORT

2018

CONTENTS

CORPORATE INFORMATION

Executive directors

Li CHEN (陳力) *(Chief Executive Officer and Chief Scientific Officer)*
George Chien Cheng LIN (林潔誠) *(Executive Vice President and Chief Financial Officer)*

Non-executive directors

Robert Taylor NELSEN *(Chairman)*
Lian Yong CHEN (陳連勇)

Independent non-executive directors

Walter Teh-Ming KWAUK (郭德明)
William Robert KELLER
Junling LIU (劉峻嶺)
Yiu Wa Alec TSUI (徐耀華)

Audit committee

Walter Teh-Ming KWAUK (郭德明) *(Chairman)*
William Robert KELLER
Lian Yong CHEN (陳連勇)

Remuneration committee

William Robert KELLER *(Chairman)*
Walter Teh-Ming KWAUK (郭德明)
Lian Yong CHEN (陳連勇)

Nomination committee

Robert Taylor NELSEN *(Chairman)*
Junling LIU (劉峻嶺)
William Robert KELLER

Strategy committee

Li CHEN (陳力) *(Chairman)*
Robert Taylor NELSEN
Junling LIU (劉峻嶺)

Company secretary

Florence Hang Yee CHANG (鄭杏怡) *(HKICS, ICSA)*

Authorized representatives

George Chien Cheng LIN (林潔誠)
Florence Hang Yee CHANG (鄭杏怡)

Auditor

Deloitte Touche Tohmatsu

Legal advisors

O'Melveny & Myers (as to Hong Kong law)
Commerce & Finance Law Offices (as to PRC law)
Maples and Calder (Hong Kong) LLP (as to Cayman Islands law)

Registered office

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

Corporate headquarters

Hua Medicine, 275 Ai Di Sheng Road, Shanghai 201203, PRC

Principal place of business in Hong Kong

Suite 2202, Methodist House,
36 Hennessy Road, Wan Chai, Hong Kong

Cayman Islands share registrar

Maples Fund Services (Cayman) Limited

Hong Kong share registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Compliance advisor

Somerley Capital Limited

Company's website

www.huamedicine.com

Stock code

2552

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2018 RMB '000 (unaudited)	2017 RMB '000 (unaudited)
Other income	6,827	618
Other gains and losses	29,554	(3,849)
Administrative expenses	(32,369)	(10,966)
Finance cost	(4,380)	(2,677)
Listing expenses	(34,824)	—
Research and development expenses	(95,690)	(34,915)
Loss on changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	(1,376,057)	(176,975)
Loss before tax	(1,506,939)	(228,764)
Income tax expense	—	—
Loss and total comprehensive expense for the period	(1,506,939)	(228,764)
Adjusted loss*	(115,236)	(49,519)

	At June 30 2018 RMB '000 (unaudited)	At December 31 2017 RMB '000 (audited)
Non-current assets	5,957	13,496
Current assets	886,607	232,288
Current liabilities	60,003	42,997
Net current assets	826,604	189,291
Non-current liabilities	3,265,835	1,145,317
Net liabilities	(2,433,274)	(942,530)

* Adjusted loss is not a financial measure defined under IFRS. It is calculated by taking loss before tax for the period and adding back (a) share-based compensation expenses; and (b) loss on changes in fair value of financial liabilities at FVTPL.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

We are a pre-revenue China-based drug development company currently focused on developing Dorzagliatin, a first-in-class oral drug for the treatment of Type 2 diabetes. We filed an Investigational New Drug (IND) application with the China Food and Drug Administration (CFDA) for Dorzagliatin under Category 1.1 (New Drug) in 2012 and initiated a Phase Ia clinical study of our novel glucokinase activator Dorzagliatin in September 2013. We also filed an IND application with the U.S. Food and Drug Administration (FDA) for Dorzagliatin in March 2015. During the six months ended June 30, 2018 (being the reporting period), the results from our Phase II trial were published in the May 2018 edition of *The Lancet Diabetes and Endocrinology*. We are currently conducting two Phase III trials in China, which we began in July 2017, with Dorzagliatin both as a monotherapy and in combination with metformin.

We are also developing mGLUR5, a potential novel drug candidate for the treatment of Parkinson's disease levodopa-induced dyskinesia, or PD-LID.

Set out below is the key stages of our products under development and expected development timetable:

Products	Pre-clinical	Phase I	Phase II	Phase III	Expected Timing to Complete Phase in Progress
Dorzagliatin (HMS5552)	Drug Naive Type 2 Diabetes				Second half of 2019
Dorzagliatin + Metformin	Type 2 Diabetes with Metformin Tolerance				Second half of 2019
Dorzagliatin + DPP-4	Obese Type 2 Diabetes				Second half of 2018
Dorzagliatin + SGLT-2	Metabolic Syndrome				Second half of 2018
Dorzagliatin + Insulin	Type 2 Diabetes Basal Insulin User				Second half of 2019
Dorzagliatin + GLP-1	Obese Type 2 Diabetes				Second half of 2019
mGLUR5	PD-LID				First half of 2019

We carefully select, train and supervise our contract research organizations ("CROs"), clinical site management organizations ("SMOs") and contract manufacturing organizations ("CMOs"), who provide us with a range of services at a consistently high level of quality on an as needed basis.

To date, we have not yet generated any revenues from the sale of goods or from the rendering of services, recognizing only limited income in the form of government grants and investment income. As of June 30, 2018, we had an accumulated deficit of RMB2,433.3 million and we expect to incur significant losses for the foreseeable future with no product revenues prior to obtaining marketing approval for Dorzagliatin from the China Drug Administration (國家藥品監督管理局) (CDA) satisfying any post-marketing requirements, and commercializing Dorzagliatin.

Our future success depends substantially on the success in China of our only clinical drug candidate, Dorzagliatin. Our ongoing Phase III clinical trials for Dorzagliatin in China may not succeed, we may fail to successfully commercialize Dorzagliatin in China or experience significant delays in doing so, or we may not meet our goal of establishing Dorzagliatin as a first-line standard of care in China, any of which could materially harm our business.

Financial review

Other income

Our other income consisted primarily of bank interest income and government grants and subsidies. Our other income increased by RMB6.2 million to RMB6.8 million in the six months ended June 30, 2018 from RMB0.6 million in the six months ended June 30, 2017, which was mainly attributable to a decrease of RMB0.2 million in interest income earned from RMB0.6 million in the six months ended June 30, 2017 to RMB0.4 million in the six months ended June 30, 2018, and an increase of RMB6.4 million in government grants.

Other gains and losses

Our other gains and losses consisted primarily of gains or losses due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar. Our other gains and losses increased by RMB33.5 million to a gain of RMB29.6 million in the six months ended June 30, 2018 from a loss of RMB3.9 million in the six months ended June 30, 2017, which was mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollars and the appreciation of the U.S. dollar against the Renminbi in the six months ended June 30, 2018 compared to the minor depreciation of the U.S. dollar against the Renminbi in the six months ended June 30, 2017.

Our business mainly operates in the PRC, with most of our transactions settled in Renminbi. Since inception, we have financed our business solely through equity financings, with related proceeds paid in U.S. dollars and Renminbi. We converted a portion of those U.S. dollar proceeds to Renminbi immediately, with the remaining amounts placed in time deposits for additional conversions to Renminbi as needed. Translation for financial statement presentation purposes of our assets and liabilities exposes us to currency-related gains or losses and the actual conversion of our U.S. dollar and HK dollar denominated cash balances (including the HK dollar proceeds received from the Global Offering) into Renminbi will also expose us to currency exchange risk. We have not engaged in any foreign exchange hedging related activity.

Administrative expenses

Our administrative expenses consisted primarily of employee compensation and related costs. Our administrative expenses increased by RMB21.4 million to RMB32.4 million in the six months ended June 30, 2018 from RMB11.0 million in the six months ended June 30, 2017, which was mainly attributable to an increase in labor costs due to establishment of our finance and corporate development team in the first six months of 2018 and the associated overhead costs.

Listing expenses

Our listing expenses mainly include underwriting fees and commissions, and professional fees paid to legal advisers and the reporting accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (assuming the over-allotment option under the Global Offering is not exercised) for the Global Offering are approximately RMB77.8 million. We incurred listing expenses of approximately RMB34.8 million for the six months ended June 30, 2018, which were recognized as expenses.

Finance cost

Our finance cost consisted of expenses associated with the issue of redeemable convertible preferred shares. Our finance cost was RMB4.4 million in the six months ended June 30, 2018 as compared to RMB2.7 million in the six months ended June 30, 2017, which was attributable to the Series D and Series E preferred shares financings completed in March 2018.

