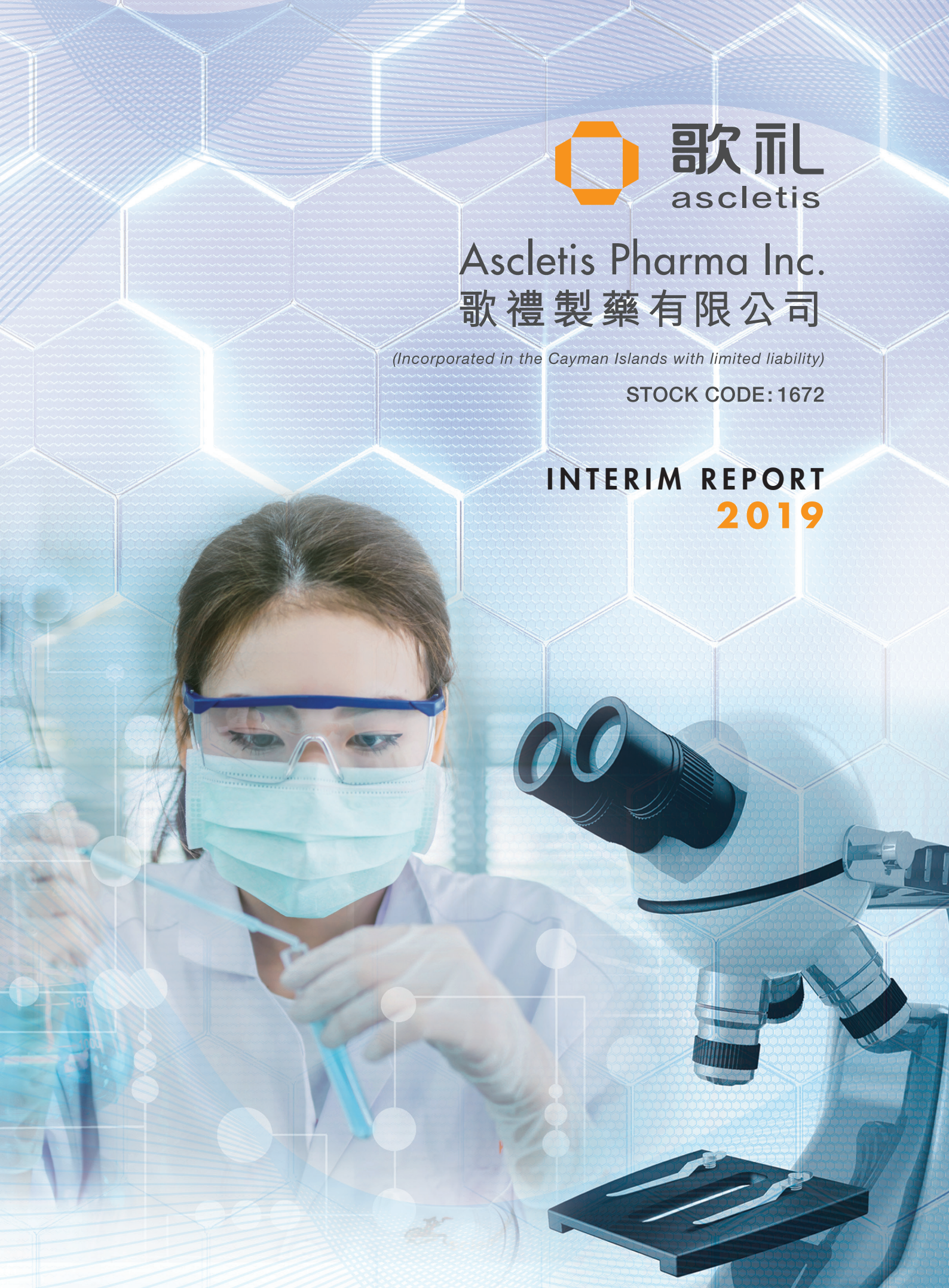
歌禮
ascletis

Ascletis Pharma Inc.
歌禮製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1672

INTERIM REPORT
2019



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Jinzi Jason WU
(Chairman and Chief Executive Officer)
Mrs. Judy Hejingdao WU
(Vice President)

Independent Non-executive Directors

Dr. Ru Rong JI
Dr. Yizhen WEI
Mr. Jiong GU
Ms. Lin HUA

AUDIT COMMITTEE

Mr. Jiong GU *(Chairman)*
Dr. Yizhen WEI
Ms. Lin HUA

REMUNERATION COMMITTEE

Ms. Lin HUA *(Chairman)*
Dr. Yizhen WEI
Dr. Ru Rong JI

NOMINATION COMMITTEE

Dr. Jinzi Jason WU *(Chairman)*
Dr. Ru Rong JI
Ms. Lin HUA

AUTHORISED REPRESENTATIVES

Dr. Jinzi Jason WU
Mrs. Judy Hejingdao WU

COMPANY SECRETARY

Mr. Lok Kwan YIM

REGISTERED OFFICE

c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

CORPORATE HEADQUARTERS

12/F, Building 3
No. 371 Mingxing Road, HIPARK
Xiaoshan District
Hangzhou
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

STOCK CODE

1672

COMPANY WEBSITE

www.ascletis.com

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended June 30,		
	2019	2018	Changes
	RMB'000	*RMB'000*	*%*
Revenue			
Sales of products	**55,356**	26,376	109.9
Collaboration revenue	**–**	88,750	–
Promotion service revenue	**20,047**	–	–
Total	**75,403**	115,126	(34.5)
Gross profit	**55,676**	112,328	(50.4)
(Loss)/Profit before tax	**(47,232)**	21,513	(319.6)
(Loss)/Profit for the period	**(47,232)**	21,638	(318.3)
(Loss)/Profit attributable to the owners of the Group	**(47,232)**	34,125	(238.4)
Net (loss)/profit margin	**(62.6%)**	18.8%	–
	RMB	RMB	
(Loss)/Earnings per share			
– Basic	**(4.47) cents**	4.12 cents	–
– Diluted	**(4.47) cents**	4.08 cents	–

CORPORATE PROFILE

OUR MISSION

Ascletis' mission is to become a world-class innovative R&D driven biotechnology company addressing unmet medical needs in three therapeutic areas: viral, cancer and fatty liver diseases.

OVERVIEW

Ascletis is an innovative R&D driven biotechnology company focusing on developing and commercializing first/best-in-class drugs against HCV, HBV, HIV, cancer and fatty liver diseases. Led by a management team with deep expertise and a proven track record, Ascletis has developed a fully integrated platform covering the entire value chain from discovery and development to manufacturing and commercialization. As of the date of this report, Ascletis has commercialized two drugs, Ganovo® (Danoprevir), the first direct-acting anti-viral agent for Hepatitis C developed domestically for China, and Pegasys® (Peginterferon alfa-2a), a well-established pegylated interferon for Hepatitis B and C partnered with Shanghai Roche Pharmaceuticals Ltd. ("**Shanghai Roche**"). Another drug candidate of Ascletis, Ravidasvir, is a Hepatitis C virus (HCV) drug at near commercial stage, the NDA of which was accepted by the NMPA in August 2018 and was granted priority review in October 2018.

Ascletis' R&D pipeline consists of first/best-in-class drug candidates from antibody-based immunotherapy, small molecules and siRNA at various clinical development stages, addressing unmet medical needs in three therapeutic areas: viral, cancer and fatty liver diseases. For anti-viral therapeutic areas, ASC22, licensed from Suzhou Alphamab Co., Ltd. ("**Alphamab**") for viral indications, is a first-in-class, Phase II-ready programmed cell death ligand-1 (PD-L1) monoclonal antibody to treat Hepatitis B and other viral diseases. ASC09 is a Phase IIa-completed, potential best-in-class protease inhibitor to treat HIV Type-1 infections. ASC18 is an investigational new drug (IND) approved HCV dual-targeting fixed-dose combination (FDC) of one-pill once-a-day regimen. For cancer therapeutic area, ASC06 is the first systemically delivered siRNA-based liver cancer drug candidate that has completed Phase I and Phase I extension clinical trials. For fatty liver diseases therapeutic area, besides an in-house developed preclinical drug candidate with global rights for non-alcoholic steatohepatitis (NASH), ASC40, licensed from 3-V Biosciences Inc. ("**3-V Biosciences**", currently known as Sagimet Biosciences Inc.), is a first-in-class, small molecule fatty acid synthase (FASN) inhibitor for NASH and is currently in its Global Phase II Clinical Trial.

CORPORATE PROFILE

Ganovo® (Danoprevir) has generated sales of approximately RMB55.4 million in the first half of 2019. We obtained from Shanghai Roche, an exclusive promotion right in Mainland China for Pegasys®, a leading pegylated interferon as a first-line treatment for Hepatitis B in November 2018 and began to promote Pegasys® in December 2018. Pegasys® has generated sales of approximately RMB20.0 million in the first half of 2019.

Other than Ganovo® (Danoprevir) and Pegasys®, to date, we have not commercialized any products, and we cannot guarantee that we will be able to successfully develop and commercialize our drug candidates.

