



# Hua Medicine 華領醫藥

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



**2021**  
INTERIM REPORT

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## 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)

### 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 Public Interest  
Entity Auditors*

### Registered office

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

### Corporate headquarters

Hua Medicine, Building 2, Lane 36, Xuelin Road,  
Pudong New Area, 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

### **Principal bankers**

In Hong Kong:

The Hong Kong and Shanghai Banking Corporation Limited  
HSBC Main Building, 1 Queen's Road Central, Hong Kong

In the PRC:

China Construction Bank Corporation Shanghai Zhangjiang  
Branch  
No. 232 Ke Yuan Road, Shanghai, China

### **Company's website**

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

### **Stock code**

2552

## FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Other income	3,612	3,554
Other gains and losses	(3,788)	3,463
Administrative expenses	(63,518)	(64,248)
Finance cost	(1,999)	(2,247)
Research and development expenses	(97,982)	(112,253)
Other expenses	(1,617)	(1,724)
Loss before tax	<u>(165,292)</u>	<u>(173,455)</u>
Income tax expense	<u>–</u>	<u>–</u>
Loss for the period	<u>(165,292)</u>	<u>(173,455)</u>
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations	<u>(2)</u>	<u>(202)</u>
<b>Total comprehensive expense for the period</b>	<u><u>(165,294)</u></u>	<u><u>(173,657)</u></u>
	<b>At June 30</b>	<b>At December 31</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Non-current assets	152,756	153,244
Current assets	<u>874,367</u>	<u>1,045,277</u>
Current liabilities	<u>82,748</u>	<u>106,547</u>
Net current assets	791,619	938,730
Non-current liabilities	<u>354,959</u>	<u>359,479</u>
Net asset	<u><u>589,416</u></u>	<u><u>732,495</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 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 eight Phase I trials in China, four Phase I trials in the United States, one Phase II in China, and two Phase III trials in China. Our two Phase III trials enrolled 1,230 patients across 110 sites throughout China. Both Phase III trials met their primary endpoints, and the safety and tolerability profile of dorzagliatin was good during the trial period. The final 53-week results of both Phase III trials were announced and published in 2020. In March 2021, we submitted a NDA for dorzagliatin for the treatment of Type 2 diabetes to the NMPA, and we received notification from the NMPA that our NDA was accepted in April 2021.

As we continue to progress with our development of our lead candidate, dorzagliatin, we are also moving forward with preparations for the drug’s life cycle management for expansion of patient population and entering into new indications. We filed method of use patents for use of dorzagliatin in diabetic kidney disease (DKD) patients. We have initiated multiple studies on dorzagliatin plus existing anti-diabetes therapies at preclinical development and clinical settings. We also continue to move forward with our collaboration with the leading diabetes partner in China, Bayer, in preparation of the commercial launch of dorzagliatin in China.

In addition to our late-stage development efforts with dorzagliatin, we also continue to develop various other compounds, currently in the pre-clinical stage. One is focused on mGLUR5 for Parkinson’s disease levodopa-induced dyskinesia, and the other is a fructose kinase inhibitor for metabolic disease.

We continue to work closely with and supervise our contract research organizations (CROs), clinical site management operators (SMOs), and contract manufacturing organizations (CMOs), who provide us with a range of services at a consistently high level of quality.



## Financial review

### Other income

Our other income consisted primarily of bank interest income, government grants and rent concession. Our other income was RMB3.6 million in the six months ended June 30, 2021 as compared to RMB3.6 million in the six months ended June 30, 2020, which was mainly attributable to an increase of RMB0.4 million in government grants and rent concession for the six months ended June 30, 2021, adjusted for a decrease of RMB0.4 million in bank interest income from short-term time deposits.

### Other gains and losses

Our other gains and losses consisted primarily of losses due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar and between Renminbi and the HK dollar. Our other gains and losses decreased by RMB7.3 million and were mainly attributable to foreign exchange losses in connection with bank balances and cash denominated in U.S. dollar and HK dollar and the depreciation of the U.S. dollar and HK dollar against the Renminbi for the six months ended June 30, 2021.

Our business mainly operates in the PRC, and most of our transactions settled in Renminbi. Since inception, we have financed our business principally through equity financings, with related proceeds denominated in U.S. dollar, HK dollar and Renminbi. We converted a portion of those U.S. dollar proceeds to Renminbi and HK dollar proceeds to U.S. dollar 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. dollar and HK dollar 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 RMB0.7 million to RMB63.5 million in the six months ended June 30, 2021 from RMB64.2 million in the six months ended June 30, 2020, which was mainly attributable to i) decrease in labor costs which was attributable to the decrease of RMB4.0 million in share-based payment under the accelerated amortization method, ii) decrease of RMB4.7 million in rental fee, which was mainly due to the allocation method renewal after moving into our new headquarter at the end of 2020, iii) adjusted for the increase of RMB2.6 million in depreciation and amortization expense, mainly due to the decoration and additional equipment purchased for our new headquarter, iv) adjusted for the increase of RMB1.3 million in meeting fee due to more meeting activities conducted compared to the six months ended June 30, 2020 which was impacted by COVID-19 and increase of RMB1.8 million in other expenses, mainly consisting of cleaning cost, utility cost, security cost, greening cost and other sundry charges related to our new headquarter which came into operation at the end of the 2020.

