



# Hua Medicine 華領醫藥

(Incorporated in the Cayman Islands with Limited Liability)  
Stock Code: 2552

## INTERIM REPORT 2020



# TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	20
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE	21
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	22
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	24
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	26
OTHER INFORMATION	44
DEFINITIONS	51



## 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 KWAIK (郭德明)  
William Robert KELLER  
Junling LIU (劉峻嶺)  
Yiu Wa Alec TSUI (徐耀華)

### Audit committee

Walter Teh-Ming KWAIK (郭德明) (*Chairman*)  
William Robert KELLER  
Yiu Wa Alec TSUI (徐耀華) (appointed on June 25, 2020)  
Lian Yong CHEN (陳連勇) (ceased to be member on June 25, 2020)

### Remuneration committee

William Robert KELLER (*Chairman*)  
Walter Teh-Ming KWAIK (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

Wing Yan Winnie YUEN (袁穎欣)

### Authorized representatives

George Chien Cheng LIN (林潔誠)  
Wing Yan Winnie YUEN (袁穎欣)

### Auditor

Deloitte Touche Tohmatsu

### 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  
PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman  
KY1-1102, Cayman Islands

### **Hong Kong share registrar**

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

### **Company's website**

[www.huamedicine.com](http://www.huamedicine.com)

### **Stock code**

2552

## FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Other income	3,554	3,379
Other gains and losses	3,463	1,995
Administrative expenses	(65,972)	(74,242)
Finance cost	(2,247)	(129)
Research and development expenses	<u>(112,253)</u>	<u>(166,503)</u>
Loss before tax	<u>(173,455)</u>	<u>(235,500)</u>
Income tax expense	<u>–</u>	<u>–</u>
Net loss	<u>(173,455)</u>	<u>(235,500)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations	<u>(202)</u>	<u>–</u>
<b>Loss and total comprehensive expense for the period</b>	<u><u>(173,657)</u></u>	<u><u>(235,500)</u></u>
	<b>At June 30</b>	<b>At December 31</b>
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Non-current assets	129,081	134,161
Current assets	<u>961,561</u>	<u>1,120,452</u>
Current liabilities	<u>93,015</u>	<u>108,786</u>
Net current assets	868,546	1,011,666
Non-current liabilities	<u>79,900</u>	<u>85,207</u>
Net asset	<u><u>917,727</u></u>	<u><u>1,060,620</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business overview

We are a pre-revenue China-based drug development company currently focusing on the development of dorzagliatin, a first-in-class oral drug for the treatment of Type 2 Diabetes (“T2D”). We filed an Investigational New Drug (“IND”) application with the National Medical Products Administration of the People’s Republic of China (the “NMPA”) 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. Since then, we have completed six Phase I trials in China, four Phase I trials in the United States, one Phase II trial and one Phase III registration trial, SEED/HMM0301 in China. Our Phase III registration trials began in July 2017 in China, with dorzagliatin both as a monotherapy (SEED/HMM0301) and in combination with metformin (DAWN/HMM0302).

During the six months ended June 30, 2020 (the “Reporting Period”), we released positive results of our Phase I trials HMM0110, HMM0111, and HMM0112, and the positive 52-week topline results from one of our pivotal Phase III registration trial in China (SEED/HMM0301). On July 1, 2020, we released the positive 24-week topline results of Phase III metformin combination trial of dorzagliatin (DAWN/HMM0302). We also presented data demonstrating improvements in  $\beta$ -cell function at the American Diabetes Association’s 80th Scientific Sessions (the “2020 ADA”), which builds upon the positive results from our topline results. The results demonstrate dorzagliatin’s potential to restore glucose homeostasis in T2D patients, and continue to support our efforts to launch dorzagliatin as a cornerstone therapy for the treatment of T2D. We continue to progress with our Phase III registration trial DAWN/HMM0302, with the expectation to complete the 52-week trial by the third quarter of 2020, and announce topline results by year-end 2020. We also currently have one ongoing Phase I trial in China, HMM0109, which studies the pharmacokinetics profile of dorzagliatin in hepatic impaired patients.

We have initiated multiple studies on dorzagliatin plus existing anti-diabetes therapies at preclinical development and clinical settings. Six patents were filed, which cover the fixed-dose combination of dorzagliatin with six classes of oral anti-diabetic drugs. Some of these classes have already demonstrated complementary or synergistic effects to expand the clinical application across a full range of T2D patients, and those with metabolic syndrome or other diabetes complications.

In preparation for our NDA submission for dorzagliatin with the NMPA, we have fully validated cGMP commercial manufacturing processes for API and drug product to support our launch in China.

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



Chart: HbA1c Reduction over 52 weeks

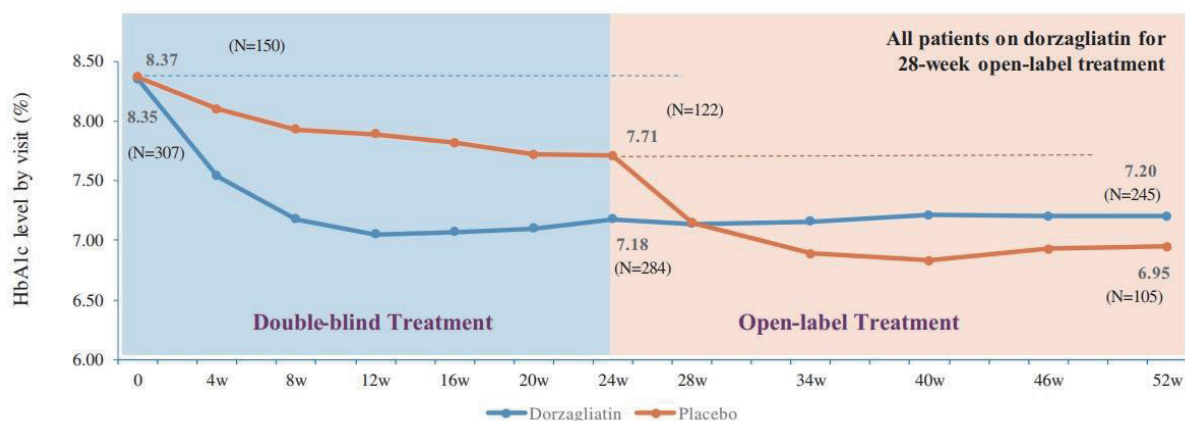


Table: HbA1c Reduction

	24 weeks	52 weeks	p-value*
Treatment Group (simple mean calculation)	-1.15	-1.11	<0.001
Placebo Group (simple mean calculation)	-0.58	-1.27	<0.001

Note: \*p<0.001 compared with baseline at 52 week

In the initial 24-week treatment period, dorzagliatin exhibited a safe and well tolerated clinical profile. Fewer than 1 percent of patients experienced clinically significant hypoglycaemia (blood glucose < 3 mmol/L) was reported, based on the ADA's guidelines. During the 28-week open-label treatment period, dorzagliatin continued to exhibit a safe and well-tolerated clinical profile. A safety analysis based on study safety population demonstrated that dorzagliatin was well tolerated and had a good safety profile. The incidence of adverse events was similar between the dorzagliatin-treated and placebo groups. There was less than 1% hypoglycemia with blood glucose < 3 mmol/L during the 52-week treatment period. During the 28-week open-label treatment, patients also saw a continued reduction of insulin resistance (insulin resistance is the hallmark of Type 2 diabetes).

HMM0110 demonstrated desirable pharmacokinetics profile in patients with end stage chronic kidney disease, indicating the potential use of dorzagliatin among T2D patients with renal impairment in mild, moderate, severe and end stage before dialysis.

HMM0111, dorzagliatin demonstrated the possibility of administration in combination with sitagliptin, the global top-selling DPP-IV inhibitor, with superior blood glucose reduction over sitagliptin or dorzagliatin monotherapy.