Research and development expenses

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

	Six months ended June 30,			
	2018	**%**	**2017**	**%**
	RMB '000		**RMB '000**	
Dorzagliatin Clinical Trials	55,143	57%	8,388	24%
Dorzagliatin Non-clinical Studies	807	1%	1,636	5%
Chemical, Manufacturing and Control	6,250	7%	11,885	34%
Labor Cost	29,777	31%	9,808	28%
Dorzagliatin Licensing Fee	238	0%	440	1%
Others	3,475	4%	2,758	8%
Total	95,690	100%	34,915	100%

Research and development expenses increased by RMB60.8 million to RMB95.7 million for the six months ended June 30, 2018 from RMB34.9 million for the six months ended June 30, 2017. The increase in research and development expenses included:

- an increase of RMB46.8 million for Dorzagliatin clinical trials, which was primarily attributable to increased costs associated with the progress of our Phase III clinical trials and additional Phase I clinical trials conducted in 2018.
- a decrease of RMB0.8 million in Dorzagliatin non-clinical studies, which was primarily attributable to certain toxicology trials done in 2017 that were not conducted in 2018.
- a decrease of RMB5.6 million in chemical, manufacturing, and control expenses, which was primarily attributable to a large start up cost for analytical and stability studies for our Phase III trials in the first half of 2017 that did not recur in 2018.
- an increase of RMB20.0 million for increased labor costs, which was primarily attributable to an increase in headcount from 31 as of June 30, 2017 to 63 as of June 30, 2018.
- an increase of RMB0.7 million for others, which was primarily attributable to increased travelling costs associated with our Phase III clinical trials.

Loss on changes in fair value of financial liabilities at FVTPL

Our loss on changes in fair value of convertible redeemable preferred shares consisted primarily of the increase in fair value per share. Loss on changes in fair value of financial liabilities at FVTPL increased by RMB1,199.1 million to RMB1,376.1 million in the six months ended June 30, 2018 from RMB177.0 million in the six months ended June 30, 2017, which was mainly attributable to the increase in valuation of the Company due to the launch of our Phase III clinical trials in the third quarter of 2017.

In connection with the Global Offering, all our outstanding convertible redeemable preferred shares were converted into ordinary shares on September 14, 2018, after which, we will no longer recognize any loss on changes in fair value of convertible redeemable preferred shares.

Income tax expense

We recognized no income tax expenses for the six months ended June 30, 2018 and the six months ended June 30, 2017.

Adjusted net loss

Adjusted net loss was calculated by taking loss before tax for the period and adding back (a) share-based compensation expenses; and (b) loss on changes in fair value of financial liabilities at FVTPL.

We present this financial measure because it helps us to identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses that we include in net loss and it provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects, and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

The term adjusted net loss is not a financial measure defined under IFRS. The use of adjusted net loss has material limitations as an analytical tool, as it does not include all items that impact net loss for the period. Items excluded from adjusted net loss are significant components in understanding and assessing the Group's operating and financial performance. The following table reconciles the adjusted net loss for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss for the period:

	Six months ended June 30	
	2018	**2017**
	RMB'000	**RMB'000**
Loss before tax for the period	(1,506,939)	(228,764)
Adjust for:		
Loss on changes in fair value of financial liabilities at FVTPL	1,376,057	176,975
Share-based payment	15,646	2,270
Adjusted net loss	(115,236)	(49,519)

Liquidity and capital resources

Since our inception, we have incurred net losses and negative cash flows from operations. As of June 30, 2018, we had an accumulated deficit of RMB2,433.3 million. Our primary use of cash is to fund R&D expenses. Our operating activities utilized RMB64.6 million and RMB120.9 million of cash during the six months ended June 30, 2017 and 2018, respectively. As of June 30, 2018, we had cash and cash equivalents of RMB819.6 million.

Cash operating cost

The following table sets out the components of our cash operating cost for the periods indicated:

	Six months ended June 30, 2018 RMB '000	2017 RMB '000
Research and development costs for Dorzagliatin	77,474	49,743
Administrative Costs		
— Labor cost	25,174	3,724
— Others	18,225	11,103
	120,873	64,570

Cash flows

The following table provides information regarding our cash flows for the six months ended June 30, 2017 and 2018:

	Six months ended June 30, 2018 RMB '000	2017 RMB '000
Net cash (used in) operating activities	(120,873)	(64,570)
Net cash from (used in) investing activities	16,045	(83,295)
Net cash from financing activities	722,361	154,168
Effect of exchange rate changes	29,324	(4,520)
Net increases in cash and cash equivalents	646,857	1,783

Net cash used in operating activities

The primary use of our cash was to fund the development of our research and development activities, regulatory, and other clinical trial costs, and related supporting administration. Our prepayments and other current assets, accounts payable and other payables balances were affected by the timing of vendor invoicing and payments.

During the six months ended June 30, 2018, our operating activities used RMB120.9 million of cash, which resulted principally from our loss before tax of RMB1,506.9 million, adjusted for non-cash charges and non-operating cash charges of RMB1,360.4 million, and by cash provided by our operating assets and liabilities of RMB25.6 million. Our net non-cash charges during the six months ended June 30, 2018 primarily consisted of RMB1,376.1 million of loss on changes in fair value of financial liabilities at FVTPL, depreciation of plant and equipment, amortization for intangible assets, share-based payments expenses, and net foreign exchange loss.

During the six months ended June 30, 2017, our operating activities used RMB64.6 million of cash, which resulted principally from our loss before tax of RMB228.8 million, adjusted for non-cash charges and non-operating cash charges of RMB185.4 million, and by cash used in our operating assets and liabilities of RMB21.2 million. Our net non-cash charges during the six months ended June 30, 2017 primarily consisted of RMB177.0 million of loss on changes in fair value of financial liabilities at FVTPL, depreciation of plant and equipment, amortization for intangible assets, share-based payments expenses, and net foreign exchange loss.

Net cash from (used in) investing activities

Net cash provided by investing activities was RMB16.0 million for the six months ended June 30, 2018, which resulted primarily from the disposal of other financial assets. Net cash used in investing activities was RMB83.3 million for the six months ended June 30, 2017, which resulted primarily from payments to acquire other financial assets.

Net cash from financing activities

Net cash from financing activities was RMB722.4 million for the six months ended June 30, 2018, which resulted primarily from proceeds from the issue of our Series D and E preferred shares. Net cash from financing activities was RMB154.2 million for the six months ended June 30, 2017, which resulted primarily from proceeds from the issue of our Series C preferred shares.

Financial position

Our net current assets increased from RMB189.3 million as of December 31, 2017 to RMB826.6 million as of June 30, 2018. Current assets increased from RMB232.3 million as of December 31, 2017 to RMB886.6 million as of June 30, 2018, primarily due to (a) an increase in prepayments and other receivables from RMB23.4 million as of December 31, 2017 to RMB42.8 million as of June 30, 2018, which was due primarily to our reclassification of certain value-added tax payments that could be refunded beginning in July 2018 from other non-current assets to prepayments and other receivables, (b) a decrease in our other financial assets from RMB16.1 million as of December 31, 2017 to zero as of June 30, 2018, as we disposed of these financial assets, and (c) an increase in our bank balances and cash from RMB172.7 million as of December 31, 2017 to RMB819.6 million as of June 30, 2018. The increase was primarily from the proceeds from the issue of the Company's convertible redeemable preferred shares and the issue of subsidiary's ordinary shares and a written put option over subsidiary.

Indebtedness

	As at June 30, 2018 RMB '000	As at December 31, 2017 RMB '000
Unsecured and unguaranteed other financial liabilities	3,259,307	1,138,789
Total	3,259,307	1,138,789

As at June 30, 2018, except as disclosed above, we did not have any indebtedness, including but not limited to mortgages, charges, debentures, other issued and outstanding debt capital, bank overdrafts, borrowings, liabilities under acceptance or acceptance credits, hire purchase commitments, unutilized banking facilities or other similar indebtedness, any guarantees or other material contingent liabilities. Accordingly, the gearing ratio is not applicable.

Following the completion of the Global Offering on September 14, 2018, the liabilities disclosed above will be reclassified as equity reserves on our balance sheet. Such reclassification will have no effect on our income statement.

Disclosure under Rules 13.13 to 13.19 of the Listing Rules

Our Directors have confirmed that as at June 30, 2018, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Employees and remuneration policies

As of June 30, 2018, we had 90 employees, including 63 scientists. The following table shows a breakdown of our employees by function as of June 30, 2018:

	Number of employees	Approximate percentage
Research and development	57	63%
General and administration	26	29%
Management	7	8%
Total	90	100%

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

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

To retain our key management and technical staff, we offer competitive compensation and compensate our employees through share incentive plan. For details, please see the section headed "Other Information - Share Incentive Plan" in this report.