### Other expenses

Our other expenses consisted of expenses associated with a donation of RMB1.6 million (equivalent to USD250,000) for the six months ended June 30, 2021 and RMB1.7 million (equivalent to USD250,000) for the six months ended June 30, 2020 to establish the Type 2 Diabetes research fund at the Department of Biochemistry and Biophysics at the Raymond and Ruth Perelman School of Medicine of the University of Pennsylvania.



### Finance cost

Our finance cost consisted primarily of interest on lease liabilities. Our finance cost was RMB2.0 million in the six months ended June 30, 2021 as compared to RMB2.2 million in the six months ended June 30, 2020, which was mainly attributable to the surrender of old offices after moving into our new headquarter at the end of 2020.

### 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,			
	2021		2020	
	RMB'000	%	RMB'000	%
Dorzagliatin Clinical Trials	18,564	19.0%	46,565	41.6%
Dorzagliatin Non-clinical Studies	3,236	3.3%	225	0.2%
Chemical, Manufacturing and Control	7,450	7.6%	4,652	4.1%
Labor Cost	54,271	55.3%	55,261	49.2%
Dorzagliatin Licensing Fee and Patent Fee	–	0.0%	1,272	1.1%
Others	14,461	14.8%	4,278	3.8%
Total	<u>97,982</u>	<u>100.0%</u>	<u>112,253</u>	<u>100.0%</u>

Research and development expenses decreased by RMB14.3 million to RMB98.0 million for the six months ended June 30, 2021 from RMB112.3 million for the six months ended June 30, 2020. The decrease in research and development expenses mainly included:

- a decrease of RMB28.0 million for dorzagliatin clinical trials, which was primarily attributable to decreased costs associated with the last patient out of the 52-week study period of SEED/HMM0301 in March 2020 and DAWN/HMM0302 in September 2020;
- an increase of RMB2.8 million in chemical, manufacturing, and control expenses, which was primarily attributable to the chemical and process research for our fructose kinase inhibitor candidates conducted in the first half of 2021;
- an increase of RMB3.0 million for dorzagliatin non-clinical studies, which was primarily attributable to the ISS data and analysis expense for NDA filing, FDC efficacy study of dorzagliatin with insulin/acarbose and efficacy study of dorzagliatin in animal model of T2D complicating cognitive disorder;
- a decrease of RMB1.0 million for labor costs, which was primarily attributable to a decrease of share-based payment under the accelerated amortization method; and
- an increase of RMB10.2 million for other expenses, which was primarily attributable to the allocation of rental fee, depreciation and amortization expense, property costs, utility cost and other cost related to our new headquarter which came into operation at the end of 2020.

### Income tax expense

We recognized no income tax expenses in the six months ended June 30, 2021 and the six months ended June 30, 2020.

### 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 RMB164.3 million for the six months ended June 30, 2021. As of June 30, 2021, we had cash and cash equivalents of RMB846.9 million.

As of June 30, 2021, 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>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
R&D cost	90,873	91,247
Administrative Costs		
– Workforce employment	29,377	27,386
– Others	44,040	48,772
	<u>73,417</u>	<u>76,158</u>
	<u>164,290</u>	<u>167,405</u>

### Cash flows

The following table provides information regarding our cash flows for the six months ended June 30, 2021 and 2020:

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash used in operating activities	(164,290)	(167,405)
Net cash (used in) from investing activities	(10,124)	2,871
Net cash used in financing activities	(5,788)	(3,832)
Effect of exchange rate changes	(4,960)	12,350
Net decrease in cash and cash equivalents	<u>(185,162)</u>	<u>(156,016)</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, 2021, our operating activities used RMB164.3 million of cash, which resulted principally from our loss before tax of RMB165.3 million, adjusted for non-cash charges and non-operating cash charges of RMB38.8 million, and by cash used in our operating assets and liabilities of RMB37.8 million. Our net non-cash charges during the six months ended June 30, 2021 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, 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.

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

Net cash used in investing activities was RMB10.1 million for the six months ended June 30, 2021, which resulted primarily from the purchase of equipment and intangible assets, adjusted for interest received from bank for short-term deposit. 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 financing activities

Net cash used in financing activities was RMB5.8 million for the six months ended June 30, 2021, which resulted from repayments of lease liabilities, adjusted for proceeds from exercise of share options. 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.

### Financial position

Our net current assets decreased from RMB938.7 million as of December 31, 2020 to RMB791.6 million as of June 30, 2021. Current assets decreased from RMB1,045.3 million as of December 31, 2020 to RMB874.4 million as of June 30, 2021, primarily due to decrease in bank balances and cash from RMB1,032.1 million as of December 31, 2020 to RMB846.9 million as of June 30, 2021, which was due primarily to net cash expenditure during the six months ended June 30, 2021.

### Significant change in accounting policy

We have applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" issued by the International Accounting Standard Board (the "IASB").

## Indebtedness

As of June 30, 2021, our lease liabilities amounted to RMB76.3 million. The following table sets forth our lease liabilities as of the dates indicated:

	<b>As of June 30, 2021 RMB'000</b>	<b>As of December 31, 2020 RMB'000</b>
Current portion	11,599	11,503
Non-current portion	<u>64,692</u>	<u>69,212</u>
Total	<u><u>76,291</u></u>	<u><u>80,715</u></u>

Our lease liabilities as of June 30, 2021 were from leased properties lease contracts with lease terms of two to five years. As of June 30, 2021, 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 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 Trade 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 the Renminbi against the U.S. dollar and the HK dollar, the foreign currencies to which we may have material exposure. No sensitivity analysis has been disclosed for the Taiwan dollar 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 the Renminbi strengthens 5% against the U.S. dollar and the HK dollar. For a 5% weakening of the Renminbi against the U.S. dollar and the HK dollar there would be an equal and opposite impact on gain for the period.