HMM0112, which successfully demonstrated the possibility of administering dorzagliatin in combination with empagliflozin, a top-selling SGLT-2 inhibitor, also achieved significantly enhanced glucose lowering effect over empagliflozin or dorzagliatin monotherapy



### *Ongoing/planned trials:*

As part of our strategy to establish dorzagliatin as a cornerstone therapy for the treatment of T2D globally, the positive results of the trials of HMM0110, HMM0111, HMM0112 and HMM0301 allow us to advance its mission. We are also investigating the combination of dorzagliatin with various approved classes of orally available anti-diabetic medicines as well as other popular medicines commonly taken by diabetes patients to address each patients' personal needs. We are also exploring the use of dorzagliatin in T2D patients with hepatic and renal impairment, as many other oral antidiabetic medicines are not readily suitable for these patient populations.

In addition to DAWN/HMM0302, we currently have one additional trial being conducted in China to expand dorzagliatin's indications. HMM0109 is a Phase I trial studying the impact on pharmacokinetics for patients with hepatic impairment in China.

We continue to work closely with 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.

To date, we have not yet generated any revenue 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, 2020, we expect to incur significant losses for the foreseeable future with no product revenues prior to obtaining marketing approval for dorzagliatin from the NMPA and commercializing dorzagliatin.

**Cautionary Statement required under Rule 18A.08(3) of the Listing Rules:** We may not be able to ultimately develop and market our dorzagliatin successfully.

### **Business outlook**

We plan to announce top-line 52-week Phase III trial results for our combination with metformin trial (DAWN/HMM0302) by year end 2020. We plan to file for NDA approval with the NMPA after the completion of both 52-week trials. Our plan is to partner with either China-based or international pharmaceutical companies to make dorzagliatin available to patients, in both China and regions outside of China. In order to continue expansion of dorzagliatin's indications for the treatment of T2D, we plan to initiate trials with several other available medicines to expand our dorzagliatin-driven portfolio. As part of the strategy to establish dorzagliatin as a cornerstone therapy for the treatment of T2D globally, we would expect to collaborate with global experts in T2D to further understand the potential of dorzagliatin.

## Key events after the reporting period

On July 1, 2020, we announced positive results for DAWN/HMM0302. DAWN/HMM0302 is a dorzagliatin add-on to metformin Phase III registration trial in metformin tolerant T2D patients in China. We completed patient enrollment with 766 patients as of August 30, 2019, and we announced positive 24-week topline results on July 1, 2020. The trial met the primary efficacy and safety endpoints in the double-blinded, placebo-controlled and randomized 24-week trial period. Dorzagliatin again demonstrated fast onset, potent and sustained HbA1c reduction of 1.02% from baseline at 24 weeks, as compared to a reduction of 0.36% (least squares mean) from baseline for the placebo group ( $p$ -value  $< 0.0001$ ), in T2D patients whose blood glucose cannot be controlled with the maximum tolerated dose of metformin (Glucophage®, 1500mg/day). The American Diabetes Association (ADA) treatment target of HbA1c below 7.0% was achieved by 44.4% of subjects on dorzagliatin and metformin, compared to 10.7% of subjects who received metformin only. Patients treated with dorzagliatin demonstrated statistically significant improvement of HOMA2- $\beta$ , HOMA2-IR, 2hPPG and FPG over those in the placebo group. In the 24-week period, dorzagliatin continued to exhibit a safe and well-tolerated clinical profile. There was less than 1% hypoglycemia with blood glucose  $< 3$  mmol/L during the 24-week treatment period. There was no drug-related SAE, nor severe hypoglycemia reported. We expect to complete and announce data from the full 52-week trial (plus one-week follow-up) by year end 2020.

As of the date of this interim report, business operations in China have been impacted by the outbreak of the novel coronavirus (COVID-19) since the latter half of January 2020. Due to the extenuating circumstances of the COVID-19 outbreak, many businesses in China halted operations as a result of the quarantine measures imposed by the government. Following guidelines issued by the Chinese government, our Company requested all employees work remotely beginning February 3, 2020. On March 2, 2020, our employees started returning to our offices in China in accordance with government guidelines, and as of the date of this interim report, our employees, as well as those of our partners (e.g., CROs, SMOs and CMOs), have resumed normal operations. Despite these challenging circumstances, we have been able to achieve our major clinical trial milestones during this period without any delay. We announced positive 52-week topline results for SEED/HMM0301 on June 18, 2020, and positive 24-week topline results for DAWN/HMM0302 on July 1, 2020. Throughout this period, we have operated in strict adherence with national guidelines in conducting clinical trials, and also enforced additional trial management guidelines in pharmacovigilance and quality control to ensure our clinical trials remain on track and conducted in high quality. However, we do expect potential delays in the release of top-line results and also potential delays with some NDA-enabling work due to the COVID-19 outbreak, which could lead to a delay in the filing of the NDA with the NMPA.

## Financial review

### Other income

Our other income consisted primarily of bank interest income and government grants. Our other income was RMB3.6 million in the six months ended June 30, 2020 as compared to RMB3.4 million in the six months ended June 30, 2019, which was mainly attributable to RMB0.3 million of government grants and subsidies.

### Other gains and losses

Our other gains and losses consisted primarily of gains due to fluctuations in the exchange rates between the Renminbi and the U.S. dollars and between Renminbi and HK dollars. Our other gains and losses increased by RMB1.5 million were mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollars and HK dollars and larger appreciation of the U.S. dollars and HK dollars against the Renminbi for the six months ended June 30, 2020.

Our business mainly operates in the PRC, and most of our transactions settled in Renminbi. Since inception, we have financed our business solely through equity financings, with related proceeds denominated in U.S. dollars, HK dollars and Renminbi. We converted a portion of those U.S. dollars proceeds to Renminbi and HK dollars proceeds to U.S. dollars immediately, with the remaining amounts reserved 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. dollars and HK dollars denominated cash balances 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 decreased by RMB8.2 million to RMB66.0 million in the six months ended June 30, 2020 from RMB74.2 million in the six months ended June 30, 2019, which was mainly attributable to i) decrease in labor costs which was attributable to the decrease of RMB9.7 million in share-based payment under the accelerated amortization method, adjusted for an increase of RMB2.4 million in cash compensation with headcount increase, ii) decrease in consulting fee of RMB3.6 million associated with commercialization strategy and market research expense incurred in the first half year 2019 and no such cost in the first half year of 2020, iii) decrease of RMB2.5 million in travelling costs due to the impact of COVID-19 and decrease of RMB2.0 million in recruitment cost based on the recruitment plan, and iv) adjusted for the rental increase of RMB7.5 million with entering into the tenancy agreement for leasing office building in December, 2019 to establish the Global Operation Headquarters and Research and Development Center in China.

### Finance cost

Our finance cost consisted primarily of interest on lease liabilities. Our finance cost was RMB2.2 million in the six months ended June 30, 2020 as compared to RMB0.1 million in the six months ended June 30, 2019, which was mainly attributable to the lease of headquarters building at the end of year 2019.

## Research and development expenses

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

	Six months ended June 30,			
	2020		2019	
	RMB' 000	%	RMB' 000	%
Dorzagliatin Clinical Trials	46,565	41%	85,342	51%
Dorzagliatin Non-clinical Studies	225	0%	308	0%
Chemical, Manufacturing and Control	4,652	4%	17,966	11%
Labor Cost	55,261	50%	54,297	33%
Dorzagliatin Licensing Fee and Patent Fee	1,272	1%	2,018	1%
Others	4,278	4%	6,572	4%
Total	<u>112,253</u>	<u>100.0%</u>	<u>166,503</u>	<u>100.0%</u>

Research and development expenses decreased by RMB54.3 million to RMB112.3 million for the six months ended June 30, 2020 from RMB166.5 million for the six months ended June 30, 2019. The decrease in research and development expenses mainly included:

- a decrease of RMB38.8 million for dorzagliatin clinical trials, which was primarily attributable to decreased costs associated with the successful conclusion of the 52-week study period of SEED/HMM0301 in March 2020 and the increasing number of patients completing DAWN/HMM0302 beginning December 2018;
- a decrease of RMB13.3 million in chemical, manufacturing, and control expenses, which was primarily attributable to process validation for spray dried powder (SDP) manufacturing and scaling-up development and method validation of SDP completed in the first half year of 2019;
- an increase of RMB1.0 million for increased labor costs, which was primarily attributable to an increase of RMB3.1 million in cash compensation with headcount increase, adjusted for a decrease of RMB2.1 million in share-based payment;
- a decrease of RMB2.3 million for others, which was primarily attributable to decreased travelling, consulting and meeting costs due to the impact of COVID-19.