Business outlook

We are currently conducting two Phase III trials in China, which we began in July 2017, with Dorzagliatin both as a monotherapy and in combination with metformin. As of September 14, 2018, we had enrolled and randomized a total of 466 patients in our Phase III trials, 246 patients in our monotherapy trial and 220 patients in our combination trial. As of September 14, 2018, 97 patients had completed 24 weeks in our Phase III trials. We expect to complete Phase III patient enrollment in China by the first half of 2019, to announce Phase III results by the second half of 2019, to file for new drug application (NDA) approval on a rolling basis with the CDA by 2019, and to obtain CDA approval by the end of 2020 or the first half of 2021. Upon receipt of positive Phase III data, we plan to partner with international pharmaceutical companies to make our drug available to patients outside of China. This will include partnerships for conducting clinical trials and navigating the drug approval process, as well as for the marketing and commercialization of Dorzagliatin outside of China.

We also plan to commence Phase I clinical trials for mGLUR5 in the second half of 2019.

As of September 14, 2018, we had 101 employees. We added a new vice president in August 2018 as head of commercial strategy and marketing.

On September 14, 2018, we completed the Global Offering and the listing of our Shares on the Stock Exchange, and raised net proceeds of approximately HK$780.6 million from the Global Offering (before any exercise of the over-allotment option).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE DIRECTORS OF HUA MEDICINE

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Hua Medicine (the"Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 43, which comprise the condensed consolidated statement of financial position at 30 June, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matter

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-months ended 30 June, 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

September 14, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended June 30 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Other income	3	6,827	618
Other gains and losses	4	29,554	(3,849)
Administrative expenses		(32,369)	(10,966)
Finance cost	5	(4,380)	(2,677)
Listing expenses		(34,824)	—
Research and development expenses		(95,690)	(34,915)
Loss on changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	17	(1,376,057)	(176,975)
Loss before tax	6	(1,506,939)	(228,764)
Income tax expense	7	—	—
Loss and total comprehensive expense for the period		(1,506,939)	(228,764)
Loss and total comprehensive expense for the period attributable to:			
– Owners of the Company		(1,505,667)	(224,782)
– Non-controlling interests		(1,272)	(3,982)
		(1,506,939)	(228,764)
LOSS PER SHARE	9	RMB	RMB
Basic and diluted		(13.58)	(2.24)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Non-current assets			
Plant and equipment	10	2,831	2,641
Prepayments and other receivables	11	—	10,855
Prepayments to related parties	12	3,126	—
		5,957	13,496
Current assets			
Prepayments and other receivables	11	42,783	23,364
Prepayment to related parties	12	24,234	20,090
Other financial assets		—	16,101
Bank balances and cash	13	819,590	172,733
		886,607	232,288
Current liabilities			
Trade and other payables	14	53,088	12,377
Amounts due to related parties	15	5,315	23,320
Deferred income	16	1,600	7,300
		60,003	42,997
Net Current Assets		826,604	189,291
Total Assets Less Current Liabilities		832,561	202,787
Non-current liabilities			
Deferred income	16	6,528	6,528
Financial liabilities at FVTPL	17	3,259,307	1,138,789
		3,265,835	1,145,317
Net Liabilities		(2,433,274)	(942,530)

	NOTES	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Capital and reserves			
Share capital	18	48	48
Reserves		(2,433,322)	(953,928)
Equity attributable to owners of the Company		(2,433,274)	(953,880)
Non-controlling interests		—	11,350
Total Deficit		(2,433,274)	(942,530)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note)	Share option reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
At January 1, 2018 (audited)	48	—	(20,218)	15,564	(949,274)	(953,880)	11,350	(942,530)
Loss and total comprehensive expense for the period	—	—	—	—	(1,505,667)	(1,505,667)	(1,272)	(1,506,939)
Subsidiary's ordinary shares issued to non-controlling investors	—	—	61,532	—	—	61,532	2,580	64,112
Effect of put option granted to non-controlling investors to convert their equity interests in subsidiary to the Company's redeemable convertible preferred shares	—	—	(64,112)	—	—	(64,112)	—	(64,112)
Repurchase of subsidiary's ordinary shares from non-controlling investors	—	—	12,765	—	—	12,765	(12,765)	—
Option exercised to purchase ordinary shares	—	549	—	—	—	549	—	549
Recognition of equity-settled share-based payment	—	—	—	15,539	—	15,539	107	15,646
At June 30, 2018 (unaudited)	48	549	(10,033)	31,103	(2,454,941)	(2,433,274)	—	(2,433,274)

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note)	Share option reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
At January 1, 2017 (audited)	48	—	(5,015)	11,385	(676,560)	(670,142)	3,946	(666,196)
Loss and total comprehensive expense for the period	—	—	—	—	(224,782)	(224,782)	(3,982)	(228,764)
Subsidiary's ordinary shares issued to non-controlling investors	—	—	120,850	—	—	120,850	15,203	136,053
Effect of put option granted to non-controlling investors to convert their equity interests in subsidiary to the Company's redeemable convertible preferred shares	—	—	(136,053)	—	—	(136,053)	—	(136,053)
Recognition of equity-settled share-based payment	—	—	—	2,199	—	2,199	71	2,270
At June 30, 2017 (unaudited)	48	—	(20,218)	13,584	(901,342)	(907,928)	15,238	(892,690)

Note: To accommodate the needs of certain investors in the People's Republic of China (the "PRC") in Hua Medicine (the "Company's") Series C preferred share financing, Hua Medicine (Shanghai) Co., Ltd., the Company's subsidiary located in the PRC ("Hua Shanghai"), issued 933,334 ordinary shares to those investors ("Series C PRC Investors") for cash consideration of US$21,000,000 (RMB equivalent 136,053,000) in March 2017 as the second closing. To accommodate the needs of certain PRC investors in the Company's Series D Preferred Share financing, Hua Shanghai issued 899,758 ordinary shares to those investors ("Series D PRC Investors") for cash consideration of US$10,000,000 (RMB equivalent 64,112,000) in January 2018. The Company recognized non-controlling interests based on the proportion share of net assets of Hua Shanghai on each investment date and the loss and other comprehensive expenses from Hua Shanghai attributable to non-controlling interests subsequently. Concurrently with the investment in Hua Shanghai, the Company wrote the Series C PRC Investors and Series D PRC Investors put options to convert their equity interests in Hua Shanghai to the Company's Series C and Series D preferred shares, respectively. The Group recognized the gross obligations from such put options over Hua Shanghai as financial liabilities at FVPTL as set out in note 17. The debit in equity on initial recognition of the written options net of deemed gains from the contributions by Series C PRC Investors and Series D PRC Investors is presented as other reserves.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30	
	2018	**2017**
	RMB'000	**RMB'000**
	(unaudited)	**(unaudited)**
OPERATING ACTIVITIES		
Loss before tax	(1,506,939)	(228,764)
Adjustments for:		
Loss on changes in fair value of financial liabilities at FVTPL	1,376,057	176,975
Bank interest income	(389)	(618)
Income from government grants	(6,055)	—
Depreciation of plant and equipment	508	243
Finance cost	4,380	2,677
Share-based payment expense	15,646	2,270
Gain from changes in fair value of other financial assets designated as at FVTPL	(259)	(640)
Net unrealized foreign exchange (gain) loss	(29,383)	4,520
Loss (gain) on disposal of plant and equipment	7	(31)
Operating cash flows before movements in working capital	(146,427)	(43,368)
Increase in prepayments and other receivables	(8,464)	(11,491)
(Increase) decrease in prepayments to related parties	(7,270)	334
Increase (decrease) in trade and other payables	39,944	(4,914)
Increase in deferred income	355	228
Increase (decrease) in amounts due to related parties	989	(5,359)
NET CASH USED IN OPERATING ACTIVITIES	(120,873)	(64,570)
INVESTING ACTIVITIES		
Interest received from bank	389	618
Proceeds from disposal of plant and equipment	2	44
Purchase of plant and equipment	(706)	(1,061)
Proceeds on disposal of other financial assets	16,360	30,104
Placement of other financial assets	—	(113,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	16,045	(83,295)

	Six months ended June 30	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Proceeds from exercise of share options	549	—
Proceeds from the issue of the Company's convertible redeemable preferred shares	673,909	20,792
Proceeds from the issue of subsidiary's ordinary shares and written put options over subsidiary	64,112	136,053
Repayment to investors	(12,577)	—
Transaction costs for the issue of the Company's convertible redeemable preferred shares	(2,808)	(2,677)
Payments relating to issue costs	(824)	—
NET CASH FROM FINANCING ACTIVITIES	722,361	154,168
NET INCREASE IN CASH AND CASH EQUIVALENTS	617,533	6,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	172,733	192,901
Effects of exchange rate changes	29,324	(4,520)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	819,590	194,684

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

1. General information, and basis of preparation of the condensed consolidated financial statements

1.1 General Information

The Company was established in the Cayman Islands as an exempted company with limited liability on November 10, 2009. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is 275 Ai Di Sheng Road, Shanghai 201203, PRC.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "Group") are principally engaged in developing a global first-in-class oral drug, Dorzagliatin or HMS5552, for the treatment of Type 2 diabetes.