	<b>As of June 30, 2021 RMB'000</b>	<b>As of December 31, 2020 RMB'000</b>
<b>Impact on profit or loss</b>		
US\$	(19,400)	(22,228)
HK\$	(1,967)	(2,210)

### Interest Rate Risk

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 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, 2021 and December 31, 2020, we recorded net current assets of RMB791.6 million and RMB938.7 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.

### Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated:

	<b>As of June 30, 2021</b>	<b>As of December 31, 2020</b>
Current ratio <sup>(1)</sup>	10.6	9.8
Quick ratio <sup>(2)</sup>	10.6	9.8
Gearing ratio <sup>(3)</sup>	12.9%	11.0%

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets less inventories divided by current liabilities as of the same date.

(3) Gearing ratio represents liability divided by equity as of the same date. Liability is defined as lease liabilities (excluding trade and other payables, deferred income and contract liability). Equity includes all capital and reserves of the Group.

The current ratio and quick ratio as of June 30, 2021 increased by 0.8 compared with that as of December 31, 2020 was mainly due to the payment of research activities and daily operation.

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

Our Directors have confirmed that as at June 30, 2021, there were no circumstances that gave rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### Employees and remuneration policies

As of June 30, 2021, we had 154 employees. The following table shows a breakdown of our employees by function as of June 30, 2021:

	<b>Number of employees</b>	<b>Approximate percentage</b>
Research and development	73	47%
General and administration	72	47%
Management	9	6%
Total	<u>154</u>	<u>100%</u>

The majority of the employees are employed in mainland China. For the six months ended June 30, 2021, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB85.4 million as compared to RMB90.8 million for the six months ended June 30, 2020.

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, 2021.

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 for further details.

### 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
				2021					2021
<b>Category 1: Directors</b>									
Dr. Li Chen	December 4, 2014 ~ August 26, 2018	US\$0.07 ~ 0.49	4 years	11,921,725	(500,000)	HK\$4.06	-	-	11,421,725
Mr. George Chien Cheng Lin	April 3, 2018	US\$0.47	4 years	25,592,405	-	-	-	-	25,592,405
<b>Category 2: Employees other than Directors</b>									
	March 25, 2013 ~ August 26, 2018	US\$0.07 ~ 0.47	4 years	51,671,543	(1,465,291)	HK\$5.35	(436,404) <sup>(2)</sup>	-	49,769,848
<b>Category 3: Consultants</b>									
	September 12, 2013 ~ May 11, 2018	US\$0.07 ~ 0.47	1 ~ 4 years	6,177,000	-	-	-	-	6,177,000
	<b>Total</b>			<b>95,362,673</b>	<b>(1,965,291)</b>	<b>-</b>	<b>(436,404)</b>	<b>-</b>	<b>92,960,978</b>

Notes:

(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, 2021	RSUs vested during the Reporting Period	RSUs cancelled/lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of June 30, 2021
Mr. George Chien Cheng Lin	April 3, 2018	4 years	3,247,533	(927,876)	–	2,319,657

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 as at 1 January 2021	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 2021
		Exercise price	Exercise price									
<b>Category 1: Directors</b>												
Dr. Li Chen	March 8, 2019	HK\$4.83	HK\$4.984	4 years	12,079,000	3,000,000	-	-	-	-	-	15,079,000
	~ March 22, 2021	~ 8.89	~ 8.866									
Mr. George Chien Cheng Lin	March 8, 2019	HK\$8.89	HK\$8.866	4 years	300,000	-	-	-	-	-	-	300,000
<b>Category 2: Grantees other than Directors</b>												
	September 28, 2018	HK\$3.00	HK\$3.000									
	~ May 6, 2021	~ 8.89	~ 8.866	4 years	18,187,194	7,500,000	(137,500)	HK\$4.67	(1,842,741) <sup>(2)</sup>	(206,270) <sup>(3)</sup>		23,500,683
<b>Category 3: consultants</b>												
	March 8, 2019	HK\$8.89	HK\$8.866	4 years	200,000	-	-	-	-	-	-	200,000
<b>Total</b>					<b>30,766,194</b>	<b>10,500,000</b>	<b>(137,500)</b>		<b>(1,842,741)</b>	<b>(206,270)</b>		<b>39,079,683</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 instalments 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 of options is made by the Company. The share options may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme.
- (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.

### **Pledge of assets**

As of June 30, 2021, no assets were pledged by the Group (June 30, 2020: nil).

### **Future Plans for Material Investments and Capital Assets**

As of June 30, 2021, we plan to continually invest in the Hua Medicine drug manufacturing company which was established at Shanghai Lingang Special Area for ensuring adequate dorzagliatin commercial supply.

### **Contingent Liabilities**

As of June 30, 2021, we did not have any material contingent liabilities (as at June 30, 2020: nil).