Our product pipeline is set out below as at the date of this report:

Field	Target	Indication	Products / Drug Candidate	Pre–IND	IND Approval	Phase I	Phase II	Phase III	NDA Filed	Marketed	Licensed From	Commercial Rights
Anti–viral	NS3/4A	HCV	Ganovo® (Danoprevir)								Roche	Greater China
	Interferon receptor	HBV / HCV	Pegasys® (Peginterferon alfa–2a)								Roche	Mainland China
	NS5A	HCV	Ravidasvir								PRESIDIO	Greater China
	Protease	HIV	ASC09								janssen	Mainland China and Macau
	PD–L1	HBV	ASC22								康宁杰瑞	Greater China
	Dual Targeted FDC	HCV	ASC18*									Greater China
	NS5B	HCV	ASC21								Medivir	Greater China
	Undisclosed	HBV	lead Identification*									Global
Fatty Liver Disease	FASN	NASH	ASC40								SAGIMET	Greater China
	Undisclosed	NASH	lead Identification*									Global
Cancer	VEGF&KSP	Liver Cancer	ASC06								Alnylam	Greater China

* *In-house programs*

Note: The Group is also developing the tablet formulation of Ritonavir and has completed bioequivalence (BE) studies of the tablets on healthy volunteers. ANDA of Ritonavir was accepted by NMPA on August 22, 2019. Ritonavir is used as a pharmacokinetic booster of Ganovo® (Danoprevir).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2019, the Group made progress with respect to its business.

- **Ganovo® (Danoprevir) sales of RMB55.4 million**
  During the Reporting Period, the Group recorded approximately RMB55.4 million sales of products through the commercialization of Ganovo® (Danoprevir) in Mainland China. Compared to the first half of 2018, sales growth is 109.9% in the first half of 2019. Compared to the second half of 2018, sales growth is 20.6% in the first half of 2019. At the Reporting Period, we have made significant progress on the reimbursement coverage of Ganovo®. To date, Ganovo® has been enrolled in the Basic Medical Insurance of Zhejiang Province, Tianjin and Chengdu.

- **Pegasys® promotion income of RMB20.0 million**
  On November 20, 2018, we obtained exclusive promotion right in Mainland China for Pegasys®, a leading pegylated interferon as a first-line treatment for Hepatitis B, from Shanghai Roche. We have been promoting Pegasys® since December 1, 2018. During the Reporting Period, the Group recorded approximately RMB20.0 million promotion income through the commercialization of Pegasys® in Mainland China.

- **Ravidasvir, our all-oral interferon-free, NDA-accepted regimen for Hepatitis C**
  Ravidasvir is our next generation and pan-genotypic NS5A inhibitor with a high genetic barrier to resistance. Ravidasvir, when administered in combination with Ganovo® (Danoprevir) and ribavirin, forms an all-oral and interferon-free cure for Hepatitis C (the "RDV/DNV Regimen"). Our Phase II/III clinical trial has shown that 12-week RDV/DNV Regimen demonstrated a superior cure rate of 99% (SVR12) and a good safety profile. For patients with baseline NS5A resistance mutations, our Phase II/III clinical trial showed that RDV/DNV Regimen demonstrated a cure rate of 100% (SVR12). The NDA acceptance and priority review for Ravidasvir was granted by the NMPA on August 1, 2018 and October 17, 2018, respectively.

- **Commercial capability**
  With the successful launch of Ganovo®, the Group has demonstrated strong development capability and established a solid commercial presence in China in the area of hepatitis. As of June 30, 2019, the Group has built a commercialization team of approximately 150 members, covering more than 1,000 hospitals and pharmacies strategically located in regions where Hepatitis C and B are prevalent in China. Our commercial team has identified and educated approximately 6,000 specialists and KOLs in the hepatitis field. We have entered into 19 distribution agreements with different distributors that cover 371 direct-to-patient (DTP) pharmacies, hospital-linked pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors.

- **Advancing our innovative first/best-in-class R&D pipeline**
  The Group has focused on building and advancing our first/best-in-class R&D pipeline after successfully launching Ganovo® (Danoprevir), including but not limited to: (1) Cure for Chronic Hepatitis B – ASC22, a first-in-class immunotherapy to potentially offer clinical cure for chronic Hepatitis B; (2) HIV protease inhibitor – ASC09, of which the Group has focused on chemistry, manufacturing and control which are required to initiate a Phase IIb clinical trial in China which is planned for 2020; (3) IND-approved HCV dual-targeted fixed-dose combination (FDC) – ASC18, of which the Group has developed one-pill once-a-day FDC as the complete treatment of Hepatitis C; (4) FASN inhibitor for NASH – ASC40, an orally bioavailable, first-in-class inhibitor of FASN.

COMMERCIALIZED PRODUCTS

- **Ganovo®**

  Hepatitis C is one of the leading causes of chronic liver diseases, including cirrhosis and liver cancer, in China. Hepatitis C had a prevalence rate of 1.82% in China in 2017, with 25.2 million estimated HCV-infected patients. Ganovo® is a direct-acting anti-viral agent (DAA) and NS3/4A protease inhibitor, which, when administered in combination with pegylated interferon and ribavirin, demonstrated a far higher cure rate of 97% (SVR12), a shorter treatment duration of 12 weeks and a superior safety and tolerability profile, compared with the current primary regimen of pegylated interferon and ribavirin in China.

  Ganovo® (Danoprevir) is our first commercialized product. We obtained the NDA approval from NMPA on June 8, 2018, and have begun commercialization of Ganovo® in Mainland China. Since then, the Group recorded approximately RMB55.4 million sales of products through the commercialization of Ganovo® (Danoprevir) in China during the Reporting Period.

  We believe that Ganovo® Regimen has the following advantages:
  Higher cure rate. Ganovo® Regimen demonstrated a 97% cure rate (SVR12) in a phase III clinical trial completed on 140 HCV patients, which is substantially higher than the current primary regimen in China.

  Shorter treatment duration. The 12-week duration of our Ganovo® Regimen is significantly shorter than the treatment duration of 48 to 72 weeks for HCV treatment using interferon regimen. We believe that our shorter duration regimen will increase compliance to the treatment and improve patient tolerability.

  Superior safety and tolerability profile. No grade 3 or higher laboratory liver function abnormalities were observed in our phase III clinical trial of the Ganovo® Regimen. Moreover, there was no discontinuation of use due to adverse events. The rate of serious adverse events potentially related to the use of Ganovo® Regimen was approximately 0.7%.

  Potent anti-viral activity. In pre-clinical studies, Ganovo® demonstrated potent activity against HCV NS3/4A protease derived from HCV genotypes 1 through 6 with subnanomolar to nanomolar potencies. In clinical trials, our Ganovo® Regimen has shown an overall cure rate of over 97% (SVR12) against HCV genotypes 1 and 4 infections.

COMMERCIALIZED PRODUCTS (Continued)

- **Pegasys®**

  The Group entered into a partnership with Shanghai Roche in November 2018 and obtained exclusive rights to promote Pegasys® in China.

  Pegasys® is a long-acting modified form of interferon (IFN), a naturally occurring protein produced by the body to fight viruses, approved to treat Hepatitis B and C. Shanghai Roche had sold and promoted Pegasys®, a leading pegylated interferon treatment for more than 15 years in China and is well recognized and accepted by the clinical community. Pegasys® demonstrated strong immune modulation with resultant higher HBeAg and HBsAg seroclearance or even seroconversion, in comparison to Nucleos(t)ide Analogues (NAs). We began our exclusive sales and promotion of Pegasys® in China from December 1, 2018 and recorded approximately RMB20.0 million income from the marketing promotion of Pegasys® during the Reporting Period.

  We believe that Pegasys® will contribute to our marketing promotion income in the coming years based on the following:

  – Pegasys® is the leading pegylated interferon treatment for Hepatitis B and C in China. It has been sold in China for more than 15 years and is well recognized and accepted by the clinical community.

  – Pegasys® demonstrated strong immune modulation with resultant higher HBeAg and HBsAg seroclearance or even seroconversion, in comparison to Nucleos(t)ide Analogues (NAs).

  The Group has a well-established track record in clinical development and has demonstrated solid commercial execution in China in the area of viral hepatitis. Leveraging on our entrenched presence in viral hepatitis, the success of Ganovo® and strong branding of Pegasys®, we will continue to build on these strengths to promote Pegasys®.

NEAR COMMERCIAL-STAGE PRODUCT

- **Ravidasvir**
  We filed the NDA for Ravidasvir on July 31, 2018 and received the acceptance letter from the NMPA on August 1, 2018. In October 2018, Ravidasvir was granted priority review by the NMPA. We plan to leverage on our regulatory and commercial experience of Ganovo® to accelerate the approval and commercialization of Ravidasvir.

  We have developed Ravidasvir to be a best-in-class, pan-genotypic inhibitor targeting the HCV NS5A protein. Ravidasvir offers superior anti-viral activity, a higher genetic barrier to resistance and a better safety profile compared to our competitors' NS5A inhibitors approved in China. As of June 30, 2019, there were 3 phase III clinical trials of Ravidasvir completed globally: (1) Ravidasvir/Danoprevir (RDV/DNV) Regimen phase II/III clinical trial in China for genotype 1 patients; (2) Ravidasvir/Sofosbuvir (RDV/SOF) Regimen phase III clinical trial outside of China for genotypes 1, 2, 3 and 6 patients; (3) RDV/SOF Regimen phase III clinical trial outside of China for genotype 4 patients.