1.2 Basis of preparation of the condensed consolidated financial statements

Notwithstanding that the Group recorded net liabilities of RMB2,433,274,000 at June 30, 2018, the condensed consolidated financial statements have been prepared on the going concern basis as the convertible redeemable preferred shares would not be contractually redeemable within the next twelve months period and the directors of the Company assessed that the Group has sufficient bank balances and cash to sustain its operation for the next twelve months.

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

The functional currency of the Company is RMB, which is the same as the presentation currency of the condensed consolidated financial statements.

2. Principal accounting policies

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

The accounting policies used in the condensed consolidation financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's financial statements for the two years ended December 31, 2016 and the 2017 and the three months ended March 31, 2017 and 2018 underlying the preparation of historical financial information included in the Accountants' Report presented in the prospectus of the Company dated August 31, 2018 (the "Prospectus").

3. Other income

	Six months ended June 30	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	389	618
Government grants and subsidies related to income (note)	6,438	—
	6,827	618

Note:

The government grants and subsidies related to income have been received to compensate for the expenses of Group's research and development. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to incomes were recognized in profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance. Details of these grants related to assets are set out in note 16.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

4. Other gains and losses

	Six months ended June 30	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) gain on disposal of plant and equipment	(7)	31
Net foreign exchange gain (loss)	29,302	(4,520)
Gain from changes in fair value of other financial assets		
– realized	259	104
– unrealized	—	536
	29,554	(3,849)

5. Finance cost

	Six months ended June 30	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Transaction cost for the issue of the Company's convertible redeemable preferred shares, subsidiary's ordinary shares and written put option over subsidiary	(4,380)	(2,677)

6. Loss before tax

Loss before tax for the period has been arrived at after charging:

	Six months ended June 30	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation for plant and equipment	508	243
Staff cost (including directors' emoluments):		
– Salaries and other benefits	26,887	8,401
– Retirement benefit scheme contributions	2,680	1,201
– Share-based payment	15,646	2,270
	45,213	11,872
Minimum operating lease payment in respect of rented premises	1,606	993

7. Income tax expense

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

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax during the periods presented in the condensed consolidated financial statements.

Under the Law of the PRC of Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the estimated tax rate of the Group's PRC subsidiary is 25% during the period presented in the condensed consolidated financial statements. No PRC Enterprise Income tax was provided for as there was no estimated assessable profit of the Group's PRC subsidiary during the periods presented in the condensed consolidated financial statements.

Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

8. License agreement

In December 2011, the Company entered into a research, development and commercialization agreement ("GKA Agreement") with Hoffman-La Roche Inc., and F. Hoffman-La Roche AG (collectively referenced as "Roche") under which Roche granted the Company an exclusive license of patent rights, know-how and regulatory filings with respect to a compound which is a glucokinase activator to research, develop and commercialize products ("Licensed Product") in the field of diabetes in the licensed territory ("Licensed Territory"). Pursuant to the GKA Agreement, the Company made a US$2,000,000 non-refundable upfront payment to Roche which was recorded as research and development expenses in 2012.

In 2017, the Company made a US$1,000,000 milestone payment to Roche upon the commencement of Phase III clinical trials in mainland China for the Licensed Product which was recorded as research and development expenses as incurred.

The Company is obligated to make a US$4,000,000 milestone payment upon the approval of the Licensed Product in the Mainland China and an aggregate of US$33,000,000 of milestone payments upon approval in the Licensed Territory other than Mainland China. Upon commercialization, the Company is contingently obligated to make a US$15,000,000 milestone payment for the first time when the territory-wide calendar year net sales exceed US$500,000,000 and an additional US$40,000,000 milestone payment for the first time when the territory-wide calendar year net sales exceed US$1,000,000,000. The Company is also obligated to make royalty payments at the applicable incremental royalty rate in the high single digits (as a percentage of net sales) based on sales of the Licensed Product.

9. Loss per share

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

Loss figures are calculated as follows:

	Six months ended June 30	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	(1,505,667)	(224,782)

Number of shares:

	Six months ended June 30	
	2018	2017
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	110,876,161	100,559,617

The computation of basic and diluted loss per share for the six months ended June 30, 2018 and 2017 respectively excluded the unvested restricted shares of the Company. Details of these restricted shares are set out in note 20.

The weighted average number of shares for the purpose of basic and diluted loss per share for the six months ended June 30, 2018 and 2017 is calculated based on the assumption that the Capitalization Issue of the share allotment as disclosed in note 23 has been adjusted retrospectively.

The computation of diluted loss per share for the six months ended June 30, 2018 and 2017 respectively did not assume conversion of the convertible redeemable preferred shares, the exercise of share options or the restricted shares since their assumed conversion or exercise would result in a decrease in loss per share.

10. Plant and equipment

During the six months ended June 30, 2018, the Group acquired RMB706,000 (six months ended June 30, 2017: RMB1,061,000) of plant and equipment.

11. Prepayments and other receivables

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Prepayments for research and development services	20,218	21,795
Utility and rental deposits	1,029	608
Deferred listing costs	3,869	—
Value add tax recoverable (note)		
– current	15,278	—
– non- current	—	10,855
Others	2,389	961
	42,783	34,219
Analysis as		
– current	42,783	23,364
– non- current	—	10,855
	42,783	34,219

Note: Value added tax recoverable was recorded as non-current assets as at December 31, 2017 since it was expected to be deducted from future value added tax payables arising on the Group's revenue which are not expected to be generated within the next 12 months from December 31, 2017. In June 2018, the General Tax Bureau of the Ministry of Finance announced a new tax policy that allows the refund of non-deductible valued added tax recoverable from local tax bureaus for companies in qualified industries including pharmaceuticals. As the Group is qualified for the refund policy and expects to collect the value added tax recoverable balance within the next 12 months from June 30, 2018, value added tax recoverable is reclassified to current assets as at June 30, 2018.

12. Prepayments to related parties

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Current:		
Prepayments for research and development services (note i)		
Shanghai STA Pharmaceutical R&D Co., Ltd.	2,232	2,680
Shanghai SynTheAll Pharmaceutical Co., Ltd.	8,365	5,393
WuXi AppTec (Shanghai) Co., Ltd.	440	425
Shanghai MedKey Med-Tech Development Co., Ltd.	382	7,288
WuXi Clinical Development Services (Shanghai) Co., Ltd.	6,451	4,304
WuXi AppTec (Suzhou) Co., Ltd.	70	—
HD Biosciences Co., Ltd.	6	—
	17,946	20,090
Prepaid emolument (note ii)	6,288	—
	24,234	20,090
Non-current:		
Prepaid emolument (note ii)	3,126	—

Note i: The relationship with related parties are set out in note 22.

Note ii: The Company hired a senior management and paid US$2,000,000 (RMB equivalent 13,016,000) as an inducement to join the Company in January 2018. Pursuant to the employment agreement, the employee would be obligated to remain in the Company's employment for 24 months since the hiring date. If the employee left the Company before the end of the 24 months period, the employee would be obligated to repay the Company a portion of the inducement proportionate to the remaining unfulfilled service period. As such, the Company recognized the inducement as prepayment and amortized it over the required service period.

13. Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short term bank deposits carry interests at market rates which ranged from 0.001% to 0.350% per annum as at June 30, 2018 (December 31, 2017: from 0.001% to 1.956% per annum).

14. Trade and other payables

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Trade payables	9,561	4,022
Payroll and bonus payables	8,349	8,000
Payable for listing and issue costs	34,659	—
Others	519	355
	53,088	12,377

The average credit period on purchases of goods/services ranges up to 30 days.

The aging analysis of the trade payables presented based on the goods/services receipt date at the end of each reporting period is as follows:

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Within 30 days	8,368	3,974
31 to 60 days	1,125	—
61 to 180 days	20	—
181 to 365 days	—	48
More than 365 days	48	—
	9,561	4,022

15. Amounts due to related parties

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Amounts payable for receipt of research and development services - trade (note i):		
Shanghai STA Pharmaceutical R&D Co., Ltd.	2,188	2,752
WuXi AppTec (Shanghai) Co., Ltd.	3,127	1,319
Shanghai MedKey Med-Tech Development Co., Ltd.	—	255
	5,315	4,326
Advance from investors for the issue of convertible redeemable preferred shares –non-trade (note ii)	—	18,994
	5,315	23,320

Note i: The relationship with these related parties is set out in note 22.

Note ii: The amount at December 31, 2017 represents the advance from investors for the issue of convertible redeemable preferred shares. Certain investors participated in Series D convertible redeemable preferred shares ("Series D Preferred Shares") paid RMB18,994,000 to the Company as cash consideration for subscription of Series D Preferred Shares during the last week of December 2017 upon agreeing the term sheet of the investment with the Company. The Group recognized the investment as the advance from investors to purchase Series D Preferred Shares as at December 31, 2017. Series D Preferred Shares was subsequently closed in March 2018 as set out in note 17 and therefore the advance from investors was reclassified to financial liabilities at FVTPL.

