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Li CHEN (Ó b) *(Chief Executive Officer and Chief Scientific Officer)*
George Chien Cheng LIN (Ž)
(Executive Vice President and Chief Financial Officer)

[illegible]

Robert Taylor NELSEN *(Chairman)*
Wei ZHAO (»$œ) (appointed on March 16, 2022)
Lian Yong CHEN (Ó ¹ Ç) (resigned on March 16, 2022)

[illegible]

Walter Teh-Ming KWAUK (Æ C ü)
William Robert KELLER
Junling LIU (¡ Ê)
Yiu Wa Alec TSUI (¢ 4 6)

[illegible]

Walter Teh-Ming KWAUK (Æ C ü) *(Chairman)*
William Robert KELLER
Yiu Wa Alec TSUI (¢ 4 6)

[illegible]

William Robert KELLER *(Chairman)*
Walter Teh-Ming KWAUK (Æ C ü)
Junling LIU (¡ Ê) (appointed on March 16, 2022)
Lian Yong CHEN (Ó ¹ Ç)
(ceased to be a member on March 16, 2022)

[illegible]

Robert Taylor NELSEN *(Chairman)*
Junling LIU (¡ Ê)
William Robert KELLER

[illegible]

Li CHEN (Ó b) *(Chairman)*
Robert Taylor NELSEN
Junling LIU (¡ Ê)

[illegible]

Wing Yan Winnie YUEN (8ä)

[illegible]

George Chien Cheng LIN (Ž)
Wing Yan Winnie YUEN (8ä)

[illegible]

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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In the PRC:

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- As we await China approval for dorzagliatin, our team has been working earnestly on launch strategy and commercialization preparation with Bayer, our commercialization partner in China, as well as manufacturing and supply preparations with our various strategic partners.

- In February 2022, we announced a supply agreement with WuXi STA for the commercial manufacturing of dorzagliatin to further enhance our existing collaboration.

- In May 2022, we published two peer-reviewed papers on the Phase III clinical trials results of dorzagliatin in , an international top-medical journal. These two papers described and analyzed the clinical efficacy and safety characteristics of dorzagliatin monotherapy (SEED) in drug-naïve Type 2 diabetes (T2D) patients and the combination therapy of dorzagliatin and metformin (DAWN) in patients who failed in metformin adequacy therapy for the treatment of T2D, respectively.

- In June 2022, three research findings on dorzagliatin were presented at the 2022 82nd American Diabetes Association (2022 ADA"): i) An oral presentation at the 2022 ADA Scientific Sessions on the results of SENSITIZE, a clinical study demonstrating dorzagliatin improved insulin secretion and glucose sensitivity; ii) A post-hoc analysis of the Phase III trials of dorzagliatin to validate the potential of dorzagliatin in improving early phase insulin secretion and restoring glucose sensitivity in type 2 diabetes (T2D) patients; and iii) The results of the DREAM study from the dorzagliatin monotherapy (SEED) study to explore the potential of dorzagliatin in diabetes remission.

- In addition to our preparations for commercialization of dorzagliatin in China, we continued to advance the development of our second generation GKA, with the potential for once daiwed 6ministration and a more efficient manufacturing process.

- Bank balances and cash position was approximately RMB586.3 million as of June 30, 2022.
- Total expenditures incurred by the Company for the six months ended June 30, 2022 was approximately RMB142.6 million, of which approximately RMB72.3 million was attributable to research and development expenses.
- Research and development expenses decreased by approximately RMB25.7 million or approximately 26.2% to approximately RMB72.3 million for the six months ended June 30, 2022, compared with the six months ended June 30, 2021.
- Loss before tax decreased by approximately RMB60.7 million or approximately 36.7% to approximately RMB104.6 million for the six months ended June 30, 2022, compared with the six months ended June 30, 2021.
- Total comprehensive expense for the period decreased by approximately RMB60.8 million or approximately 36.8% to approximately RMB104.5 million for the six months ended June 30, 2022, compared with the six months ended June 30, 2021.

We are a pre-revenue China-based drug development company currently focusing on the development of dorzagliatin, a first-in-class oral drug for the treatment of T2D. We filed an Investigational New Drug ("IND") application with the NMPA for dorzagliatin under Category 1.1 (New Drug) in 2012 and initiated a Phase Ia clinical study of our novel glucokinase activator dorzagliatin in September 2013. We also filed an IND application with the U.S. Food and Drug Administration ("FDA") for dorzagliatin in March 2015. We have completed eight Phase I trials in China, four Phase I trials in the United States, one Phase II trial in China, and two Phase III trials in China. Our two Phase III trials enrolled 1,230 patients across 110 sites throughout China.

