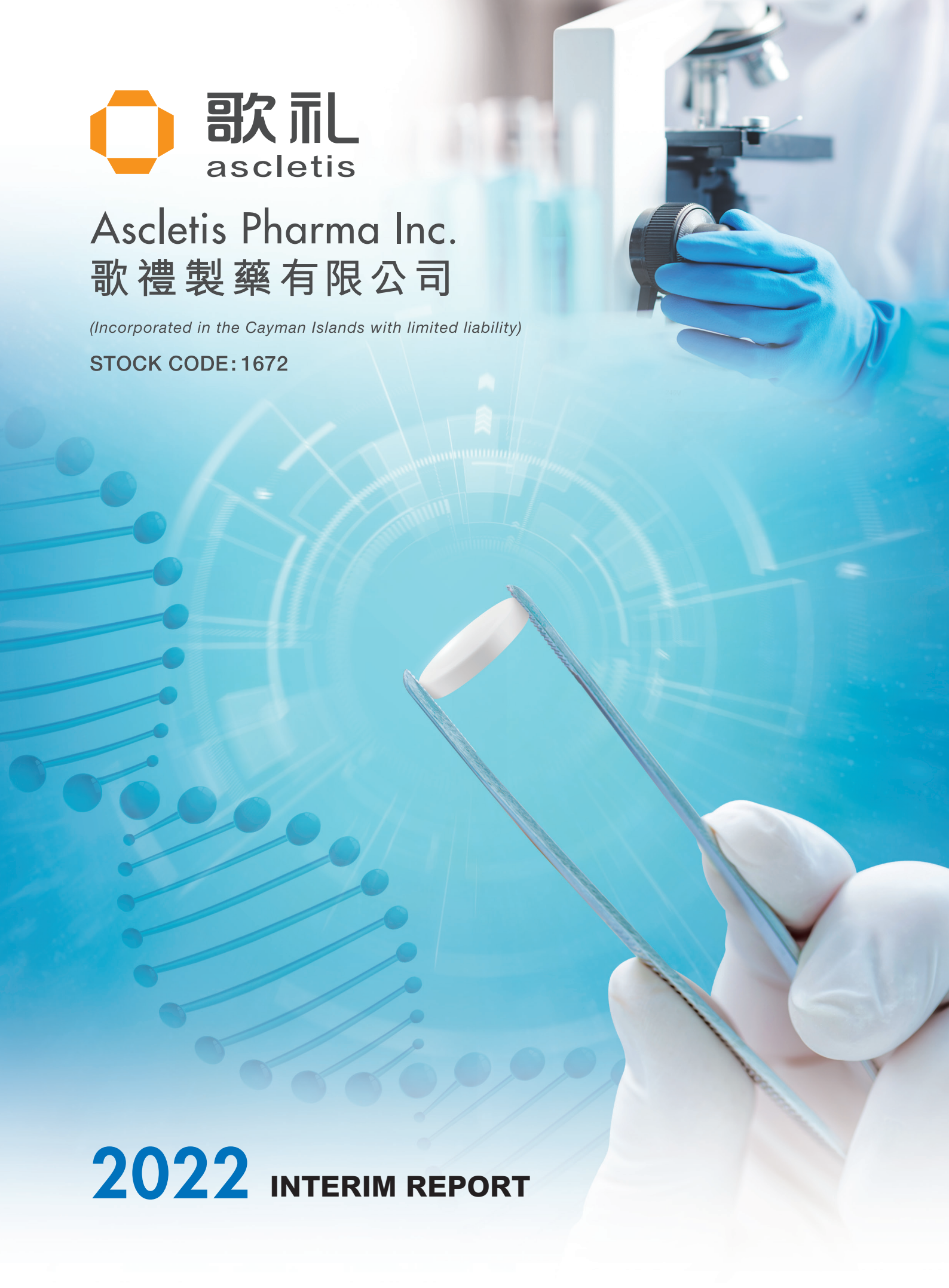
歌礼
ascletis

Ascletis Pharma Inc.
歌禮製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1672



2022 INTERIM REPORT

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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
Mrs. Judy Hejingdao WU

NOMINATION COMMITTEE

Dr. Jinzi Jason WU *(Chairman)*
Dr. Yizhen WEI
Ms. Lin HUA

AUTHORISED REPRESENTATIVES

Dr. Jinzi Jason WU
Mrs. Judy Hejingdao WU

COMPANY SECRETARY[1]

Mr. Chung Ming Fai
(effective from August 22, 2022)

REGISTERED OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

CORPORATE HEADQUARTERS IN THE PRC

12F, Building D
198 Qidi Road
HIPARK
Xiaoshan District
Hangzhou
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor
Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
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

Note:

1. Mr. Yim Lok Kwan resigned as the company secretary of the Company on August 22, 2022.

CORPORATE INFORMATION

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

1672

COMPANY WEBSITE

www.ascletis.com

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended June 30,		
	2022	2021	Changes
	RMB'000	*RMB'000*	*%*
Revenue			
Promotion service revenue	**32,998**	34,488	(4.3)
Sale of products	**5,220**	354	1,374.6
Collaboration revenue	**–**	1,707	(100.0)
Total	**38,218**	36,549	4.6
Gross profit/(loss)	**24,367**	(2,560)	1,051.8
Loss before tax	**(87,998)**	(110,828)	20.6
Loss for the period	**(87,998)**	(110,828)	20.6
Loss attributable to the owners of the Group	**(87,998)**	(110,828)	20.6
Net loss margin	**(230.3%)**	(303.2%)	–
	RMB	*RMB*	
Loss per share			
– Basic	**(8.10) cents**	(10.09) cents	
– Diluted	**(8.10) cents**	(10.09) cents	

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE

Our Vision

Ascletis' vision is to become the most innovative world-class biomedical company addressing global unmet medical needs in the areas of viral diseases, NASH and oncology (lipid metabolism and oral checkpoint inhibitors).

Overview

The total revenue of the Group increased by 4.6% from approximately RMB36.5 million for the six months ended June 30, 2021 to approximately RMB38.2 million for the six months ended June 30, 2022.

As at June 30, 2022, the Group had cash and cash equivalents of approximately RMB2,483.7 million, which is expected to be sufficient to support its R&D activities in the next five years.

The R&D expenses of the Group increased by 60.5% from approximately RMB74.0 million for the six months ended June 30, 2021 to approximately RMB118.8 million for the six months ended June 30, 2022. The Group's loss before tax for the six months ended June 30, 2022 was significantly less than its R&D expenses for the same period.

The Group is dedicated to the continuous investment in the R&D capabilities and has established a broad pipeline of assets with a focus on viral disease, NASH/PBC and oncology. During the Reporting Period, the Group utilized the majority of R&D expenses to successfully obtain seven IND approvals from both China NMPA and the U.S. FDA, advance two new candidates into Phase II and support the clinical development of six ongoing candidates at Phase II or Phase III. This R&D efficiency once again demonstrated operational excellence of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE (Continued)

Overview (Continued)

During the Reporting Period and up to the date of this report, the Group has made the following progress:

(i) obtained IND approval of ASC10 for COVID-19 from both the U.S. FDA and China NMPA; the U.S. FDA recommended the Group to conduct Phase Ib study directly in mild-to-moderate COVID-19 patients;

(ii) further advanced the business discussions and negotiations with both domestic and multi-national pharmaceutical companies for the commercial supplies of ritonavir in China and globally;

(iii) submitted marketing authorization applications for ritonavir (100 mg film-coated tablet) to 12 European countries (including Germany, France, Ireland, United Kingdom, Spain, Portugal, Italy, Belgium, Poland, Sweden, the Netherlands and Denmark) and Hong Kong; expanded ritonavir oral tablet production capacity to approximately 530 million tablets per year;

(iv) presented Phase IIb clinical trial results of subcutaneous PD-L1 antibody ASC22 (Envafolimab) for functional cure of CHB at oral session of the International Liver Congress™ 2022 by the European Association for the Study of the Liver (EASL). 42.9% patients with baseline hepatitis B surface antigen (HBsAg) ≤ 100 IU/mL (n=7) obtained sustained HBsAg loss, which indicates functional cure of CHB;

(v) completed the first patient dosing in the China Phase III clinical trial of ASC40 combined with bevacizumab for the treatment of recurrent glioblastoma (rGBM);

(vi) completed the first patient dosing in the China Phase II clinical trial of ASC40 for the treatment of moderate to severe acne;

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE (Continued)

Overview (Continued)

(vii) Phase II clinical trial of ASC41 in biopsy-proven NASH patients was reviewed and approved by multiple institutional review boards (IRB) in China;

(viii) completed the first patient dosing in the China Phase II clinical trial of ASC42 for treatment of PBC, obtained the U.S. FDA clearance of a drug-drug interaction (DDI) study of ASC42 and completed the first subject dosing in the DDI study;

(ix) obtained IND approval of oral PD-L1 ASC61 from the U.S. FDA and completed the first patient dosing in the U.S. for treatment of advanced solid tumors;

(x) obtained IND approvals of ASC22 (Envafolimab) from the U.S. FDA for functional cure of CHB and from China NMPA for immune restoration/functional cure of HIV-1 infected patients, respectively;

(xi) completed the first patient dosing in the China Phase II clinical trial of ASC22 (Envafolimab) in combination with anti-retroviral therapy (ART) for immune restoration/functional cure of HIV-1 infection;

(xii) completed all patients enrollment in the Phase II clinical trial of ASC42 for CHB indication;