The aging analysis of the amounts payable for receipt of research and development services presented based on the goods/services receipt date at the end of each reporting period is as follows:

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Within 30 days	5,315	4,326
	5,315	4,326

16. Deferred income

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Government grants received		
– current liabilities	1,600	7,300
– non-current liabilities	6,528	6,528
	8,128	13,828

During the six months ended June 30, 2018 and 2017, the Group received subsidies related to its research and development activities. The grants were recognized upon the Group complying with the conditions attached to the grants and the government acknowledged acceptance. The grants were recognized in the profit or loss as other income.

17. Financial liabilities at FVTPL

In May 2014, the Company issued 5,499,999 Series A-1 convertible redeemable preferred shares ("Series A-1 Preferred Shares") and 20,916,409 Series A-2 convertible redeemable preferred shares collectively referred to as the "Series A Preferred Shares") with a par value US$0.001 per share to a group of investors for a cash consideration of US$5,499,999 (RMB equivalent 33,895,000) or US$1.00 per share and US$15,687,307 (RMB equivalent 96,678,000) or US$0.75 per share, from conversion of existing loans extended by Series A-2 Preferred Shares investors to the Company, respectively.

In January and August 2015, the Company issued 7,142,857 Series B convertible redeemable preferred shares ("Series B Preferred Shares") with a par value of US$0.001 per share to a group of investors including existing preferred share investors for a cash consideration of US$25,000,000 (RMB equivalent 153,050,000) or US$3.5 per share.

In April 2016, the Company issued 794,963 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") to a group of investors for a cash consideration of US$8,000,000 (RMB equivalent 52,162,000) or US$10.06335 per share as the initial closing and issued another 298,111 Series C-1 Preferred Shares for a cash consideration of US$3,000,000 (RMB equivalent 20,792,000) or US$10.06335 per share as the second closing.

17. Financial liabilities at FVTPL (Continued)

In April, 2016, the Company issued 1 Series C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares") and 1 Series C-3 convertible redeemable preferred shares ("Series C-3 Preferred Shares") for a nominal consideration or par value US$0.001 per share to a group of investors. Certain affiliates of the holders of Series C-2 Preferred Shares and Series C-3 Preferred Shares ("Series C Option Holders") entered into a share purchase agreement ("Subsidiary Investment Agreement") with Hua Shanghai, concurrently. Pursuant to the Subsidiary Investment Agreement, Series C Option Holders made an aggregate investment of US$16,000,000 (RMB equivalent 103,659,000) to Hua Shanghai in April 2016 as the initial closing and another aggregate investment of US$21,000,000 (RMB equivalent 136,053,000) to Hua Shanghai in March 2017 as the second closing. Upon the completion of the initial closing and second closing, the Company granted Series C Option Holders an option right ("Series C Share Purchase Option") to convert their equity interests in Hua Shanghai to the Company's Series C-1 Preferred Shares. Before exercise of the Share Purchase Option, those Series C Option Holders hold ordinary shares of Hua Shanghai. Pursuant to the Subsidiary Investment Agreement, Series C Option Holders shall be treated as if they have exercised their Share Purchase Option and converted their equity interest in Hua Shanghai into the Series C-1 Preferred Shares and shall be subject to the same rights and obligations of, and shall rank pari passu with, the holders of the Series C-1 Preferred Shares. On an as-exercised basis upon second closing, the holders of Series C-2 Preferred Shares shall be deemed as holders of 2,981,113 Series C-1 Preferred Shares for deemed preferred shares issue price of US$30,000,000 (RMB equivalent 194,361,000) or US$10.06335 per share and the holders of Series C-3 Preferred Shares shall be deemed as holders of 695,592 Series C-1 Preferred Shares for a deemed preferred shares issue price of US$7,000,000 (RMB equivalent 45,350,900) or US$10.06335 per share. From January through April 2018, Series C Option Holders exercised the Series C Share Purchase Option to convert all their equity interests in Hua Shanghai into Series C-1 Preferred Shares of the Company.

In January 2018, the Company issued 3,599,030 Series D-1 convertible redeemable preferred shares ("Series D-1 Preferred Shares") for a cash consideration of US$39,999,979 (RMB equivalent 254,609,000) or US$11.1141 per share to existing investors and 1 Series D-2 convertible redeemable preferred shares ("Series D-2 Preferred Shares") for a nominal consideration or par value US$0.001 per share to the holders of Series D-2 Preferred Shares. Certain affiliates of the holders of Series D-2 Preferred Shares ("Series D Option Holders") entered into an amended share purchase agreement ("Amended Subsidiary Investment Agreement") with Hua Shanghai, concurrently. Pursuant to the Amended Subsidiary Investment Agreement, Series D Option Holders made a net aggregate investment of US$10,000,000 (RMB equivalent 64,112,000) to Hua Shanghai. Upon the completion of the investment, the Company granted Series D Option Holders an option right ("Series D Share Purchase Option") (Series C Share Purchase Option and Series D Share Purchase Option are collectively referred as "Share Purchase Option") to convert their equity interests in Hua Shanghai to the Company's Series D-1 Preferred Shares. Pursuant to the Amended Subsidiary Investment Agreement, the holders of Series D-2 Preferred Shares shall be treated as if they have exercised their Share Purchase Option and converted their equity interests in Hua Shanghai into the Series D-1 Preferred Shares and shall be subject to the same rights and obligations of, and shall rank pari passu with, the holders of the Series D-1 Preferred Shares. On an as-exercised basis, the holders of Series D-2 Preferred Shares shall be deemed as holders of 899,758 Series D-1 Preferred Shares for deemed preferred shares issue price of US$10,000,000 (RMB equivalent 64,112,000) or US$11.1141 per share. In January 2018, Series D Option Holders exercised the Share Purchase Option to convert their equity interests in Hua Shanghai into Series D-1 Preferred Shares of the Company.

17. Financial liabilities at FVTPL (Continued)

In March 2018, the Company issued 5,064,833 Series E convertible redeemable preferred shares ("Series E Preferred Shares") to a group of investors for a cash consideration of US$67,368,863 (RMB equivalent 425,740,000) or US$13.3013 per share.

Summary of the key terms of the Series A-1, A-2, B, C-1, C-2, C-3, D-1, D-2 and E Preferred Shares (collectively "Preferred Shares") are set out in the historical financial information included in the Accountants' Report presented in the Prospectus.

Presentation and classification

The Group has designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities and is included in the loss on changes in fair value of financial liabilities at FVTPL line item. Management of the Group considered that there is no credit risk of the financial liability that drives the change of the fair value of the financial liability.

The Group has recognized the gross obligations from Share Purchase Option written as financial liabilities carried at FVTPL as the put option is over the ordinary shares of Hua Shanghai and therefore does not meet the definition of equity for the Company. Such written put option over the ordinary shares of Hua Shanghai is classified as at FVTPL.

The fair value of the Preferred Shares, gross obligation from Share Purchase Option written and the Share Purchase Option at the end of each reporting period is as follows:

	At June 30 2018 RMB'000 (unaudited)	**At December 31 2017 RMB'000 (audited)**
Preferred Shares	3,259,307	900,255
Gross obligation from Share Purchase Option written	—	238,534
	3,259,307	1,138,789

17. Financial liabilities at FVTPL (Continued)

Presentation and classification (Continued)

The movements of the Preferred Shares and the gross obligation from Share Purchase Options written of the Group are set out below:

Preferred Shares

	Series A Shares RMB000'	Series B Shares RMB000'	Series C Initial Closing Shares RMB000'	Series C 2nd Closing Shares RMB000'	Series D Shares RMB000'	Series E Shares RMB000'	Total RMB000'
At January 1, 2017 (audited)	486,968	207,302	56,184	—	—	—	750,454
Issues	—	—	—	20,792	—	—	20,792
Changes in fair value	120,239	13,703	(3,442)	(1,491)	—	—	129,009
At December 31, 2017 (audited)	607,207	221,005	52,742	19,301	—	—	900,255
At January 1, 2018 (audited)	607,207	221,005	52,742	19,301	—	—	900,255
Issues	—	—	—	—	254,609	425,740	680,349
Changes in fair value	956,644	233,703	20,817	22,268	54,986	80,439	1,368,857
Converted from share purchase option	—	—	108,035	137,699	64,112	—	309,846
At June 30, 2018 (unaudited)	1,563,851	454,708	181,594	179,268	373,707	506,179	3,259,307

As at June 30, 2018, the issued Preferred Shares shall be redeemed by the Company at a price equal to the Preferred Shares issue price per share, plus all accrued but unpaid dividends, within a period of more than two years but not exceeding five years.