## 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 19 to 40, which comprise the condensed consolidated statement of financial position at June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The 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 19, 2021

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Other income	4	3,612	3,554
Other gains and losses		(3,788)	3,463
Administrative expenses		(63,518)	(64,248)
Finance cost	5	(1,999)	(2,247)
Research and development expenses		(97,982)	(112,253)
Other expenses		(1,617)	(1,724)
Loss before tax	6	(165,292)	(173,455)
Income tax expense	7	—	—
<b>Loss for the period</b>		<u>(165,292)</u>	<u>(173,455)</u>
<b>Other comprehensive expense:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
– Exchange differences on translation of foreign operations		(2)	(202)
<b>Other comprehensive expense for the period, net of income tax</b>		<u>(2)</u>	<u>(202)</u>
<b>Total comprehensive expense for the period</b>		<u>(165,294)</u>	<u>(173,657)</u>
Total comprehensive expense for the period attributable to:			
– Owners of the Company		<u>(165,294)</u>	<u>(173,657)</u>
		RMB	RMB
<b>LOSS PER SHARE</b>	10		
Basic and diluted		<u>(0.17)</u>	<u>(0.18)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	Notes	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Equipment	11	44,947	49,341
Right-of-use assets	11	66,515	74,177
Intangible assets	11	9,384	3,387
Prepayments and other receivables	12	31,910	26,339
		<u>152,756</u>	<u>153,244</u>
<b>Current assets</b>			
Prepayments and other receivables	12	27,439	13,187
Bank balances and cash	13	846,928	1,032,090
		<u>874,367</u>	<u>1,045,277</u>
<b>Current liabilities</b>			
Trade and other payables	14	56,899	80,794
Deferred income	15	14,250	14,250
Lease liabilities		11,599	11,503
		<u>82,748</u>	<u>106,547</u>
<b>Net current assets</b>		<u>791,619</u>	<u>938,730</u>
<b>Total assets less current liabilities</b>		<u>944,375</u>	<u>1,091,974</u>
<b>Non-current liabilities</b>			
Deferred income	15	7,248	7,248
Contract liability		283,019	283,019
Lease liabilities		64,692	69,212
		<u>354,959</u>	<u>359,479</u>
<b>Net assets</b>		<u>589,416</u>	<u>732,495</u>
<b>Capital and reserves</b>			
Share capital	16	7,209	7,209
Treasury shares held in trust	16	(669)	(690)
Reserves		582,876	725,976
<b>Total equity</b>		<u>589,416</u>	<u>732,495</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	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, 2021 (audited)	7,209	(690)	5,899,838	(9,392)	206,387	(453)	(5,370,404)	732,495
Loss for the period (unaudited)	-	-	-	-	-	-	(165,292)	(165,292)
Other comprehensive expense for the period (unaudited)	-	-	-	-	-	(2)	-	(2)
Total comprehensive expense for the period (unaudited)	-	-	-	-	-	(2)	(165,292)	(165,294)
Option exercised to purchase ordinary shares under the trust (Note 16 (b)) (unaudited)	-	14	2,478	(14)	-	-	-	2,478
Exercise of share options	-	-	373	-	-	-	-	373
Restricted stock units vested – under the trust (Note 16 (c)) (unaudited)	-	7	-	(7)	-	-	-	-
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	19,364	-	-	19,364
At June 30, 2021 (unaudited)	7,209	(669)	5,902,689	(9,413)	225,751	(455)	(5,535,696)	589,416
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 (unaudited)	-	-	-	-	-	-	(173,455)	(173,657)
Other comprehensive expense for the period (unaudited)	-	-	-	-	-	(202)	-	(202)
Total comprehensive expense for the period (unaudited)	-	-	-	-	-	(202)	(173,455)	(173,657)
Option exercised to purchase ordinary shares under the trust (unaudited)	-	2	548	(2)	-	-	-	548
Restricted stock units vested under the trust (unaudited)	-	7	-	(7)	-	-	-	-
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	30,216	-	-	30,216
At June 30, 2020 (unaudited)	7,209	(720)	5,893,866	(9,362)	177,661	(202)	(5,150,725)	917,727

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(165,292)	(173,455)
Adjustments for:		
Bank interest income	(2,786)	(3,167)
Rental concession	(345)	(60)
Depreciation of equipment	6,128	2,277
Depreciation of right-of-use assets	9,055	10,106
Amortization of intangible assets	395	137
Finance cost	1,999	2,247
Share-based payment expense	19,364	30,216
Net unrealized foreign exchange gain	4,958	(12,552)
Loss on disposal of equipment	66	–
Operating cash flows before movements in working capital	(126,458)	(144,251)
(Increase)/decrease in prepayments and other receivables	(14,294)	1,304
Decrease in trade and other payables	(18,472)	(19,436)
Increase in value added tax recoverable	(5,066)	(5,022)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(164,290)</b>	<b>(167,405)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received from bank	3,228	4,036
Withdraw of rental deposits	9	162
Purchase of equipment	(12,371)	(635)
Purchase of intangible assets	(983)	(692)
Payments for rental deposits	(7)	–
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(10,124)</b>	<b>2,871</b>

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	2,018	1,704
Repayments of leases liabilities	<u>(7,806)</u>	<u>(5,536)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(5,788)</u>	<u>(3,832)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(180,202)	(168,366)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	1,032,090	1,105,600
Effects of exchange rate changes	<u>(4,960)</u>	<u>12,350</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<u><u>846,928</u></u>	<u><u>949,584</u></u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

### 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

In April 2021, the Company announced that the new drug application (“NDA”) submitted by the Company’s innovative, first-in-class diabetes drug dorzagliatin has been formally accepted by the China National Medical Products Administration (“NMPA”).