Both Phase III trials (also known as the SEED and DAWN trials) met their primary endpoints, and the safety and tolerability profile of dorzagliatin was good during the trial period. The final 52-week results of both Phase III trials were announced in 2020. In March 2021, we submitted a NDA for dorzagliatin for the treatment of T2D to the NMPA, and we received notification from the NMPA that our NDA was accepted in April 2021. The NDA is currently under active review by the NMPA.

In September 2021 at the 6th China BioMed Innovation and Investment Conference, certain principal investigators from our SEED Phase III trial presented the extensive results from the clinical study called DREAM. The main objective of the DREAM study was to evaluate the ability of T2D patients who participated in our SEED study and achieved glycemic control as defined by investigators, to maintain normal to near-normal HbA1c levels (i.e., remission of T2D), without any glucose-lowering medication after the completion of the SEED study for a minimum follow-up period of 52-weeks. The results showed that the subjects had a 52-week diabetes remission rate of 65.2% at week 52 (95% CI, 53.4%, 77.0%) during the research period.

In May 2022, we published two peer-reviewed papers on the Phase III clinical trials results of dorzagliatin in , an international top-medical journal. These two papers described and analyzed the clinical efficacy and safety characteristics of dorzagliatin monotherapy (SEED) in drug-naïve Type 2 diabetes (T2D) patients and the combination therapy of dorzagliatin and metformin (DAWN) in patients who failed in metformin adequacy therapy for the treatment of T2D, respectively.

In June 2022, three research findings on dorzagliatin were presented at the 2022 82nd American Diabetes Association ("2022 ADA"):

1) An oral presentation at the 2022 ADA Scientific Sessions on the results of SENSITIZE, a clinical study demonstrating dorzagliatin improved insulin secretion and glucose sensitivity. The study was initiated by Professor Juliana Chan, an internationally recognized endocrinologist from the Chinese University of Hong Kong. SENSITIZE explored the effects of dorzagliatin on patients with recent onset T2D and glucokinase-maturity-onset diabetes of the young (GCK-MODY or MODY-2). The study results, using glucose clamp technique, showed that dorzagliatin can significantly improve second phase insulin secretion and glucose sensitivity in GCK-MODY patients and can significantly improve basal insulin secretion

2) A post-hoc analysis of the Phase III trials of dorzagliatin led by the former President of the Chinese Diabetes Society and present Vice President of the Asian Association for Study of Diabetes, Professor Yang Wenying of China-Japan Friendship Hospital to validate the potential of dorzagliatin in improving early phase insulin secretion and restoring glucose sensitivity in type 2 diabetes (T2D) patients (presented via poster presentation at the 2022 ADA Scientific Sessions); and

3) The results of the DREAM study conducted by Professor Jianhua Ma, Director of the Department of Endocrinology, Nanjing First Hospital, Standing Member of the Chinese Diabetes Society, and other researchers in the dorzagliatin monotherapy (SEED) study to explore the potential of dorzagliatin in diabetes remission (presented via poster presentation at the 2022 ADA Scientific Sessions). The DREAM study is a non-drug intervention observational clinical study initiated by certain researchers participating in the SEED study. The main purpose of this study is to evaluate the remission of diabetes for 52 weeks after patients who completed the SEED study and whose blood glucose reached control targets, and stopped taking dorzagliatin as well as any other glucose-lowering medication. The results of the study showed that during the observation period when no anti-diabetes drugs were administered, the remission rate was 65.2% at 52 weeks. HbA1c, FPG and 2h-PPG levels were sustained during the 52 weeks after dorzagliatin discontinuation, and ß-cell function was maintained during the observation period. The study indicated that dorzagliatin has the potential to be a promising treatment option for achieving

Other income

Our other income consisted primarily of bank interest income and government grants. Our other income was RMB21.4 million for the six months ended June 30, 2022 as compared to RMB3.6 million for the six months ended June 30, 2021, which was mainly attributable to an increase of RMB19.2 million in government grants for the six months ended June 30, 2022, adjusted for a decrease of RMB1.1 million in bank interest income from short-term deposits.

Other gains and losses

Our other gains and losses consisted primarily of gains due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar and between Renminbi and the HK dollar. Our other gains and losses increased by RMB20.4 million and were mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollar and HK dollar and the appreciation of the U.S. dollar and HK dollar against the Renminbi for the six months ended June 30, 2022.