17. Financial liabilities at FVTPL (Continued)

Presentation and classification (Continued)

Gross obligation from Share Purchase Option written

	Series C Initial Closing Share Purchase Option RMB000'	Series C 2nd Closing Share Purchase Option RMB000'	Series D Initial Closing Share Purchase Option RMB000'	Total RMB000'
At January 1, 2017 (audited)	105,034	—	—	105,034
Issues	—	136,053	—	136,053
Changes in fair value	(440)	(2,113)	—	(2,553)
At December 31, 2017 (audited)	104,594	133,940	—	238,534
At January 1, 2018 (audited)	104,594	133,940	—	238,534
Issues	—	—	64,112	64,112
Changes in fair value	3,441	3,759	—	7,200
Exercised and converted into preferred shares	(108,035)	(137,699)	(64,112)	(309,846)
At June 30, 2018 (unaudited)	—	—	—	—

The Group has used the back-solve method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares and gross obligation from Share Purchase Option written as of the dates of issuance and at the end of reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares and Share Purchase Option are as follows:

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Fair value of ordinary shares of the Company	US$7.28	US$2.44
Possibilities under liquidation scenario	45%	75%
Possibilities under redemption scenario	5%	5%
Possibilities under initial public offering scenario	50%	20%
Risk-free interest rate	2.37%	1.9%
Discount for lack of marketability	18.8%	24.8%
Volatility	79.4%	84.8%

18. Share capital

The details of the changes of the Company's authorized and issued and fully paid ordinary shares during the six months ended June 30, 2018 are set out as below:

	Authorized number of shares	US$
Ordinary shares of US$0.001 each		
At December 31, 2017 and January 1, 2017 (audited)	61,670,953	61,671
Increase (note (a))	45,501,211	45,501
Decrease (note (b))	(5,064,833)	(5,065)
At June 30, 2018 (unaudited)	102,107,331	102,107

	Issued and fully paid number of shares	US$	Shown in the condensed consolidated statement of financial position as RMB000'
Ordinary shares of US$0.001 each			
At December 31, 2017 and January 1, 2017 (audited)	7,426,154	7,426	48
Issue of shares by exercise share options (note (c))	25,000	25	—
At June 30, 2018 (unaudited)	7,451,154	7,451	48

(a) On January 22, 2018, the authorized share capital of the Company was increased to US$150,000, divided into 150,000,000 shares of par value of US$0.001 each by increasing an additional 50,000,000 ordinary shares and re-designating 4,498,789 ordinary shares of par value of US$0.001 each into 4,498,788 Series D-1 Preferred Shares of the Company of par value of US$0.01 each, and 1 Series D-2 Preferred Share of the Company of par value of US$0.001each.

(b) On March 12, 2018, an aggregate of 5,064,833 ordinary shares of par value of US$0.001 each were redesigned into 5,064,833 Series E Preferred Shares of the Company of par value of US$0.001 each.

(c) On March 22, 2018, one employee exercised his right, evidenced by the certain option agreements under the Company's pre-IPO share option scheme, to subscribe 25,000 ordinary shares of the Company at the exercise of US$3.5 per share for an aggregate consideration of US$87,500 (RMB equivalent 549,640).

(d) All the new shares rank pari passu with the existing shares in all respects.

19. Non-controlling interests

The Company wrote the Series C PRC investors and Series D PRC investors put options to convert their equity interests in Hua Shanghai to the Company's Series C and Series D Preferred Shares respectively. All these investors exercised the put options during the six months ended June 30, 2018 and no non-controlling interests exist as of the June 30, 2018.

20. Share-based payment transactions

Equity-settled share option scheme of the company

The Company's pre-IPO share option scheme (the "Scheme") was adopted pursuant to a resolution passed on March 5, 2015 for the primary purpose of providing incentives to directors of the Company, eligible employees and individual consultants of the Group who render services to the Group. Under the Scheme, the directors of the Company may grant options to eligible employees, including the directors of the Company, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to individual consultants for settlement in respect of research and development ("R&D") advisory services provided to the Group. The fair value of the services from individual consultants is determined by the fair value of options on the services receipt date.

The directors of the Company approved up to 6,849,993 shares of the Company in which options may be granted under the Scheme.

(1) Details of specific categories of options are as follows:

Categories	Date of grant	Number of options issued and outstanding at June 30, 2018	Exercise price per share
Directors:			
Dr. Li CHEN	December 4, 2014 ~April 3, 2018	778,115	US$1.00 ~ 7.00
Dr. John J. BALDWIN	December 4, 2014 ~May 11, 2018	75,000	US$1.00 ~ 7.00
Mr. George LIN	April 3, 2018	1,732,027	US$ 7.00
Employees	March 25, 2013 ~June 1, 2018	3,729,851	US$1.00 ~ 7.00
Individual consultants	September 12, 2013 ~June 1, 2018	535,000	US$1.00 ~ 7.00

(2) Options granted under the Scheme shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments except for the options granted to non-employees individual consultants on September 12, 2013 and March 15, 2016. The options granted to individual consultants on September 12, 2013 have a contractual term of 10 years and generally vest over a three year period, with 33% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 67% vesting in 24 substantially equal monthly instalments. The options granted to individual consultants on March 15, 2016 have a contractual term of 10 years and vest in 12 equal monthly instalments.

20. Share-based payment transactions (Continued)

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

Set out below are details of the movements of the outstanding options granted under the Scheme during the six months ended June 30, 2018:

Category	Option type	Outstanding at January 1, 2018 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2018 (unaudited)
Category 1: Director						
Dr. Li CHEN	December 4, 2014	180,000	—	—	—	180,000
	January 11, 2016	50,000	—	—	—	50,000
	July 19, 2016	50,000	—	—	—	50,000
	March 6, 2017	100,000	—	—	—	100,000
	January 7, 2018	—	90,865	—	—	90,865
	April 3, 2018	—	307,250	—	—	307,250
	Subtotal	380,000	398,115	—	—	778,115
Dr. John J. BALDWIN	December 4, 2014	10,000	—	—	—	10,000
	January 11, 2016	50,000	—	—	—	50,000
	May 11, 2018	—	15,000	—	—	15,000
	Subtotal	60,000	15,000	—	—	75,000
Mr. George LIN	April 3, 2018	—	1,732,027	—	—	1,732,027
	Total Directors	440,000	2,145,142	—	—	2,585,142
Category 2: Employees						
	March 25, 2013	200,000	—	—	—	200,000
	September 12, 2013	150,000	—	—	—	150,000
	December 4, 2014	470,000	—	—	—	470,000
	January 11, 2016	613,000	—	(25,000)	(21,959)	566,041
	July 19, 2016	25,000	—	—	—	25,000
	March 6, 2017	410,000	—	—	(24,459)	385,541
	July 24, 2017	150,000	—	—	—	150,000
	January 7, 2018	—	644,000	—	(105,500)	538,500
	April 3, 2018	—	921,750	—	(26,981)	894,769
	June 1, 2018	—	350,000	—	—	350,000
	Total Employees	2,018,000	1,915,750	(25,000)	(178,899)	3,729,851

20. Share-based payment transactions (Continued)

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

Category	Option type	Outstanding at January 1, 2018 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Forfeited during the period (unaudited)	Outstanding at June 30, 2018 (unaudited)
Category 3: Individual consultants						
	September 12, 2013	110,000	—	—	—	110,000
	December 4, 2014	50,000	—	—	—	50,000
	January 11, 2016	200,000	—	—	—	200,000
	March 15, 2016	70,000	—	—	—	70,000
	May 11, 2018	—	60,000	—	—	60,000
	June 1, 2018	—	45,000	—	—	45,000
	Total Individual consultants	430,000	105,000	—	—	535,000
	Total all categories	2,888,000	4,165,892	(25,000)	(178,899)	6,849,993
	Exercisable at the end of the period	1,706,583				2,040,436
	Weighted average exercise price	3.52	4.82	3.50	2.53	4.42

These fair values were calculated using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	January 7, 2018	April 3, 2018	May 11, 2018	June 1, 2018
Grant date option fair value per share	US$2.03	US$2.27~US$2.68	US$5.30	US$5.32~US$5.91
Grant date share price	US$2.72	US$3.66	US$7.28	US$7.28
Exercise price	US$1.00	US$3.70~ US$7.00	US$7.00	US$3.70~ US$7.00
Expected volatility	84.45%	86.0%~86.3%	84.60%	84.60%
Expected life	10 years	5.8years~6.1years	5.9 years	6 years
Risk-free rate	2.26%	2.60%~2.63%	2.77%	2.77%
Expected dividend yield	0%	0%	0%	0%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognized the total expense of RMB15,646,000 (unaudited) for the six months ended June 30, 2018 (six months ended June 30, 2017: RMB2,270,000 (unaudited)) in relation to share options granted by the Company.

20. Share-based payment transactions (Continued)

Restricted shares of the company

The fair value of the restricted shares of the Company was US$0.36 per share which was determined by the fair value of ordinary shares on the grant date. The number of unvested restricted shares was 32,249 (unaudited) as at June 30, 2018.

The Group recognized RMB65,000 (unaudited) of share-based payment in relation to the grants of the above restricted ordinary shares for the six months ended June 30, 2018 (six months ended June 30, 2017: RMB192,000 (unaudited)).

Summary of the terms and conditions of the share-based payment are set out in the historical financial information included in the Accountants' Report presented in the Prospectus.