(xiii) obtained the IND approval of ASC60 from the China NMPA for the treatment of advanced solid tumors; and

(xiv) completed the U.S. Phase I trial of ASC43F, an in-house developed, first-in-class dual targeting FDC tablet for NASH.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE (Continued)

Overview (Continued)

Viral Disease Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III	NDA	Marketed
Ritonavir (Oral small molecule)	Cytochrome P450	Booster for COVID-19 etc	Global							
Ravidasvir (Oral small molecule)	NS5A	HCV	Greater China							
Danoprevir (Oral small molecule)	NS3/4A	HCV	Greater China							
ASC22 (Subcutaneous mAb)	PD-L1	CHB functional cure	Global[1]							
ASC42 (Oral small molecule)	FXR	CHB functional cure	Global							
ASC22 (Subcutaneous mAb)	PD-L1	HIV functional cure	Global[1]							
ASC22 (Subcutaneous mAb) +Chidamide	PD-L1	HIV functional cure	Global[1]							
ASC10 (Oral small molecule)	RdRp	COVID-19	Global							
ASC11 (Oral small molecule)	3CLpro	COVID-19	Global							

Note:

1. ASC22 is licensed from Suzhou Alphamab Co., Ltd. for the worldwide exclusive rights.

Abbreviations:

NS5A: Non-structure protein 5A; NS3/4A: Non-structure protein 3/4A; PD-L1: Programmed death ligand 1; FXR: Farnesoid X receptor; RdRp: RNA-dependent RNA polymerase; 3CLPro: 3-chymotrypsin like protease; COVID-19: Coronavirus Disease 2019; HCV: Hepatitis C virus; CHB: Chronic hepatitis B; HIV: Human immunodeficiency virus.

NASH/PBC Pipeline[1]

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase IIa	Phase IIb	Phase III
ASC40 (Oral small molecule)	FASN	NASH	Greater China[2]	*U.S. FDA Fast Track*					
ASC41 (Oral small molecule)	THRβ	NASH	Global						
ASC42 (Oral small molecule)	FXR	NASH	Global	*U.S. FDA Fast Track*					
ASC43F FDC (Oral small molecule)	THRβ+FXR	NASH	Global						
ASC44F FDC (Oral small molecule)	FASN+FXR	NASH	Global						
ASC45F FDC (Oral small molecule)	FASN+THRβ	NASH	Global						
ASC42 (Oral small molecule)	FXR	PBC	Global						

Notes:

1. NASH/PBC pipeline is owned by Gannex Pharma Co., Ltd. (甘萊製藥有限公司, "**Gannex**"), a wholly-owned subsidiary of the Company.
2. ASC40 is licensed from Sagimet Biosciences Inc. ("**Sagimet Biosciences**") (formerly known as 3-V Biosciences, Inc.) for the exclusive rights in the Greater China.

Abbreviations:

FASN: Fatty acid synthase; THRβ: Thyroid hormone receptor beta; FXR: Farnesoid X receptor; NASH: Non-alcoholic steatohepatitis; PBC: Primary biliary cholangitis.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE (Continued)

Overview (Continued)

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors)

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	POC	Pivotal
ASC40 (Oral small molecule) +Bevacizumab	FASN + VEGF	Recurrent glioblastoma	Greater China[1]					
ASC40 (Oral small molecule)	FASN	Drug resistant Breast Cancer	Greater China[1]					
ASC40 (Oral small molecule)	FASN	KRAS mutant NSCLC	Greater China[1]					
ASC61 (Oral small molecule)	PD-L1	Advanced solid tumors	Global					
ASC60 (Oral small molecule)	FASN	Advanced solid tumors	Greater China[1]					
ASC60 (Oral small molecule)	FASN	Solid tumor 2	Greater China[1]					
ASC63 (Oral small molecule)	PD-L1	Advanced solid tumors	Global					

Note:

1. ASC40 and ASC60 are licensed from Sagimet Biosciences for the exclusive rights in the Greater China.

Abbreviations:

FASN: Fatty acid synthase; VEGF: Vascular endothelial growth factor; PD-L1: Programmed death ligand 1; NSCLC: Non-small cell lung cancer.

Exploratory Indication Pipeline

Product (Modality)	Target	Indication	Commercial Rights	Pre-IND	IND	Phase I	Phase II	Phase III
ASC40 (Oral small molecule)	FASN	ACNE	Greater China[1]					

Note:

1. ASC40 is licensed from Sagimet Biosciences for the exclusive rights in the Greater China.

Abbreviation:

FASN: Fatty acid synthase.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period and up to the date of this report, the Group has made the following progresses with respect to its business.

Viral Diseases

ASC10 for COVID-19

The Group has obtained the IND approval of ASC10, an oral inhibitor drug candidate targeting RNA-dependent RNA polymerase (RdRp) for COVID-19, from both the U.S. FDA and China NMPA. The U.S. FDA recommended the Group to conduct Phase Ib study directly in mild-to-moderate COVID-19 patients instead of in healthy subjects, which will further accelerate the clinical progress of ASC10. This U.S. FDA approval marks a great recognition to the Group's R&D capabilities. The Group is the first biotech company in China that has obtained IND approval of an oral RdRp inhibitor from both China NMPA and the U.S. FDA.

ASC10 is an orally bioavailable double prodrug which has a new and differentiated chemical structure from the single prodrug molnupiravir. After oral administration, both ASC10 and molnupiravir are rapidly and completely converted *in vivo* into the same active metabolite ASC10-A, also known as β-D-N4-hydroxycytidine (NHC). ASC10 was discovered and developed in-house. The Group has filed multiple patent applications for ASC10 and its use globally. ASC10 oral tablet formulation for the clinical study was developed with in-house proprietary technology of the Group.

By applying a double prodrug strategy, ASC10's permeability in Caco-2 cells (human colorectal adenocarcinoma cells) and active metabolite exposure in monkeys reached 3.2-fold and 2.1-fold of molnupiravir's, respectively. In the SARS-CoV-2 infected mouse models, ASC10 at 240 mg/kg twice daily led to a 4.0 log reduction in viral titer in lungs, equivalent to molnupiravir at 500 mg/kg twice daily[1]. Preclinical studies demonstrated that ASC10-A has potent cellular antiviral activity against Omicron variant (EC_{50} = 0.3 μM), Delta variant (EC_{50} = 0.5 μM) and wildtype virus (EC_{50} = 0.7 μM). It also suggested that there were no drug-drug interactions between ASC10 and other common medicines.

The Group has also further improved the accessibility and affordability of ASC10 with efforts made on capacity expansion and process optimization and is actively communicating with regulatory authorities to explore the possibility of further accelerating the clinical development of ASC10.

Anticipated 2022 Milestone: Dose the first subject in both U.S. and China and obtain preliminary safety and pharmacokinetic data.

ASC11 for COVID-19

The Group has published the preclinical results of ASC11 in comparison with 3CLpro inhibitor drug candidates from other companies. ASC11 is an in-house discovered drug candidate with the global intellectual property and commercial rights. In antiviral cellular assays, antiviral potency (EC_{90}) of ASC11 is 31-fold of that of Nirmatrelvir, 120-fold of that of S-217622, 16-fold of that of PBI-0451 and 7-fold of that of EDP-235. Importantly, ASC11 activity was retained against different SARS-CoV-2 variants. Molecular docking showed that compared to Nirmatrelvir, ASC11 formed stronger hydrogen bond interaction with Glutamic acid 166 of 3CLpro, created new hydrogen bonds with other key amino acids of 3CLpro and fitted more tightly in hydrophobic Pocket 4 (P4) of 3CLpro, resulting in much higher antiviral potency (EC_{90}) of ASC11. Based on the promising preclinical profiles, ASC11 is expected to be potentially best-in-class 3CLpro inhibitor for COVID-19.

Anticipated 2022 Milestone: Submit the IND application of ASC11 to China NMPA and/or the U.S. FDA.

[1] Wahl, et al., Nature. 2021 March; 591(7850): 451-457.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Viral Diseases (Continued)

Ritonavir for COVID-19

During the Reporting Period, the Group continued the engagement with both domestic and major multi-national pharmaceutical companies for the commercial supplies of ritonavir within China and globally.

The Group has further expanded its ritonavir oral tablet production capacity to approximately 530 million tablets per year, to meet the potential escalation in the domestic and global demands. The Group has taken multiple measures for expansion of the annual ritonavir production capacity, including adding additional key equipment at the manufacturing facilities of Ascletis Pharmaceuticals Co., Ltd. ("**Ascletis Pharmaceuticals**", 歌禮藥業(浙江)有限公司), a wholly- owned subsidiary of the Company.

Ritonavir oral tablet is a pharmacokinetic booster of multiple oral antiviral drugs targeting viral proteases and a component of the approved oral antiviral drug Paxlovid (Nirmatrelvir 300 mg tablet + ritonavir 100 mg tablet co-administration package).

The Group aims to be a global commercial supplier of ritonavir oral tablets. As of the date of this report, the Group owns the only authorized ritonavir oral tablet in China, which has passed bioequivalence study and was approved for marketing in September 2021 by the China NMPA (國藥准字H20213698). Furthermore, the Group has submitted marketing authorization applications for ritonavir (100 mg film-coated tablet) in 12 European countries and Hong Kong.

Anticipated 2022 Milestone: Continue the business discussions and negotiations with both domestic and major multi-national pharmaceutical companies for the commercial supplies of ritonavir.

