This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Ascletis Pharma Inc.
歌禮製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1672)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2018

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2018, together with the comparative figures for the corresponding period in 2017 as follows.

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2018	2017	Changes
	RMB'000	*RMB'000*	*%*
Revenue			
Sales of products	**26,376**	–	–
Collaboration revenue	**88,750**	26,601	233.6
Total	**115,126**	26,601	332.8
Gross profit	**112,328**	26,601	322.3
Profit/(Loss) before tax	**21,513**	(20,971)	202.6
Profit/(Loss) for the period	**21,638**	(27,540)	178.6
Profit/(Loss) attributable to the owner of the Group	**34,125**	(17,467)	295.4
Net profit margin	**18.8%**	-103.5%	–
	RMB	*RMB*	
Earnings per share			
– Basic	**4.12 cents**	(2.12) cents	–
– Diluted	**4.08 cents**	(2.12) cents	–

CORPORATE PROFILE

Our mission

Ascletis' mission is to become a world-class biotechnology company addressing unmet medical needs in three therapeutic areas: anti-viral, cancer and fatty liver disease.

Overview

We are a fully integrated anti-viral platform focusing on developing and commercializing innovative, best-in-class drugs against HCV, HIV and HBV. Led by a management team with deep expertise and a proven track record, we have developed an integrated anti-viral platform covering the entire value chain from discovery and development to manufacturing and commercialization.

We currently have five anti-viral drug discovery and development programs, including two HCV drug candidates at or near commercial-stage and one HIV drug candidate that has completed a phase IIa clinical trial. In addition, we have a liver cancer drug candidate that has completed phase I and phase I extension clinical trials. Our Core Products consist of Ganovo®(danoprevir), Ravidasvir, ASC09 and ASC06. The NDA approval for danoprevir was granted by the CFDA on June 8, 2018 and we have begun to commercialize Ganovo® (danoprevir) in China. Other than Ganovo® (danoprevir), to date, we have not commercialized any products, and we cannot guarantee that we will be able to successfully develop and commercialize our drug candidates.

Our product pipeline is set out below as at August 31, 2018:

Field	Target	Indication	Drug Candidate	Pre-clinical	Phase I	Phase II	Phase III	NDA Filed	NDA Approved	Licensed From	Commercial Rights
Anti-viral	NS3/4A	HCV	Danoprevir							Roche	Greater China
	NS5A	HCV	Ravidasvir							Presidio	Greater China
	NS5B	HCV	ASC21							Medivir	Greater China
	Protease	HIV	ASC09							Janssen	PRC and Macau
	Undisclosed	HBV	Lead Identification							In-house	Global
Cancer	VEGF&KSP	Liver Cancer	ASC06							Alnylam	Greater China
Fatty Liver Disease	Undisclosed	NASH	Lead Identification							In-house	Global

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the first half of 2018, the Group made significant progress with respect to its product pipeline.

- **Ganovo® (danoprevir) NDA approval and sales of RMB26.4 million**

  On June 8, 2018, the NDA approval for Danoprevir was granted by the CFDA. We have received the GMP certification to manufacture tablet formulations of Danoprevir shortly after receiving NDA approval for Danoprevir and have commenced manufacturing shortly thereafter. 19 days later, on June 27, 2018, we made our first sales in China. Since then, we have gradually commenced nationwide sales of Ganovo® (danoprevir) in eastern, southern, northeastern, northern and central China. During the Reporting Period, the Group recorded RMB26.4 million sales of products through the commercialization of Ganovo® (danoprevir) in China.