  We believe that, based on the clinical trials, Ravidasvir has the following characteristics:

  – Best-in-class NS5A inhibitor. Our RDV/DNV Regimen demonstrated a 99% cure rate (SVR12) in the Phase II/III clinical trial in China with 410 HCV genotype 1 patients who completed the 12-week treatment and 12-week follow-up.

  – Pan-genotypic anti-viral activity against genotypes 1 to 6. In vitro studies have shown that Ravidasvir has potent anti-viral activity against HCV genotypes 1 to 6. Two Phase III clinical trials of RDV/SOF Regimen demonstrated an overall cure rate of 97% (SVR12) in genotypes 1, 2, 3 and 6 and a 95% cure rate (SVR12) in genotype 4. In genotype 3 patients with and without cirrhosis, RDV/SOF Regimen demonstrated superior cure rates of 96% and 97%, respectively, (SVR12) in Asian patients with HCV.

  – Highly efficacious for patients infected by HCV with baseline NS5A resistance mutations. The RDV/DNV Regimen demonstrated a 100% cure rate (SVR12) for patients with baseline NS5A resistance mutations in our Phase II/III clinical trial. 6 patients in our Phase II clinical trial (EVEREST) had baseline NS5A resistance mutations and 100% of these patients achieved SVR12. 19% of HCV patients in China carry baseline NS5A resistance mutations. Competitors' products demonstrated a cure rate of 20% (SVR12) in treating patients infected by HCV genotype 1b with baseline NS5A resistance mutations.

  – Efficacious for hard-to-cure genotypes. Phase III clinical trial of RDV/SOF Regimen demonstrated a 99% cure rate (SVR12) in genotype 1a patients and a 97% cure rate (SVR12) in genotype 3 patients.

  – Efficacious in cirrhotic patients. Phase III clinical trial of RDV/SOF Regimen demonstrated a 96% cure rate (SVR12) in cirrhotic patients.

  – Efficacious for HCV/HIV co-infected patients. Phase III clinical trial of RDV/SOF Regimen demonstrated a 97% cure rate (SVR12) in HCV/HIV co-infected patients.

DRUG CANDIDATES IN THE PIPELINE

- **ASC22**
  Phase II-ready PD-L1 antibody for Hepatitis B cure. ASC22, as a PD-L1 single domain antibody fragment crystallizable (Fc) fusion, has the advantages of subcutaneous injection and good stability at room temperature. ASC22 is differentiated from other PD-1 or PD-L1 antibodies since it is the only late-stage monoclonal antibody, against PD-1 or PD-L1, which is subcutaneously administered and room temperature stable with clinical safety data from more than 500 patients of oncology indications. These characteristics would be of great value to improve patients' compliance to treatment and quality of life. ASC22 is a potential global first-in-class immunotherapy to offer clinical cure for chronic Hepatitis B infections.

  In January 2019, we announced that we have obtained exclusive rights in Greater China for ASC22 for viral indications from Alphamab. To date, ASC22, also known as KN035, has been studied in multiple oncology clinical trials, including two pivotal trials, with more than 500 patients in China, U.S, and Japan. ASC22 has demonstrated good human safety profile.

- **ASC40**
  Phase II NASH drug candidate. ASC40 is an orally bioavailable, first-in-class inhibitor of FASN. FASN is a key enzyme in the DNL pathway and catalyzes the biosynthesis of palmitate, which can then undergo further modifications into other fatty acids and complex lipids. Dysregulation of FASN activity is found in a number of different diseases, including liver diseases and cancer. Non-alcoholic fatty liver disease (NAFLD) and the more advanced disease of NASH can progress to significant liver diseases, including cirrhosis and hepatocellular carcinoma. The first patient was dosed in April 2019 in Global Phase II Clinical Trial.

- **ASC09**
  Phase IIa-completed HIV drug candidate. ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented high genetic barrier to resistance and has completed Phase I and Phase IIa clinical trials, which have shown potent anti-viral activity. Our studies have shown that ASC09 requires seven mutations before HIV develops resistance to ASC09, indicating ASC09 to have high genetic barrier to resistance compared to other approved protease inhibitors. Lopinavir, a HIV protease inhibitor, is approved and marketed in China. Lopinavir has a relatively low genetic barrier to resistance, and therefore has lower efficacy for protease-inhibitor resistant HIV patients. In addition, compared to Darunavir, a best-in-class protease inhibitor among approved protease inhibitors globally, virological studies suggest that ASC09 is a promising candidate for 72% clinical isolates resistant to Darunavir. The clinical trials have also shown that ASC09 is safe and well-tolerated. These characteristics make ASC09 a promising HIV drug therapy candidate for both treatment-naïve and treatment-experienced patients. It is expected that Phase IIb clinical trial in China will be initiated in 2020.

DRUG CANDIDATES IN THE PIPELINE (Continued)

- **ASC18**
  IND-approved dual-targeted fixed-dose combination (FDC) HCV drug candidate. ASC18 is a one-pill once-a-day FDC, developed in-house by the Group, as the complete regimen to treat Hepatitis C. The IND approval for ASC18 has been granted on August 1, 2019. We believe ASC18 will contribute our Hepatitis C franchise, together with Ganovo® and Ravidasvir. The clinical trial of ASC18 is expected to be initiated soon.

- **ASC06**
  Phase I-completed liver cancer drug candidate. We aim to develop ASC06 as the first systemically delivered therapeutic drug to treat liver cancer in China by using RNA interference (RNAi), a breakthrough approach to drug discovery and development. ASC06 has been designed to silence two genes critical for growth of liver cancer cells – vascular endothelial growth factor (VEGF) and kinesin spindle protein (KSP). ASC06 has completed Phase I and Phase I extension clinical trials, which have shown that 50% of patients who received 0.7 mg/kg dose achieved stable disease and one patient achieved a complete response. It is expected that the Phase II clinical trial in China will be initiated in 2020.

- **ASC21**
  IND-approved HCV NS5B nucleotide polymerase inhibitor. ASC21 is an NS5B nucleotide polymerase inhibitor that has shown in in vitro studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. The Group has focused on development and optimization of API, and formulation of ASC21. The IND approval for ASC21 has been granted on March 13, 2019.

- **Other pre-clinical programs**
  In addition to ASC18, we have two other wholly-owned, in-house pre-clinical programs at discovery stage. One is to develop novel therapies to achieve high functional cures for Hepatitis B. The other is to develop breakthrough therapies for NASH.

THE GROUP'S FACILITIES

We have one manufacturing facility located in Shaoxing, Zhejiang Province with a total gross floor area of 17,000 square meters. Our manufacturing facility has one production line with a designed annual production capacity of 130 million tablets. As substantially all of our drug candidates are administered in tablet form, we are able to manufacture our drugs using the same production line. We have obtained the drug production license for our manufacturing facility. Our manufacturing facility is equipped with state-of-the-art production equipment with cutting-edge technology capabilities such as hot-melt extrusion and high-speed press to ensure the high quality of our products. Most of our equipment was purchased since 2015 from leading international manufacturers, such as Leistritz and Fette.

As of June 30, 2019, we had eight subsidiaries, including one offshore subsidiary set up during the Reporting Period, all of which are wholly owned by us. Our business was mainly conducted through two of our four onshore operating subsidiaries, being Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司) and Ascletis Pharmaceuticals Co., Ltd. (歌禮藥業(浙江)有限公司).

FUTURE AND OUTLOOK

We are closely monitoring the continuing healthcare reform in China, especially the rollout of the centralized procurement "4+7" generics drug bidding pilot scheme launched by the State Council in late 2018 and the upcoming proposal for national expansion of centralized generics drug bidding procedure. We are of the view that the savings from the generic price cuts will enable China to have future economics shift towards favorable innovative drug pricing policies. Innovation will continue to be a significant driver for the future growth of China healthcare industry and innovation-driven biotechnology companies will continue to benefit from new favorable policies. An example of such policies includes the formation of the National Healthcare Security Administration (國家醫療保障局) which accelerates the national-level negotiation between the government and pharmaceutical companies. We view that new innovative drugs, such as Ganovo® (Danoprevir), may benefit from faster enrollment into the national medical reimbursement insurance catalogue.

FUTURE AND OUTLOOK (Continued)

We will continue to invest and focus our efforts on innovative first/best-in-class drug candidates and commercialization. Through our unrelenting efforts over the past six years, the Group has transformed from an anti-viral small molecule focused company to an integrated innovative biopharmaceutical leader with biologics, small molecule and siRNA technology expertise. In the second half of 2019 as well as 2020, the Group will be focusing on the following key goals:

1. Invest in innovative R&D to pivot from first-in-China to first-in-class globally

    - Commence enrollment of clinical trials of ASC22 for clinical cure of chronic Hepatitis B
    - Together with our partner Sagimet Biosciences Inc. (formerly 3-V Biosciences) complete the global phase II clinical trial in of ASC40 for treatment of NASH
    - Commence enrollment of clinical trials of ASC18 for Hepatitis C
    - Commence enrollment of clinical trials of ASC09 to treat HIV/AIDS Hepatitis B
    - Progress our in-house preclinical drug candidates towards INDs and clinical trials

2. Ramp up our sales and commercialization efforts

    - Further expansion of Ganovo® reimbursement coverage
    - Leverage on our market leadership in viral hepatitis, Ganovo® success and strong Pegasys® branding, to scale up and expand Ganovo® and Pegasys® promotion and marketing efforts
    - Complement our product portfolio and strengthen market position through potential upcoming approval of Ravidasvir, an all-oral, interferon-free HCV drug treatment regimen

3. Significant efforts on business development to expand product offering and pipeline

    - Execute on our strategy of China focus and going global
    - Consistent with the ASC22 and ASC40 partnerships we had announced in early 2019, we will continue our efforts to seek for global first-in-class and/or best-in-class partnerships with exclusive China rights and the potential to share global economics with our partner(s) and/or invest in our partner(s).