## Income tax expense

We recognized no income tax expenses in the six months ended June 30, 2020 and the six months ended June 30, 2019.

## Liquidity and capital resources

Since our inception, we have incurred net losses and negative cash flows from operations. Our primary use of cash is to fund research and development expenses. Our operating activities utilized RMB167.4 million for the six months ended June 30, 2020. As of June 30, 2020, we had cash and cash equivalents of RMB949.6 million.

As of June 30, 2020, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the reporting period.

### Cash operating cost

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
Research and development costs for dorzaglatin	91,247	145,572
Administrative Costs		
– Labor cost	27,386	20,126
– Others	48,772	32,456
	<u>76,158</u>	<u>52,582</u>
	<u>167,405</u>	<u>198,154</u>

### Cash flows

The following table provides information regarding our cash flows for the six months ended June 30, 2020 and 2019:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
Net cash used in operating activities	(167,405)	(198,154)
Net cash from (used in) investing activities	2,871	(1,666)
Net cash (used in) from financing activities	(3,832)	409
Effect of exchange rate changes	12,350	2,490
Net decrease in cash and cash equivalents	<u>(156,016)</u>	<u>(196,921)</u>

### Net cash used in operating activities

The primary use of our cash was to fund 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, 2020, our operating activities used RMB167.4 million of cash, which resulted principally from our loss before tax of RMB173.5 million, adjusted for non-cash charges and non-operating cash charges of RMB29.2 million, and by cash used in our operating assets and liabilities of RMB23.1 million. Our net non-cash charges during the six months ended June 30, 2020 primarily consisted of share-based payments expenses, depreciation of equipment, right of use assets and amortization for intangible assets.

During the six months ended June 30, 2019, our operating activities used RMB198.2 million of cash, which resulted principally from our loss before tax of RMB235.5 million, adjusted for non-cash charges and non-operating cash charges of RMB40.0 million, and by cash used in our operating assets and liabilities of RMB2.7 million. Our net non-cash charges during the six months ended June 30, 2019 primarily consisted of share-based payments expenses, depreciation of equipment and amortization for intangible assets.

### Net cash from (used in) investing activities

Net cash provided by investing activities was RMB2.9 million for the six months ended June 30, 2020, which resulted primarily from the interest received from bank for short-term deposit, adjusted for purchase of equipment and intangible assets. Net cash used in investing activities was RMB1.7 million for the six months ended June 30, 2019, which resulted primarily from the purchase of equipment, adjusted for interest received from bank for short-term deposit.

### Net cash (used in) from financing activities

Net cash used in financing activities was RMB3.8 million for the six months ended June 30, 2020, which resulted from repayments of lease liabilities, adjusted for proceeds from exercise of share options. Net cash from financing activities was RMB0.4 million for the six months ended June 30, 2019, which resulted from proceeds from exercise of share options, adjusted for repayments of lease liabilities.

### Financial position

Our net current assets decreased from RMB1,011.70 million as of December 31, 2019 to RMB868.5 million as of June 30, 2020. Current assets decreased from RMB1,120.5 million as of December 31, 2019 to RMB961.6 million as of June 30, 2020, primarily due to decrease in bank balances and cash from RMB1,105.6 million as of December 31, 2019 to RMB949.6 million as of June 30, 2020, which was due primarily to net cash expenditure during the six months ended June 30, 2020.

### Significant change in accounting policy

In the current interim period, we have applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standard Board (the 'IASB'). We also have applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions."

## Indebtedness

As of June 30, 2020, our lease liabilities amounted to RMB87.5 million. The following table sets forth our lease liabilities as of the dates indicated:

	<b>As of June 30, 2020 RMB' 000</b>	<b>As of December 31, 2019 RMB' 000</b>
Current portion	14,822	12,019
Non-current portion	<u>72,652</u>	<u>77,959</u>
Total	<u><u>87,474</u></u>	<u><u>89,978</u></u>

Our lease liabilities as of June 30, 2020 were from leased properties and vehicle lease contracts with lease terms of two to six years. As of June 30, 2020, we did not have any other indebtedness.

## Qualitative and Quantitative Disclosures About Market Risk

We are exposed to a variety of market risks, including currency risk, interest rate risk, credit risk, and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. We currently do not hedge or consider it is necessary to hedge any of these risks.

### Currency Risk

Our business mainly operates in the PRC with most of our transactions settled in Renminbi, and our financial statements are presented in Renminbi. Renminbi is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currencies. The value of Renminbi is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk.

Since our inception, we have raised funds through various rounds of offshore financings and received proceeds of such financings in U.S. dollars, HK dollars and Renminbi. We convert a portion of those funds to Renminbi immediately and place the remaining amount in time deposits. We convert additional amounts to Renminbi as needed. The value of the Renminbi against the U.S. dollars and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. To the extent that we need to convert U.S. dollars or other currencies we have received in previous financings into Renminbi for our operations, or if any of our arrangements with other parties are denominated in U.S. dollars and need to be converted into Renminbi, appreciation of the Renminbi against the U.S. dollars or other currencies would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars or other currencies for business purposes, appreciation of the U.S. or HK dollars against the Renminbi would have a negative effect on the U.S. dollars or other currencies amounts available to us. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency rate.

The following table details our sensitivity to a 5% increase and decrease in Renminbi against U.S. dollars and HK dollars, the foreign currencies with which we may have material exposure. No sensitivity analysis has been disclosed for the Taiwan dollars denominated assets as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates an increase in loss where Renminbi strengthens 5% against U.S. dollars and HK dollars. For a 5% weakening of Renminbi against U.S. dollars and HK dollars there would be an equal and opposite impact on gain for the period.

	<b>As of June 30, 2020 RMB' 000</b>	<b>As of December 31, 2019 RMB' 000</b>
<b>Impact on profit or loss</b>		
US\$	(29,140)	(42,433)
HK\$	(2,330)	(2,634)

#### Interest Rate Risk

The Company and its subsidiaries (collectively referred to as the "Group") is primarily exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

#### Liquidity Risk

As of June 30, 2020, and December 31, 2019, we recorded net current assets of RMB868.5 million and RMB1,011.7 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

#### Disclosure under Rules 13.13 to 13.19 of the Listing Rules

Our Directors have confirmed that as at June 30, 2020, 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, 2020, we had 168 employees. The following table shows a breakdown of our employees by function as of June 30, 2020:

	<b>Number of employees</b>	<b>Approximate percentage</b>
Research and development	108	64%
General and administration	52	31%
Management	<u>8</u>	<u>5%</u>
Total	<u><u>168</u></u>	<u><u>100%</u></u>

The majority of the employees are employed in mainland China. For the six months ended June 30, 2020, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB90.8 million as compared to RMB98.2 million for the six months ended June 30, 2019.

The Group will continue to offer competitive remuneration packages, discretionary share options and bonuses to staff. The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the overall remuneration standard in the industry and employee's performance. The management reviews the Group's employee remuneration policy and agreements on a regular basis. Moreover, the social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve their working efficiency. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the six months ended June 30, 2020.

The Company has also adopted a Pre-IPO Share Incentive Scheme and a Post-IPO Share Option Scheme. Please refer to the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV to the prospectus of the Company dated August 31, 2018 for further details. To clarify, the 500,000 share options granted by the Company on 20 July 2020 pursuant to the Post-IPO Share Option Scheme were fully cancelled on 28 July 2020.