- **Completion of phase II/III clinical trial for our all-oral interferon-free regimen**

  Ravidasvir is a next generation and pan-genotypic NS5A inhibitor with a high genetic barrier to resistance. Ravidasvir when administered, in combination with Ganovo®, or the RDV/DNV Regimen, forms an all-oral and interferon-free cure for HCV. Our phase II/III clinical trial has shown that RDV/DNV Regimen demonstrated a cure rate of 99% (SVR12) and a superior safety profile as compared to the current primary regimen of pegylated interferon and ribavirin and had a short treatment duration of 12 weeks. For patients with baseline NS5A resistance mutations, our phase II/III clinical trial showed that RDV/DNV Regimen demonstrated a cure rate of 100% (SVR12). Moreover, an interferon-free therapy offers the benefit of being more convenient.

- **Preparation and execution of commercialization of our products**

  We have begun to build our commercialization team since February 2016 to lay the foundation for the commercialization of our first products and develop a targeted marketing strategy. During the first half of 2018, the Group continued to build our commercial capability. At the end of the first half of 2018, the Group has built a commercialization team of approximately 150 members covering more than 850 hospitals strategically located in regions where hepatitis C is most prevalent in China. Our work primarily consisted of pre-launch market research and patient analysis, brand-building, identifying and educating approximately 5,500 specialists and KOLs in the hepatitis field. We have entered into 20 distribution agreements with different distributors

which cover 137 DTP pharmacies, hospital-linked pharmacies and other pharmacies through our distributors, either directly or through their sub-distributors. Ganovo® (danoprevir) has been distributed to all of the 137 pharmacies at the end of the first half of 2018. As a result, the Group made our first sales of Ganovo® (danoprevir) in China on June 27, 2018.

- **RMB88.8 million collaboration revenue**

  The Group recognized RMB88.8 million revenue in the first half of 2018, mainly consisted of the recognition of upfront and milestone payments we received from Roche in relation to our in-licensing arrangement on Ganovo® (danoprevir).

- **Advancing our product pipeline**

  During the first half of 2018, the Group made significant progress in our products other than Ganovo® (danoprevir) and Ravidasvir, including but not limited to: (1) HIV protease inhibitor - ASC09: The Group has focused on chemistry, manufacturing and control which are required to initiate a phase IIb clinical trial in China in 2020; (2) IND-ready HCV NS5B nucleotide inhibitor - ASC21: The Group has focused on development and optimization of active pharmaceutical ingredient (API) and formulation of ASC21 which are required for filing an IND application; (3) NASH indication: The Group has focused on lead optimization and candidate selection, including examination of cellular activities, physio-chemical properties and pharmacokinetics.

Commercialized product

- **Ganovo®**

  As disclosed in our Prospectus, Hepatitis C is one of the leading causes of chronic liver disease, including cirrhosis and liver cancer, in China. Hepatitis C had a prevalence rate of 1.82% in China in 2017, with 25.2 million estimated HCV-infected patients. The diagnosis rate of hepatitis C has historically been low due to the lack of awareness and effective treatment for the disease and the relatively minimal symptoms experienced by most patients. In 2017, there were approximately 350,000 new infections and 2,000 re-infections of HCV. However, as a result of the lack of breakthrough therapies against HCV, only approximately 74,000 patients were treated in 2017, representing a treatment rate of only 0.3%.

  Ganovo® (danoprevir) is our first commercialized product. We obtained the NDA approval from CFDA on June 8, 2018, and have begun to commercialize Ganovo® in China. We made our first sales in China on June 27, 2018. Since then, we have gradually commenced nationwide sales of Ganovo® in eastern, southern, northeast, northern and central China. The Group recorded RMB26.4 million sales of products through the commercialization of Ganovo® (danoprevir) in China during the Reporting Period.

Ganovo®, when administered in combination with PEGylated interferon and ribavirin (Ganovo Regimen), demonstrated a far higher cure rate of 97% (SVR12), a shorter treatment duration of 12 weeks and a superior safety and tolerability profile, compared with the current primary regimen of PEGylated interferon and ribavirin in China, which demonstrates a cure rate of approximately 60% (SVR24) with a treatment duration of 48 to 72 weeks.

We believe that Ganovo Regimen has the following advantages:

– Higher cure rate. Ganovo Regimen demonstrated a 97% cure rate (SVR12) in a phase III clinical trial completed on 140 HCV patients, which is substantially higher than the current primary regimen in China.