#### 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, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied 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, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

The application of these 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.

## 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,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	2,786	3,167
Government grants and subsidies related to income (Note)	481	327
Rental concession	345	60
	<u>3,612</u>	<u>3,554</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. FINANCE COST

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on the lease liabilities	1,999	2,247
	<u>1,999</u>	<u>2,247</u>

## 6. LOSS BEFORE TAX

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

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation of equipment	6,128	2,277
Depreciation of right-of-use assets	9,055	10,106
Amortization of intangible assets	395	137
	<u>15,578</u>	<u>12,520</u>
Total depreciation and amortisation		
Covid-19-related rent concessions	345	60
Other expenses (Note)	1,617	1,724
Staff cost (including directors' emoluments) (Note):		
– Salaries and other benefits	66,009	60,624
– Retirement benefit scheme contributions	5,271	1,657
– Share-based payment	19,364	30,216
	<u>90,644</u>	<u>92,497</u>
Auditors' remuneration	680	680
Expenses relating to short-term leases and leases of low-value assets	263	785

Note:

In 2021, the Company donated US Dollars ("US\$") 0.25 million (equivalent to approximately RMB1,617,000) (2020: US\$0.25 million (equivalent to approximately RMB1,724,000)) for establishing a Type 2 Diabetes research fund in the Department of Biochemistry and Biophysics at the Raymond and Ruth Perelman School of Medicine of the University of Pennsylvania, USA.

## 7. INCOME TAX EXPENSE

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

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax during the 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.

The subsidiary incorporated in the United States are subject to Federal and State Income taxes, the effective combined income tax rate is 21% for the current interim period.

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

## 8. LICENSE AGREEMENT

In December 2011, the Group 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 Group 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 Group made US\$2,000,000 non-refundable upfront payment to Roche in 2012.

In 2017, the Group 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.

In current interim period, the Group made US\$1,000,000 milestone payment to Roche upon NDA filing in the PRC (excluding Hong Kong and Macau) to the NMPA. Such payment was recognized as an intangible asset as at June 30, 2021.

The Group is further obligated to make US\$3,000,000 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 Group 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 Group is also obligated to make royalty payments at the applicable incremental royalty rate based on sales of the Licensed Product.

## 9. 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.

## 10. 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>2021</b>	<b>2020</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>(165,292)</u>	<u>(173,455)</u>

## 10. LOSS PER SHARE (Continued)

Number of Shares:

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>955,092,759</u>	<u>948,878,897</u>

The computation of basic and diluted loss per share for the six months ended June 30, 2021 and 2020 respectively excluded the unvested restricted stock units of the Company.

The computation of diluted loss per share for the six months ended June 30, 2021 and 2020 respectively did not assume the exercise of share options since their assumed exercise would result in a decrease in loss per share.

## 11. EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the six months ended June 30, 2021, the Group acquired RMB1,885,000 (unaudited) (six months ended June 30, 2020: RMB1,498,000 (unaudited)) of equipment. During the current interim period, the Group disposed of certain machinery with an aggregate carrying amount of RMB149,500 for proceeds of RMB73,500, resulting in a loss on disposal of RMB76,000. The net book value of equipment at June 30, 2021 is RMB44,947,000 (unaudited) (December 31, 2020: RMB49,341,000 (audited)).

During the six months ended June 30, 2021, the Group extended the lease terms of several existing lease agreements with additional lease terms ranged from one to three years. The Group is required to make fixed monthly or quarterly payments. The Group recognised the extensions as lease modifications and additional right-of-use assets amounted to RMB1,994,000 (unaudited) and lease liabilities of RMB1,994,000 (unaudited). The net book value of right-of-use asset and lease liabilities at June 30, 2021 is RMB66,515,000 (unaudited) and RMB76,291,000 (unaudited), respectively.

These 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 not to assess whether the changes constitute lease modifications. 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 RMB345,000 (six months ended June 30, 2020: RMB60,000) were recognized as negative variable lease payments.

During the current interim period, the Group recognized an additional intangible asset amounted to USD1 million (equivalent to RMB6,391,000) for the milestone payment to Roche in accordance with the license agreement. Details of the license arrangement was set out in Note 8.

## 12. PREPAYMENTS AND OTHER RECEIVABLES

	<b>At June 30, 2021 RMB'000 (unaudited)</b>	<b>At December 31, 2020 RMB'000 (audited)</b>
Prepayments for research and development services	16,824	2,146
Utility and rental deposits		
– current	1,810	1,814
– non-current	4,194	4,194
Value add tax recoverable – non-current	26,976	21,910
Interest receivables	262	704
Other receivables for considerations of options exercised	1,120	287
Others		
– current	7,423	8,236
– non-current	740	235
	<u>59,349</u>	<u>39,526</u>
Analyzed as		
– current	27,439	13,187
– non-current	31,910	26,339
	<u>59,349</u>	<u>39,526</u>

## 13. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less. The short-term bank deposits carry interests at market rates which ranged from 0.001% to 1.95 % per annum as of June 30, 2021 (December 31, 2020: from 0.001% to 2.3% per annum).