ASC22 for CHB Functional Cure

The Group presented Phase IIb clinical trial results of subcutaneous PD-L1 antibody ASC22 for functional cure of CHB at oral session of EASL ILC 2022 in June 2022. The results further demonstrated the potential of ASC22+nucleos(t)ide analogs (NAs) treatment as a functional cure for CHB: 42.9% of patients with baseline HBsAg ≤ 100 IU/mL obtained sustained HBsAg loss.

The interim report for Phase IIb clinical trial results is based on a randomized, single-blind, multi-center Phase IIb clinical trial to assess the efficacy and safety of ASC22 in treatment of CHB patients (ClinicalTrials.gov Identifier: NCT04465890). In 1.0 mg/kg ASC22 cohort, 75 CHB patients were randomized to be treated with 1.0 mg/kg ASC22 (n=60) or placebo (PBO, n=15) once every 2 weeks (Q2W) plus NAs for 24-week and then followed for another 24 weeks.

CHB remains to be a significantly unmet medical need globally, with approximately 86 million people in China and 1.59 million people in the U.S. infected with hepatitis B virus (HBV). NAs inhibit only reverse transcription of HBV RNA into HBV DNA and do not inhibit the transcription of HBV cccDNA into HBV RNA, thus have no inhibitory effect on HBsAg. ASC22 is the most advanced clinical stage immunotherapy in the world for CHB functional cure, i.e. HBsAg loss, through blocking PD-1/PD-L1 pathway.

Pre-Phase III meeting of ASC22 was held in June 2022 with China NMPA. The pathway moving forward to the registration was agreed by China NMPA. The dose of 1.0 mg/kg ASC22+NAs and the patient population with the baseline HBsAg ≤ 100 IU/mL were agreed and the current Phase IIb study will be expanded to further confirm the rate of functional cure in such patient population and at such dose.

Anticipated 2022 Milestone: Dose the first patient with the baseline HBsAg≤100 IU/mL for 1.0 mg/kg ASC22 +NAs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Viral Diseases (Continued)

ASC42 for CHB Functional Cure

The Group completed patient enrollment in Phase II clinical trial of ASC42 for CHB indication in March 2022. The Phase II clinical trial is a multi-center, randomized, single-blind, placebo-controlled study in China to evaluate safety and efficacy of ASC42 tablets in combination with Entecavir and pegylated interferon-α-2a (PEG-IFN-α-2a) in subjects with CHB. About 43 CHB patients will be enrolled and receive ASC42 tablets (10 mg or 15 mg) or matching placebo orally once daily in combination with Entecavir (0.5 mg, orally once daily) and PEG-IFN-α-2a (180 μg, subcutaneous injection once a week) for 12 weeks, and serum HBsAg and HBV pregenomic RNA (pgRNA) change from baseline will be measured during 12-week intervention period and 24-week follow-up period.

ASC42 is an in-house developed, selective, potent FXR agonist with best-in-class potential. The U.S. Phase I trial of ASC42 indicated that there was no pruritus observed and low density lipoprotein cholesterol (LDL-C) values remained within normal range during 14-day treatment of the once-daily human therapeutic dose of 15 mg while FXR target engagement biomarker Fibroblast Growth Factor 19 (FGF19) increased 1,780% and 7α-hydroxy-4-cholesten-3-one (C4) decreased 91% on Day 14.

As an FXR agonist, ASC42 has unique mechanism of action against HBV: ASC42 inhibits the transcription of HBV covalently closed circular DNA (cccDNA) into HBV RNA, which in turn inhibits the translation of HBV RNA into HBsAg. ASC42 may also reduce HBV cccDNA stability. Both *in vitro* primary human hepatocyte (PHH) cells and *in vivo* AAV/HBV mouse studies demonstrated that ASC42 significantly inhibited serum HBsAg and pgRNA, indicating that ASC42 has therapeutic potential to functionally cure CHB.

Anticipated 2022 Milestone: Obtain the topline data from the multi-center, randomized, single-blind, placebo controlled Phase II clinical trial of ASC42 + Entecavir + PEG-IFN-α-2a in CHB patients.

NASH/PBC

ASC40 for NASH

During the Reporting Period, the Group's partner, Sagimet Biosciences, has presented the updates of ASC40 IIb trial in a poster session at the International Liver Congress 2022, the annual meeting of EASL in June 2022.

In the analysis, blood samples from patients in the Phase II trial have been profiled and a 6-metabolite signature for patients most likely to respond to ASC40 treatment has been identified, as measured by liver fat changes on magnetic resonance imaging derived proton density fat fraction (MRI-PDFF). Metabolomic results from the 50 mg ASC40 group (n=34) were analyzed using nonlinear regression machine learning algorithms to identify a biomarker panel that predicted liver fat response as measured by MRI-PDFF. Alanine transaminase (ALT) and low-density lipoprotein (LDL) significantly decreased at week 12, in a time dependent manner. A predictive metabolomic signature that predicts liver fat response to ASC40 was identified.

Anticipated 2022 Milestone: To present the interim results from the Phase IIb clinical trial of ASC40 in biopsy-proven NASH patients at AASLD2022 in November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

NASH/PBC (Continued)

ASC41 for NASH

Phase II clinical trial of ASC41 for biopsy-proven NASH patients has been approved by multiple Institutional Review Boards (IRB) in China. ASC41 is a small molecule liver-targeted prodrug which will be converted into an active metabolite ASC41-A, a selective THRβ agonist. In September, 2021, the Group's wholly owned company Gannex announced positive topline results from the U.S. Phase I trial of drug-drug interactions in healthy subjects and pharmacokinetics (PK) in patients with non-alcoholic fatty liver disease (NAFLD) for ASC41. ASC41 is mainly metabolized by CYP3A4 to form an active metabolite ASC41-A, a selective THRβ agonist.

The clinical study consisted of two cohorts. The first cohort evaluated the safety, tolerability and PK of ASC41 after oral administration of 5 mg tablets in the presence of itraconazole (a strong inhibitor of CYP3A4) or phenytoin (a strong inducer of CYP3A4) in healthy volunteers. The second cohort evaluated the safety, tolerability and PK of ASC41 after oral administration of 5 mg tablets in patients with NAFLD.

The drug-drug interaction data demonstrated that there were no clinically significant changes in the exposure of the active metabolite ASC41-A in the presence of itraconazole or phenytoin, as compared to that in the absence of the strong inhibitor or inducer. These data show competitiveness of ASC41 to other THRβ agonists in the late stage clinical development. Furthermore, these findings suggest that clinically significant drug-drug interactions would be unlikely between ASC41/ASC41-A and antidepressants (selective-serotonin/serotonin-norepinephrine reuptake inhibitors (SSRIs/SNRIs), most of them are mild/moderate CYP3A4 inhibitors), which are commonly used in the NASH patient population. In addition, *in vitro* transporter studies predicted no significant effect of ASC41/ASC41-A on statin exposure.

Anticipated 2022 Milestone: Dose the first biopsy-proven NASH patient.

ASC43F for NASH

In January 2022, the Group announced the completion of the U.S. Phase I clinical trial of ASC43F, an in-house developed, first-in-class dual targeting FDC tablet for NASH.

ASC43F is a once-a-day (QD), single tablet, FDC of 5 mg ASC41, a THRβ agonist, and 15 mg ASC42, a FXR agonist. The U.S. Phase I trial (ClinicalTrials.gov Identifier: NCT05118516) was an open-label, single-dose study evaluating the safety, tolerability and pharmacokinetics of ASC43F in healthy subjects. The results showed that ASC43F was safe and well tolerated, without clinically significant adverse effects. The pharmacokinetic parameters of ASC41 and ASC42 from ASC43F are similar to those of ASC41 and ASC42 as monotherapy.

Previous Phase I studies in the U.S. and China have shown ASC41 at 5 mg to be safe and well tolerated in both healthy volunteers, overweight and obese subjects and patients with NAFLD. In these studies, ASC41 significantly reduced LDL-C, triglyceride (TG), and total cholesterol (TC) in overweight and obese subjects with elevated LDL-C, a population that is characteristics of NASH.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

NASH/PBC (Continued)

ASC43F for NASH (Continued)

Previous Phase I clinical data indicated that ASC42 was safe and well tolerated, with no pruritus and with LDC-C values remaining within normal range during 14-day treatment with once-daily therapeutic dose of 15 mg. FXR target engagement biomarkers FGF19 increased 1,780% and C4 decreased 91% on Day 14 of treatment with 15 mg, once-daily dose.

With three single agents against three distinct but complementary targets, the Group has taken advantage of synergies among these targets (see below).

Fixed-Dose Combinations: Synergies among ASC40, ASC41 and ASC42

Treatment Goals	Monotherapy			FDC One-Pill, Once-a-Day		
	ASC40 FASN	ASC41 THRβ	ASC42 FXR	ASC43F THRβ + FXR	ASC44F FASN + FXR	ASC45F FASN + THRβ
Liver fat reduction	★★★	★★★	★★	★★★	★★★	★★★
Anti-inammation	★★	★★	★★	★★	★★	★★
Anti-brosis	★★	★★	★★★	★★★	★★★	★★
Lowering LDL-C and TG		★★★		★★★		★★★

Anticipated 2022 Milestone: Continue to engage regulatory agencies in China and the U.S. to explore the Phase II trial strategy of fixed-dose combinations therapies.