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

Administrative expenses

Our administrative expenses consisted primarily of employee compensation and related costs. Our administrative expenses increased by RMB5.0 million to RMB68.5 million for the six months ended June 30, 2022 from RMB63.5 million for the six months ended June 30, 2021, which was mainly attributable to i) an increase of RMB6.9 million in consultant fee, which was mainly due to our NDA application related consulting, pricing strategy consulting and economic evaluation consulting of dorzagliatin conducted during the six months ended June 30, 2022 and no such consulting activities conducted during the six months ended June 30, 2021, ii) an adjustment for the decrease of RMB1.2 million in recruitment expense due to our recruitment strategy, and iii) an adjustment for the decrease of RMB0.4 million in meeting fee and RMB0.5 million in travelling expense due to decreased meeting and travelling activities compared to the six months ended June 30, 2021, which was impacted by COVID-19 in the first half of 2022.

Other expenses

We have no other expenses for the six months ended June 30, 2022 as compared to RMB1.6 million (equivalent to USD250,000) for the six months ended June 30, 2021 to establish the Type 2 Diabetes research fund at the Department of Biochemistry and Biophysics at the Raymond and Ruth Perelman School of Medicine of the University of Pennsylvania.

Finance cost

Our finance cost consisted primarily of interest on lease liabilities. Our finance cost was RMB1.8 million for the six months ended June 30, 2022 as compared to RMB2.0 million for the six months ended June 30, 2021, which was mainly attributable to the surrender of old offices in the first half of 2021, after moving into our new headquarter at the end of 2020.

Research and development expenses

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

	Six months ended June 30,			
	2022		2021	
	RMB'000	%	RMB'000	%
Dorzagliatin Clinical Trials	2,948	4.1%	18,564	19.0%
Dorzagliatin Non-clinical Studies	789	1.1%	3,236	3.3%
Chemical, Manufacturing and Control	9,015	12.5%	7,450	7.6%
Labor Cost	47,279	65.4agliatin Non-clin	36,271	
Dorzagliatin Licensing and Patent Fee	774	1.1%	–	0.0%
Others	11,481	15.8agliatin Non-clin	14,461	

Income tax expense

We recognized no income tax expenses for the six months ended June 30, 2022 and the six months ended June 30, 2021.

[illegible]

Since our inception, we have incurred net losses and negative cash flows from operations. Our primary use of cash is to fund research and development expenses. Our operating activities utilized RMB116.7 million for the six months ended June 30, 2022. As of June 30, 2022, we had cash and cash equivalents of RMB586.3 million.

As of June 30, 2022, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2022.

[illegible]

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

	[illegible]	
	[illegible]	[illegible]
	[illegible]	[illegible]
Research and development costs	70,599	90,873
Administrative Costs		
– Workforce employment	38,276	29,377
– Others	33,448	44,040
	71,724	73,417
	142,323	164,290

[illegible]

The following table provides information regarding our cash flows for the six months ended June 30, 2022 and 2021:

	[illegible]	
	[illegible]	[illegible]
	[illegible]	[illegible]
Net cash used in operating activities	(116,659)	(164,290)
Net cash from (used in) investing activities	17,024	(10,124)
Net cash used in financing activities	(4,293)	(5,788)
Effect of exchange rate changes	14,997	(4,960)
Net decrease in cash and cash equivalents	(88,931)	(185,162)

Net cash used in operating activities

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

During the six months ended June 30, 2022, our operating activities used RMB116.7 million of cash, which resulted principally from our loss before tax of RMB104.6 million, adjusted for non-cash charges and non-operating cash gains of RMB1.6 million, and by cash used in our operating assets and liabilities of RMB10.5 million. Our net non-cash charges during the six months ended June 30, 2022 primarily consisted of share-based payment expenses, depreciation of equipment, right-of-use assets and amortization for intangible assets.

During the six months ended June 30, 2021, our operating activities used RMB164.3 million of cash, which resulted principally from our loss before tax of RMB165.3 million, adjusted for non-cash charges and non-operating cash charges of RMB38.8 million, and by cash used in our operating assets and liabilities of RMB37.8 million. Our net non-cash charges during the six months ended June 30, 2021 primarily consisted of share-based payment expenses, depreciation of equipment, right-of-use assets and amortization for intangible assets.