## Outstanding Share Options Granted under the Pre-IPO Share Incentive Scheme

The Company has not granted further share options under the Pre-IPO Share Incentive Scheme after the Listing Date. The table below shows the details of movements of share options granted to the Directors and other employees and consultants under the Pre-IPO Share Incentive Scheme:

Name or category of grantee	Date of grant	Exercise price	Vesting Period <sup>(1)</sup>	Number of	Number of	Weighted	Number of	Number of	Number of
				Shares		options			average price
				underlying	exercised	of Shares	cancelled	lapsed	underlying
				options	during the	immediately	during the	during the	options
				outstanding	Reporting	before the	Reporting	Reporting	outstanding
				as at	Period	date(s) of	Period	Period	as at
				1 January		exercise			30 June
				2020					2020
<b>Category 1: Directors</b>									
Dr. Li Chen	December 4, 2014 ~ August 26, 2018	HK\$0.546~3.822	4 years	12,921,725	-	-	-	-	12,921,725
Mr. George Chien Cheng Lin	April 3, 2018	HK\$3.666	4 years	25,592,405	-	-	-	-	25,592,405
<b>Category 2: Employees other than Directors</b>									
	March 25, 2013 ~ August 26, 2018	HK\$0.546~3.666	4 years	54,412,889	(333,014)	HK\$5.01	(458,773) <sup>(2)</sup>	-	53,621,102
<b>Category 3: Consultants</b>									
	September 12, 2013 ~ May 11, 2018	HK\$0.546~3.666	1~4 years	7,016,000	(60,000)	HK\$7.01	-	-	6,956,000
<b>Total</b>				<b>99,943,019</b>	<b>(393,014)</b>		<b>(458,773)</b>	<b>-</b>	<b>99,091,232</b>

Note:

(1) Options granted under the Pre-IPO Share Incentive Scheme 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. The exercise period of the share options granted under the Pre-IPO Share Incentive Scheme shall be any time after the end of the vesting period and before the 10th anniversary of the grant date, subject to the terms of the Pre-IPO Share Incentive Scheme and the share option award agreements signed by the grantees.

(2) The exercise price of the cancelled options is between HK\$0.546 and HK\$3.666.

### Outstanding RSUs Granted under the Pre-IPO Share Incentive Scheme

The Company has not granted further RSUs under the Pre-IPO Share Incentive Scheme after the Listing Date. The table below shows the details of movements of RSUs granted to the Director under the Pre-IPO Share Incentive Scheme.

Name	Date of grant	Vesting Period <sup>(1)</sup>	Number of Shares underlying RSUs outstanding as of January 1, 2020	RSUs vested during the Reporting Period	RSUs cancelled/lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of June 30, 2020
Mr. George Chien Cheng Lin	April 3, 2018	4 years	5,103,285	(927,876)	–	4,175,409

Note:

- (1) Such shares were vested after a qualified IPO achieved in 48 monthly instalments, subject to the grantee's continued employment through the applicable vesting date.

## Outstanding Share Options Granted under the Post-IPO Share Option Scheme

The table below shows the details of movement of share options granted under the Post-IPO Share Option Scheme:

Name or category of grantee	Date of grant	Closing price of the Shares immediately before the date of grant		Exercise price	Vesting Period <sup>(1)</sup>	Number of Shares underlying options outstanding as at 1 January 2020	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Weighted average price of Shares immediately before the date(s) of exercise	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying options outstanding as at 30 June 2020
<b>Category 1: Directors</b>												
Dr. Li Chen	March 8, 2019	HK\$8.89	HK\$8.866	4 years	4 years	12,079,000	-	-	-	-	-	12,079,000
Mr. George Chien Cheng Lin	March 8, 2019	HK\$8.89	HK\$8.866	4 years	4 years	300,000	-	-	-	-	-	300,000
<b>Category 2: Grantees other than Directors</b>												
	October 29, 2018	HK\$6.81	HK\$7.192	4 years	4 years	75,000	-	-	-	-	-	75,000
	November 26, 2018	HK\$8.17	HK\$7.970	4 years	4 years	500,000	-	-	-	-	-	500,000
	March 8, 2019	HK\$8.89	HK\$8.866	4 years	4 years	7,810,300	-	-	-	(291,875) <sup>(2)</sup>	(29,166) <sup>(3)</sup>	7,489,259
	August 29, 2019	HK\$6.80	HK\$6.800	4 years	4 years	500,000	-	-	-	-	-	500,000
	November 13, 2019	HK\$5.72	HK\$6.640	4 years	4 years	-	450,000	-	-	-	-	450,000
	March 17, 2020	HK\$3.40	HK\$3.616	4 years	4 years	-	8,905,000	-	-	(50,000) <sup>(2)</sup>	-	8,855,000
	April 3, 2020	HK\$3.00	HK\$3.000	4 years	4 years	-	200,000	-	-	-	-	200,000
	April 7, 2020	HK\$3.00	HK\$3.018	4 years	4 years	-	200,000	-	-	-	-	200,000
<b>Category 3: consultants</b>												
	March 8, 2019	HK\$8.89	HK\$8.866	4 years	4 years	200,000	-	-	-	-	-	200,000
<b>Total</b>						<b>21,464,300</b>	<b>9,755,000</b>			<b>(341,875)</b>	<b>(29,166)</b>	<b>30,848,259</b>

Notes:

- (1) Options granted under the Post-IPO Share Option Scheme generally vest over a four year period, with 25% of the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date. The share options shall be valid for a period of ten years from the date upon which the offer for the grant is options is made by the Company.
- (2) The exercise price of the cancelled options is between HK\$3.616 and HK\$8.866.
- (3) The exercise price of the lapsed options is HK\$8.866.
- (4) Options were accepted by Dr. Chen on June 25, 2019, by Mr. George Chien Cheng Lin on May 17, 2019, by employees between October 29, 2018 and June 15, 2020, and by a consultant on May 15, 2019.

## 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 21 to 43, which comprise the condensed consolidated statement of financial position at June 30, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive expense, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

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

#### Conclusion

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

August 17, 2020

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Notes	Six months ended June 30,	
		2020 RMB' 000 (unaudited)	2019 RMB' 000 (unaudited)
Other income	4	3,554	3,379
Other gains and losses	5	3,463	1,995
Administrative expenses		(65,972)	(74,242)
Finance cost	6	(2,247)	(129)
Research and development expenses		<u>(112,253)</u>	<u>(166,503)</u>
Loss before tax	7	(173,455)	(235,500)
Income tax expense	8	<u>–</u>	<u>–</u>
<b>Loss for the period</b>		<u>(173,455)</u>	<u>(235,500)</u>
<b>Other comprehensive expense:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>(202)</u>	<u>–</u>
<b>Other comprehensive expense for the period, net of income tax</b>		<u>(202)</u>	<u>–</u>
<b>Total comprehensive expense for the period</b>		<u>(173,657)</u>	<u>(235,500)</u>
Total comprehensive expense for the period attributable to:			
– Owners of the Company		<u>(173,657)</u>	<u>(235,500)</u>
<b>LOSS PER SHARE</b>	11		
Basic and diluted		<u>(0.18)</u>	<u>(0.25)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2020