ASC42 for PBC

During the Reporting Period, the Group has completed first patient dosing in Phase II clinical trial of PBC in China. In June 2022, the Group has obtained the U.S. FDA clearance for ASC42 to initiate a DDI study for treatment of PBC. Recently, the Group has completed the first subject dosing in the DDI study of ASC42 in the U.S. This DDI study and the ongoing Phase II trial in China are designed to provide more evidence to support upcoming Phase III clinical trials in China, the U.S. and the European Union for treatment of PBC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

NASH/PBC (Continued)

ASC42 for PBC (Continued)

ASC42 is an in-house developed, novel non-steroidal, selective, potent FXR agonist with best-in-class potential and global intellectual property. The data from the U.S. Phase I trial of ASC42 indicated there was no pruritus observed during 14-day treatment of the once-daily human therapeutic dose of 15 mg and FXR target engagement biomarker FGF19 increased 1,780% on Day 14 of treatment with 15 mg dose. Furthermore, mean LDL-C values remained within the normal range during 14-day, once daily treatment with 15 mg.

Ursodeoxycholic acid (UDCA) is the only drug which is approved in China for PBC and approximately 40% PBC patients have an inadequate response to or are unable to tolerate UDCA. Obeticholic Acid (OCA), which is not approved in China, is the only approved medicine in the U.S. for PBC patients who have an inadequate response to or are unable to tolerate UDCA. However, there are significantly increased pruritus rates and LDL-C levels in patients with OCA treatment. Lack of pruritus and LDL-C level increase at the therapeutic dose makes ASC42 a potential best-in-class PBC drug. Gannex intends to start a Phase III trial in the U.S. and the European Union after the completion of the Phase II study in China.

Anticipated 2022 Milestone: To complete the DDI study of ASC42 for PBC.

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors)

ASC40 for rGBM

The Group announced the dosing of the first patient in the Phase III clinical trial of ASC40 combined with bevacizumab for treatment of rGBM in January 2022. ASC40 is an oral, selective inhibitor of FASN, a key enzyme which regulates *de novo* lipogenesis (DNL). ASC40 inhibits energy supply and disturbs membrane phospholipid composition of tumor cells by blocking DNL.

The Phase III study (ClinicalTrials.gov Identifier: NCT05118776) is a randomized, double-blind, placebo-controlled, multi-center clinical trial in China to evaluate progression-free survival (PFS), overall survival (OS) and safety of patients with rGBM. Approximately 180 patients will be 1:1 randomized to Cohort 1 (oral ASC40 tablet once daily + Bevacizumab) and Cohort 2 (matching placebo tablet once daily + Bevacizumab).

The Phase II study, completed in the U.S., in patients with rGBM has shown that the objective response rate (ORR) for ASC40 plus Bevacizumab treatment was 65% including a complete response (CR) of 20% and a partial response (PR) of 45%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Oncology Pipeline (Lipid Metabolism and Oral Checkpoint Inhibitors) (Continued)

***ASC40 for rGBM** (Continued)*

Based on published data, in China, glioblastoma (GBM) represents 57% of gliomas and has an incidence rate of approximately 2.85 to 4.56 per 100,000 population per year, suggesting approximately 40,000 to 64,000 new cases of GBM per year. More than 90% GBM patients will relapse after surgery, radiation and chemotherapies. In the U.S., GBM represents 56.6% of gliomas and has an incidence rate of approximately 3.21 per 100,000 population per year.

Anticipated 2022 Milestone: Complete the patient enrollment of approximately 80% of 180 patients with rGBM in the Phase III clinical trial.

Oral PD-L1 small molecule inhibitor ASC61 for cancer

The Group has completed first patient dosing in the Phase I clinical trial of ASC61 for the treatment of advanced solid tumors in the U.S. The Group obtained the IND approval of ASC61 in January 2022. Subsequently in March 2022, the Group announced the latest preclinical research results of two novel anticancer drug candidates, ASC61, an oral PD-L1 inhibitor and ASC60, an FASN inhibitor have been selected for presentations at the American Association for Cancer Research (AACR) Annual Meeting 2022.

The Phase I trial in the U.S. is a dose escalation study in patients with advanced solid tumors. The objectives of such study are to find a recommended Phase II dose (RP2D) and obtain preliminary efficacy in patients with advanced solid tumors.

ASC61 is an oral potent and highly selective PD-L1 small molecule inhibitor and blocks PD-1/PD-L1 interaction through inducing PD-L1 dimerization and internalization. As a single agent, ASC61 demonstrated significant antitumor efficacy in multiple animal models such as the humanized mouse model. Preclinical studies showed that ASC61 has good safety and pharmacokinetic profiles in animal models.

ASC61 oral tablets, which will be used in the clinical trial, were developed with the in-house proprietary technology.

In a head-to-head comparison study using the human PD-L1 expressing cells and fresh peripheral blood mononuclear cells (PBMC) co-culture assay, ASC61-A treatment induced secretion of IFNγ in a concentration dependent manner, with an EC_{50} of 2.86 nM, and maximal levels of IFNγ induced by ASC61-A were similar to that induced by Keytruda.

Compared to injectable PD-1/PD-L1 antibodies, the oral PD-L1 inhibitor ASC61 has the following benefits: (1) high patient compliance with easy and safe administration with no need of hospital visits for injections; (2) ease of all oral combination therapies with other oral anti-tumor drugs; (3) easier to manage immune-related adverse effects (irAEs) with dose adjustment; (4) relatively lower cost; and (5) high permeability to distribute into targeted tissues.

Anticipated 2022 Milestone: Continue to explore the recommended Phase II dose (RP2D).

BUSINESS REVIEW (Continued)

Exploratory Indication Pipeline

ASC40 for moderate to severe acne

The Group completed the first patient dosing in the Phase II clinical trial of ASC40 for moderate to severe acne in January 2022. As of the date of this report, patients enrollment and dosing in the Phase II clinical trial have been progressing on track. ASC40 is an oral, selective inhibitor of FASN, a key enzyme which regulates DNL. Human sebum production requires DNL, which is increased in acne and suppressed by the FASN inhibitor ASC40. Previous Phase I study showed that ASC40 can significantly reduce palmitic acid fatty acid methyl ester (FAME) in sebum.

Acne is the eighth most prevalent disease in the world and affects more than 640 million people globally. The onset of acne often coincides with pubertal hormonal changes, and the condition affects approximately 85% of adolescents and young adults aged 12 to 25 years. However, acne can also persist into or develop during adulthood.

Current first-line treatments for acne include topical creams such as topical retinoids and androgen receptor inhibitor, oral isotretinoin, and antibiotics. According to Allied Market Research report, the global acne medication market size was expected to US$11.86 billion in 2019, and is projected to reach US$13.35 billion by 2027.

Anticipated 2022 Milestone: Complete the enrollment of 180 patients in the Phase II clinical trial.

Cautionary statement required by Rule 18A.05 of the Listing Rules: We cannot guarantee that we will be able to ultimately develop, market and/or commercialize the drug candidates in our pipeline successfully.

CAPABILITY OF COMMERCIALIZATION

The Group has demonstrated potent capability and established a solid commercial presence in China in the area of hepatitis. As at June 30, 2022, the Group's commercialization team has covered approximately 874 hospitals and pharmacies strategically located in regions where Hepatitis C and B are prevalent in China. Our commercial team has identified and educated approximately 4,017 specialists and key opinion leaders (KOLs) in the hepatitis field. We have entered into 30 distribution agreements with different distributors that cover approximately 345 direct-to-patient (DTP) pharmacies, hospital-linked pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors.

THE GROUP'S FACILITIES

The Group has manufacturing facilities located in Shaoxing, Zhejiang Province with a total gross floor area of 17,000 square meters. Recently, the Group announced that it has further expanded its ritonavir oral tablet production capacity to approximately 530 million tablets per year, to meet the potential escalation in the domestic and global demands. The Group has taken multiple measures for expansion of the annual ritonavir production capacity, including adding additional key equipment. For our manufacturing facility, the Group has obtained the commercial drug production licenses of ritonavir, ASCLEVIR® and GANOVO®. 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.

As at June 30, 2022, we had 11 wholly-owned subsidiaries. Our business was mainly conducted through three operating subsidiaries in China, namely Ascletis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司) ("**Ascletis BioScience**"), Ascletis Pharmaceuticals and Gannex.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPACT OF COVID-19 PANDEMIC

During the Reporting Period, COVID-19 pandemic had impacts on the Group's operation, such as R&D and sales activities. The Group took various measures to minimize negative impacts of COVID-19 pandemic on the operations and business activities.

BUSINESS DEVELOPMENT

During the Reporting Period, the Group is dedicated to further enhance its business development capabilities. Recently, the Group appointed Mr. John P. Gargiulo, the former North America President and Chief Executive Officer of Daiichi Sankyo Company, Limited, as Chief Business Officer. Together with the global collaborations, the appointment will further accelerate the Group's growth as it expects to launch multiple commercial products in the next three years.

During the Reporting Period, the Group is actively exploring partnership with international pharmaceutical companies to maximize its proprietary pipeline assets including ritonavir oral tablets, ASC10 (RdRp inhibitor) and ASC11 (3CLpro inhibitor) for COVID-19, as well as ASC22 (PD-L1) for CHB functional cure.