#### 14. TRADE AND OTHER PAYABLES

	<b>At June 30, 2021 RMB'000 (unaudited)</b>	<b>At December 31, 2020 RMB'000 (audited)</b>
Trade payables	23,790	25,821
Payroll and bonus payables	17,305	32,285
Payable to Roche under license agreement	5,812	–
Other payables	3,392	4,179
Accrued Leasehold improvement expenditure	1,493	12,383
Others	5,107	6,126
	<u>56,899</u>	<u>80,794</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, 2021 RMB'000 (unaudited)</b>	<b>At December 31, 2020 RMB'000 (audited)</b>
Uninvoiced or within 30 days	<u>23,790</u>	<u>25,821</u>
	<u>23,790</u>	<u>25,821</u>

## 15. DEFERRED INCOME

	<b>At June 30, 2021 RMB'000 (unaudited)</b>	<b>At December 31, 2020 RMB'000 (audited)</b>
Government grants received		
– current liabilities	14,250	14,250
– non-current liabilities	7,248	7,248
	<u>21,498</u>	<u>21,498</u>

During the six months ended June 30, 2021, 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.

## 16. 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, 2021 are set out as below:

	<b>Authorized number of shares</b>	<b>US\$</b>
Ordinary shares of US\$0.001 each At December 31, 2020 (audited) and June 30, 2021 (unaudited)	<u>2,000,000,000</u>	<u>2,000,000</u>
	<b>Issued and fully paid number of shares</b>	<b>US\$</b>
Ordinary shares of US\$0.001 each At December 31, 2020 (audited)	1,054,893,800	1,054,894
Exercise of share options	<u>137,500</u>	<u>137</u>
	<b>Shown in the condensed consolidated statement of financial position as RMB'000</b>	<b>RMB'000</b>
Ordinary shares of US\$0.001 each At June 30, 2021 (unaudited)	<u>1,055,031,300</u>	<u>1,055,031</u>
	<u>7,209</u>	<u>–</u>

## 16. SHARE CAPITAL (Continued)

The details of the changes of the treasury shares held in trust during the six months ended June 30, 2021 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, 2020 (audited) (Note (a))	100,910,741	100,910	690
Option exercised to purchase ordinary shares under the trust (Note (b))	(1,965,291)	(1,965)	(14)
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, 2021 (unaudited) (Note (a))	<u>98,017,574</u>	<u>98,017</u>	<u>669</u>

Notes:

- (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 17). As of June 30, 2021, 98,017,574 shares of the sum of US\$98,017 (equivalent to RMB669,000) (December 31, 2020: 100,910,741 shares of the sum of US\$100,910 (equivalent to RMB690,000)) are held in trust including 95,697,917 shares (December 31, 2020: 97,663,208 shares) for outstanding options and 2,319,657 shares (December 31, 2020: 3,247,533 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, 2021, several employees exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 1,965,291 ordinary shares of the Company at the average exercise price of HK\$1.59 per share for an aggregate consideration equivalent to RMB2,478,000.
- (c) During six months ended June 30, 2021, 927,876 restricted stock units granted to Mr. George Chien Cheng Lin were vested at a par value of US\$0.001 each.

## 17. SHARE-BASED PAYMENT TRANSACTIONS

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

On March 5, 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, 2021	Exercise price per share
Directors:			
Dr. Li Chen	December 4, 2014 ~ August 26, 2018	11,421,725	US\$0.07 ~ 0.49
Mr. George Chien Cheng Lin	April 3, 2018	25,592,405	US\$0.47
Employees	March 25, 2013 ~ August 26, 2018	49,769,848	US\$0.07 ~ 0.47
Individual consultants	September 12, 2013 ~ May 11, 2018	6,177,000	US\$0.07 ~ 0.47

## 17. 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, 2021	Exercise price per share
Directors:			
Dr. Li Chen	March 8, 2019 ~ March 22, 2021	15,079,000	HK\$4.984 ~ 8.866
Mr. George Chien Cheng Lin	March 8, 2019	300,000	HK\$8.866
Employees	September 28, 2018 ~ May 6, 2021	23,500,683	HK\$3.000 ~ 8.866
Individual consultants	March 8, 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 March 8, 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.

## 17. 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, 2021:

Category	Option type	Outstanding	Granted	Exercised	Forfeited	Lapsed	Outstanding
		at December 31, 2020					
<b>Category 1: Directors</b>							
Dr. Li Chen	Pre-IPO Share Incentive Scheme	11,921,725	-	(500,000)	-	-	11,421,725
	Post-IPO Share Option Scheme	12,079,000	3,000,000	-	-	-	15,079,000
	Subtotal	24,000,725	3,000,000	(500,000)	-	-	26,500,725
Mr. George Chien Cheng Lin	Pre-IPO Share Incentive Scheme	25,592,405	-	-	-	-	25,592,405
	Post-IPO Share Option Scheme	300,000	-	-	-	-	300,000
	Subtotal	25,892,405	-	-	-	-	25,892,405
	Total Directors	49,893,130	3,000,000	(500,000)	-	-	52,393,130
<b>Category 2: Employees</b>							
	Pre-IPO Share Incentive Scheme	51,671,543	-	(1,465,291)	(436,404)	-	49,769,848
	Post-IPO Share Option Scheme	18,187,194	7,500,000	(137,500)	(1,842,741)	(206,270)	23,500,683
	Total Employees	69,858,737	7,500,000	(1,602,791)	(2,279,145)	(206,270)	73,270,531
<b>Category 3: consultants</b>							
	Pre-IPO Share Incentive Scheme	6,177,000	-	-	-	-	6,177,000
	Post-IPO Share Option Scheme	200,000	-	-	-	-	200,000
	Total Individual consultants	6,377,000	-	-	-	-	6,377,000
	Total all categories	126,128,867	10,500,000	(2,102,791)	(2,279,145)	(206,270)	132,040,661
	Exercisable at the end of the period	84,050,356					95,939,008
	Weighted average exercise price (HK\$)	3.65	5.00	1.72	4.87	8.87	3.76