	Notes	At June 30, 2020 RMB' 000 (unaudited)	At December 31, 2019 RMB' 000 (audited)
<b>Non-current assets</b>			
Equipment	12	10,209	10,988
Right-of-use assets	12	81,224	90,486
Intangible assets		2,535	1,980
Prepayments and other receivables	13	35,113	30,707
		<u>129,081</u>	<u>134,161</u>
<b>Current assets</b>			
Prepayments and other receivables	13	11,977	14,852
Bank balances and cash	14	949,584	1,105,600
		<u>961,561</u>	<u>1,120,452</u>
<b>Current liabilities</b>			
Trade and other payables	15	69,743	88,317
Deferred income	16	8,450	8,450
Lease liabilities		14,822	12,019
		<u>93,015</u>	<u>108,786</u>
<b>Net current assets</b>		<u>868,546</u>	<u>1,011,666</u>
<b>Total assets less current liabilities</b>		<u>997,627</u>	<u>1,145,827</u>
<b>Non-current liabilities</b>			
Deferred income	16	7,248	7,248
Lease liabilities		72,652	77,959
		<u>79,900</u>	<u>85,207</u>
<b>Net assets</b>		<u>917,727</u>	<u>1,060,620</u>
<b>Capital and reserves</b>			
Share capital	17	7,209	7,209
Treasury shares held in trust	17	(720)	(729)
Reserves		911,238	1,054,140
<b>Total equity</b>		<u>917,727</u>	<u>1,060,620</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Attributable to owners of the Company							Total RMB' 000
	Share capital RMB' 000	Treasury	Share premium RMB' 000	Other reserve RMB' 000	Share option reserve RMB' 000	Translation reserve RMB' 000	Accumulated losses RMB' 000	
		share held in trust RMB' 000						
At January 1, 2020 (audited)	7,209	(729)	5,893,318	(9,353)	147,445	–	(4,977,270)	1,060,620
Loss for the period	–	–	–	–	–	–	(173,455)	(173,455)
Other comprehensive expense for the period	–	–	–	–	–	(202)	–	(202)
Total comprehensive expense for the period	–	–	–	–	–	(202)	(173,455)	(173,657)
Option exercised to purchase ordinary shares under the trust (Note 17 (b))	–	2	548	(2)	–	–	–	548
Restricted stock units vested under the trust (Note 17 (c))	–	7	–	(7)	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	30,216	–	–	30,216
At June 30, 2020 (unaudited)	<u>7,209</u>	<u>(720)</u>	<u>5,893,866</u>	<u>(9,362)</u>	<u>177,661</u>	<u>(202)</u>	<u>(5,150,725)</u>	<u>917,727</u>
At January 1, 2019 (audited)	7,209	(797)	5,886,048	(10,033)	73,061	–	(4,552,000)	1,403,488
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(235,500)	(235,500)
Option exercised to purchase ordinary shares under the trust	–	13	2,311	–	–	–	–	2,324
Restricted stock units vested under the trust	–	7	(7)	–	–	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	42,046	–	–	42,046
At June 30, 2019 (unaudited)	<u>7,209</u>	<u>(777)</u>	<u>5,888,352</u>	<u>(10,033)</u>	<u>115,107</u>	<u>–</u>	<u>(4,787,500)</u>	<u>1,212,358</u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Six months ended June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(173,455)	(235,500)
Adjustments for:		
Bank interest income	(3,167)	(3,337)
Rental concession	(60)	–
Depreciation of equipment	2,277	1,504
Depreciation of right-of-use assets	10,106	2,135
Amortization of intangible assets	137	85
Finance cost	2,247	129
Share-based payment expense	30,216	42,046
Net unrealized foreign exchange gain	(12,552)	(2,487)
	<u>(144,251)</u>	<u>(195,425)</u>
Operating cash flows before movements in working capital	(144,251)	(195,425)
Decrease in prepayments and other receivables	1,304	8,384
Decrease in prepayments to related parties	–	3,426
Decrease in trade and other payables	(19,436)	(12,071)
Increase in value added tax recoverable	(5,022)	(9,518)
Increase in deferred income	–	7,050
	<u>(167,405)</u>	<u>(198,154)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES</b>		
Interest received from bank	4,036	3,337
Withdraw of rental deposits	162	–
Purchase of equipment	(635)	(4,359)
Purchase of intangible assets	(692)	(454)
Payments for rental deposits	–	(190)
	<u>2,871</u>	<u>(1,666)</u>
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		

	Six months ended June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	1,704	2,164
Repayments of leases liabilities	(5,536)	(1,755)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<u>(3,832)</u>	<u>409</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(168,366)	(199,411)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	1,105,600	1,443,310
Effects of exchange rate changes	12,350	2,490
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<u><u>949,584</u></u>	<u><u>1,246,389</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

#### 1.1 General information

Hua Medicine (the "Company") was established in the Cayman Islands as an exempted company with limited liability on November 10, 2009, and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 14, 2018 (the "Listing Date"). The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the interim report. 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 Significant events and transactions in the current interim period

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. On the other hand, the China government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. The government assistance have been implemented for the relief of the social insurance in respect of Covid-19. According to the notice issued by the Ministry of Social Affairs (2020) No.11, in order to minimize the impact of the COVID-19 on social and economic development, the government has reduced the social insurance for medium-sized enterprises from February to June 2020. As such, the financial positions and performance of the Group were affected in different aspects, including government assistance in respect of Covid-19 and rent concessions from certain lessors as disclosed in the relevant notes.

Except the items described above, the Group is not affected by the COVID-19 epidemic on the operational activities and financial position during the six months period ended June 30, 2020. On June 18, 2020, the Group released the positive 52-week topline results from one of pivotal Phase III registration trial in China (SEED/HMM0301).

In April 2020, Hua Medicine US Inc. has been established in the state of Delaware, America and registered capital is USD2,000,000, 100 % funded by the Company.

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

### 1.3 Basis of preparation

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 with 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 Renminbi (“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.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2019.

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standard Board (the ‘IASB’), for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions”.

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2.1 Impacts and accounting policies on early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

#### 2.1.1 Accounting policies

##### *Leases*

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

#### 2.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening accumulated losses at January 1, 2020. The Group recognized changes in lease payments that resulted from rent concessions of RMB60,000 in the profit or loss for the current interim period.

## 3. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group’s chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is present.

The Group did not record any revenue during the reporting period and the Group’s non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

#### 4. OTHER INCOME

	Six months ended June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Bank interest income	3,167	3,337
Government grants and subsidies related to income	327	42
Rental concession	60	–
	<u>3,554</u>	<u>3,379</u>

Note:

Government grants related to income that are received 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 when received by the Group.

#### 5. OTHER GAINS AND LOSSES

Other gains and losses mainly represent the foreign exchange gain during the six months ended June 30, 2020 and 2019.

#### 6. FINANCE COST

	Six months ended June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Interest on the lease liabilities	2,247	129
	<u>2,247</u>	<u>129</u>

## 7. LOSS BEFORE TAX

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation of equipment	2,277	1,504
Depreciation of right-of-use assets	10,106	2,135
Amortization of intangible assets	137	85
Staff cost (including directors' emoluments) (Note):		
– Salaries and other benefits	60,624	56,124
– Retirement benefit scheme contributions	1,657	2,687
– Share-based payment	30,216	42,046
	<u>92,497</u>	<u>100,857</u>
Auditors' remuneration	680	680
Expenses relating to short-term leases and leases of low-value assets	<u>785</u>	<u>1,620</u>

Note:

The government assistance have been implemented for the relief of the social insurance in respect of Covid-19. According to the notice issued by the Ministry of Social Affairs (2020) No.11, in order to minimize the impact of the COVID-19 on social and economic development, the government has reduced the social insurance for medium-sized enterprises from February to June 2020.

## 8. 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 period 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 period 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.

## 9. 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 US\$2,000,000 non-refundable upfront payment to Roche in 2012.

In 2017, the Company made US\$1,000,000 milestone payment to Roche upon the commencement of clinical trial Phase III in the PRC (excluding Hong Kong and Macau) for the Licensed Product.

The Company is obligated to make US\$4,000,000 milestone payments upon the achievement of development of the Licensed Product through new drug approval in the PRC (excluding Hong Kong and Macau) and US\$33,000,000 in the Licensed Territory other than the PRC (excluding Hong Kong and Macau). Upon commercialization, the Company is contingently obligated to make US\$15,000,000 milestone payments for the first time when the territory-wide calendar year net sales exceed US\$500,000,000 and US\$40,000,000 milestone payments 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 based on sales of the Licensed Product.



## 10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 11. 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:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u>(173,455)</u>	<u>(235,500)</u>

## 11. LOSS PER SHARE (Continued)

Number of Shares:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>948,878,897</u>	<u>939,507,659</u>

The computation of basic and diluted loss per share for the six months ended June 30, 2020 and 2019 respectively excluded the unvested restricted stock units of the Company.

The computation of diluted loss per share for the six months ended June 30, 2020 and 2019 respectively did not assume the exercise of share options since their assumed exercise would result in a decrease in loss per share.