FINANCIAL REVIEW

Revenue

The Group has begun commercialization of Ganovo® (Danoprevir) in China on June 8, 2018 and Pegasys® since December 1, 2018. The revenue generated during the Reporting Period consists of (i) sales of products from Ganovo® (Danoprevir) and (ii) Pegasys®'s promotion services.

The revenue from Ganovo® (Danoprevir) increased by 109.9% from approximately RMB26.4 million for the six months ended June 30, 2018 to approximately RMB55.4 million for the six months ended June 30, 2019. The fees for promotion of Pegasys® received from Shanghai Roche was RMB20.0 million for the six months ended June 30, 2019, compared to nil for the same period of last year. The revenue of the Group decreased by 34.5% from approximately RMB115.1 million for the six months ended June 30, 2018 to approximately RMB75.4 million for the six months ended June 30, 2019. The decrease was mainly because the last instalment of upfront and milestone payments from Roche in relation to the commercialization of Ganovo® (Danoprevir) has been paid in July 2018, and therefore we received nil upfront and milestone payment during the Reporting Period, compared with RMB88.8 million for the same period of last year.

We expect that our revenue for the next few years will be generated mainly from our sales of Ganovo® (Danoprevir) and Ravidasvir upon its approval. We filed the NDA for Ravidasvir on July 31, 2018 and received the acceptance letter from the NMPA on August 1, 2018.

Cost of Sales

The cost of sales of the Group increased by 605.0% from approximately RMB2.8 million for the six months ended June 30, 2018 to approximately RMB19.7 million for the six months ended June 30, 2019. The increased cost of sales was attributed to the commercialization of Ganovo® (Danoprevir) in China and the cost of rendering promotion services.

The cost of goods sold of the Group consists of direct labor costs, cost of raw materials, overhead and the royalty fee to Roche. Direct labor costs primarily consist of salaries, bonus and social security costs for the employees.

Cost of raw material primarily consists of costs incurred for the purchase of raw materials, such as APIs for Danoprevir. We have engaged the contracting manufacturing organizations to manufacture APIs for Danoprevir on our behalf, and currently do not contemplate to manufacture APIs in-house in order to maintain continuity in our source of APIs in the production of Ganovo® (Danoprevir). We own the technologies and intellectual properties to manufacture APIs for Danoprevir, and any new intellectual properties developed by the contracting manufacturing organizations.

Unlike the case for Danoprevir, in which certain API manufacturing capabilities were not available at our manufacturing facility at the time of Danoprevir's NDA filing, subsequently when we built our manufacturing facility, manufacturing the APIs and tablet formulation for Ravidasvir in-house has been contemplated.

Overhead primarily consists of depreciation charges of the facility and equipment and other manufacturing expenses.

We have agreed to pay Roche tiered royalties in the mid-single digits based on net sales of Ganovo® (Danoprevir) in any and all regimens in Greater China.

FINANCIAL REVIEW (Continued)

Gross Profit

The gross profit of the Group decreased by 50.4% from approximately RMB112.3 million for the six months ended June 30, 2018 to approximately RMB55.7 million for the six months ended June 30, 2019. The decrease in the gross profit was mainly due to the nil milestone and upfront payments from Roche.

Other Income and Gains

The other income and gains of the Group increased by 126.0% from approximately RMB26.1 million for the six months ended June 30, 2018 to approximately RMB58.9 million for the six months ended June 30, 2019, primarily because (i) the Group recorded RMB25.6 million in government grants for the six months ended June 30, 2019, compared with RMB13.9 million for the six months ended June 30, 2018; (ii) bank interest income was RMB33.3 million for the six months ended June 30, 2019, compared with RMB5.3 million for the six months ended June 30, 2018.

The government grants mainly represent subsidies received from the local governments for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drug approval and capital expenditure incurred on certain projects.

The following table sets forth the components of our other income and gains for the period indicated:

	Unaudited Six months ended June 30,			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Bank interest income	**33,331**	**56.5**	5,294	20.3
Dividend income from financial assets at fair value through profit or loss	**–**	**–**	3,104	11.9
Government grants	**25,616**	**43.5**	13,921	53.4
Foreign exchange gain, net	**–**	**–**	3,762	14.4
Total	**58,947**	**100.0**	26,081	100.0

FINANCIAL REVIEW (Continued)

Selling and Distribution Expenses

The selling and distribution expenses of the Group consisted of staff cost for our sales personnel and the expenses for marketing promotion activities.

The selling and distribution expenses of the Group represented 58.7% of the overall revenue of the Group for the six months ended June 30, 2019, primarily because we increased our sales and marketing activities as we began commercialization of Ganovo® (Danoprevir) from June 8, 2018.

Administrative Expenses

The administrative expenses of the Group decreased significantly by 38.8% from approximately RMB46.4 million for the six months ended June 30, 2018 to approximately RMB28.4 million for the six months ended June 30, 2019, primarily due to (i) no listing expenses incurred during the Reporting Period; and (ii) an increase in staff salary and welfare of RMB6.1 million and general office expenses of RMB2.0 million to support the Group's business expansion.

Our administrative expenses primarily consist of staff salary and welfare costs for non-research and development personnel, utilities, rent and general office expenses and agency and consulting fees.

The following table sets forth the components of our administrative expenses for the period indicated:

	Unaudited Six months ended June 30,			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Staff salary and welfare	**15,797**	**55.7**	9,703	21.0
Utilities, rent and general office expenses	**11,275**	**39.7**	9,233	19.9
Agency and consulting fee	**988**	**3.5**	2,652	5.7
Others	**323**	**1.1**	1,535	3.3
Listing expenses	**–**	**–**	23,249	50.1
Total	**28,383**	**100.0**	46,372	100.0

FINANCIAL REVIEW (Continued)

Research and Development Expenses

The Group's research and development expenses primarily consist of third-party contracting costs, clinical trial expenses and staff costs.

The research and development expenses of the Group increased by 7.4% from approximately RMB59.7 million for the six months ended June 30, 2018 to approximately RMB64.2 million for the six months ended June 30, 2019, for developing our drug candidates. The following table sets forth the components of our research and development costs for the period indicated:

	Unaudited Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
Clinical trial expenses	**36,660**	24,071
Staff costs	**13,767**	18,297
Third-party contracting costs	**866**	10,089
Depreciation and amortization	**7,239**	2,758
Others	**5,637**	4,516
Total	**64,169**	59,731

The following table sets forth the components of our research and development costs by product pipeline for the period indicated:

	Unaudited Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
Ravidasvir	**32,013**	47,655
Danoprevir	**2,206**	5,707
ASC09	**6,680**	–
Others (Note)	**23,270**	6,369
Total	**64,169**	59,731

Note: "Others for the six months ended June 30, 2019" includes research and development costs of ASC22, ASC40, ASC18, ASC21, and pre-clinical programs.

"Others for the six months ended June 30, 2018" includes research and development costs of ASC09, ASC21, and pre-clinical programs.

FINANCIAL REVIEW (Continued)

Finance costs

The Group recorded finance costs to approximately RMB0.08 million for the six months ended June 30, 2019, as a result of the interest on the lease liabilities. The following table sets forth the components of our finance costs for the period indicated:

	Unaudited Six months ended June 30,			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Interest expense on the lease liabilities	**77**	**100**	–	–
Total	**77**	**100**	–	–

Other Expenses

Other expenses primarily include foreign exchange loss and donations. The other expenses of the Group increased by 179.3% from approximately RMB7.2 million for the six months ended June 30, 2018 to approximately RMB20.2 million for the six months ended June 30, 2019, mainly due to (i) the increase of foreign exchange loss of RMB4.3 million for the six months ended June 30, 2019, resulting from the appreciation of the U.S. dollar against the Renminbi during daily payment; and (ii) donations of approximately RMB15.0 million for the six months ended June 30, 2019.

The following table sets forth the components of other expenses for the period indicated:

	Unaudited Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
Foreign exchange loss, net	**4,278**	–
Donation	**15,013**	6,351
Changes in fair value of financial assets at fair value through profit or loss	**–**	831
Loss on disposal of items of property, plant and equipment	**707**	–
Others	**175**	40
Total	**20,173**	7,222

FINANCIAL REVIEW (Continued)

Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The Group calculates the income tax expense by using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Unaudited Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
Current tax	**–**	–
Deferred tax	**–**	(125)
Total tax charge for the period	**–**	(125)

For the six months ended June 30, 2018 and the six months ended June 30, 2019, the Group did not incur any income tax expense as the Group did not generate taxable income in both periods. We recorded profit before tax of RMB21.5 million for the six months ended June 30, 2018, and loss before tax of RMB47.2 million for the six months ended June 30, 2019, respectively.