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As of June 30, 2022, our lease liabilities amounted to RMB73.3 million. The following table sets forth our lease liabilities as of the dates indicated:

	[illegible]	[illegible]
	[illegible]	[illegible]
	[illegible]	[illegible]
Current portion	20,879	

Since our inception, we have raised funds through various rounds of offshore financings and received proceeds of such financings in U.S. dollars, HK dollars and Renminbi. We converted a portion of those funds to Renminbi immediately and placed the remaining ame r (s8llars me depositse converted a poddin ofri r (s8o Renminbi immas ns oed. Tremvalue thosenminbi immagin)stosen. do)

Future plans for material investments or capital assets

As of June 30, 2022, we plan to continually invest in the Hua Medicine drug manufacturing company which was established at Shanghai Lingang Special Area for ensuring adequate dorzagliatin commercial supply.

Contingent liabilities

Save as disclosed in this report, the Group had no material contingent liabilities as of June 30,2022 (as of June 30, 2021: Nil).

[redacted]

Our Directors have confirmed that as at June 30, 2022, there were no circumstances that gave rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

[redacted]

As of June 30, 2022, we had 147 employees. The following table shows a breakdown of our employees by function as of June 30, 2022:

	[redacted]	[redacted]
Research and development	78	53%
General and administration	60	41%
Management	9	6%
Total	147	100%

The majority of the employees are employed in mainland China. For the six months ended June 30, 2022, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB80.4 million as compared to RMB85.4 million for the six months ended June 30, 2021.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve their working efficiency. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the six months ended June 30, 2022.

[redacted]

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

[redacted]

Mr. George Chien Cheng Lin	April 3, 2018	4 years	1,391,781	(927,876)	–	463,905

Note:

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

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

Dr. Li Chen	March 8, 2019 ~ March 17, 2022	HK$2.784 ~ 8.89	HK$3.400 ~ 8.866	4 years	15,079,000	5,000,000	–	–	–	–	20,079,000
Mr. George Chien Cheng Lin	March 8, 2019	HK$8.89	HK$8.866	4 years	300,000	–	–	–	–	–	300,000
	September 28, 2018 ~ June 24, 2022	HK$2.784 ~ 8.89	HK$3.000 ~ 8.866	4 years	21,811,301	4,700,000	(182,500)	HK$3.87	(517,078)[2]	(365,331)[3]	25,446,392
	March 8, 2019	HK$8.89	HK$8.866	4 years	200,000	–	–	–	–	–	200,000

Notes:

(1) Options granted under the Post-IPO Share Option Scheme generally vest over a four-year period, with 25% of the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly instalments thereafter, subject to the grantee's continued employment through the applicable vesting date. The share options shall be valid for a period of ten years from the date upon which the offer for the grant is options is made by the Company. The share options may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme.

(2) The exercise price of the cancelled options is between HK$3.616 and HK$8.866.

(3) The exercise price of the lapsed options is between HK$3.616 and HK$8.866.

[redacted]

[illegible]

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Notes	[illegible]	
		[illegible]	[illegible]
		[illegible]	[illegible]
Other income	4	21,352	3,612
Other gains and losses	5	16,656	(3,788)
Administrative expenses		(68,536)	(63,518)
Finance cost	6	(1,805)	(1,999)
Research and development expenses		(72,286)	(97,982)
Other expenses		–	(1,617)
Loss before tax	7	(104,619)	(165,292)
Income tax expense	8	–	–
[illegible]		(104,619)	(165,292)
[illegible]			
[illegible]			
– Exchange differences on translation of foreign operations		72	(2)
[illegible]			
[illegible]		72	(2)
[illegible]		(104,547)	(165,294)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(104,547)	(165,294)
		[illegible]	[illegible]
[illegible]	11		
Basic and diluted		(0.11)	(0.17)

[redacted]

AT JUNE 30, 2022

	Notes	[redacted]	[redacted]
[redacted]			
Plant and equipment	12	56,367	57,942
Right-of-use assets	12	94,855	98,658
Intangible assets		9,106	9,026
Pledged bank deposits	14	3,130	3,130
Prepayments and other receivables	13	6,696	30,197
		170,154	198,953
[redacted]			
Prepayments and other receivables	13	31,250	24,666
Pledged bank deposits	14	4,696	4,696
Bank balances and cash	14	586,307	675,238
		622,253	704,600
[redacted]			
Trade and other payables	15	49,042	79,738
Deferred income	16	10,559	13,850
Lease liabilities		20,879	13,296
		80,480	106,884

[redacted]

FOR THE SIX MONTHS ENDED JUNE 30, 2022

[redacted]