## 12. EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended June 30, 2020, the Group acquired RMB1,498,000 (unaudited) (six months ended June 30, 2019: RMB4,359,000 (unaudited)) of equipment. The net book value of equipment at June 30, 2020 is RMB10,209,000 (unaudited) (December 31, 2019: RMB10,988,000 (audited)).

During the six months ended June 30, 2020, the Group entered into two new lease agreements for the use of buildings and office equipment for one to two years, and recognized RMB844,000 (unaudited) of right-of-use asset and RMB844,000 (unaudited) lease liabilities (six months ended June 30, 2019: RMB2,389,000 (unaudited) of right-of-use asset and RMB2,389,000 (unaudited) lease liabilities). The Group is required to make fixed monthly or quarterly payments. The net book value of right-of-use asset and lease liabilities at June 30, 2020 is RMB81,224,000 (unaudited) and RMB87,474,000 (unaudited), respectively.

The rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient to treat rent concessions as the variable rental payment. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB60,000 were recognized as negative variable lease payments. The rent concessions were related to the Wuhan Office and granted by the lessor in the form of direct rent reduction. The rest terms of the Wuhan Office were consistent with the original lease and have not been changed.

### 13. PREPAYMENTS AND OTHER RECEIVABLES

	At June 30, 2020 RMB' 000 (unaudited)	At December 31, 2019 RMB' 000 (audited)
Prepayments for research and development services	1,986	2,838
Utility and rental deposits		
– current	1,832	1,462
– non-current	3,504	4,117
Value add tax recoverable – non-current	31,270	26,248
Others		
– current	8,159	10,552
– non-current	339	342
	<u>47,090</u>	<u>45,559</u>
Analyzed as		
– current	11,977	14,852
– non-current	35,113	30,707
	<u>47,090</u>	<u>45,559</u>

### 14. 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 1.2% per annum as of June 30, 2020 (December 31, 2019: from 0.05% to 2.80% per annum).

## 15. TRADE AND OTHER PAYABLES

	<b>At June 30, 2020 RMB' 000 (unaudited)</b>	<b>At December 31, 2019 RMB' 000 (audited)</b>
Trade payables	46,685	47,941
Payroll and bonus payables	16,004	28,577
Other payables	4,132	3,660
Accrued expense	1,857	6,662
Other tax payables	1,065	1,477
	<u>69,743</u>	<u>88,317</u>

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 invoice date at the end of each reporting period is as follows:

	<b>At June 30, 2020 RMB' 000 (unaudited)</b>	<b>At December 31, 2019 RMB' 000 (audited)</b>
Uninvoiced or within 30 days	<u>46,685</u>	<u>47,941</u>
	<u>46,685</u>	<u>47,941</u>

## 16. DEFERRED INCOME

	At June 30, 2020 RMB' 000 (unaudited)	At December 31, 2019 RMB' 000 (audited)
Government grants received		
– current liabilities	8,450	8,450
– non-current liabilities	7,248	7,248
	<u>15,698</u>	<u>15,698</u>

During the six months ended June 30, 2020, the Group have not received new subsidies related to its research and development activities. The grants will be recognized in profit or loss as other income upon the Group complying with the conditions attached to the grants and the government acknowledged acceptance.

## 17. 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, 2020 are set out as below:

	Authorized number of shares	US\$
Ordinary shares of US\$0.001 each		
At December 31, 2019 (audited) and June 30, 2020 (unaudited)	<u>2,000,000,000</u>	<u>2,000,000</u>
		<b>Shown in the condensed consolidated statement of financial position as RMB' 000</b>
	<b>Issued and fully paid number of shares</b>	<b>US\$</b>
Ordinary shares of US\$0.001 each		
At December 31, 2019 (audited)		
and June 30, 2020 (unaudited)	<u>1,054,893,800</u>	<u>1,054,894</u>
		<u>7,209</u>

## 17. SHARE CAPITAL (Continued)

The details of the changes of the treasury shares held in trust during the six months ended June 30, 2020 are set out as below:

	Number of treasury shares	US\$	Shown in the condensed consolidated statement of financial position as RMB' 000
Treasury shares held in trust at			
December 31, 2019 (audited) (Note (a))	106,584,257	106,584	729
Option exercised to purchase ordinary shares under the trust (Note (b))	(393,014)	(393)	(2)
Restricted stock units vested under the trust (Note (c))	<u>(927,876)</u>	<u>(928)</u>	<u>(7)</u>
Treasury shares held in trust at			
June 30, 2020 (unaudited) (Note (a))	<u>105,263,367</u>	<u>105,263</u>	<u>720</u>

Note:

- (a) On August 26, 2018, the Company entered into a trust deed with The Core Trust Company Limited (the "Trustee") and HLYY Limited (the "Nominee"), a limited liability company incorporated in the British Virgin Islands and wholly owned by the Trustee, pursuant to which the Trustee has agreed to administer the Pre-IPO Share Incentive Scheme (as defined in Note 18). As of June 30, 2020, 105,263,367 shares of the sum of US\$105,263 (equivalent to RMB720,000) (December 31, 2019: 106,584,257 shares of the sum of US\$106,584 (equivalent to RMB729,000)) are held in trust including 101,087,958 shares (December 31, 2019: 101,480,972 shares) for outstanding options and 4,175,409 shares (December 31, 2019: 5,103,285 shares) for unvested restricted stock units and are disclosed separately in treasury shares since the Company has control over the Nominee.
- (b) During six months ended June 30, 2020, several employees and consultants exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 393,014 ordinary shares of the Company at the average exercise price of HK\$1.53 per share for an aggregate consideration equivalent to RMB548,000.
- (c) During six months ended June 30, 2020, 927,876 restricted stock units granted to Mr. George Chien Cheng Lin were vested at a nominal consideration of RMB equivalent 7,000.

## 18. SHARE-BASED PAYMENT TRANSACTIONS

### Equity-settled share option scheme of the Company

On March 25, 2013, the Company adopted a pre-IPO share incentive scheme (the "Pre-IPO Share Incentive Scheme") and established an employee trust to administer the scheme. The total number of shares may be issued under the Pre-IPO Share Incentive Scheme is 117,000,000 shares of the Company.

On August 26, 2018, the Company adopted a post-IPO share option Scheme (the "Post-IPO Share Option Scheme"). The total number of shares may be issued under the Post-IPO Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the shares in issue on the Listing Date of the Company, representing 105,191,330 shares of the Company.

Under the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme, the directors of the Company may grant options to eligible employees, including the directors of the Company, to subscribe for shares of the Company. The fair value of the services provided by employees are measured at the fair value of options at the grant date. Additionally, the Company may, from time to time, grant share options to individual consultants for settlement in respect of research and development advisory services provided to the Group. The fair value of the services from individual consultants is determined by the fair value of the services received on the services receipt date.

(1) Details of specific categories of options under the Pre-IPO Share Incentive Scheme are as follows:

Categories	Date of grant	Number of options outstanding at June 30, 2020	Exercise price per share
Directors:			
Dr. Li Chen	December 4, 2014 ~ August 26, 2018	12,921,725	HK\$0.55~3.82
Mr. George Chien Cheng Lin	April 3, 2018	25,592,405	HK\$3.67
Employees	March 25, 2013 ~ August 26, 2018	53,621,102	HK\$0.55~3.67
Individual consultants	September 12, 2013 ~ May 11, 2018	6,956,000	HK\$0.55~3.67

## 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

(2) Details of specific categories of options under the Post-IPO Share Option Scheme are as follows:

Categories	Date of grant	Number of options outstanding at June 30, 2020	Exercise price per share
Directors:			
Dr. Li Chen	June 25, 2019	12,079,000	HK\$8.866
Mr. George Chien Cheng Lin	May 17, 2019	300,000	HK\$8.866
Employees	October 29, 2018 ~ June 15, 2020	18,269,259	HK\$3.000~8.866
Individual consultants	May 15, 2019	200,000	HK\$8.866

(3) Options granted under the Pre-IPO Share Incentive Scheme and the Post-IPO Share Option 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. The vesting commencement date of 10,519,300 shares of options granted to Dr. Li CHEN on June 25, 2019 was subject to the positive HMM0301 Phase III results as determined in the directors of the Company's sole discretion (without the participation of the chief executive officer). On November 11, 2019, the directors of the Company approved the 10,519,300 shares of options granted to Dr. Li CHEN should commence the vesting period on November 11, 2019 based on the positive HMM0301 Phase III topline trial results being announced by the Company.