We had tax losses arising in the PRC of RMB388.7 million as at December 31, 2018, which are expected to expire in one to five years for offsetting our future taxable profits.

Inventories

The inventories of the Group consist of raw materials used in the manufacturing of Danoprevir, which increased by 3.1% from approximately RMB83.9 million as at December 31, 2018 to approximately RMB86.5 million as at June 30, 2019, primarily as a result of the increased Ganovo®'s starting material reserves, the increased production volume for Ganovo® (Danoprevir), and the upcoming commercialization of Ravidasvir. The following table sets forth the inventory balances as of the dates indicated:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
	RMB'000	*RMB'000*
Raw material	**57,136**	47,889
Work in progress	**26,786**	32,138
Finished goods	**2,583**	3,850
Total	**86,505**	83,877

We continued to increase our inventory of raw materials for the manufacturing of Danoprevir and Ravidasvir as we make progress with Danoprevir's commercialization efforts and in preparation of Ravidasvir's launch.

FINANCIAL REVIEW (Continued)

Trade Receivables

The Group had RMB56.1 million trade receivables as at December 31, 2018 and RMB62.3 million as at June 30, 2019, respectively.

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Trade receivables	**62,262**	56,123
Less: Impairment of trade receivables	**–**	–
Total	**62,262**	56,123

The Group's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management. In view of the before mentioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the dates indicated, based on the invoice date, is as follows:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Less than 3 months	**55,797**	56,123
Over 3 months	**6,465**	–
Total	**62,262**	56,123

Prepayments, Other Receivables and Other Assets

The following table sets forth the components of prepayment, other receivables and other assets as at the dates indicated:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Value-added tax recoverable	**17,616**	18,160
Prepayments	**7,786**	13,721
Interest receivable	**19,366**	10,418
Deposits and other receivables	**1,915**	1,664
Prepaid expenses	**1,944**	3,261
Prepaid income tax	**1,363**	1,363
Total	**49,990**	48,587

FINANCIAL REVIEW (Continued)

Prepayments, Other Receivables and Other Assets (Continued)

Our value-added tax recoverable represented value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables. Our value-added tax recoverable decreased from RMB18.2 million as of December 31, 2018 to RMB17.6 million as of June 30, 2019, as a result of the sales growth during the Reporting Period.

Our prepayments primarily represented the amounts relating to our purchase of inventory and others. Our prepayments decreased by 43.3% from RMB13.7 million as of December 31, 2018 to RMB7.8 million as of June 30, 2019. Prepayments to supplier as at the end of June 30, 2019 are due within one year. None of the above assets is past due or impaired.

We had RMB10.4 million and RMB19.4 million interests receivable as of December 31, 2018 and June 30, 2019, respectively, which represent the expected interest to be received on time deposits.

Other receivables and prepaid expenses are miscellaneous expenses including rental and other administrative related expenses.

Fair Value and Fair Value Hierarchy of Financial Instruments

We did not have financial instruments other than those with carrying amounts that reasonably approximate to fair values, as at June 30, 2019 and December 31, 2018.

Cash and Cash Equivalents and Pledged Time Deposits

The following table sets forth the components of the Group's cash and cash equivalents and pledged time deposits as of the dates indicated:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Cash and bank balances	**346,739**	1,301,468
Time deposits	**2,697,199**	1,871,781
Total	**3,043,938**	3,173,249

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between one day and twelve months depending on our immediate cash requirements, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

FINANCIAL REVIEW (Continued)

Trade and Other Payables

Trade and bills payables of the Group primarily consist of payments to raw materials suppliers. The following table sets forth the components of trade payables as at the dates indicated:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Trade payables	**3,302**	7,635
Bills payable	**3,262**	6,556
Total	**6,564**	14,191

An aging analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Trade payables, gross		
– Within 3 months	**3,237**	10,897
– Over 3 months	**3,327**	3,294
Total	**6,564**	14,191

The following table sets forth the components of other payables and accruals outstanding as at the dates indicated:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Other payables	**34,279**	40,071
Accrued expenses	**7,887**	17,354
Payroll payable	**13,947**	15,030
Taxes other than income tax	**643**	371
Contract liabilities	**–**	230
Total	**56,756**	73,056

Our other payables and accruals decreased by 22.3% from RMB73.1 million as of June 30, 2018 to RMB56.8 million as of June 30, 2019, mainly resulted from a decrease of RMB9.5 million in accrued expenses as at June 30, 2019 in line with invoice received.

FINANCIAL REVIEW (Continued)

Trade and Other Payables (Continued)

The payroll payable are the annual bonus of 2019 accrued and June 2019 salary accrued, which are due within one year.

The accrued expenses as at June 30, 2019 mainly represented the accrued R&D expenses actually incurred but not yet invoiced, which are non-interest-bearing and due within one year.

Deferred Income

The deferred income of the Group represents government grants which have been awarded, but we have yet to meet the conditions of the grants as of the relevant dates. The following table sets forth the deferred income as of the dates indicated:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Government grants		
– Current	**5,796**	6,158
– Non-current	**6,387**	6,786
Total	**12,183**	12,944

Intangible Assets

The intangible assets of the Group decreased by 4.6% from approximately RMB75.4 million as at December 31, 2018 to approximately RMB71.9 million as at June 30, 2019, due to intangible assets amortization.

Our intangible assets primarily represent a patent that was transferred from Presidio to us in relation to the Presidio Licensing Agreement, under which we made upfront and/or milestone payments to Presidio. Our intangible assets also include patent rights licensed to us by Medivir in relation to the Medivir Licensing Agreement under which we made an upfront payment to Medivir. The useful economic lives of these intangible assets are 10 to 15 years, which we consider to be reasonable considering that the duration of the patent right is shorter than the anticipated duration of sales of product. The amortization of intangible assets begins on the transfer date of patent because it is the date from which the intangible assets are available for use by us.

We did not recognize any impairment loss despite the losses incurred throughout the Reporting Period, because our intangible assets primarily represent a patent transferred to us from Presidio, which related to the development, manufacture and commercialization of Ravidasvir in Greater China. We have filed the NDA for Ravidasvir in the third quarter of 2018. Therefore, we did not foresee any indicators of impairment for intangible assets.

FINANCIAL REVIEW (Continued)

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund research and development, clinical trials, purchase of equipments and raw materials and other recurring expenses. During the Reporting Period, the Group funded its working capital and other capital expenditure requirements through capital injections from Shareholders. In connection with the Company's initial public offering, 224,137,000 ordinary shares of US$0.0001 each were issued at a price of HK$14.00 per share for a total cash consideration, before expenses, of approximately HK$3,137,918,000 (equivalent to RMB2,730,284,000). Dealings in these shares on the Stock Exchange commenced on August 1, 2018.

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the periods indicated:

	June 30, 2019 (Unaudited) *RMB'000*	June 30, 2018 (Unaudited) *RMB'000*
Net cash used in operating activities	**(64,434)**	(53,922)
Net cash from/(used in) in investing activities	**(616,089)**	224,605
Net cash used in financing activities	**(812)**	(67,271)
Net increase/(decrease) in cash and cash equivalents	**(681,335)**	103,412
Cash and cash equivalents at the beginning of the period	**1,781,892**	123,697
Effect of foreign exchange rate changes, net	**2,399**	(1,102)
Cash and cash equivalents at the end of the period	**1,102,956**	226,007

As at June 30, 2019, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Operating Activities

Our cash inflows from operating activities mainly consisted of trade receivables from customers, government grants and bank interests. Our cash outflow from operating activities mainly consisted of selling and distribution expenses, research and development costs, and administrative expenses.

For the six months ended June 30, 2019, we had net cash flows used in operating activities of RMB64.4 million, primarily as a result of operating loss before changes in working capital of RMB56.5 million. The negative changes in working capital are mainly due to (i) an decrease in other payables and accruals of RMB16.3 million; (ii) an increase of RMB10.5 million in trade receivables in relation to our product sales; (iii) a decrease in prepayments, other receivables and other assets of RMB6.9 million; and (iv) an increase in bank interest of RMB24.4 million.

For the six months ended June 30, 2018, we had net cash flows used in operating activities of RMB53.9 million, primarily as a result of an increase of RMB55.4 million in trade receivables in relation to our product sales increasing and the negative effect of the changes in working capital.

FINANCIAL REVIEW (Continued)

Investing Activities

Our cash used in investing activities mainly consisted of our cash in time deposits with original maturity of over three months, investment in an associate, purchase of property, equipment and construction in progress and purchase of intangible assets.

For the six months ended June 30, 2019, our net cash used in investing activities was RMB616.1 million, primarily attributable to: (i) an increase in time deposits with original maturity of over three months of RMB549.6 million; and (ii) investment in an associate of RMB54.3 million.

For the six months ended June 30, 2018, our net cash flows from investing activities was RMB224.6 million, primarily attributable to: (i) proceeds from disposals of wealth management products of RMB372.0 million, partially offset by the purchases of wealth management products of RMB229.0 million; and (ii) a decrease in time deposits with original maturity of over three months of RMB100.7 million.

Financing Activities

Our cash inflow from financing activities primarily related to our corporate financings during the Reporting Period.

For the six months ended June 30, 2019, our net cash flows used in financing activities was RMB0.8 million, primarily attributable to principal portion of lease payments.