At January 1, 2022 (audited)	7,211	(626)	5,910,257	(9,456)	239,082	1	(5,636,138)	450,331
Loss for the period (unaudited)	–	–	–	–	–	–	(104,619)	(104,619)
Other comprehensive income for the period (unaudited)	–	–	–	–	–	72	–	72
Total comprehensive expense for the period (unaudited)	–	–	–	–	–	72	(104,619)	(104,547)
Exercise of share options (Note 17 (b)(i)) (unaudited)	1	13	4,632	(13)	–	–	–	4,633
Restricted stock units vested under the trust (Note 17 (d)) (unaudited)	–	6	–	(6)	–	–	–	–
Recognition of equity-settled share-based payment (unaudited)	–	–	–	–	16,810	–	–	16,810
At June 30, 2022 (unaudited)	7,212	(607)	5,914,889	(9,475)	255,892	73	(5,740,757)	367,227
At January 1, 2021 (audited)	7,209	(690)	5,909,638	(9,392)	206,387	(453)	(5,370,404)	732,495
Loss for the period (unaudited)	–	–	–	–	–	–	(165,292)	(165,292)
Other comprehensive expense for the period (unaudited)	–	–	–	–	–	(2)	–	(2)
Total comprehensive expense for the period (unaudited)	–	–	–	–	–	(2)	(165,292)	(165,294)
Exercise of share options (unaudited)	–	14	2,851	(14)	–	–	–	2,851
Restricted stock units vested – under the trust (unaudited)	–	7	–	(7)	–	–	–	–
Recognition of equity-settled share-based payment (unaudited)	–	–	–	–	19,364	–	–	19,364
At June 30, 2021 (unaudited)	7,209	(669)	5,912,689	(9,413)	225,751	(455)	(5,535,696)	589,416

[illegible]

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	[illegible]	
	[illegible]	
	[illegible]	[illegible]
	[illegible]	[illegible]
[illegible]		
Loss before tax	(104,619)	(165,292)
Adjustments for:		
Bank interest income	(1,698)	(2,786)
Income from government grants	(19,110)	–
Rental concession	–	(345)
Depreciation of plant and equipment	5,894	6,128
Depreciation of right-of-use assets	9,468	9,056
Amortization of intangible assets	224	395
Finance cost	1,805	1,999
Share-based payment expense	16,810	19,364
Net unrealized foreign exchange (gains) losses	(14,925)	4,958
Loss on disposal of equipment	–	66Adjust26,458for:

[illegible]

FOR THE SIX MONTHS ENDED JUNE 30, 2022

[illegible]

1.1 General information

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

2 [illegible]

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board (the "IASB"), for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of these amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

[illegible]

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

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

[redacted]

[redacted]

	[redacted]	
	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
Bank interest income	1,698	2,786
Government grants (Note)	19,654	481
– R&D activities related grants	16,687	–
– Assets-related grants	2,423	–
– Others	544	481
Covid-19-related rent concessions	–	345
	21,352	3,612

Note:

The amount mainly represents 1) government grant related to income received as compensation for future research and development costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income were recorded in deferred income when received and recognized in profit or loss when related costs were subsequently incurred and the Group received government acknowledge of compliance; and 2) amortization of subsidies received from the PRC local government authorities to subsidize the purchase of the G/eupasehold improvement, furniture, fixture and equipment.

[redacted]

Other gains and losses mainly represent the foreign exchange gains and losses during six months ended June 30, 2022 and 2021, respectively.

[illegible]

[illegible]

	[illegible]	
	[illegible]	[illegible]
	[illegible]	[illegible]
	[illegible]	[illegible]
Interest on the lease liabilities	1,805	1,999
	1,805	1,999

[illegible]

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

	[illegible]	
	[illegible]	[illegible]
	[illegible]	[illegible]
	[illegible]	[illegible]
Depreciation of plant and equipment	5,894	6,128
Depreciation of right-of-use assets	9,871	9,055
Amortization of intangible assets	224	395
Total depreciation and amortization	15,989	15,578
Capitalized in construction in progress	(403)	–
	15,586	15,578
Covid-19-related rent concessions	–	345
Other expenses	–	1,617
Staff cost (including directors' emoluments):		
– Salaries and other benefits	63,561	66,009
– Retirement benefit scheme contributions	5,725	5,271
– Share-based payment	16,810	19,364
	86,096	90,644
Auditors' remuneration	647	680
Expenses relating to short-term leases and leases of low-value assets	355	263

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

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

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

The subsidiary incorporated in the United States are subject to Federal and State income taxes, the effective combined

[illegible]

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

[illegible]

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

Loss figures are calculated as follows:

[illegible]

Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	(104,619)	(165,292)

Number of Shares:

[illegible]

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	958,398,351	955,092,759

The computation of basic loss per share for the six months ended June 30, 2022 and 2021 respectively excluded the unvested restricted stock units of the Company.