## 18. 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 Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme during the six months ended June 30, 2020:

Category	Option type	Outstanding	Granted	Exercised	Forfeited	Lapsed	Outstanding
		at December 31, 2019					
<b>Category 1: Directors</b>							
Dr. Li Chen	Pre-IPO Share Incentive Scheme	12,921,725	-	-	-	-	12,921,725
	Post-IPO Share Option Scheme	<u>12,079,000</u>	-	-	-	-	<u>12,079,000</u>
	Subtotal	<u>25,000,725</u>	-	-	-	-	<u>25,000,725</u>
Mr. George Chien Cheng Lin	Pre-IPO Share Incentive Scheme	25,592,405	-	-	-	-	25,592,405
	Post-IPO Share Option Scheme	<u>300,000</u>	-	-	-	-	<u>300,000</u>
	Subtotal	<u>25,892,405</u>	-	-	-	-	<u>25,892,405</u>
	Total Directors	<u>50,893,130</u>	-	-	-	-	<u>50,893,130</u>
<b>Category 2: Employees</b>							
	Pre-IPO Share Incentive Scheme	54,412,889	-	(333,014)	(458,773)	-	53,621,102
	Post-IPO Share Option Scheme	<u>8,885,300</u>	<u>9,755,000</u>	-	<u>(341,875)</u>	<u>(29,166)</u>	<u>18,269,259</u>
	Total Employees	<u>63,298,189</u>	<u>9,755,000</u>	<u>(333,014)</u>	<u>(800,648)</u>	<u>(29,166)</u>	<u>71,890,361</u>
<b>Category 3: consultants</b>							
	Pre-IPO Share Incentive Scheme	7,016,000	-	(60,000)	-	-	6,956,000
	Post-IPO Share Option Scheme	<u>200,000</u>	-	-	-	-	<u>200,000</u>
	Total Individual consultants	<u>7,216,000</u>	-	<u>(60,000)</u>	-	-	<u>7,156,000</u>
	Total all categories	<u>121,407,319</u>	<u>9,755,000</u>	<u>(393,014)</u>	<u>(800,648)</u>	<u>(29,166)</u>	<u>129,939,491</u>
	Exercisable at the end of the period	60,864,074					73,321,879
	Weighted average exercise price (HK\$)	<u>3.58</u>	<u>3.73</u>	<u>1.53</u>	<u>4.82</u>	<u>8.87</u>	<u>3.60</u>

## 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

These fair values of the options granted during the six months ended June 30, 2020 were calculated using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	March 2020	April 2020	May 2020	June 2020
Grant date option fair value per share	HK\$1.86-1.92	HK\$1.83-1.89	HK\$2.97	HK\$3.47
Grant date share price	HK\$3.15-3.23	HK\$2.99-3.05	HK\$4.45	HK\$4.97
Exercise price	HK\$3.62	HK\$3.00-3.62	HK\$3.62	HK\$3.62
Expected volatility	69.60%-69.97%	71.65%-71.95%	72.67%	74.76%
Expected life	6.01-6.07 years	6.04-6.07 years	6 years	5.96 years
Risk-free rate	0.75%-0.84%	0.66%-0.69%	0.36%	0.39%
Expected dividend yield	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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. During six months ended June 30, 2020, the Group recognized RMB28,800,000 (unaudited) of share-based payment expense in relation to the grants of the share options (six months ended June 30, 2019: RMB40,623,000 (unaudited)).

### Restricted stock units

In November 2017, Mr. George Chien Cheng Lin entered into an employee agreement including equity incentives of options under the Pre-IPO Share Incentive Scheme as disclosed above and the restricted stock units. Pursuant to the agreement, an aggregate of 7,422,975 shares of the Company were granted to Mr. George Chien Cheng Lin under the Pre-IPO Share Incentive Scheme on April 3, 2018. Such shares were vested after a qualified IPO achieved in 48 monthly instalments, subject to the grantee's continued employment through the applicable vesting date. The fair value of the restricted shares of the Company was US\$0.24 per share which was determined by the fair value of ordinary shares on the grant date.

## 18. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### Restricted stock units (Continued)

The details of the changes of the unvested restricted stock units during the six months ended June 30, 2020 are set out as below:

	<b>Number of unvested restricted stock units</b>
Restricted stock units held in trust at December 31, 2019 (audited)	5,103,285
Restricted stock units vested under the trust	<u>(927,876)</u>
Restricted stock units held in trust at June 30, 2020 (unaudited)	<u><u>4,175,409</u></u>

The Group recognized RMB1,416,000 (unaudited) of share-based payment expense in relation to the grants of the above restricted stock units for the six months ended June 30, 2020 (six months ended June 30, 2019: RMB1,423,000 (unaudited)).

## 19. RELATED PARTY TRANSACTIONS

### (a) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Salaries and other benefits	5,821	7,145
Retirement benefit scheme contributions	39	31
Share-based payment	<u>14,918</u>	<u>14,938</u>
	<u><u>20,778</u></u>	<u><u>22,114</u></u>

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation processes

There is no Group's financial assets and financial liabilities are measured at fair value at the end of June 30, 2020 and December 31, 2019. The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements, however, approximate their fair values.

## 21. EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to June 30, 2020 and up to the date of issuance of the condensed consolidated financial statements.

## OTHER INFORMATION

### Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended June 30, 2020.

### Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2020 (June 30, 2019: NIL).

### Use of net proceeds from the Global Offering

The Company's Shares were listed on the Stock Exchange on September 14, 2018. The net proceeds from the Global Offering amounted to RMB747.2 million (including the issue of additional Shares pursuant to the partial exercise of the over-allotment option on October 5, 2018) which have been, and will continue to be, applied according to the intentions set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. We expect that the net proceeds from the Global Offering will be partially utilized by December 31, 2020. We also expect that a portion of the net proceeds will be carried forward and utilized in financial year 2021 due to a slight adjustment to the timeline for the development of our manufacturing capabilities and commercial launch preparation.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of June 30, 2020:

	% of use of proceeds	Net proceeds from the Global Offering RMB million	Actual usage up to June 30, 2020 RMB million	Unutilized net proceeds as of June 30, 2020 RMB million
Dorzagliatin research and development	39%	291.4	231.4	60.0
Dorzagliatin lifecycle management and additional indications	9%	67.2	27.7	39.5
Dorzagliatin launch and commercialization	27%	201.8	29.9	171.9
New product and diabetes care technology development	11%	82.2	10.5	71.7
Product licensing and partnership	4%	29.9	–	29.9
General working capital	10%	74.7	65.1	9.6
<b>Total</b>	<b>100%</b>	<b>747.2</b>	<b>364.6</b>	<b>382.6</b>

## 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 of June 30, 2020, 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 <sup>(1)</sup>	25,220,690 (L)	2.39%
	Beneficial Owner <sup>(2)</sup>	26,000,725 (L)	2.46%
	Interest of Controlled Corporation <sup>(3)</sup>	10,000,000 (L)	0.95%
George Chien Cheng LIN	Founder and beneficiary of trust <sup>(4)</sup>	1,616,196 (L)	0.15%
	Beneficial Owner <sup>(5)</sup>	32,775,504 (L)	3.11%
Robert Taylor NELSEN	Interest of Controlled Corporation <sup>(6)</sup>	125,088,960 (L)	11.86%
	Beneficial Owner <sup>(7)</sup>	150,000 (L)	0.01%
Lian Yong CHEN	Interest of Controlled Corporation <sup>(8)</sup>	8,571,420 (L)	0.81%
	Beneficial Owner <sup>(9)</sup>	108,486 (L)	0.01%
Yiu Wan Alec TSUI	Beneficial Owner <sup>(10)</sup>	24,000 (L)	0.01%