For the six months ended June 30, 2018, our net cash flows used in financing activities was RMB67.3 million, primarily attributable to issue of Shares of RMB240.5 million, purchase of Shares from non-controlling shareholders of RMB250.0 million and dividend paid of US$9.1 million (equivalent to approximately RMB57.8 million) as declared in February 2018.

Capital Expenditures

The principal capital expenditures of the Group primarily consisted of plant and machinery, expenditures for construction in progress, leasehold improvements and the purchase of office equipment. The following table sets forth our net capital expenditures as at the dates indicated:

	June 30, 2019 (Unaudited) *RMB'000*	December 31, 2018 (Audited) *RMB'000*
Plant and machinery	**1,078**	6,854
Motor vehicles	**111**	2,146
Office equipment	**1,530**	951
Leasehold improvements	**2,810**	–
Construction in progress	**6,652**	5,912
Total	**12,181**	15,863

FINANCIAL REVIEW (Continued)

Significant Investments, Material Acquisitions and Disposals

On January 30, 2019, AP11 Limited, a wholly-owned subsidiary of the Company, entered into a capital increase agreement with 3-V Biosciences (currently known as Sagimet Biosciences Inc.), pursuant to which AP11 Limited agreed to invest US$8,100,000.00 in cash at the initial closing and US$1,899,999.95 in cash at the second closing into Sagimet Biosciences Inc.. As at the date of this report, AP11 Limited holds approximately 15.16% of the equity interest in Sagimet Biosciences Inc.. The Group recognizes such investment as an investment in an associate to which the equity method is applied.

Indebtedness

Borrowings

As at June 30, 2019, the Group did not have any borrowings. As at June 30, 2019, the Group had available bank facilities of RMB170.0 million, RMB166.7 million of which were unutilized as of the same date.

Contingent Liabilities, Charges of Assets and Guarantees

As at June 30, 2019, the Group were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

As at June 30, 2019, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Contractual Commitments

We lease certain of our properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated for terms ranging mainly from one to five years.

The Group had the operating lease commitments in the amount of approximately RMB5.8 million and RMB7.1 million as at June 30, 2019 and December 31, 2018, respectively.

The Group had the capital commitments in the amount of approximately RMB8.4 million and RMB11.5 million as at June 30, 2019 and December 31, 2018, respectively.

FINANCIAL REVIEW (Continued)

Gearing Ratio

Gearing ratio is calculated using total liabilities divided total assets and multiplied by 100%. As at June 30, 2019, the gearing ratio of the Group was 2.4% (as at December 31, 2018: 2.8%).

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

	June 30, 2019	December 31, 2018
Current ratio [(1)]	**44.7**	36.0
Quick ratio [(2)]	**43.5**	35.1

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

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

Our current ratio increased from 36.0 as of December 31, 2018 to 44.7 as of June 30, 2019, and our quick ratio increased from 35.1 as of December 31, 2018 to 43.5 as of June 30, 2019, primarily due to a decrease in current liabilities.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which our Group conducts business may affect our financial condition and results of operation.

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of Renminbi into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. The Group seek to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions. The revenue denominated in USD represented 77.1% and 0% of the total revenue of the Company for the six months ended June 30, 2018 and the Reporting Period, respectively.

FINANCIAL REVIEW (Continued)

Employees and Remuneration Policies

As at June 30, 2019, the Group had a total of 315 employees, 312 of which were located in the PRC and 3 consultants were located abroad. Over 65% of our employees obtained a bachelor's degree or higher. The table below sets forth the Group's employees by function as disclosed:

	Numbers of employees	% of total
Management	5	2
Research and development	51	16
Commercialization	149	47
Manufacturing	61	19
Operations	49	16
Total	315	100

The Group's total staff costs for the six months ended June 30, 2019 was RMB57.1 million, compared with RMB32.0 million for the six months ended June 30, 2018.

The Group recruits employees through recruitment websites, recruiting firms, internal referral and job fairs. The Group conducts new employee training, as well as professional and compliance training programs for employees of the commercialization team.

The Group enters into employment contracts with employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally determined by the qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for a deviation from the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Jinzi Jason WU. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. 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 IN DIRECTORS' INFORMATION

From May and June 2019, Mr. Jiong GU (顧炯), one of the independent non-executive Directors and chairman of the audit committee of the Company, has been appointed as an independent non-executive director of Mulsanne Holding Limited (慕尚集團控股有限公司) (stock code: 1817) and Tu Yi Holding Company Limited (途屹控股有限公司) (stock code: 1701), respectively.

Save as disclosed above, as at the date of this report, there were no changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period and to the date of this report. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(I) Interests in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares/underlying Shares[1]	Approximate percentage of shareholding interest
Dr. Wu	Beneficial owner	552,393,664 (L)	49.29%
	Interest of spouse[2]	44,827,414 (L)	4.00%
Mrs. Wu	Beneficiary of a trust[2]	44,827,414 (L)	4.00%
	Interest of spouse	552,393,664 (L)	49.29%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mrs. Wu is the manager of Lakemont 2018 GRAT, a trust created by Dr. Wu on April 26, 2018 under the laws of the State of Delaware for the benefit of his family members, which holds interest in the Company through Lakemont Holding LLC. Mrs. Wu exercises the voting rights of the Shares directly held by Lakemont 2018 GRAT and is a beneficiary of Lakemont 2018 GRAT.

On May 3, 2019, Lakemont 2018 GRAT entered into an agreement with Dr. Wu, pursuant to which Lakemont 2018 GRAT transferred 13.53% interest in Lakemont Holding LLC to Dr. Wu. Such interest transfer was completed on August 2, 2019. Upon completion of the transfer, Lakemont 2018 GRAT and Dr. Wu holds 86.47% and 13.53% of Lakemont Holding LLC, respectively.

Save as disclosed above, as at June 30, 2019, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2019, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in shares or underlying shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding interest
JJW11 Limited[2]	Beneficial owner	64,945,019 (L)	5.80%
Mr. Wei FU	Interest of controlled corporations[3] [4]	105,463,060 (L)	9.41%
CBC Investment Twelve Limited[3]	Beneficial owner	50,729,518 (L)	4.53%
CBC Investment Fifteen Limited[4]	Beneficial owner	54,733,542 (L)	4.88%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As at June 30, 2019, the only issued one share of JJW11 Limited was held by Dr. Wu on behalf of the participants under the RSU Scheme adopted by JJW11 Limited. Dr. Wu has irrevocably appointed Ms. Heying YANG (楊荷英) (being a supervisor of Asceletis BioScience and the sole director of JJW11 Limited) as proxy to exercise all voting rights on such shares in her absolute discretion. Dr. Wu does not enjoy and disclaim any beneficial interest in JJW11 Limited.

(3) Each of CBC Investment Ascletis Limited (as the sole shareholder of CBC Investment Twelve Limited ("**CBC 12**")), CBC Investment Eleven Limited ("**CBC 11**", holding approximately 72.73% equity interest in CBC Investment Ascletis Limited), C-Bridge Healthcare Fund II, L.P. (as the sole shareholder of CBC 11), C-Bridge Healthcare Fund GP II, L.P. (as general partner of C-Bridge Healthcare Fund II, L.P.), C-Bridge Capital GP, Ltd., (as general partner of C-Bridge Healthcare Fund GP II, L.P.), TF Capital, Ltd. (holding approximately 45% equity interest in C-Bridge Capital GP, Ltd.), TF Capital II, Ltd. (holding approximately 38.34% equity interest in C-Bridge Capital GP, Ltd.), Kang Hua Investment Company Limited (holding approximately 77.77% equity interest in TF Capital, Ltd. and 52.17% equity interest in TF Capital II, Ltd.), Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) and Wei FU (holding approximately 47.83% equity interest in TF Capital II, Ltd.) is deemed to be interested in the Shares held by CBC 12 under the SFO.

(4) Each of CBC Investment Seven Limited ("**CBC 7**", as the sole shareholder of CBC Investment Fifteen Limited ("**CBC 15**")), C-Bridge Healthcare Fund, L.P. (holding approximately 57.14% equity interest in CBC 7), C-Bridge Healthcare Fund GP, L.P. (as general partner of C-Bridge Healthcare Fund L.P.), C-Bridge Capital GP, Ltd., (as general partner of C-Bridge Healthcare Fund GP, L.P.), TF Capital, Ltd. (holding approximately 45% equity interest in C-Bridge Capital GP, Ltd.), TF Capital II, Ltd. (holding approximately 38.34% equity interest in C-Bridge Capital GP, Ltd.) and Kang Hua Investment Company Limited (holding approximately 77.77% equity interest in TF Capital, Ltd. and 52.17% equity interest in TF Capital II, Ltd.), Dan YANG (as the sole shareholder of Kang Hua Investment Company Limited) and Wei FU (holding approximately 47.83% equity interest in TF Capital II, Ltd.) is deemed to be interested in the Shares held by CBC 15 under the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Interests in shares or underlying shares of the Company (Continued)

Save as disclosed above, as at June 30, 2019, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