FUTURE AND OUTLOOK

The Group has established a comprehensive pipeline with a focus on viral diseases, NASH/PBC and oncology. The following are strategies and outlook for the second half of 2022:

1. Expand the sales of ritonavir, ASCLEVIR® and GANOVO®;

2. Continue to accelerate clinical development of ASC10 (COVID-19) and ASC11 (COVID-19) in the U.S. and/or China;

3. Accelerate Phase II or III clinical trials of ASC40 (rGBM), ASC22 (HBV), ASC42 (HBV), ASC40 (ACNE), ASC42 (PBC), ASC22 (HIV); and

4. Explore license-out opportunities for ASC10 (COVID-19), ASC11 (COVID-19), ASC22 (HBV functional cure).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group has commercialized four products as at June 30, 2022, namely GANOVO® (Danoprevir), ASCLEVIR® (Ravidasvir), Pegasys® and ritonavir. The revenue generated during the Reporting Period consists of (i) Pegasys®'s promotion services; (ii) sales of products from the all-oral regimen of ASCLEVIR® (Ravidasvir) in combination with GANOVO® (Danoprevir); and (iii) sales of products from ritonavir.

The total revenue of the Group increased by 4.6% from approximately RMB36.5 million for the six months ended June 30, 2021 to approximately RMB38.2 million for the six months ended June 30, 2022.

The revenue from sale of products increased by 1,374.8% from approximately RMB0.4 million for the six months ended June 30, 2021 to approximately RMB5.2 million for the six months ended June 30, 2022. Such increase was mainly attributable to the increased sales volume of all-oral regimen of ASCLEVIR® (Ravidasvir) in combination with GANOVO® (Danoprevir), which was included in the NRDL in December 2021.

In addition, revenue generated from the promotion service of Pegasys® remained relatively stable at RMB34.5 million and RMB33.0 million for the six months ended June 30, 2021 and 2022, respectively. The promotion service for Pegasys® was started from December 2018 pursuant to the partnership agreement between Ascletis BioScience and Shanghai Roche Pharmaceuticals Ltd. ("**Roche Pharma China**") dated November 20, 2018 (the "**Partnership Agreement**"). Under the Partnership Agreement, Ascletis BioScience was granted an exclusive marketing promotion right for promotion services of Pegasys® in Mainland China and in turn entitled to receive a certain percentage of the sales revenue as consideration. Ascletis BioScience and Roche Pharma China completed the signing of an addendum agreement on September 16, 2022, pursuant to which the promotion services for Pegasys® provided by Ascletis BioScience to Roche Pharma China will be terminated with effect from December 31, 2022. Roche Pharma China will neither seek other partner, nor by itself, to conduct promotion of Pegasys® in Mainland China.

Cost of Sales

The cost of sales of the Group decreased by 64.6% from approximately RMB39.1 million for the six months ended June 30, 2021 to approximately RMB13.9 million for the six months ended June 30, 2022. The decreased cost of sales was mainly attributed to the impairment of inventories of RMB23.0 million for the six months ended June 30, 2021.

The cost of sales of the Group consisted of direct labor costs, cost of raw materials, overhead, the royalty fee to F. Hoffmann-La Roche AG ("**Roche**"), the cost of rendering promotion services and the impairment of inventories.

Direct labor costs primarily consisted of salaries, bonus and social security costs for the employees.

Cost of raw material represented the costs in relation to the purchase of raw materials. We own technologies and intellectual properties to manufacture APIs for GANOVO® (Danoprevir) and ASCLEVIR® (Ravidasvir). We have engaged third party CMOs to manufacture APIs for GANOVO® (Danoprevir) to maintain continuous supply of APIs in the production of GANOVO® (Danoprevir). We manufacture the APIs and tablet formulation for ASCLEVIR® (Ravidasvir) in-house.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cost of Sales (Continued)

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

The Company have agreed to pay Roche and Presidio Pharmaceuticals, Inc. tiered royalties in the mid-single digits based on net sales of GANOVO® (Danoprevir) and ASCLEVIR® (Ravidasvir) in any and all regimens in Greater China.

The cost of sales rendering promotion services primarily consists of costs incurred for the direct promotion.

Gross Profit

The Group recorded a turnaround from a gross loss for the six months ended June 30, 2021 to a gross profit for the six months ended June 30, 2022. It increased from a gross loss of approximately RMB2.6 million for the six months ended June 30, 2021 to a gross profit of approximately RMB24.4 million for the six months ended June 30, 2022, representing a gross profit margin of 63.8% for the six months ended June 30, 2022.

The increased gross profit was primarily attributable to (i) the on-going cost-effective strategy on the promotion service of Pegasys®; (ii) the increased sales volume of all-oral regimen of ASCLEVIR® (Ravidasvir) in combination with GANOVO® (Danoprevir); (iii) the commercialization of new product of ritonavir; and (iv) improved inventory management.

Other Income and Gains

The other income and gains of the Group increased by 197.6% from approximately RMB16.1 million for the six months ended June 30, 2021 to approximately RMB47.8 million for the six months ended June 30, 2022, primarily because (i) bank interest income increased by RMB1.7 million from approximately RMB11.6 million for the six months ended June 30, 2021 to approximately RMB13.4 million for the six months ended June 30, 2022; and (ii) the Group recorded approximately RMB32.2 million foreign exchange gain for the six months ended June 30, 2022.

Government grants mainly represented 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other Income and Gains (Continued)

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

	Unaudited Six months ended June 30,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Foreign exchange gain, net	**32,196**	**67.3**	–	–
Bank interest income	**13,362**	**27.9**	11,619	72.3
Investment income from financial assets at fair value through profit or loss	**1,194**	**2.5**	748	4.7
Government grants	**1,065**	**2.3**	3,697	23.0
Others	**–**	**–**	5	–
Total	**47,817**	**100.0**	16,069	100.0

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased by 10.3% from approximately RMB9.5 million for the six months ended June 30, 2021 to approximately RMB10.5 million for the six months ended June 30, 2022, which mainly consisted of staff cost for our sales personnel and the expenses for marketing promotion activities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Administrative Expenses

The administrative expenses of the Group decreased by 18.6% from approximately RMB22.1 million for the six months ended June 30, 2021 to approximately RMB18.0 million for the six months ended June 30, 2022, primarily due to the improvement of operation efficiency.

Our administrative expenses primarily comprised staff salary and welfare costs for non-R&D 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 periods indicated:

	Unaudited Six months ended June 30,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Staff salary and welfare	**8,333**	**46.4**	12,181	55.2
Utilities, rent and general office expenses	**5,147**	**28.7**	8,457	38.3
Agency and consulting fee	**4,464**	**24.8**	1,292	5.9
Others	**25**	**0.1**	148	0.6
Total	**17,969**	**100.0**	22,078	100.0

Research and Development Expenses

The Group's R&D expenses primarily consist of preclinical and clinical trial expenses, staff costs and depreciation and amortization costs.

The R&D expenses of the Group increased by 60.5% from approximately RMB74.0 million for the six months ended June 30, 2021 to approximately RMB118.8 million for the six months ended June 30, 2022, for developing our drug candidates.

The following table sets forth the components of our R&D costs for the periods indicated:

	Unaudited Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Preclinical and clinical trial expenses	**65,089**	35,004
Staff costs	**33,899**	22,556
Depreciation and amortization	**13,281**	10,782
Others	**6,545**	5,684
Total	**118,814**	74,026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Research and Development Expenses (Continued)

The following table sets forth the components of our R&D costs by product pipeline for the periods indicated:

	Unaudited Six months ended June 30,	
	2022	2021
	RMB' 000	*RMB' 000*
Viral diseases	**72,655**	28,554
NASH/PBC	**18,481**	31,598
Oncology	**14,303**	5,669
Pre-clinical programs	**6,815**	5,217
Exploratory indications	**6,560**	2,988
Total	**118,814**	74,026

Finance costs

The Group recorded approximately RMB0.06 million finance costs for the six months ended June 30, 2022 due to the interest on the lease liabilities (June 30, 2021: RMB 0.04 million).

Other expenses

The other expenses of the Group decreased by 80.6% from approximately RMB10.3 million for the six months ended June 30, 2021 to approximately RMB2.0 million for the six months ended June 30, 2022, mainly due to the decreased foreign exchange loss.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other expenses (Continued)

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

	Unaudited Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Donations	**2,008**	2,964
Others	**4**	1
Foreign exchange loss, net	**–**	7,383
Total	**2,012**	10,348

Income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from 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 Group did not incur any income tax expense as the Group did not generate taxable income for the six months ended June 30, 2021 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Inventories

The inventories of the Group consisted of raw materials used in the commercial manufacturing, work in progress and finished goods. The inventories increased by 12.0% from approximately RMB56.2 million as at December 31, 2021 to approximately RMB63.0 million as at June 30, 2022. The following table sets forth the inventory balances as of the dates indicated:

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Raw materials	**49,846**	44,348
Work in progress	**5,687**	3,345
Finished goods	**7,472**	8,540
Total	**63,005**	56,233

Trade Receivables

The Group had approximately RMB53.6 million trade receivables as at December 31, 2021 and approximately RMB57.3 million as at June 30, 2022.

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Trade receivables	**57,307**	53,622
Less: impairment of trade receivables	**21**	16
Total	**57,286**	53,606

The Group's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Trade Receivables (Continued)

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

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Less than 3 months	**19,694**	38,676
Over 3 months	**37,592**	14,930
Total	**57,286**	53,606

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, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Prepayments	**17,994**	2,340
Deposits and other receivables	**3,060**	2,593
Prepaid expenses	**2,918**	2,298
Value-added tax recoverable	**1,824**	13,785
Total	**25,796**	21,016

Our prepayments mainly represented the purchase of services which related to our expenses on clinical trials. Our prepayments increased significantly from approximately RMB2.3 million as at December 31, 2021 to approximately RMB18.0 million as at June 30, 2022, because we purchased more service related to clinical trials. Prepayments to supplier as at June 30, 2022 are due within one year.