– Shorter treatment duration. The 12-week Ganovo Regimen is significantly shorter than the 48 to 72 weeks treatment duration of the current primary regimen. We believe that shorter regimens will increase compliance to the treatment and improve patient tolerability.

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

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

Near Commercial-stage product

- **Ravidasvir**

We filed the NDA for Ravidasvir on July 31, 2018 and received the acceptance letter from the CFDA on August 1, 2018, which is sooner than what we expected as disclosed in the Prospectus. We plan to leverage on our regulartory and commercial experience of Ganovo® to accelerate the approval and commercialization of Ravidasvir.

We have developed Ravidasvir to be a best-in-class, pan-genotypic inhibitor targeting the HCV NS5A protein. Ravidasvir offers superior anti-viral activity, a higher genetic barrier to resistance and a better safety profile compared to our competitors' NS5A inhibitors approved in China. By the end of the first half of 2018, there were 3 phase III clinical trials of Ravidasvir completed globally: (1) RDV/DNV Regimen phase II/III clinical trial in China for genotype 1 patients; (2) RDV/SOF Regimen phase III clinical trial outside China for genotypes 1, 2, 3 and 6 patients; (3) RDV/SOF Regimen phase III clinical trial outside China for genotype 4 patients.

We believe that, based on the clinical trials, Ravidasvir has the potential to address the limitations of the current primary regimen for HCV in the following aspects:

– Best-in-class NS5A inhibitor. Our RDV/DNV Regimen demonstrated a 99% cure rate (SVR12) in the phase II/III clinical trial in China with 309 HCV genotype 1 patients. Our RDV/DNV Regimen was substantially more efficacious than the current primary regimen (48- to 72-week treatment duration) in China.

– Pan-genotypic anti-viral activity against genotypes 1 to 6. In vitro studies have shown that Ravidasvir has potent anti-viral activity against HCV genotypes 1 to 6. Two phase III clinical trials of RDV/SOF Regimen demonstrated an overall 97% cure rate (SVR12) in genotypes 1, 2, 3 and 6 and a 95% cure rate (SVR12) in genotype 4.

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

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

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

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

Drug candidates in the pipeline

- **ASC09**

  Phase IIa-completed HIV drug candidate. ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown potent anti-viral activity. Our studies have shown that ASC09 requires seven mutations before HIV develops resistance to ASC09, indicating ASC09 to have high genetic barrier to resistance compared to other approved protease inhibitors. By the end of the first half of 2018, only one HIV protease inhibitor, Lopinavir, was approved and marketed in China. Lopinavir has a relatively low genetic barrier to resistance, and therefore has lower efficacy for protease-inhibitor resistant patients. In addition, compared to darunavir, a best-in-class protease inhibitor among approved protease inhibitors

globally, virological studies suggest that ASC09 is a promising candidate for 72% clinical isolates resistant to darunavir. These clinical trials have also shown that ASC09 is safe and well-tolerated. These characteristics make ASC09 a promising candidate for HIV-therapy for both treatment-naïve and treatment-experienced patients. We plan to initiate a phase IIb clinical trial in China in 2020.

- **ASC06**

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

- **ASC21**

  IND-ready HCV NS5B nucleotide polymerase inhibitor. ASC21 is an NS5B nucleotide polymerase inhibitor that has shown in in vitro studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. The Group has focused on development and optimization of active pharmaceutical ingredient ("API") and formulation of ASC21 which are required for filing an IND application.

- **Pre-clinical programs**

  We also have two in-house pre-clinical programs at discovery stage. One is to develop novel therapies to achieve high functional cures for HBV. The other is to develop breakthrough therapies for non-alcoholic steatohepatitis ("NASH"), a type of fatty liver disease, focusing on novel targets.