USE OF PROCEEDS FROM LISTING

In connection with the Company's initial public offering, 224,137,000 ordinary shares of US$0.0001 each were issued at a price of HK$14.00 per share for a total cash consideration, before expenses, of approximately HK$3,137,918,000 (equivalent to RMB2,730,284,000). Dealings in these shares on the Stock Exchange commenced on August 1, 2018.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2019:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Actual usage up to June 30, 2019 *(HK$ million)*	Unutilized net proceeds as at June 30, 2019 *(HK$ million)*
For the Core Products				
For the continued research and development of the Core Product pipeline, consisting of approximately (i) 4% for initiating and conducting a number of Phase IV clinical trials for Ganovo® and Ravidasvir; (ii) 6.0% for initiating and conducting bridging studies, a Phase IIb clinical trial and a Phase III clinical trial (if needed), for ASC09; (iii) 6.0% for initiating and conducting bridging studies, a Phase II clinical trial and a Phase III clinical trial for ASC06; (iv) 10.0% for other research and development costs and to supplement funding for the research and development of the Core Product as necessary; and (v) 4.0% for staff compensation	892.6	30.0	144.6	748.0

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Actual usage up to June 30, 2019 *(HK$ million)*	Unutilized net proceeds as at June 30, 2019 *(HK$ million)*
For commercialization of Ganovo® and Ravidasvir, consisting of approximately (i) 12.0% for hiring additional commercialization personnel and providing in-house and external training and (ii) 13.0% for marketing activities	743.9	25.0	114.2	629.7
For the other assets and other purposes				
For pursuing in-licensing of new drug candidates	446.3	15.0	9.3	437.0
For research and development of ASC21	297.5	10.0	9.6	287.9
For supporting the research and development infrastructure and the early development of the two in-house drug programs at discovery stage for Hepatitis B and NASH	297.5	10.0	15.6	281.9
For the working capital and other general corporate purposes	297.5	10.0	66.0	231.5
Total	**2,975.3**[(1)]	**100.0**	**359.3**	**2,616.0**[(2)]

Notes:

(1) The net proceeds planned for applications is approximately HK$2,975.3 million, which equals to the amount of actual proceeds from the Listing excluding Listing expenses payable.

(2) The remaining unused amount of HK$2,616.0 million is intended to be used in the six months ending December 31, 2019 and the years after.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM REPORT

The independent auditors of the Company, namely, Ernst & Young, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Jiong GU, Dr. Yizhen WEI, and Ms. Lin HUA. The chairman of the Audit Committee is Mr. Jiong GU. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2019) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Company's shareholders at an extraordinary general meeting of the Company held on June 6, 2019, the Company adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives or reward to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Subject to the terms of the Share Option Scheme, the Board may at its discretion specify any conditions which must be satisfied before the option(s) under the Share Option Scheme may be exercised. A summary of principal terms of the Share Option Scheme is set out in Appendix I to the circular of the Company dated May 17, 2019.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any new share option scheme of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme or the new share option scheme (as the case may be).

The Share Option Scheme became valid and effective for a period of 10 years commencing on June 6, 2019.

No share option has been granted under the Share Option Scheme since it became effective. Therefore, no share options were exercised or cancelled or lapsed during the reporting period and no share option was outstanding under the Share Option Scheme as at June 30, 2019.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended June 30, 2019.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

For and on behalf of the Board
Ascletis Pharma Inc.
歌禮製藥有限公司
Jinzi Jason WU
Chairman

Hangzhou, the People's Republic of China, August 29, 2019

Independent Review Report

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the board of directors of Ascletis Pharma Inc.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 54, which comprises the condensed consolidated statement of financial position of Ascletis Pharma Inc. (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other 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 Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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* issued by the HKICPA. A review of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
29 August 2019

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) *RMB'000*	2018 (Unaudited) *RMB'000*
REVENUE	4	**75,403**	115,126
Cost of sales,		**(19,727)**	(2,798)
including royalties		***(2,100)***	*(1,187)*
Gross profit		**55,676**	112,328
Other income and gains		**58,947**	26,081
Selling and distribution expenses		**(44,292)**	(3,571)
Research and development costs		**(64,169)**	(59,731)
Administrative expenses		**(28,383)**	(46,372)
Finance costs		**(77)**	–
Other expenses		**(20,173)**	(7,222)
Share of loss of:			
An associate		**(4,761)**	–
(LOSS)/PROFIT BEFORE TAX	5	**(47,232)**	21,513
Income tax credit	6	**–**	125
(LOSS)/PROFIT FOR THE PERIOD		**(47,232)**	21,638
Attributable to:			
Owners of the parent		**(47,232)**	34,125
Non-controlling interests		**–**	(12,487)
		(47,232)	21,638
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
BASIC (RMB)			
– For (loss)/profit for the period	8	**(4.47) cents**	4.12 cents
DILUTED (RMB)			
– For (loss)/profit for the period	8	**(4.47) cents**	4.08 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	2019 (Unaudited) *RMB'000*	2018 (Unaudited) *RMB'000*
(LOSS)/PROFIT FOR THE PERIOD	**(47,232)**	21,638
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,438**	–
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**2,258**	(884)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**3,696**	(884)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(43,536)**	20,754
Attributable to:		
Owners of the parent	**(43,536)**	33,241
Non-controlling interests	**–**	(12,487)
	(43,536)	20,754

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**92,882**	88,333
Right-of-use assets		**5,896**	–
Intangible assets		**71,927**	75,402
Investment in an associate		**50,858**	–
Advance payments for property, plant and equipment		**804**	257
Long-term deferred expenditure		**282**	275
Total non-current assets		**222,649**	164,267
CURRENT ASSETS			
Inventories		**86,505**	83,877
Trade and bills receivables	10	**68,140**	57,623
Prepayments, deposits and other receivables		**49,990**	48,587
Cash and cash equivalents		**3,043,938**	3,173,249
Total current assets		**3,248,573**	3,363,336
CURRENT LIABILITIES			
Trade and bills payables	11	**6,564**	14,191
Other payables and accruals		**56,756**	73,056
Refund liabilities		**1,626**	–
Lease liabilities		**1,996**	–
Deferred income		**5,796**	6,158
Total current liabilities		**72,738**	93,405
NET CURRENT ASSETS		**3,175,835**	3,269,931
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,398,484**	3,434,198
NON-CURRENT LIABILITIES			
Lease liabilities		**3,524**	–
Deferred income		**6,387**	6,786
Total non-current liabilities		**9,911**	6,786
Net assets		**3,388,573**	3,427,412
EQUITY			
Equity attributable to owners of the parent			
Share capital		**764**	764
Reserves		**3,387,809**	3,426,648
Total equity		**3,388,573**	3,427,412

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2019

	Share capital *RMB'000*	Share premium account* *RMB'000*	Capital reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total *RMB'000*
At 1 January 2019 (audited)	**764**	**2,959,390**	**649,804**	**28,072**	**(210,618)**	**3,427,412**
Loss for the period	**–**	**–**	**–**	**–**	**(47,232)**	**(47,232)**
Other comprehensive loss for the period:						
Exchange differences on translation of the Company	**–**	**–**	**–**	**3,696**	**–**	**3,696**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**3,696**	**(47,232)**	**(43,536)**
Equity-settled share award and option	**–**	**–**	**4,697**	**–**	**–**	**4,697**
At 30 June 2019 (unaudited)	**764**	**2,959,390**	**654,501**	**31,768**	**(257,850)**	**3,388,573**

* These reserve accounts comprise the consolidated reserves of RMB3,387,809,000 in the interim condensed consolidated statement of financial position as at 30 June 2019.

For the six months ended 30 June 2018

	Attributable to owners of the parent							
	Share capital *RMB'000*	Share premium account *RMB'000*	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018 (audited)	9	92,234	635,109	15,154	(145,545)	596,961	272,870	869,831
Profit/(loss) for the period	–	–	–	–	34,125	34,125	(12,487)	21,638
Other comprehensive loss for the period:								
Exchange differences on translation of the Company	–	–	–	(884)	–	(884)	–	(884)
Total comprehensive (loss)/income for the period	–	–	–	(884)	34,125	33,241	(12,487)	20,754
Issue of shares	5	240,493	–	–	–	240,498	–	240,498
Purchase of shares from non-controlling shareholders	–	–	10,559	–	–	10,559	(260,513)	(249,954)
Equity-settled share award and option	–	–	1,510	–	–	1,510	130	1,640
Dividend declared and paid	–	–	–	–	(57,815)	(57,815)	–	(57,815)
At 30 June 2018 (unaudited)	14	332,727	647,178	14,270	(169,235)	824,954	–	824,954