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 an interest.
- (2) Being options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme.
- (3) On 10 April 2019, 100,000 ordinary shares beneficially held by Ms. Jane Xingfang HONG were transferred to Chen Family Investments, LLC in exchange of 1 voting share representing 100% voting right in Chen Family Investments, LLC and therefore, Ms. Jane Xingfang HONG and her spouse, Dr. CHEN, are deemed to be interested in the 10,000,000 ordinary shares of the Company held by Chen Family Investments, LLC.
- (4) 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.
- (5) Being options and awards pursuant to the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme.
- (6) 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..
- (7) Being shares purchased on the secondary exchange market.
- (8) 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..
- (9) Being entitled to these shares as part of employment agreement with Eight Roads Holding Limited.
- (10) Being shares purchased on the secondary exchange market.
- (11) The approximate percentage of shareholding is calculated based on the issued share capital of the Company as of June 30, 2020.
- (12) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as of June 30, 2020, 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 of June 30, 2020, 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 <sup>(9)</sup>	Approximate percentage of shareholding in the Company
ARCH Venture Fund VII, L.P. <sup>(1)</sup>	Beneficial interest	125,088,960(L)	11.86%
ARCH Venture Partners VII, L.P. <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.86%
ARCH Venture Partners VII, LLC <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.86%
Keith Lawrence CRANDELL <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.86%
Clinton Whitewood BYBEE <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.86%
Venrock Associates V, L.P. <sup>(2)</sup>	Beneficial interest	103,475,595(L)	9.81%
Venrock Management V, LLC <sup>(2)</sup>	Interest in controlled corporation	103,475,595(L)	9.81%
FMR LLC <sup>(3)(4)</sup>	Interest in controlled corporation	105,615,919(L)	10.01%
Impresa Fund III Limited Partnership <sup>(3)(4)</sup>	Interest in controlled corporation	95,414,914(L)	9.04%
Impresa Management LLC <sup>(3)(4)</sup>	Interest in controlled corporation	95,414,914(L)	9.04%
Abigail P. JOHNSON <sup>(3)(4)</sup>	Trustee	95,414,914(L)	9.04%
Edward C. JOHNSON IV <sup>(3)(4)</sup>	Trustee	95,414,914(L)	9.04%
FIL Limited <sup>(3)(5)</sup>	Interest in controlled corporation	92,662,503(L)	8.78%
Pandanus Partners L.P. <sup>(3)(5)</sup>	Interest in controlled corporation	92,662,503(L)	8.78%
Pandanus Associates Inc. <sup>(3)(5)</sup>	Interest in controlled corporation	92,662,503(L)	8.78%
Eight Roads Holding Limited <sup>(3)(5)</sup>	Interest in controlled corporation	92,662,503(L)	8.78%
WuXi PharmaTech Healthcare Fund I L.P. <sup>(6)</sup>	Beneficial interest	74,029,635(L)	7.02%
WuXi PharmaTech Fund I General Partner L.P. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.02%
WuXi PharmaTech Investments (Cayman) Inc. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.02%
WuXi PharmaTech Investment Holdings (Cayman) Inc. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.02%
WuXi AppTec International Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.02%
WuXi AppTec Co., Ltd. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.02%
HLYY Limited <sup>(7)</sup>	Nominee of a trust	116,027,398(L)	10.99%
TCT (BVI) Limited <sup>(7)</sup>	Interest in controlled corporation	116,027,398(L)	10.99%
The Core Trust Company Limited <sup>(7)</sup>	Trustee	116,027,398(L)	10.99%
Jane Xingfang HONG <sup>(8)</sup>	Beneficial interest	25,220,690(L)	2.39%
	Interest of spouse	26,000,725(L)	2.46%
	Interest in controlled corporation	10,000,000(L)	0.95%



## 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 Lawrence CRANDELL and Mr. Clinton Whitewood BYBEE. As such, each of ARCH Venture Partners VII, L.P., ARCH Venture Partners VII, LLC, Mr. Robert Taylor NELSEN, Mr. Keith Lawrence CRANDELL and Mr. Clinton Whitewood 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 Lawrence CRANDELL and Mr. Clinton Whitewood BYBEE.
2. To the best of our Directors' knowledge, Venrock Associates 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. Venrock Management V, LLC is ultimately controlled by a group of individuals, none of whom controls, directly or indirectly, one-third or more of the voting power at the general meetings of Venrock Management V, LLC or otherwise is deemed to control Venrock Management V, LLC 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 4.08% 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 4.90% of the voting rights of the Company. Moreover, Impresa Fund III Limited Partnership is a limited partnership established in Delaware and holds approximately 0.26% of the voting rights of the Company.

Furthermore, Fidelity Management & Research (Hong Kong) Limited was established in Hong Kong and controlled by Fidelity Management & Research Company LLC and both of them holds approximately 0.97% of the voting rights of the Company altogether. Fidelity Management & Research Company LLC was incorporated in Delaware, United States and controlled by FMR LLC.

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., F-Prime Capital Partners Healthcare Fund II LP and Impresa Fund III Limited Partnership, which collectively hold 8.78% of the voting rights of the Company.

5. 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, Eight Roads Investments Limited and Eight Roads GP 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 and Eight Roads GP are its wholly-owned subsidiaries. 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, Eight Roads Investments Limited and Eight Roads GP, which collectively holds 8.78% of the voting rights of the Company.

To the best of our Directors' knowledge, Eight Roads Holding Limited is deemed to be interested in the equity interests held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II L.P., Eight Roads Investments Limited and Eight Roads GP due to (i) F-Prime Capital Partners Healthcare Fund II L.P. and Asia Ventures II L.P. are controlled by Eight Roads Investments; and (ii) Eight Roads Investments Limited and Eight Roads GP are controlled by Eight Roads Holdings Limited.

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.
7. HLYY Limited is 100% owned by TCT (BVI) Limited. TCT (BVI) Limited is 100% owned by The Core Trust Company Limited. HLYY Limited holds the Shares underlying the option and awards granted under the Pre-IPO Share Incentive Scheme.
8. Ms. Jane Xingfang HONG is the spouse of Dr. Li CHEN, who was granted options for 13,921,725 Shares pursuant to the Pre-IPO Share Incentive Scheme and 12,079,000 Share Options granted pursuant to the Share Option Scheme, respectively. Under the SFO, Ms. HONG is deemed to be interested in the same number of Shares in which Dr. CHEN maintains an interest. She also holds approximately 2.39% of the voting rights of the Company.

On 10 April 2019, 100,000 ordinary shares beneficially held by Ms. Jane Xingfang HONG were transferred to Chen Family Investments, LLC in exchange of 1 voting share representing 100% voting right in Chen Family Investments, LLC and therefore, Ms. HONG and her spouse, Dr. CHEN, are deemed to be interested in the 10,000,000 ordinary shares of the Company held by Chen Family Investments, LLC.

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

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company. 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 throughout the Reporting Period.

### Corporate governance

The Board is of the view that the Company has complied with all applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in the Appendix 14 of the Listing Rules throughout the Reporting Period.

### Changes to information in respect of the Directors

Mr. Tsui Yiu Wa, Alec has been appointed as a member of the audit committee of the Company as replacement of Dr. Chen Lian Yong on June 25, 2020.

Mr Tsui Yiu Wa, Alec had resigned as independent non-executive director of DTXS Silk Road Investment Holdings Company Limited 大唐西市絲路投資控股有限公司 (Stock Code: 620) effective on May 29, 2020.

Save as disclosed above, during the Reporting Period, there was no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

### Review of interim report

The unaudited consolidated financial results of the Group for the six months ended June 30, 2020 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, 2020, 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
“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
“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
“NMPA”	National Medical Products 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)
“PCT”	Patent Cooperation Treaty
“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

"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on August 26, 2018 for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries.
"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
"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