The Group's Facilities

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

During the Reporting Period, we set up 2 new subsidiaries: Ascletis Biopharmaceutical (Hangzhou) Co., Ltd., in Hangzhou Economic & Technology Development Area (HEDA), to build a high-end preparation-manufacturing centre and liver disease R&D centre; and Ascletis Xinnuo Medicine (Hangzhou) Co., Ltd. in Hangzhou Xiaoshan Economic & Technology Development Zone (XETZ) to support future distribution. The headquarter of Ascletis is planned to move to XETZ to enjoy more competitive incentive and benefits.

Quality Assurance

As at June 30, 2018, our quality control and assurance team consisted of 16 employees, of whom 10 held bachelor's or higher degrees. Our quality control and assurance team members have over six years of industry experiences on average. To ensure high product quality, we have implemented a "quality-by-design" approach pursuant to which manufacturing processes are designed during the drug development stage and quality control processes are continuously monitored.

Future and Outlook

With continued healthcare reform in China, we believe that the innovation is the main driver for the future growth of healthcare industry. Along with the implementation of a series of policies such as Priority Review, MAH, the recognition of overseas clinical data and etc., the Group believes that innovation-driven biotechnology companies will benefit from the new policies. We also believe that the formation of the National Healthcare Security Administration ("NHSA") will accelerate the national-level negotiation between the government and pharmaceutical companies, new drugs like Ganovo® (danoprevir) will have more opportunities to be enrolled in the medical insurance catalogue.

We are a fully integrated anti-viral platform focusing on developing and commercializing innovative, best-in-class drugs against HCV, HIV and HBV. Led by a management team with deep expertise and a proven track record, we have developed an integrated anti-viral platform covering the entire value chain from discovery and development to manufacturing and commercialization.

As disclosed in our Prospectus, the anti-viral drug market in China reached a revenue of RMB26.2 billion in 2017. The anti-viral drug market primarily includes drugs for HBV, HCV and HIV. Hepatitis B, hepatitis C and AIDS are the predominant diseases among all viral diseases and collectively accounted for approximately 80% of the market in terms of 2017 anti-viral drug sales revenue. The total anti-viral drug market has grown steadily at a CAGR of 10.9% from 2013 to 2017. In the next decade, as innovative HCV drugs will become increasingly available in China, and as a result of rising treatment rates for hepatitis C patients, the anti-viral drug market in China will grow steadily to RMB56.2 billion and RMB177.0 billion in 2022 and 2030, respectively. The HCV drug market in China is expected to reach a revenue of approximately RMB47.0 billion in 2028, representing an approximately 33% share of the overall anti-viral drug market in China.

In addition to anti-viral assets, ASC06 is a Phase I-completed liver cancer drug candidate. We aim to develop ASC06 as the first systematically delivered therapeutic drug to treat liver cancer by using RNAi, a breakthrough approach to drug discovery and development. On August 10, 2018, the United States Food and Drug Administration ("FDA") approved our licensor — Alnylam's ONPATTRO™ (patisiran) as the first ever FDA-approved RNAi medicine. This historical approval marks the arrival of an entirely new class of therapeutics — RNAi Medicines.

With the successful launch of our first product and the completion of the Global Offering, our mission is to become a world-class biotechnology company addressing unmet medical needs in three therapeutic areas: anti-viral, cancer and fatty liver disease. We intend to implement a business strategy with the following key components: (i) ramp up sales of Ganovo® (danoprevir); (ii) commercialize Ravidasvir by leveraging on our Ganovo® experience; (iii) elevate patient awareness and education to increase demand for HCV treatments; (iv) advance and strengthen our anti-viral pipeline; and (v) leverage on and strengthen our platform to further pursue in-licensing and acquisition opportunities.