The computation of diluted loss per share for the six months ended June 30, 2022 and 2021 respectively did not assume the exercise of share options and vesting of restricted stock units since their assumed exercise would result in a decrease in loss per share.

2 [illegible]

During the current interim period, the Group acquired RMB4,319,000 (unaudited) (six months ended June 30, 2021: RMB1,885,000 (unaudited)) of plant and equipment. In addition, during the current interim period, there is no disposal of plant and equipment (six months ended June 30, 2021: aggregate carrying amount of RMB149,500 (unaudited) for proceeds of RMB73,500 (unaudited), resulting in a loss on disposal of RMB76,000 (unaudited)). The net book value of plant and equipment at June 30, 2022 is RMB56,367,000 (unaudited) (December 31, 2021: RMB57,942,000 (audited)).

[illegible]

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less. The short term bank deposits carry interests at market rates which ranged from 0.001% to 1.95% per annum as of June 30, 2022 (December 31, 2021: from 0.001% to 1.95% per annum).

Pledged bank deposits are for the performance guarantees to the Management Committee of Lingang New Area, Shanghai Pilot Free Trade Zone, China to secure commencement and completion of the factory construction and launch of production.

Deposits amounting to RMB4,696,000 (unaudited) (December 31, 2021: RMB4,696,000 (audited)) carry fixed interest rate of 1.50% and have been pledged to secure commencement of the factory construction. Deposits amounting to RMB1,565,000 (unaudited) (December 31, 2021: RMB1,565,000 (audited)) carry fixed interest rate of 2.75% and have been pledged to secure completion of the factory construction. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion is before May 13, 2024. The remaining deposits amounting to RMB1,565,000 (unaudited) (December 31, 2021: RMB1,565,000 (audited)) carry fixed interest rate of 2.75% and have been pledged to secure production of the factory. These deposits will be released within 10 working days upon the launch of production, if such launch is before November 12, 2024.

[illegible]

Trade payables	12,535	23,785
Payroll and bonus payables	18,565	32,149
Other payables	1,574	4,071
Accrued leasehold improvement expenditure	1,468	1,604
Construction expenditure	10,379	10,982
Others	4,521	7,147
	49,042	79,738

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

The details of the changes of the Company's authorized and issued and fully paid ordinary shares during the six months ended June 30, 2022 are set out as below:

	Number of shares	Amount	Equivalent to amount
Ordinary shares of US$0.001 each			
At December 31, 2021 (audited) and June 30, 2022 (unaudited)	2,000,000,000		2,000,000
Ordinary shares of US$0.001 each			
At December 31, 2021 (audited)	1,055,137,261	1,055,137	7,211
Exercise of share options (Note (c))	182,500	183	1
Ordinary shares of US$0.001 each			
At June 30, 2022 (unaudited)	1,055,319,761	1,055,320	7,212

The details of the changes of the treasury shares held in trust during the six months ended June 30, 2022 are set out as below:

Treasury shares held in trust at December 31, 2021 (audited) (Note (a))	91,587,872	91,587	626
Option exercised to purchase ordinary shares under the trust (Note (b))	(1,912,698)	(1,912)	(13)
Restricted stock units vested under the trust (Note (d))	(927,876)	(928)	(6)
Treasury shares held in trust at June 30, 2022 (unaudited) (Note (a))	88,747,298	88,747	607

Notes:

(a) On August 26, 2018, the Company entered into a trust deed with The Core Trust Company Limited (the "Trustee") and HLYY Limited (the "Nominee"), a limited liability company incorporated in the British Virgin Islands and wholly owned by the Trustee, pursuant to which the Trustee has agreed to administer the Pre-IPO Share Incentive Scheme (as defined in Note 18). As of June 30, 2022, 88,747,298 shares of the sum of US$88,747 (equivalent to RMB607,000) (December 31, 2021: 91,587,872 shares of the sum of US$91,587 (equivalent to RMB626,000)) are held in trust including 88,283,393 shares (December 31, 2021: 90,196,091 shares) for outstanding options and 463,905 shares (December 31, 2021: 1,391,781 shares) for unvested restricted stock units and are disclosed separately in treasury shares since the Company has control over the Nominee.

(b) During six months ended June 30, 2022, several employees exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 1,912,698 ordinary shares of the Company at the average exercise price of HK$2.51 per share for an aggregate consideration equivalent to RMB4,098,000.