## 17. 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, 2021 were calculated using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	Jan 2021	March 2021	May 2021
Grant date option fair value per share	HK\$3.29	HK\$3.08	HK\$3.02
Grant date share price	HK\$5.22	HK\$4.83	HK\$4.75
Exercise price	HK\$5.58	HK\$4.98	HK\$4.89
Expected volatility	73.86%	73.28%	73.12%
Expected life	6.08 years	6.08 years	6.08 years
Risk-free rate	0.47%	0.94%	0.84%
Expected dividend yield	<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, 2021, the Group recognized RMB18,710,000 (unaudited) of share-based payment expense in relation to the grants of the share options (six months ended June 30, 2020: RMB28,800,000 (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.

## 17. 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, 2021 are set out as below:

	<b>Number of unvested restricted stock units</b>
Restricted stock units held in trust at December 31, 2020 (audited)	3,247,533
Restricted stock units vested under the trust	<u>927,876</u>
Restricted stock units held in trust at June 30, 2021 (unaudited)	<u><u>2,319,657</u></u>

The Group recognized RMB654,000 (unaudited) of share-based payment expense in relation to the grants of the above restricted stock units for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB1,416,000 (unaudited)).

## 18. 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>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Salaries and other benefits	5,780	5,821
Retirement benefit scheme contributions	73	39
Share-based payment	<u>8,487</u>	<u>14,918</u>
	<u><u>14,340</u></u>	<u><u>20,778</u></u>



## 19. 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, 2021 and December 31, 2020. 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.

## 20. EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to June 30, 2021 and up to the date of issuance of the condensed consolidated financial statements.

## 21. COMPARATIVE FIGURES

Certain comparative figure has been reclassified to conform with the current period presentation.

## 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 during the six months ended June 30, 2021.

### Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2021 (June 30, 2020: NIL).

### Use of net proceeds from the Global Offering

The Shares were listed on the Stock Exchange on September 14, 2018. The net proceeds from the Company's issue of new Shares 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 a portion of the net proceeds will be carried forward and utilized in the 2022 financial year due to a slight adjustment to the timeline for the development of our manufacturing capabilities.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of June 30, 2021:

	<b>% of use of proceeds</b>	<b>Net proceeds from the Global Offering RMB million</b>	<b>Actual usage up to June 30, 2021 RMB million</b>	<b>Unutilized net proceeds as of June 30, 2021 RMB million</b>
Dorzagliatin research and development	39%	291.4	291.4	–
Dorzagliatin lifecycle management and additional indications	9%	67.2	35.9	31.3
Dorzagliatin launch and commercialization	27%	201.8	33.5	168.3
New product and diabetes care technology development	11%	82.2	16.4	65.8
Product licensing and partnership	4%	29.9	–	29.9
General working capital	10%	74.7	74.7	–
Total	100%	747.2	451.9	295.3

## 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, 2021, 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 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>	29,000,725 (L)	2.74%
	Interest of Controlled Corporation <sup>(3)</sup>	10,000,000 (L)	0.94%
George Chien Cheng LIN	Founder and beneficiary of trust <sup>(4)</sup>	3,633,178 (L)	0.34%
	Beneficial Owner <sup>(5)</sup>	30,758,522 (L)	2.91%
Robert Taylor NELSEN	Interest of Controlled Corporation <sup>(6)</sup>	125,088,960 (L)	11.85%
	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 Wa 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 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, 2021.
- (12) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as of June 30, 2021, 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, 2021, 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)	11.85%
ARCH Venture Partners VII, L.P. <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.85%
ARCH Venture Partners VII, LLC <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.85%
Keith Lawrence CRANDELL <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.85%
Clinton Whitewood BYBEE <sup>(1)</sup>	Interest in controlled corporation	125,088,960(L)	11.85%
Venrock Associates V, L.P. <sup>(2)</sup>	Beneficial interest	103,475,595(L)	9.80%
Venrock Management V, LLC <sup>(2)</sup>	Interest in controlled corporation	103,475,595(L)	9.80%
FMR LLC <sup>(3)(4)</sup>	Interest in controlled corporation	73,806,914(L)	6.99%
Impresa Fund III Limited Partnership <sup>(3)(4)</sup>	Interest in controlled corporation	73,756,914(L)	6.99%
Impresa Management LLC <sup>(3)(4)</sup>	Interest in controlled corporation	73,756,914(L)	6.99%
Abigail P. JOHNSON <sup>(3)(4)</sup>	Trustee	73,756,914(L)	6.99%
Edward C. JOHNSON IV <sup>(3)(4)</sup>	Trustee	73,756,914(L)	6.99%
FIL Limited <sup>(3)(5)</sup>	Interest in controlled corporation	73,757,373(L)	6.99%
Pandanus Partners L.P. <sup>(3)(5)</sup>	Interest in controlled corporation	73,757,373(L)	6.99%
Pandanus Associates Inc. <sup>(3)(5)</sup>	Interest in controlled corporation	73,757,373(L)	6.99%
Eight Roads Holding Limited <sup>(3)(5)</sup>	Interest in controlled corporation	73,757,373(L)	6.99%
WuXi PharmaTech Healthcare Fund I L.P. <sup>(6)</sup>	Beneficial interest	74,029,635(L)	7.01%
WuXi PharmaTech Fund I General Partner L.P. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.01%
WuXi PharmaTech Investments (Cayman) Inc. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.01%
WuXi PharmaTech Investment Holdings (Cayman) Inc. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.01%
WuXi AppTec International Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.01%
WuXi AppTec Co., Ltd. <sup>(6)</sup>	Interest in controlled corporation	74,029,635(L)	7.01%
HLYY Limited <sup>(7)</sup>	Nominee of a trust	105,474,543(L)	9.99%
TCT (BVI) Limited <sup>(7)</sup>	Interest in controlled corporation	105,474,543(L)	9.99%
The Core Trust Company Limited <sup>(7)</sup>	Trustee	105,474,543(L)	9.99%
Jane Xingfang HONG <sup>(8)</sup>	Beneficial interest	25,220,690(L)	2.39%
	Interest of spouse	29,000,725(L)	2.74%
	Interest in controlled corporation	10,000,000(L)	0.94%