Financial Review

Revenue

The Group has begun to commercialize Ganovo® (danoprevir) in China following the NDA approval granted by the CFDA on June 8, 2018. Before that, the Group had not commercialized any products and therefore did not generate any revenue from product sales. The revenue consists of (i) the milestone and upfront payments in relation to the group's in-licensing arrangement on Ganovo® (danoprevir) being recognized over the performance of the Group's obligations; and (ii) sales of products. As a result, the revenue of the Group increased by 332.8% from approximately RMB26.6 million for the six months ended June 30, 2017 to approximately RMB115.1 million for the six months ended June 30, 2018. The increase was mainly attributed to (i) the RMB88.8 million revenue we recognized in the first half of 2018 primarily in relation to the recognition of upfront and milestone payments we received from Roche in relation to our in-licensing arrangement on Ganovo® (danoprevir); and (ii) the RMB26.4 million in sales of products during the commercialization of Ganovo® (danoprevir) in China.

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

Cost of Goods Sold

The cost of goods sold of the Group was approximately RMB2.8 million for the six months ended June 30, 2018 as we commenced manufacturing of Ganovo® (danoprevir) shortly after receiving NDA approval on June 8, 2018. The Group's manufacturing facility is located in Shaoxing, Zhengjiang province with a total gross floor area of 17,000 square metres and equipped with a production line with a designed annual production capacity of 130 million tablets. The increased cost of goods sold was

attributed to the commercialization of Ganovo® (danoprevir) in China. The Group did not incur any cost of goods sold for the six months ended June 30, 2017.

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

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

Unlike the case for danoprevir in which certain API manufacturing capabilities were not available at our manufacturing facility at the time of danoprevir's NDA filing, subsequently when we built our manufacturing facility, it was contemplated that we would manufacture the APIs and tablet formulation for ravidasvir in-house.

Overhead primarily consists of depreciation charges of the facility and equipment and other manufacturing expenses. Our manufacturing facility is equipped with state-of-the-art production equipment with cutting-edge technology capability such as hot-melt extrusion and high speed press to ensure the high quality of our products. Most of our equipment was purchased since 2015 from leading international manufactures, such as Leistritz and Fette.

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

Gross Profit

The gross profit of the Group increased by 322.3% from approximately RMB26.6 million for the six months ended June 30, 2017 to approximately RMB112.3 million for the six months ended June 30, 2018. The increase in the gross profit was mainly attributed to (i) sales of Ganovo® (danoprevir) and (ii) milestone and upfront payments from Roche.

Other Income and Gains

The other income and gains of the Group increased by 82.7% from approximately RMB14.3 million for the six months ended June 30, 2017 to approximately RMB26.1 million for the six months ended June 30, 2018, primarily because (i) the Group recorded RMB13.9 million in government grants for the six months ended June 30, 2018 and RMB5.5 million for the six months ended June 30, 2017, respectively; and (ii) net foreign exchange gain was RMB3.8 million for the six months ended June 30, 2018, mainly arising from the translation of the U.S. dollar dominated-cash portion into Renminbi due to the appreciation of U.S. dollar against Renminbi.

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

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

	Unaudited			
	Six months ended 30 June			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Bank interest income	**5,294**	**20.3**	4,421	31.0
Interest income from loans to a related party	–	–	69	0.5
Dividend income from financial assets at fair value through profit or loss	**3,104**	**11.9**	2,910	20.4
Changes in fair value of financial assets at fair value through profit or loss	–	–	1,361	9.5
Government grants	**13,921**	**53.4**	5,517	38.6
Foreign exchange gain, net	**3,762**	**14.4**	–	–
Others	–	–	1	–
Total	**26,081**	**100.0**	14,279	100.0

Selling and Distribution Expenses

The selling and distribution expenses of the Group represented 3.1% of the overall revenue of the Group for the six months ended June 30, 2018, primarily because we increased sales and marketing activities as we commercialize Ganovo® (danoprevir) from June 8, 2018. The selling and distribution expenses incurred primarily because staff cost for our sales personnel and marketing and travel expenses. The Group did not incur any selling and distribution expenses for the six months ended June 30, 2017.