21. Operating leases

The Group as lessee

The Group leases various office premises under non-cancellable operating lease agreements. The lease terms are from 1 to 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At June 30 2018 RMB'000 (unaudited)	At December 31 2017 RMB'000 (audited)
Within one year	3,673	2,657
In the second to the third year inclusive	1,406	2,124
	5,079	4,781

22. Related party transactions

(a) Related party transactions

Purchase of research and development services from related parties

	Six months ended June 30	
	2018	**2017**
	RMB'000	**RMB'000**
	(unaudited)	**(unaudited)**
WuXi AppTec (Shanghai) Co., Ltd.	4,412	1,300
Shanghai SynTheAllPharmaceutical Co., Ltd.	—	4,881
Shanghai STA Pharmaceutical R&D Co., Ltd.	2,337	3,012
Shanghai MedKey Med-Tech Development Co., Ltd.	6,656	—
WuXi AppTec (Suzhou) Co., Ltd.	8	207
WuXi Clinical Development Services (Shanghai) Co., Ltd.	6,769	—
XenoBiotic Laboratories, Inc.	—	425
HD Biosciences Co., Ltd.	2	24
	20,184	9,849

All of the above related parties are subsidiaries of WuXi AppTec Co., Ltd. ("WXAT"). Wuxi Pharmatech Healthcare Fund I L.P., an investor of the Company, is a subsidiary of WXAT. In addition, WXAT is indirectly owned as to more than 20% by Dr. Ge LI and his concert parties. Dr. Ge LI served as a director of the Company from August 2010 to December 2017 and is also an investor of the Company.

(b) Related party balances

Details of the outstanding balances with related parties are set out in notes 12 and 15 respectively.

23. Subsequent events

In August 2018, 105,000 options (1,575,000 as adjusted after Capitalization Issue (as defined below)) previously granted under the Scheme to consultants who render services in connection with the Company's clinical trials were cancelled by the Company. As such, in August 2018, the Company recognized immediately share-based compensation expenses totaling RMB1,662,000 that would otherwise have been recognized over the remainder of the applicable vesting periods.

Since September 14, 2018, the Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited. The total of 774,813,480 shares were allotted and issued to the shareholders on the register of members of the Company in proportion to their respective shareholdings in the Company by way of capitalization of the sum of US$774,813 standing to the credit of the share premium account of the Company upon listing. The shares shall rank pari passu in all respects with the then existing issued shares ("Capitalization Issue").

The Company is listed on the Main Board of the Stock Exchange on September 14, 2018. Net proceeds from the Hong Kong public offering and international offering before any exercise of the over-allotment option were approximately HK$780.6 million.

OTHER INFORMATION

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2018 (June 30, 2017: NIL).

Share capital

On August 26, 2018, in preparation for the Global Offering, the existing shareholders of the Company passed resolutions to conditionally approve (i) an increase in the authorised share capital of the Company from US$150,000 divided into 150,000,000 shares to US$2,000,000 divided into 2,000,000,000 shares by the creation of an additional of 1,850,000,000 Shares of par value of US$0.001 each; (ii) the re-designation and reclassification of all preferred shares to ordinary Shares; and (iii) the capitalization of the sum of US$884,013.48 standing to the credit of the share premium account of the Company and the issue and allotment of 884,013,480 Shares credited as fully paid at par value to the then existing shareholders of the Company, in each case effective on the Listing Date.

On September 14, 2018, 104,756,000 Shares were issued under the Global Offering and 884,013,480 Shares were issued under the Capitalization Issue. Immediately upon completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the over-allotment option), the share capital of the Company consisted of US$2,000,000 divided into 2,000,000,000 Shares par value of US$0.001 each, of which 1,051,913,300 Shares were issued and fully paid.

Use of proceeds from the global offering

On September 14, 2018, our Shares were listed on the Main Board of the Stock Exchange. Net proceeds from the Global Offering before any exercise of the over-allotment option were approximately HK$780.6 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. As at the date of this interim report, the Company has not used any of the net proceeds received from the Global Offering.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the the Latest Practicable Date, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Purchase, sale or redemption of the company's listed securities

As the Shares of the Company were not yet listed on the Stock Exchange, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the reporting period.

Share incentive plan

The Company conditionally adopted a share option scheme on August 26, 2018, which became effective on the Listing Date. The total number of Shares which may be issued upon exercise of all options to be granted under the scheme cannot exceed 105,191,330 Shares. As at the Latest Practicable Date, the Company has not granted any options under such share option scheme.

The Company has also adopted the Pre-IPO Share Incentive Scheme and established an employee trust to administer the scheme. A total of 117,000,000 Shares, representing all the Shares underlying the options and awards granted under the Pre-IPO Share Incentive Scheme, were issued to HLYY Limited, the nominee under the trust, to hold the Shares to satisfy the options and awards granted upon exercise/vesting. No further Shares will be allotted and issued to the HLYY Limited or the trustee for the purpose of the Pre-IPO Share Incentive Scheme (other than pursuant to capitalization issue, rights issue, sub-division or consolidation of shares in accordance with the Pre-IPO Share Incentive Scheme), and no further option or award will be granted under the Pre-IPO Share Incentive Scheme. As the Pre-IPO Share Incentive Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules.

Disclosure of interests

Directors and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations

As at Latest Practicable Date, the interest or short positions of the directors or the chief executive of the Company in the Shares or underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the ordinary Shares:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Li CHEN	Interest of spouse(1)	25,320,690	2.41%
	Beneficial Owner(2)	13,921,725	1.32%
George Chien Cheng LIN	Founder and beneficiary of trust(3)	688,320	0.07%
	Beneficial Owner(4)	33,403,380	3.18%
Robert Taylor NELSEN	Interest of Controlled Corporation(5)	125,088,960	11.89%
Lian Yong CHEN	Interest of Controlled Corporation(6)	8,571,420	0.81%

Notes:

(1) Dr. CHEN is the spouse of Ms. Jane Xingfang HONG. Under the SFO, Dr. CHEN is deemed to be interested in the same number of Shares in which Ms. Jane Xingfang HONG maintains on interest.

(2) Being options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme.

(3) The George and Ann Lin 2005 Trust is a family trust set up by Mr. LIN; therefore, Mr. LIN is deemed to be interested in the same number of Shares held by the George and Ann Lin 2005 Trust.

(4) Being options and awards for 25,980,405 Shares and 7,422,975 Shares granted pursuant to the Pre-IPO Share Incentive Scheme respectively.

(5) ARCH Venture Partners VII, LLC is controlled as to one-third by Mr. Robert Taylor NELSEN and is the general partner of ARCH Venture Partners VII, L.P. Mr. NELSEN is therefore deemed to be interested in the same number of Shares held by ARCH Venture Fund VII, L.P..

(6) Dr. Lian Yong CHEN is the general partner of China Life Sciences Access Fund, L.P. and is therefore deemed to be interested in the same number of Shares held by China Life Sciences Access Fund, L.P..

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Share or underlying Shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

Substantial shareholders' interests and short positions in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests of relevant persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held [9]	Approximate percentage of shareholding in the Company
ARCH Venture Fund VII, L.P. [1]	Beneficial interest	125,088,960(L)	11.89%
Robert Taylor Nelsen[1]	Interest in controlled corporation	125,088,960(L)	11.89%
Keith CRANDELL[1]	Interest in controlled corporation	125,088,960(L)	11.89%
Clint BYBEE[1]	Interest in controlled corporation	125,088,960(L)	11.89%
Venrock Associates V, L.P. [2]	Beneficial interest	103,475,595(L)	9.84%
Venrock Management V, LLC[2]	Interest in controlled corporation	103,475,595(L)	9.84%
Venrock Partners V, L.P. [2]	Beneficial interest	103,475,595(L)	9.84%
Venrock Partners Management V, LLC[2]	Interest in controlled corporation	103,475,595(L)	9.84%
VEF Management V, LLC[2]	Interest in controlled corporation	103,475,595(L)	9.84%
Impresa Fund III Limited Partnership[3][4]	Interest in controlled corporation	105,581,040(L)	10.04%
Impresa Management LLC[3][4]	Interest in controlled corporation	105,581,040(L)	10.04%
Abigail P. Johnson[3][4]	Trustee	105,581,040(L)	10.04%
Edward C. Johnson IV[3][4]	Trustee	105,581,040(L)	10.04%
FMR LLC[3][4]	Interest in controlled corporation	105,581,040(L)	10.04%
FIL Limited[3][5]	Interest in controlled corporation	107,686,470(L)	10.24%
Pandanus Partners L.P. [3][5]	Interest in controlled corporation	107,686,470(L)	10.24%
Pandanus Associates Inc. [3][5]	Interest in controlled corporation	107,686,470(L)	10.24%
Wuxi Pharmatech Healthcare Fund I L.P. [6]	Beneficial interest	74,029,635(L)	7.04%
WuXi AppTec Co., Ltd. [6]	Interest in controlled corporation	74,029,635(L)	7.04%
Ge LI[6]	Beneficial interest	28,015,170(L)	2.66%
	Interest in controlled corporations	74,029,635(L)	7.04%
Ning ZHAO[6]	Beneficial interest	28,015,170(L)	2.66%
	Interest in controlled corporations	74,029,635(L)	7.04%
Harvest Yuanxiang (Cayman) Limited[7]	Beneficial interest	65,665,860(L)	6.24%
Harvest Investment Management Co., Ltd (嘉實投資管理有限公司) [7]	Interest in controlled corporation	65,665,860(L)	6.24%
The Core Trust Company Limited[8]	Trustee	117,000,000(L)	11.12%
HLYY Limited[8]	Nominee of a trust	117,000,000(L)	11.12%