(c) During six months ended June 30, 2022, several employees exercised their right, evidenced by corresponding option agreements under the Company's Post-IPO Share Incentive Scheme, to subscribe 182,500 ordinary shares of the Company at the average exercise price of HK$3.62 per share for an aggregate consideration equivalent to RMB547,000.

(d) During six months ended June 30, 2022, 927,876 restricted stock units granted to Mr. George Chien Cheng Lin were vested at a par value of US$0.001 each.

Equity-settled share option scheme of the Company

On March 5, 2013, the Company adopted a pre-IPO share incentive scheme (the "Pre-IPO Share Incentive Scheme") and established an employee trust to administer the scheme. The total number of shares may be issued under the Pre-IPO Share Incentive Scheme is 117,000,000 shares of the Company.

On August 26, 2018, the Company adopted a post-IPO share option Scheme (the "Post-IPO Share Option Scheme"). The

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

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

Directors:			
Dr. Li Chen	March 8, 2019 – March 17, 2022	20,079,000	HK$3.400 – 8.866
Mr. George Chien Cheng Lin	March 8, 2019	300,000	HK$8.866
Employees	September 28, 2018 – June 24, 2022	25,446,392	HK$3.000 – 8.866
Individual consultants	March 8, 2019	200,000	HK$8.866

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

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

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme during the six months ended June 30, 2022:

Dr. Li Chen	Pre-IPO Share Incentive Scheme	11,421,725	–	–	–	–	11,421,725
	Post-IPO Share Option Scheme	15,079,000	5,000,000	–	–	–	20,079,000
	Subtotal	26,500,725	5,000,000	–	–	–	31,500,725
Mr. George Chien Cheng Lin	Pre-IPO Share Incentive Scheme	25,592,405	–	–	–	–	25,592,405
	Post-IPO Share Option Scheme	300,000	–	–	–	–	300,000
	Subtotal	25,892,405	–	–	–	–	25,892,405
	Total Directors	52,393,130	5,000,000	–	–	–	57,393,130
	Pre-IPO Share Incentive Scheme	43,761,066	–	(1,912,698)	(236,875)	(219,944)	41,391,549
	Post-IPO Share Option Scheme	21,811,301	5,000,000	–			

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

These fair values of the options granted during the six months ended June 30, 2022 were calculated using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

Grant date option fair value per share	HK$2.42	HK$2.78
Grant date share price	HK$3.40	HK$3.95
Exercise price	HK$3.40	HK$3.95
Expected volatility	83.29%	80.00%
Expected life	6.08 years	6.08 years
Risk-free rate	1.93%	2.82%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. During six months ended June 30, 2022, the Group recognized RMB16,624,000 (unaudited) of share-based payment expense in relation to the grants of the share options (six months ended June 30, 30, unaudited)).Tj /E

Restricted stock units (Continued)

The details of the changes of the unvested restricted stock units during the six months ended June 30, 2022 are set out as below:

Restricted stock units held in trust at December 31, 2021 (audited)	1,391,781
Restricted stock units vested under the trust	927,876
Restricted stock units held in trust at June 30, 2022 (unaudited)	463,905

The Group recognized RMB186,000 (unaudited) of share-based payment expense in relation to the grants of the above restricted stock units for the six months ended June 30, 2022 (six months ended June 30, 2021: RMB654,000 (unaudited)).

Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	556	4,381
	556	4,381

[redacted]

[redacted]

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2022.

[redacted]

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2022 (June 30, 2021: Nil).

[redacted]

The Shares were listed on the Stock Exchange on September 14, 2018. The net proceeds from the Global Offering amounted to RMB747.2 million (including the issue of additional Shares pursuant to the partial exercise of the over-allotment option on October 5, 2018), which have been, and will continue to be, applied according to the intentions set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. We expect that a portion of the net proceeds will be carried forward and utilized in the 2023 financial year due to a slight adjustment to the timeline for the development of our manufacturing capabilities.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of June 30, 2022:

[redacted]

(a)	Dorzagliatin research and development	39%	291.4	–	–	291.4	–	N/A
(b)	Dorzagliatin lifecycle management and additional indications	9%	67.2	26.8	6.8	47.2	20.0	By the end of year 2022
(c)	Dorzagliatin launch and commercialization	27%	201.6	148.8	12.7	65.7	136.1	By the end of year 2023
(d)	New product and diabetes care technology development	11%	82.2	60.3	0.1	22.0	60.2	By the end of year 2023
(e)	Product licensing and partnership	4%	29.9	23.5	–	6.4	23.5	By the end of year 2023
(f)	General working capital	10%	74.7	–	–	74.7	–	N/A
	Total	100%	747.2	259.4	19.6	507.4	239.8	By the end of year 2023

3 X 3

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

Notes:

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

(2) Options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme.