Administrative Expenses

The administrative expenses of the Group increased significantly by 319.0% from RMB11.1 million for the six months ended June 30, 2017 to RMB46.4 million for the six months ended June 30, 2018, primarily due to (i) the recognition of Listing expenses of RMB23.2 million; and (ii) an increase in staff salary and welfare of RMB5.4 million and general office expenses of RMB4.5 million as a result of the continuing expansion of the Group's business.

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

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

	Unaudited Six months ended 30 June			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
Staff salary and welfare	**9,703**	**21.0**	4,297	38.8
Utilities, rent and general office expenses	**9,233**	**19.9**	4,698	42.5
Agency and consulting fee	**2,652**	**5.7**	519	4.7
Others	**1,535**	**3.3**	1,552	14.0
Listing expenses	**23,249**	**50.1**	–	–
Total	**46,372**	**100.0**	11,066	100.0

Research and Development Expenses

Our research and development costs primarily consist of third-party contracting costs, clinical trial expenses and staff costs.

The research and development expenses of the Group increased by 49.0% from approximately RMB40.1 million for the six months ended June 30, 2017 to approximately RMB59.7 million for the six months ended June 30, 2018, for our drug candidates. The following table sets forth the components of our research and development costs by nature for the period indicated:

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Clinical trial expenses	**24,071**	5,987
Staff costs	**18,297**	14,358
Third-party contracting costs	**10,089**	15,113
Depreciation and amortization	**2,758**	2,217
Others	**4,516**	2,400
Total	**59,731**	40,075

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

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Ravidasvir	**47,655**	29,960
Danoprevir	**5,707**	9,396
Others[(Note)]	**6,369**	719
Total	**59,731**	40,075

Note: "Others" includes research and development costs of ASC09.

Other Expenses

Other expenses primarily include exchange loss and donations. The other expenses of the Group decreased by 32.6% from approximately RMB10.7 million for the six months ended June 30, 2017 to approximately RMB7.2 million for the six months ended June 30, 2018, due to (i) foreign exchange loss of approximately RMB10.7 million for the six months ended June 30, 2017, which was in U.S. dollar, and resulted from a depreciation of the U.S. dollar against the Renminbi; and (ii) donation of RMB6.4 million for the six months ended June 30, 2018. The following table sets forth the components of other expenses for the period indicated:

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Foreign exchange loss, net	**–**	10,702
Donation	**6,351**	–
Changes in fair value of financial assets at fair value through profit or loss	**831**	–
Others	**40**	8
Total	**7,222**	10,710

Income Tax Credit/(Expense)

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

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

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax: Income tax charge	**–**	6,365
Deferred tax	**(125)**	204
Total tax charge for the period	**(125)**	6,569

We recorded loss before tax of RMB 21.0 million for the six months ended June 30, 2017, and profit before tax of RMB21.5 million for the six months ended June 30, 2018, respectively. We have tax losses arising in the PRC of RMB 238.0 million and RMB 290.0 million for the six months ended June 30, 2017 and 2018, respectively, which are expected to expire in one to five years for offsetting against future taxable profits.

Inventories

The inventories of the Group consist of raw materials used in the manufacturing of danoprevir, which increased by 15.9% from approximately RMB62.2 million as at December 31, 2017 to approximately RMB72.1 million as at June 30, 2018, primarily as a result of increased volume of our production for Ganovo® (danoprevir). The following table sets forth the inventory balances as of the dates indicated:

	30 June **2018** **(Unaudited)** ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Raw material	**67,599**	62,211
Work in progress	**2,551**	–
Finished goods	**1,924**	–
Total	**72,074**	62,211

We continued to increase our inventory of raw materials for the manufacture of danoprevir as we continue to commercialize danoprevir.

Contract Liabilities

Under HKFRS 15, we recognize performance obligations that we have not yet satisfied but for which we have received consideration as contract liabilities. Our contract liabilities represent unrecognized milestone and upfront payments in relation to our in-licensing arrangement.