Notes:

1. To the best of our Directors' knowledge, ARCH Venture Fund VII, L.P. is a Delaware limited partnership established in the United States. The general partner of ARCH Venture Fund VII, L.P. is ARCH Venture Partners VII, L.P., a Delaware limited partnership established in the United States. The general partner of ARCH Venture Partners VII, L.P. is ARCH Venture Partners VII, LLC, a limited liability company incorporated in the United States. ARCH Venture Partners VII, LLC is controlled as to one-third by each of Mr. Robert Taylor NELSEN, our non-executive Director, Mr. Keith CRANDELL and Mr. Clint BYBEE. As such, each of ARCH Venture Partners VII, L.P., ARCH Venture Partners VII, LLC, Mr. Robert Taylor NELSEN, Mr. Keith CRANDELLand Mr. Clint BYBEE is deemed to be interested in the equity interest held by ARCH Venture Fund VII, L.P. and the ultimate controllers of ARCH Venture Fund VII, L.P. are Mr. Robert Taylor NELSEN, Mr. Keith CRANDELL and Mr. Clint BYBEE.

2. To the best of our Directors' knowledge, each of the Venrock Entities, Venrock Associates V, L.P., Venrock Partners V, L.P. and Venrock Entrepreneurs Fund V, L.P. is an exempted limited partnership established in the United States. The general partner of Venrock Associates V, L.P. is Venrock Management V, LLC, an exempted limited liability company established in the United States. The general partner of Venrock Partners V, L.P. is Venrock Partners Management V, LLC, an exempted limited liability company established in the United States. The general partner of Venrock Entrepreneurs Fund V, L.P. is VEF Management V, LLC, an exempted limited liability company established in the United States. Each of Venrock Management V, LLC, Venrock Partners Management V, LLC and VEF Management V, LLC ("Venrock GP Entities") is ultimately controlled by the same group of individuals, none of whom controls, directly or indirectly, one-third or more of the voting power at the general meetings of a Venrock GP Entity or otherwise is deemed to control a Venrock GP Entity under the SFO.

3. To the best of our Directors' knowledge, Asia Ventures II L.P. is a limited partnership established in Bermuda and holds approximately 5.12% of the voting rights of the Company. Further, F-Prime Capital Partners Healthcare Fund II LP is a limited partnership established in Delaware and holds approximately 4.92% of the voting rights of the Company.

4. To the best of our Directors' knowledge, Impresa Fund III Limited Partnership is deemed to be interested in the equity interests held by both Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund II LP due to its interests in each of Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund II LP as a limited partner. The general partner of Impresa Fund III Limited Partnership is Impresa Management LLC, which is controlled (as defined under the SFO) by each of Abigail P. Johnson and Edward C. Johnson IV and owned, directly or indirectly, by various shareholders and employees of FMR LLC. Further, the general partner of F-Prime Capital Partners Healthcare Fund II LP is F-Prime Capital Partners Healthcare Advisors Fund II LP, whose general partner is Impresa Management LLC.

   As such, under the SFO, Impresa Fund III Limited Partnership, Impresa Management LLC, Abigail P. Johnson, Edward C. Johnson IV and FMR LLC are deemed interested in the Shares held by Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund II LP, which collectively hold 10.04% of the voting rights of the Company.

5. To the best of our Directors knowledge, Eight Roads Investments Limited is a company limited by shares incorporated in Bermuda and holds approximately 0.20% of the voting rights of the Company.

   To the best of our Directors' knowledge, FIL Limited is deemed to be interested in the equity interests held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP and Eight Roads Investments Limited due to (i) its interests in Asia Ventures II L.P. as a limited partner and the fact that it is the sole shareholder of FIL Capital Management Ltd, the general partner of Asia Partners II L.P., which in turn is the general partner of Asia Ventures II L.P.; (ii) its interests in F-Prime Capital Partners Healthcare Fund II LP as a limited partner; and (iii) the fact that Eight Roads Investments Limited is its wholly-owned subsidiary. FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc.

   As such, under the SFO, FIL Limited, Pandanus Partners L.P., and Pandanus Associates Inc. are deemed interested in our Shares held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP and Eight Roads Investments Limited, which collectively holds 10.24% of the voting rights of the Company.

6. To the best of our Directors' knowledge, the general partner of Wuxi Pharmatech Healthcare Fund I L.P. is Wuxi Pharmatech Fund I General Partner L.P., a limited partnership established in the Cayman Islands whose general partner is Wuxi Pharmatech Investments (Cayman) Inc., an exempted limited liability company established in the Cayman Islands. Wuxi Pharmatech Investments (Cayman) Inc. is a wholly-owned subsidiary of Wuxi Pharmatech Investment Holdings (Cayman) Inc., which is in turn wholly-owned by Wuxi AppTec International Holdings Limited, which is in turn wholly-owned by WuXi AppTec Co., Ltd. As Dr. Ge LI, Dr. Ning ZHAO and their concert parties controls over 30% in WuXi AppTec Co., Ltd., Dr. Ge LI and Dr. Ning ZHAO are deemed to be interested in our Shares held by Wuxi Pharmatech Healthcare Fund I L.P. and are its ultimate controllers.

7. To the best of our Directors' knowledge, Harvest Yuanxiang (Cayman) Limited is an indirectly wholly-owned subsidiary of Shenzhen Jiashi Yuanxiang Venture Capital Investment Partnership (LP) (深圳嘉實元祥股權投資合夥企業 (有限合夥)). The general partner of Shenzhen Jiashi Yuanxiang Venture Capital Investment Partnership (LP) is Harvest Investments Management Co., Ltd. (嘉實投資管理有限公司), a limited liability company incorporated in the PRC and the ultimate controller of Harvest Yuanxiang (Cayman) Limited.

8. The Core Trust Company Limited is the sole shareholder of HLYY Limited, which holds the Shares underlying the option and awards granted under the Pre-IPO Share Incentive Scheme.

9. The letter "L" denotes the person's long position in the Shares.

Saved as disclosed above, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

Securities transactions by the Directors

As the Shares were not yet listed on the Stock Exchange, the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code") was not applicable to the Company during the reporting period. The Company has adopted the Model Code as the guidelines for the directors' dealings in the securities of the Company since the Listing Date. Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code since the Listing Date.

Corporate governance

As the Shares were not yet listed on the Stock Exchange, the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") were not applicable to the Company during the reporting period. The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. Since the Listing Date, the Company has been in full compliance with all applicable code provisions of the CG Code.

Changes to information in respect of the Directors

Since the Listing Date, there was no change to the information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules where applicable.

Review of interim report

The unaudited consolidated financial results of the Group for the six months ended June 30, 2018 has been reviewed by the auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee of the Company has reviewed and discussed with the management of the Company, the unaudited interim results of the Group for the six months ended June 30, 2018, and confirms that the applicable accounting principles, standard and requirements have been complied with, and that adequate disclosures have been made.

DEFINITIONS

In this interim report, the following expressions have the meanings set out below unless the context requires otherwise.

"Board"	the board of Directors of the Company
"CDA"	China Drug Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Company"	Hua Medicine (華領醫藥), an exempt limited liability company incorporated under the laws of the Cayman Islands on November 10, 2009 and whose Shares are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Global Offering"	the global offering of the Shares, comprising the Hong Kong public offering of initially 10,476,000 Shares (subject to reallocation) and the international offering of initially 94,280,000 Shares (subject to reallocation and the over-allotment option granted by the Company and exercisable by the stabilizing manager in the Global Offering to require us to allot and issue up to 15,713,000 additional Shares to cover over-allocations in the international offering)
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"Latest Practicable Date"	September 14, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
"Listing"	listing of our Shares on the Stock Exchange
"Listing Date"	September 14, 2018, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, excluding, for the purposes of this report, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Pre-IPO Share Incentive Scheme"	the share incentive scheme approved and adopted by the Company on March 25, 2013 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries

"Prospectus"	the prospectus issued by the Company on August 31, 2018 in connection with the Hong Kong public offering of the Shares
"R&D"	research and development
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with nominal value of US$0.001 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States of America
"U.S."	The United States of America

Hua Medicine
華領醫藥