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

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 approximately RMB13.8 million as at December 31, 2021 to approximately RMB1.8 million as at June 30, 2022, primarily because we received value-added tax rebates and credited against our value-added tax payables.

FINANCIAL REVIEW (Continued)

Fair Value and Fair Value Hierarchy of Financial Instruments

The financial assets at fair value through profit or loss of the Group amounted to RMB5.2 million as at June 30, 2022 (as at December 31, 2021: RMB5.2 million).

Cash and Cash Equivalents

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

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Cash and bank balances	**498,994**	1,727,411
Time deposits	**1,984,706**	768,085
Total	**2,483,700**	2,495,496

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

Trade and Bills 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, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Trade payables	**5,959**	1,054

FINANCIAL REVIEW (Continued)

Trade and Bills Payables (Continued)

The following table sets forth an ageing analysis of trade payables due to third parties as at the dates indicated, which is based on invoice date:

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Within 3 months	**5,492**	648
Over 3 months	**467**	406
Total	**5,959**	1,054

Other Payables and Accruals

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

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Other payables	**43,612**	34,344
Accrued expenses	**32,601**	25,240
Payroll payable	**13,877**	23,095
Taxes other than income tax	**1,482**	3,959
Refund liabilities	**86**	123
Total	**91,658**	86,761

Our other payables expenses increased by 27.0% from approximately RMB34.3 million as at December 31, 2021 to approximately RMB43.6 million as at June 30, 2022 as payment term in contract. Other payables are non-interest-bearing and are due within one year.

The accrued expenses mainly represented the R&D expenses actually incurred but not yet invoiced and increased by 29.2% from approximately RMB25.2 million as at December 31, 2021 to approximately RMB32.6 million as at June 30, 2022, which was attributed to our increased clinical trials. The accrued expenses were non-interest-bearing and due within one year.

The payroll payable represented the accrued salary for June 2022 and accrued bonus for the first half year in 2022, which are due within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

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, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Government grants		
– Current	**1,588**	1,588
– Non-current	**7,940**	8,734
Total	**9,528**	10,322

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund its R&D activities, clinical trials, purchase of equipment 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.

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, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Net cash used in operating activities	**(67,572)**	(146,930)
Net cash used in investing activities	**(623,637)**	(274,492)
Net cash used in financing activities	**(96)**	(31,098)
Net decrease in cash and cash equivalents	**(691,305)**	(452,520)
Cash and cash equivalents at the beginning of the period/year	**1,727,411**	2,210,504
Effect of foreign exchange rate changes, net	**66,914**	(30,573)
Cash and cash equivalents at the end of the period/year	**1,103,020**	1,727,411

As at June 30, 2022, cash and cash equivalents were mainly denominated in Renminbi and United States dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Operating Activities

Our cash inflows from operating activities mainly consisted of trade receivables from customers, government grants and bank interests. Our cash outflows for operating activities mainly consisted of selling and distribution expenses, R&D costs, and administrative expenses.

For the six months ended June 30, 2022, we had net cash flows used in operating activities of approximately RMB67.6 million, primarily as a result of operating loss before changes in working capital of RMB75.8 million. The negative changes in working capital due to an increase in inventories of approximately RMB5.6 million.

For the six months ended June 30, 2021, we had net cash flows used in operating activities of approximately RMB85.8 million, primarily as a result of operating loss before changes in working capital of RMB73.3 million.

Investing Activities

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

For the six months ended June 30, 2022, our net cash used in investing activities was approximately RMB623.6 million, primarily attributable to an increase in time deposits with original maturity of over three months of RMB612.6 million.

For the six months ended June 30, 2021, our net cash used in investing activities was approximately RMB338.1 million.

Financing Activities

Our cash used in financing activities primarily related to our payments of lease payments during the Reporting Period.

For the six months ended June 30, 2022, our net cash flows used in financing activities was RMB0.1 million, primarily attributable to the principal portion of lease payments.

For the six months ended June 30, 2021, our net cash flows used in financing activities was RMB1.2 million.

FINANCIAL REVIEW (Continued)

Capital Expenditures

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

	June 30, 2022 (Unaudited) *RMB' 000*	December 31, 2021 (Audited) *RMB' 000*
Plant and machinery	**2,310**	2,764
Office equipment	**73**	1,758
Construction in progress	**14**	34
Total	**2,397**	4,556

Significant Investments, Material Acquisitions and Disposals

In 2019, AP11 Limited, a wholly-owned subsidiary of the Company, entered into a capital increase agreement with Sagimet Biosciences. On December 21, 2020, AP11 Limited increased investment into Sagimet Biosciences. As at June 30, 2022, AP11 Limited held approximately 9.84% of the equity interest in Sagimet Biosciences. The Group recognizes such investment as an investment in an associate to which the equity method is applied.

For the six months ended June 30, 2022, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Borrowings

As at June 30, 2022, the Group did not have any borrowing, and the undrawn bank facilities was RMB30.0 million as of the same date.

As at June 30, 2022, 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.

Contingent Liabilities, Charges of Assets and Guarantees

As at June 30, 2022, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Indebtedness (Continued)

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 nil operating lease commitments and RMB3.4 million of capital commitments as at June 30, 2022.

Key Financial Ratios

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current ratio[(1)]	**26.3**	28.9
Quick ratio[(2)]	**25.6**	28.3
Gearing ratio[(3)]	**3.9%**	3.6%

(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.

(3) Gearing ratio represents total liabilities divided by total assets as of the same date and multiplied by 100%.

Our current ratio decreased from 28.9 as of December 31, 2021 to 26.3 as at June 30, 2022, and our quick ratio decreased from 28.3 as of December 31, 2021 to 25.6 as at June 30, 2022, primarily due to an increase in current liabilities.

Gearing ratio is calculated using total liabilities divided total assets and multiplied by 100%. As at June 30, 2022, the gearing ratio of the Group was 3.9% (as at December 31, 2021: 3.6%).

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.

Our business 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. We 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.

FINANCIAL REVIEW (Continued)

Employees and Remuneration Policies

As at June 30, 2022, the Group had a total of 315 employees. The table below sets forth the Group's employees by function as disclosed:

	Numbers of employees	% of total
Management	5	1.6
R&D	155	49.2
Commercialization	75	23.8
Manufacturing	28	8.9
Operations	52	16.5
Total	315	100.0

The Group's total staff costs for the six months ended June 30, 2022 was RMB48.8 million, compared to RMB39.8 million for the six months ended June 30, 2021.

The Group recruits employees through recruitment websites, recruiters, 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.

The Group also has adopted a restricted stock unit scheme, a restricted stock unit option incentive scheme before the Listing and a share option scheme under Chapter 17 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Share Option Scheme

Pursuant to a share option scheme adopted by the Company on June 6, 2019, the Company may grant options to eligible participants to subscribe for Shares subject to the terms and conditions stipulated therein.

Details of the movement of share options granted under the share option scheme during the Reporting Period are as follows:

Categories of grantees	Date of grant	Exercise price per share *(HK$)*	Closing price per share immediately before the date of grant *(HK$)*	Exercise period	Options balance outstanding as of January 1, 2022	Change during the Reporting Period			Options balance outstanding as of June 30, 2022
						Granted	Exercised	Cancelled/ Lapsed	
Eligible employees	March 31, 2020	2.90	2.90	March 31, 2021 – March 30, 2030 *(Note a)*	3,575,963	–	–	(229,649)	3,346,314
	December 31, 2020	2.87	2.88	December 1, 2021 – November 30, 2030 *(Note b)*	2,000,000	–	(400,000)	(1,600,000)	–
	April 7, 2021	2.89	2.90	April 7, 2022 – April 6, 2031 *(Note a)*	1,000,000	–	–	–	1,000,000
	June 30, 2021	3.53	3.51	June 30, 2022 – June 29, 2031 *(Note a)*	100,000	–	–	–	100,000
	September 30, 2021	2.696	2.66	September 30, 2022 to September 29, 2031 *(Note a)*	2,400,000	–	–	(1,000,000)	1,400,000
	March 31, 2022	5.514	5.58	March 31, 2023 to March 30, 2032 *(Note a)*	–	100,000	–	–	100,000
	June 30, 2022	3.932	3.94	June 30, 2023 to June 29, 2032 *(Note a)*	–	2,200,000	–	–	2,200,000
					9,075,963	2,300,000	(400,000)	(2,829,649)	8,146,314

Notes:

a) All options granted have a vesting period of five years in equal proportions starting from the 1st anniversary and become fully vested on the 5th anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.

b) Subject to the satisfaction of certain conditions, the first 20% of the total options can be exercised from the date as specified in the relevant grant letter, and each 20% of the total options will become exercisable in each subsequent year.

The number of options available for grant under the scheme mandate was 98,455,345 as at June 30, 2022 (as at December 31, 2021: 100,755,345).

The number of shares that may be issued in respect of options granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue for the same period is 7,083,461.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the share option scheme during the Reporting Period.

FINANCIAL REVIEW (Continued)

Fair Value of Share Options Granted

The fair value of the options granted during the Reporting Period was HK$6,381,000, of which the Group recognized a share option expense of RMB33,000 during the period ended June 30, 2022 (six months ended June 30, 2021: RMB240,000).