(3) On 10 April 2019, 100,000 Shares beneficially held by Ms. Jane Xingfang HONG were transferred to Chen Family Investments, LLC in exchange for 1 voting share representing 100% voting right in Chen Family Investments, LLC. Therefore, Ms. Jane Xingfang HONG and her spouse, Dr. CHEN, are deemed to be interested in the 10,000,000 Shares held by Chen Family Investments, LLC.

(4) The George and Ann Lin 2005 Trust is a family trust set up by Mr. LIN. Therefore, Mr. LIN is deemed to be interested in the Shares held by the George and Ann Lin 2005 Trust.

(5) Options and awards pursuant to the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme.

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

(7) Shares purchased on the secondary exchange market.

(8) The approximate percentage of shareholding is calculated based on the issued share capital of the Company as at June 30, 2022.

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

Save as disclosed above, as at June 30, 2022, so far as the Directors are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares, underlying Shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

2. To the best of our Director's knowledge, Venrock Associates V, L.P. is an exempted limited partnership established in the United States. The general partner of Venrock Associates V, L.P. is Venrock Management V, LLC, an exempted limited liability company established in the United States. Venrock Management V, LLC is ultimately controlled by a group of individuals, none of whom controls, directly or indirectly, one-third or more of the voting power at the general meetings of Venrock Management V, LLC or otherwise is deemed to control Venrock Management V, LLC under the SFO.

3. To the best of our Director's knowledge, the general partner of Wuxi Pharmatech Healthcare Fund I L.P. is Wuxi Pharmatech Fund I General Partner L.P., a limited partnership established in the Cayman Islands whose general partner is Wuxi Pharmatech Investments (Cayman) Inc., an exempted limited liability company established in the Cayman Islands. Wuxi Pharmatech Investments (Cayman) Inc. is a wholly-owned subsidiary of Wuxi Pharmatech Investment Holdings (Cayman) Inc., which is in turn wholly-owned by Wuxi AppTec International Holdings Limited, which is in turn wholly-owned by WuXi AppTec Co., Ltd.

4. HLYY Limited is 100% owned by TCT (BVI) Limited. TCT (BVI) Limited is 100% owned by The Core Trust Company Limited. HLYY Limited holds the Shares underlying the option and awards granted under the Pre-IPO Share Incentive Scheme.

5. Ms. Jane Xingfang HONG is the spouse of Dr. Li CHEN, who was granted optionswneLimitedhaec21,725es underpursu opontrre-IPOhare Ince holdstive Scheme.

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The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate Q5soe, formulate its business strategies and policies, and enhance its transparency and accountability.

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

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code throughout the six months ended June 30, 2022. In light of the amendments to the CG Code which came into effect on January 1, 2022 and impose additional requirements applicable to corporate governance reports for the financial year commencing on or after January 1, 2022, the Company will continue to regularly review and monitor its corporate governance structure and practices to ensure compliance with the latest version of the CG Code, and maintain a high standard of corporate governance. The Company will report on the compliance with the latest version of the CG Code in the corporate governance report of the Company for the year ending December 31, 2022.

Mr. Robert Taylor Nelsen had resigned as director of Denali Therapeutics, Inc., a company listed on NASDAQ (stock code: DNLI), with effect from June 4, 2022.

Mr. William Robert Keller had resigned as director of Artisan Acquisition Corp., a company listed on NASDAQ (stock code: ARTA), with effect from May 17, 2022.

Save as disclosed above, there were no other changes to the information required to be disclosed by the Directors pursuant to Rule 13.51B of the Listing Rules.

The unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2022 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity(" ") issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee of the Company has reviewed and discussed with the management of the Company, the unaudited interim results and the interim report of the Group for the six months ended June 30, 2022, and confirms that the applicable accounting principles, standard and requirements have been complied with, and that adequate disclosures have been made.

"NDA"	new drug application
"NMPA"	National Medical Products Administration (7 • ¹ Ú 9 – M # …), and its predecessor, the China Food and Drug Administration (7 • ¹ Ú 9 – M # < …)
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on August 26, 2018 for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries
"PRC"	the People's Republic of China, excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Pre-IPO Share Incentive Scheme"	the share incentive scheme approved and adopted by the Company on March 25, 2013 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries
"Prospectus"	the prospectus of the company dated August 31, 2018
"Reporting Period"	six months ended June 30, 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"	"
"	"