## 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 3.57% 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 4.11% of the voting rights of the Company altogether. Fidelity Management & Research Company LLC was incorporated in Delaware, United States and controlled by FMR LLC.

Besides, Fidelity Institutional Asset Management Trust Company and FIAM LLC are controlled by FMR LLC (as defined under the SFO), holds approximately 0.20% of the voting rights of the Company altogether.

As such, under the SFO, FMR LLC is deemed to be interested in the equity interests held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP, Fidelity Management & Research (Hong Kong) Limited, Fidelity Institutional Asset Management Trust Company, and FIAM LLC which collectively hold 11.91% of the voting rights of the Company.

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

As such, under the SFO, Impresa Fund III Limited Partnership, Impresa Management LLC, Abigail P. JOHNSON, Edward C. JOHNSON IV and FMR LLC are deemed interested in the Shares held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP and Impresa Fund III Limited Partnership, which collectively hold 6.99% 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 controlled by FIL Limited (as defined under the SFO). 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 6.99% 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, which collectively holds 6.99% of the voting rights of the Company.

6. To the best of our Directors' knowledge, the general partner of Wuxi Pharmatech Healthcare Fund I L.P. is Wuxi Pharmatech Fund I General Partner L.P., a limited partnership established in the Cayman Islands whose general partner is Wuxi Pharmatech Investments (Cayman) Inc., an exempted limited liability company established in the Cayman Islands. Wuxi Pharmatech Investments (Cayman) Inc. is a wholly-owned subsidiary of Wuxi Pharmatech Investment Holdings (Cayman) Inc., which is in turn wholly-owned by Wuxi AppTec International Holdings Limited, which is in turn wholly-owned by WuXi AppTec Co., Ltd.
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 15,079,000 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.
10. The approximate percentage of shareholding is calculated based on the issued share capital of the Company as of June 30, 2021.

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 of each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code for the six months ended June 30, 2021.

## Corporate governance

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

The Company has adopted the code provisions of the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code throughout the six months ended June 30, 2021. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

## Changes to information in respect of the Directors

Mr. Robert Taylor NELSEN had been appointed as non-executive director of Bii Biosciences Limited 騰盛博藥生物科技股份有限公司 (Stock Code: 2137) since June 22, 2018, a company which was listed on the Stock Exchange on July 13, 2021.

Mr. Robert Taylor NELSEN had been appointed as independent director of Lyell Immunopharm (Stock Code: LYEL) since August 2018, a company which was listed on NASDAQ stock market in the United States on June 17, 2021.

Mr. Robert Taylor NELSEN had been appointed as director of Renovation Healthcare Acquisition Corp. (Stock Code: REVH) since March 2021, a company which is listed on NASDAQ stock market in the United States.

Mr. Robert Taylor NELSEN had resigned as director of Beam Therapeutics Inc. (Stock Code: BEAM) and Karuna Therapeutics Inc. (Stock Code: KRTX) in June, 2021, all of which are companies listed on NASDAQ stock market in the United States.



Mr. Yiu Wa, Alec TSUI had been appointed as independent non-executive director of Bii Biosciences Limited 騰盛博藥生物科技股份有限公司 (Stock Code: 2137) effective from July 13, 2021, being the listing date of the company.

Mr. Junling LIU had been appointed as independent non-executive director of Autohome Inc. since January 12, 2015, a company which is listed on NASDAQ (Stock Code: ATHM) and became secondary listed on the Stock Exchange (Stock Code: 2518) on March 15, 2021

Dr. Lian Yong CHEN had resigned as non-executive director of CStone Pharmaceuticals (Stock Code: 2616) effective on July 9, 2021.

Mr. William Robert KELLER had been appointed as director of Artisan Acquisition Corp. (Stock Code: ARTA) on March 8, 2021, a company which is listed on NASDAQ stock market in the United States.

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, 2021 has been reviewed by the Company's 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, 2021, 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
“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
“FDC”	fixed dose combination
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“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)

"NDA"	New drug application
"PCT"	Patent Cooperation Treaty
"PRC"	the People's Republic of China, excluding, for the purposes of this report, Hong Kong, 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
"Prospectus"	the prospectus of the company dated August 31, 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSUs"	restricted stock units
"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
"U.S."	The United States of America