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2022
Dividend yield (%)	**0**
Expected volatility (%)	**82.08 -84.40**
Risk-free interest rate (%)	**2.09 -3.03**
Early exercise multiple	**2.2 -2.8**
Weighted average share price (HK$ per Share)	**3.79 -5.20**
Forfeiture rate (%)	**0**

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 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 C.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.

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.

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.

CHANGES IN DIRECTORS' INFORMATION

During the Reporting Period, there is no change in Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

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, 2022, 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 shareholder interest
Dr. Wu	Interest in controlled corporation[2]	597,221,078 (L)	54.94%
	Interest held jointly with another person[3]	2,311,000 (L)	0.21%
Mrs. Wu	Beneficiary of a trust[2]	44,827,414 (L)	4.13%
	Interest of spouse	552,393,664 (L)	50.81%
	Interest held jointly with another person[3]	2,311,000 (L)	0.21%

Notes:

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

(2) Among the 597,221,078 Shares, 552,393,664 Shares were held by Dr. Jinzi Jason WU ("**Dr. Wu**") through JJW12 Limited, a company incorporated in the BVI and wholly owned by Dr. Wu; and 44,827,414 shares were held by Lakemont Holding LLC.

As at June 30, 2022, Lakemont Holding LLC was controlled by Lakemont Remainder Trust as to 56.55% and Dr. Wu as to 43.45%. Mrs. Judy Hejingdoa WU ("**Mrs. Wu**") is the spouse of Dr. Wu and exercises the voting rights of the Shares held through Lakemont Remainder Trust and is a beneficiary of the Lakemont Remainder Trust.

(3) 2,311,000 Shares were held by Dr. Wu and Mrs. Wu in a joint account.

Save as disclosed above, so far as it was known to the Directors or chief executive of the Company, as at June 30, 2022, 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.

OTHER INFORMATION

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

So far as it was known to the Directors or chief executive of the Company, as at June 30, 2022, 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	63,582,629 (L)	5.85%
JJW12 Limited[3]	Beneficial owner	552,393,664 (L)	50.81%
C-Bridge Capital GP, Ltd.[4]	Interest of controlled corporation	64,154,727 (L)	5.90%
Fu Wei[4]	Interest of controlled corporation	64,154,727 (L)	5.90%
TF Capital II, Ltd.[4]	Interest of controlled corporation	64,154,727 (L)	5.90%
TF Capital, Ltd.[4]	Interest of controlled corporation	64,154,727 (L)	5.90%
Kang Hua Investment Company Limited[5]	Interest of controlled corporation	105,463,060 (L)	9.70%
Yang Dan[5]	Interest of controlled corporation	105,463,060 (L)	9.70%

Notes:

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

(2) The only one issued 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 Ascletis 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) The 552,393,664 Shares were held by Dr. Wu through JJW12 Limited, a company incorporated in the BVI and wholly owned by Dr. Wu.

(4) The 64,154,727 shares were indirectly held by C-Bridge Capital GP, Ltd. which is owned as to approximately 38.34% and approximately 45% by TF Capital II, Ltd. and TF Capital, Ltd. respectively. Fu Wei indirectly owns approximately 47.83% of TF Capital II, Ltd.

(5) The 105,463,060 shares were indirectly held by Kang Hua Investment Company Limited which is wholly owned by Yang Dan.

Save as disclosed above, as at June 30, 2022, 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.

OTHER INFORMATION

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).

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been utilized in that same manner, proportion and the expected timeframe as set out in the announcement on November 18, 2020 in relation to the change in use of proceeds from the global offering and the annual report published by the Company on April 20, 2022 (the "**Re-allocation**"). The table below sets out the planned applications of the remaining net proceed of HK$2,027.4 million after the Re-allocation as at June 30, 2021 and actual usage up to June 30, 2022:

Use of proceeds	The unutilized net proceeds after the Re-allocation as at June 30, 2021 *(HK$ million)*	Percentage of total net proceeds after the Re-allocation *(%)*	Actual usage from June 30, 2021 to June 30, 2022 *(HK$ million) updated*	Unutilized net proceeds as at June 30, 2022 *(HK$ million) updated*	Expected timeframe for use of proceeds
For the Core Products					
For continued research and development of the Core Product pipeline in Viral hepatitis, NASH, HIV/AIDS	1,096.7	54.1	143.4	953.3	The remaining amount is expected to be utilized in around one year from June 30, 2022.
For the other assets and other purposes					
For upfront and milestone payments of in-licensing new drug candidates	403.1	19.9	8.6	394.5	The remaining amount is expected to be utilized in around one year from June 30, 2022.
For supporting the research and development of new pipeline drug candidates	242.6	12.0	155.9	86.7	The remaining amount is expected to be utilized in around one year from June 30, 2022.
For continued enhancement of current commercialization capability of marketed core products and future products	229.2	11.3	60.4	168.8	The remaining amount is expected to be utilized in around one year from June 30, 2022.
For the working capital and other general corporate purposes	55.8	2.7	26.4	29.4	The remaining amount is expected to be utilized in around one year from June 30, 2022.
Total	2,027.4	100.0	394.7	1,632.7	

OTHER INFORMATION

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 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, 2022) 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.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2022.

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 22, 2022

Independent Review Report

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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 42 to 59, which comprises the condensed consolidated statement of financial position of Ascletis Pharma Inc. (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 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 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
22 August 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Notes	**2022 (Unaudited) *RMB'000***	2021 (Unaudited) *RMB'000*
REVENUE	4	**38,218**	36,549
Cost of sales		**(13,851)**	(39,109)
including royalties		**(228)**	(19)
Gross profit/(loss)		**24,367**	(2,560)
Other income and gains		**47,817**	16,069
Selling and distribution expenses		**(10,463)**	(9,487)
Research and development costs		**(118,814)**	(74,026)
Administrative expenses		**(17,969)**	(22,078)
Other expenses		**(2,012)**	(10,348)
Finance costs		**(57)**	(42)
Share of loss of an associate		**(10,867)**	(8,356)
LOSS BEFORE TAX	5	**(87,998)**	(110,828)
Income tax	6	**–**	–
LOSS FOR THE PERIOD		**(87,998)**	(110,828)
Attributable to:			
Owners of the parent		**(87,998)**	(110,828)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**RMB (8.10) cents**	RMB (10.09) cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
LOSS FOR THE PERIOD	**(87,998)**	(110,828)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,090**	(653)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**66,127**	(13,387)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**69,217**	(14,040)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(18,781)**	(124,868)
Attributable to:		
Owners of the parent	**(18,781)**	(124,868)

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	**30 June 2022 (Unaudited) *RMB'000***	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**70,210**	74,237
Advance payments for property, plant and equipment		**2,926**	412
Right-of-use assets		**2,202**	3,272
Intangible assets		**78,563**	78,213
Investment in an associate		**32,812**	41,858
Long-term deferred expenditure		**313**	416
Total non-current assets		**187,026**	198,408
CURRENT ASSETS			
Inventories		**63,005**	56,233
Trade receivables	10	**57,286**	53,606
Financial assets at fair value through profit or loss		**5,200**	5,200
Prepayments, other receivables and other assets		**25,796**	21,016
Cash and cash equivalents		**2,483,700**	2,495,496
Total current assets		**2,634,987**	2,631,551
CURRENT LIABILITIES			
Trade and bills payables	11	**5,959**	1,054
Other payables and accruals		**91,658**	86,761
Lease liabilities		**1,152**	1,568
Deferred income		**1,588**	1,588
Total current liabilities		**100,357**	90,971
NET CURRENT ASSETS		**2,534,630**	2,540,580
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,721,656**	2,738,988
NON-CURRENT LIABILITIES			
Lease liabilities		**598**	1,182
Deferred income		**7,940**	8,734
Total non-current liabilities		**8,538**	9,916
Net assets		**2,713,118**	2,729,072
EQUITY			
Equity attributable to owners of the parent			
Share capital		**742**	746
Reserves		**2,712,376**	2,728,326
Total equity		**2,713,118**	2,729,072

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent						
	Share capital *RMB'000*	**Treasury shares*** *RMB'000*	**Share premium account*** *RMB'000*	**Capital reserve*** *RMB'000*	**Exchange fluctuation reserve*** *RMB'000*	**Accumulated losses*** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022 (audited)	**746**	**(18,709)**	**2,883,558**	**664,670**	**(86,348)**	**(714,845)**	**2,729,072**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(87,998)**	**(87,998)**
Other comprehensive loss for the period:							
Exchange differences	**–**	**50**	**–**	**–**	**69,167**	**–**	**69,217**
Total comprehensive loss for the period	**–**	**50**	**–**	**–**	**69,167**	**(87,998)**	**(18,781)**
Shares cancelled	**(5)**	**18,659**	**(18,654)**	**–**	**–**	**–**	**–**
Issue of shares	**1**	**–**	**960**	**–**	**–**	**–**	**961**
Transfer of capital reserve upon the exercise of share options	**–**	**–**	**899**	**(899)**	**–**	**–**	**–**
Equity-settled share award and option arrangements	**–**	**–**	**–**	**1,866**	**–**	**–**	**1,866**
At 30 June 2022 (unaudited)	**742**	**–**	**2,866,763**	**665,637**	**(17,181)**	**(802,843)**	**2,713,118**

* These reserve accounts comprise the consolidated reserves of RMB2,712,376,000 in the interim condensed consolidated statement of financial position as at 30 June 2022.