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 (Unaudited) *RMB'000*	2018 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(47,232)**	21,513
Adjustments for:			
Finance costs		**77**	–
Share of loss of an associate		**4,761**	–
Bank interest income		**(33,331)**	(5,294)
Dividend income from financial assets at fair value through profit or loss		**–**	(3,104)
Changes in fair value of financial assets at fair value through profit or loss		**–**	831
Loss on disposal of items of property, plant and equipment	5	**707**	–
Depreciation of items of property, plant and equipment	5	**5,366**	1,176
Depreciation of right-of-use assets	5	**785**	–
Amortisation of intangible assets	5	**4,448**	2,169
Amortisation of long-term deferred expenditure		**31**	–
Impairment of inventories		**3,064**	–
Impairment of other receivables		**175**	–
Equity-settled share award and option expense	5	**4,697**	1,640
		(56,452)	18,931
Increase in inventories		**(5,692)**	(9,863)
Increase in long-term deferred expenditure		**(38)**	–
Increase in trade and bills receivables		**(10,517)**	(55,431)
Decrease/(increase) in prepayments, deposits and other receivables		**6,944**	(5,205)
(Increase)/decrease in trade and bills payables		**(7,627)**	1,137
(Increase)/decrease in other payables and accruals		**(16,300)**	41,317
Increase in refund liabilities		**1,626**	–
Decrease in deferred income		**(761)**	(6,562)
Decrease in contract liabilities		**–**	(40,956)
Interest received		**24,383**	2,710
Cash used in operations		**(64,434)**	(53,922)
Income tax paid		**–**	–
Net cash flows used in operating activities		**(64,434)**	(53,922)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	2019 (Unaudited) *RMB'000*	2018 (Unaudited) *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant equipment and construction in progress	**(11,169)**	(3,461)
Purchase of intangible assets	**(959)**	(18,745)
Investment in an associate	**(54,336)**	–
Purchases of financial assets at fair value through profit or loss	**–**	(229,000)
Proceeds from disposals of financial assets at fair value through profit or loss	**–**	372,000
Dividend income from financial assets at fair value through profit or loss	**–**	3,104
(Increase)/decrease in time deposits with original maturity of over three months	**(549,625)**	100,707
Net cash flows (used in)/from investing activities	**(616,089)**	224,605
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	**–**	240,498
Purchase of shares from non-controlling shareholders	**–**	(249,954)
Principal portion of lease payments	**(812)**	–
Dividend paid	**–**	(57,815)
Net cash flows used in financing activities	**(812)**	(67,271)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(681,335)**	103,412
Cash and cash equivalents at beginning of 1 January	**1,781,892**	123,697
Effect of foreign exchange rate changes, net	**2,399**	(1,102)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**1,102,956**	226,007
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**3,043,938**	613,078
Non-pledged time deposits with original maturity of over three months when acquired	**(1,940,982)**	(387,071)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**1,102,956**	226,007

Notes to the Interim Condensed Consolidated Financial Statements

As at 30 June 2019

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office of the Company is at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the research and development, production, marketing and sale of pharmaceutical products.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 August 2018.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The interim condensed consolidated financial statements have been prepared under the historical cost convention. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of these revised standards has had no significant financial effect on the Group's interim condensed consolidated financial information.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	**6,681**
Decrease in prepayments, deposits and other receivables	**(426)**
Increase in total assets	**6,255**
Liabilities	
Increase in lease liabilities	**6,255**
Increase in total liabilities	**6,255**

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	7,090
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Less: Commitments relating to short-term leases	835
Lease liabilities as at 1 January 2019	6,255

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets Office premises *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	**6,681**	**6,255**
Depreciation expense	**(785)**	**–**
Interest expense	**–**	**77**
Payments	**–**	**(812)**
As at 30 June 2019	**5,896**	**5,520**

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**75,403**	26,376
Other countries	**–**	88,750
Total	**75,403**	115,126

(b) Non-current assets

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**156,442**	147,966
Cayman Islands	**15,349**	16,301
Total	**171,791**	164,267

The non-current asset information above is based on the locations of assets and excluded investment in an associate.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of products	**55,356**	26,376
Collaboration revenue	**–**	88,750
Rendering of promotion services	**20,047**	–
	75,403	115,126

4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of goods or services		
Sales of products	**55,356**	26,376
Collaboration revenue	**–**	88,750
Rendering of promotion services	**20,047**	–
Total revenue from contracts with customers	**75,403**	115,126
Geographical markets		
Mainland China	**75,403**	26,376
Other countries	**–**	88,750
Total revenue from contracts with customers	**75,403**	115,126
Timing of revenue recognition		
Services transferred over time		
– Collaboration revenue	**–**	40,956
Goods/services transferred at a point in time		
– Sale of products	**55,356**	26,376
– Collaboration revenue	**–**	47,794
– Rendering of promotion services	**20,047**	–
Total revenue from contracts with customers	**75,403**	115,126

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment	**5,366**	1,176
Depreciation of right-of-use assets	**785**	–
Amortisation of intangible assets	**4,448**	2,169
Operating lease expenses	**502**	1,074
Auditor's remuneration	**740**	1,474
Research and development costs	**64,169**	59,731
Cost of inventories sold	**9,569**	2,798
Cost of service provided	**10,158**	–
Loss on disposal of property, plant and equipment	**707**	–
Exchange differences, net	**4,278**	(3,762)
Equity-settled share award and option expense	**4,697**	1,640

6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The income tax expense of the Group for the period is analysed as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**–**	–
Deferred	**–**	(125)
Total tax charge for the period	**–**	(125)

7. DIVIDENDS

The Board does not recommend the payment of any dividend in respect for the period ended 30 June 2019 (the six months ended 30 June 2018: On 1 February 2018, the Company declared a dividend of US$9,120,051 (equivalent to RMB57,815,000) to its shareholders).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit attributable to ordinary equity holders of the parent of RMB (47,232,000) (the six months ended 30 June 2018: RMB34,125,000), and the weighted average number of ordinary shares of 1,055,739,982 shares in issued during the period (the six months ended 30 June 2018: weighted average number of 17,724,304 shares issued during the period and 811,064,282 shares, which were deemed to have been issued by way of capitalisation throughout the six months ended 30 June 2018).

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2019 in respect of a dilution as the impact of the share award had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted (loss)/earnings per share amounts for the period ended 30 June 2018 is based on the (loss)/profit attributable to ordinary equity holders of the parent, the assumption that 828,788,586 shares issued and issuable, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares under the share award scheme.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(47,232)**	34,125

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period	**1,055,739,982**	17,724,304
Effect of capitalisation issue	**–**	811,064,282
	1,055,739,982	828,788,586
Effect of dilution-weighted average number of ordinary shares under the share award scheme	**–**	8,405,252
	1,055,739,982	837,193,838

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB12,181,000 (the six months ended 30 June 2018: RMB3,353,000).

Assets with a net book value of RMB707,000 were disposed by the Group during the six months ended 30 June 2019 (the six months ended 30 June 2018: Nil), resulting in a net loss on disposal of RMB707,000 (the six months ended 30 June 2018: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Trade receivables	**62,262**	56,123
Bills receivable	**5,878**	1,500
	68,140	57,623

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Less than 3 months	**55,797**	56,123
Over 3 months	**6,465**	–
	62,262	56,123

11. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Less than 3 months	**3,237**	10,897
Over 3 months	**3,327**	3,294
	6,564	14,191

12. COMMITMENTS

The Group had the following capital commitments as at the end of the Reporting Period:

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**8,416**	11,517

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Short term employee benefits	**7,239**	3,093
Post-employment benefits	**126**	114
Equity-settled share award and option expense	**3,445**	275
Total compensation paid to key management personnel	**10,810**	3,482

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group did not have financial instruments other than those with carrying amounts that reasonably approximate to fair values, as at 30 June 2019 and 31 December 2018.

The Group's finance department headed by the chief financial director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial director. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial director. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

15. EVENTS AFTER THE REPORTING PERIOD

On January 30, 2019, AP11 Limited, a wholly-owned subsidiary of the Company, entered into a capital increase agreement with 3-V Biosciences (currently known as Sagimet Biosciences Inc.), pursuant to which AP11 Limited agreed to invest US$8,100,000.00 in cash at the initial closing and US$1,899,999.95 in cash at the second closing into Sagimet Biosciences Inc.. The initial closing was closed on 12 February 2019, through which AP11 Limited acquired 13.74% of the equity interest in Sagimet Biosciences Inc.. The second closing was closed on 31 July 2019 and upon the second closing, AP11 Limited holds approximately 15.16% of the equity interest in Sagimet Biosciences Inc.. The capital injection will be used by Sagimet Biosciences Inc. to support the continued development of TVB-2640.

Definitions

"ANDA"	Abbreviated New Drug Application
"Ascletis", "Company", "the Company" or "We"	Ascletis Pharma Inc. (歌禮製藥有限公司) (an exempted company incorporated in the Cayman Islands with limited liability on February 25, 2014)
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Wu, Lakemont Holding LLC and the Lakemont 2018 GRAT, as a group, or any member of them
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this report, our Core Products include Ganovo® (Danoprevir), Ravidasvir, ASC09 and ASC06
"Director(s)"	the director(s) of the Company
"Dr. Wu"	Dr. Jinzi Jason WU (吳勁梓), our Founder and chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders and spouse of Mrs. Wu
"Founder"	the founder of our Group, being Dr. Wu
"Group" or "the Group"	the Company and its subsidiaries
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved

Definitions

"KOL(s)"	Key opinion leader(s)
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
"Listing Date"	August 1, 2018, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Mrs. Wu"	Mrs. Judy Hejingdao WU, an executive Director, one of our Controlling Shareholders and the spouse of Dr. Wu
"NMPA"	National Medical Products Administration (國家藥品監督管理局)
"Prospectus"	the prospectus issued by the Company dated July 20, 2018
"R&D"	research and development
"Reporting Period"	the six-month period from January 1, 2019 to June 30, 2019
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Roche"	F. Hoffmann-La Roche AG, a Swiss multi-national health company
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Written Guidelines"	the Guidelines for Securities Transactions by Directors adopted by the Company

In this report, the terms "associate", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.