	Attributable to owners of the parent						
	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium account *RMB'000*	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2021 (audited)	750	(4,522)	2,898,056	657,540	(54,346)	(515,828)	2,981,650
Loss for the period	–	–	–	–	–	(110,828)	(110,828)
Other comprehensive loss for the period:							
Exchange differences	–	–	–	–	(14,040)	–	(14,040)
Total comprehensive loss for the period	–	–	–	–	(14,040)	(110,828)	(124,868)
Shares cancelled	(1)	4,522	(4,473)	–	(48)	–	–
Equity-settled share award and option arrangements	–	–	–	3,501	–	–	3,501
At 30 June 2021 (unaudited)	749	–	2,893,583	661,041	(68,434)	(626,656)	2,860,283

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	**2022 (Unaudited) *RMB'000***	2021 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(87,998)**	(110,828)
Adjustments for:			
Finance costs		**57**	42
Share of loss of an associate		**10,867**	8,356
Bank interest income		**(13,362)**	(11,619)
Investment income from financial assets at fair value through profit or loss		**(1,194)**	(748)
Loss on disposal of items of property, plant and equipment		**4**	–
Depreciation of items of property, plant and equipment	5	**6,423**	6,388
Depreciation of right-of-use assets	5	**1,070**	1,083
Amortisation of intangible assets	5	**7,454**	7,219
Amortisation of long-term deferred expenditure		**109**	223
(Reversal of impairment)/impairment of inventories	5	**(1,150)**	23,036
Impairment of trade receivables	5	**5**	5
Equity-settled share award and option expense	5	**1,866**	3,501
		(75,849)	(73,342)
Increase in inventories		**(5,622)**	(1,313)
Increase in long-term deferred expenditure		**(6)**	(30)
Increase in trade receivables		**(3,685)**	(20,441)
(Increase)/decrease in prepayments, other receivables and other assets		**(4,780)**	4,873
Increase in trade and bills payables		**4,905**	430
Increase/(decrease) in other payables and accruals		**4,897**	(8,662)
Decrease in deferred income		**(794)**	(862)
Cash used in operations		**(80,934)**	(99,347)
Interest received		**13,362**	13,523
Net cash flows used in operating activities		**(67,572)**	(85,824)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Net cash flows used in operating activities	**(67,572)**	(85,824)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant equipment	**(4,911)**	(1,074)
Purchase of intangible assets	**(7,325)**	(274)
Purchases of financial assets at fair value through profit or loss	**(165,000)**	(82,400)
Proceeds from disposal of financial assets at fair value through profit or loss	**165,000**	47,200
Investment income from financial assets at fair value through profit or loss	**1,194**	748
Increase in time deposits with original maturity of over three months	**(612,595)**	(302,318)
Net cash flows used in investing activities	**(623,637)**	(338,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	**(1,000)**	(1,164)
Interest paid for lease liabilities	**(57)**	(42)
Proceeds from issue of shares	**961**	–
Net cash flows used in financing activities	**(96)**	(1,206)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(691,305)**	(425,148)
Cash and cash equivalents at beginning of period	**1,727,411**	2,210,504
Effect of foreign exchange rate changes, net	**66,914**	(13,333)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,103,020**	1,772,023
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**2,483,700**	2,577,848
Non-pledged time deposits with original maturity of over three months when acquired	**(1,380,680)**	(805,825)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**1,103,020**	1,772,023

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014. The registered office address of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business in Hong Kong of the Company is located at 40th Floor, Dah Sing Financial Centre, 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 BASIC OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has 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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

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 resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Mainland China	**38,218**	34,842
United States	**–**	1,707
Total	**38,218**	36,549

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Mainland China	**144,893**	146,770
British Virgin Islands	**32,812**	41,858
Cayman Islands	**9,265**	9,714
United States	**56**	66
Total	**187,026**	198,408

The non-current asset information above is based on the locations of the assets.

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**38,218**	36,549

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Promotion service revenue	**32,998**	34,488
Sale of products	**5,220**	354
Collaboration revenue	**–**	1,707
Total revenue from contracts with customers	**38,218**	36,549
Geographical markets		
Mainland China	**38,218**	34,842
United States	**–**	1,707
Total revenue from contracts with customers	**38,218**	36,549
Timing of revenue recognition		
Goods/services transferred at a point in time		
– Promotion service revenue	**32,998**	34,488
– Sale of products	**5,220**	354
– Collaboration revenue	**–**	1,707
Total revenue from contracts with customers	**38,218**	36,549

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,953**	23,232
Cost of services provided	**10,898**	15,877
Depreciation of items of property, plant and equipment	**6,423**	6,388
Depreciation of right-of-use assets	**1,070**	1,083
Amortisation of intangible assets	**7,454**	7,219
(Reversal of write-down of)/write-down of inventories to net realisable value	**(1,150)**	23,036
Impairment of trade receivables	**5**	5
Auditor's remuneration	**750**	740
Research and development costs	**118,814**	74,026
Exchange differences, net	**(32,196)**	7,383
Equity-settled share award and option expense	**1,866**	3,501

6. INCOME TAX

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

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The Group did not incur any income tax expenses as the Group did not generate taxable income for the periods ended 30 June 2022 and 2021.

7. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent for the period, and the weighted average number of ordinary shares of 1,086,924,000 (six months ended 30 June 2021: 1,098,782,000) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2022 and 2021 in respect of a dilution as the impact of the share award and options had an anti-dilutive effect on the basic loss per share amounts presented.

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

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

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	**(87,998)**	(110,828)

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of shares in issue during the period	**1,086,924,000**	1,098,782,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB2,397,000 (six months ended 30 June 2021: RMB1,074,000).

Assets with a net book value of RMB4,000 were disposed of by the Group during the six months ended 30 June 2022 (30 June 2021: Nil), resulting in a net loss on disposal of RMB4,000 (30 June 2021: Nil).

10. TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**57,307**	53,622
Impairment	**(21)**	(16)
	57,286	53,606

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

10. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Within 3 months	**19,694**	38,676
Over 3 months	**37,592**	14,930
	57,286	53,606

11. TRADE AND BILLS PAYABLES

An ageing 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 2022 ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Within 3 months	**5,492**	648
Over 3 months	**467**	406
	5,959	1,054

12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Contracted, but not provided for:		
Plant and machinery	**3,424**	2,069

Notes to Interim Condensed Consolidated Financial Information
30 June 2022

13. RELATED PARTY TRANSACTIONS

(a) The Group had the following transaction with a related party during the period:

	Note	For the six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
An associate:			
Collaboration revenue	(i)	**–**	1,707

Note:

(i) The revenue from an associate is based on the price mutually agreed between the parties.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**12,116**	12,031
Pension scheme contributions	**179**	154
Equity-settled share award and option expense	**1,428**	1,940
Total compensation paid to key management personnel	**13,723**	14,125

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

14. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2022 (Unaudited)

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss — Mandatorily designated as such *RMB'000*	Total *RMB'000*
Trade receivables	**57,286**	**–**	**57,286**
Financial assets included in prepayments, other receivables and other assets	**3,060**	**–**	**3,060**
Financial assets at fair value through profit or loss	**–**	**5,200**	**5,200**
Cash and cash equivalents	**2,483,700**	**–**	**2,483,700**
	2,544,046	**5,200**	**2,549,246**

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	**5,959**	**5,959**
Financial liabilities included in other payables and accruals	**76,213**	**76,213**
	82,172	**82,172**

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

14. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

31 December 2021 (Audited)

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss: Mandatorily designated as such *RMB'000*	Total *RMB'000*
Trade receivables	53,606	–	53,606
Financial assets included in prepayments, other receivables and other assets	2,593	–	2,593
Financial assets at fair value through profit or loss	–	5,200	5,200
Cash and cash equivalents	2,495,496	–	2,495,496
	2,551,695	5,200	2,556,895

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	1,054	1,054
Financial liabilities included in other payables and accruals	59,584	59,584
	60,638	60,638

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts and fair values	
	30 June 2022 *RMB'000* (Unaudited)	31 December 2021 *RMB'000* (Unaudited)
Financial assets		
Financial assets at fair value through profit or loss	**5,200**	5,200

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance 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 finance 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.

The Group invests in unlisted investments, which represent certain financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the net value published on the official website of the bank.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2022 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Financial assets at fair value through profit or loss	**–**	**5,200**	**–**	**5,200**

As at 31 December 2021 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	–	5,200	–	5,200

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

DEFINITIONS

"API(s)"	Active pharmaceutical ingredient, the component of a drug product that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body
"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
"COVID-19"	Coronavirus Disease 2019, an infectious disease caused by the most recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
"CPA"	Certified Public Accountant
"Director(s)"	the director(s) of the Company
"FASN"	fatty acid synthase
"FDA"	Food and Drug Administration
"FXR"	farnesoid X receptor
"Greater China"	Mainland China, Hong Kong, Macau and Taiwan
"Group" or "the Group"	the Company and its subsidiaries
"HIV"	human immunodeficiency virus
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"HKFRS"	the Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"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
"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
"NASH"	non-alcoholic steatohepatitis
"NDA"	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing
"NMPA"	National Medical Products Administration
"NRDL"	the National Reimbursement Drug List
"PBC"	primary biliary cholangitis
"R&D"	research and development
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the six-month period from January 1, 2022 to June 30, 2022
"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

DEFINITIONS

"THRβ"	thyroid hormone receptor beta
"U.S."	United States of America
"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 interim 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.