The contract liabilities of the Group decreased from RMB41.0 million as at December 31, 2017 to nil as at June 30, 2018, because all of Roche's upfront payment were recognized as revenue.

Trade Receivables and Other Receivables

The Group had nil trade receivables as at December 31, 2017 and RMB55.4 million as at June 30, 2018.

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Trade receivables	**55,431**	–
Less: Impairment of trade receivables	**–**	–
Total	**55,431**	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally 45 days to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Less than 3 months	**55,431**	–

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Value-added tax recoverable	**27,045**	24,999
Prepayments	**21,851**	21,056
Interests receivable	**7,219**	4,635
Other receivables	**1,021**	4,078
Prepaid expenses	**1,871**	1,970
Deferred listing expenses	**5,520**	–
Prepaid income tax	**1,363**	1,363
Total	**65,890**	58,101

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 remained relatively stable at RMB 25.0 million as of December 31, 2017, and RMB 27.0 million as of June 30, 2018. which was in line with our increased purchases of raw materials.

Our prepayments primarily represented prepayments relating to our purchase of raw materials and others. Our prepayments remain relatively stable and increased by 3.8% from RMB21.1 million as of December 31, 2017 to RMB21.9 million as of June 30, 2018. An aging analysis of prepayments to supplier as at the end of June 30, 2018 are within one year.

We had RMB4.6 million and RMB7.2 million interest receivable as of December 31, 2017 and June 30, 2018, respectively, which represented the expected interest to be received on our U.S. dollar time deposits.

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

Financial Assets at Fair Value through Profit or Loss

We had no financial assets at fair value through profit or loss of the Group as the end of June 30, 2018, as all of our wealth management products reached maturity (as at December 31, 2017: RMB143.8 million).

Cash and Cash Equivalents and Pledged Time Deposits

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Cash and bank balances	**226,007**	106,521
Time deposits	**387,071**	504,954
Total	**613,078**	611,475
Less:		
Pledged time deposits for bills payable	**–**	(4,108)
Cash and cash equivalents	**613,078**	607,367

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

Trade and Other Payables

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Trade payables	**10,541**	8,859
Bills payables	**3,563**	4,108
Total	**14,104**	12,967

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Trade payables, gross		
– Less than 3 months	**12,480**	8,837
– Between 3 and 6 months	**1,624**	4,130
	14,104	12,967

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Other payables	**47,907**	24,848
Payroll payable	**6,188**	9,428
Taxes other than income tax	**203**	1
Accrued expenses	**22,324**	1,028
Total	**76,622**	35,305

Our other payables and accruals increased by 117% from RMB35.3 million as of December 31, 2017 to RMB76.6 million as of June 30, 2018, mainly as a result of (i) an increase of RMB18.0 million in accrued expense in relation to the IPO; and (ii) we are the leading committee of HIV project in 13th Five-year Plan for National Strategic Emerging Industry Development, and we are the only authorized party to receive total RMB 30.7 million for government grants in related HIV project. RMB 26.1 million out of total RMB30.7 million will be distributed on behalf of government to other team members of this project.

Other payables increased by 92.8% from approximately RMB24.8 million as at December 31, 2017 to approximately RMB47.9 million as at June 30, 2018, are in relation to our purchase of manufacturing equipment and payable to the HIV project team members as mention above. Other payables are non-interest-bearing and repayable on demand. We had already paid RMB 26.1 million on July 13, 2018 to other team members of the HIV project. An aging analysis of the rest other payable are within one year.

An aging analysis of payroll payable is the annual bonus of 2018 accrued and due within one year.

The accrued expenses as at the end of June 30, 2018 included RMB18.0 million Listing expense payable to services provider, of which an aging analysis are less than 3 months.

Deferred Income

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Government grants		
– Current	**12,364**	10,000
– Non-current	**13,144**	22,070
Total	**25,508**	32,070

Intangible Assets

The intangible assets of the Group increased by 46% from approximately RMB36.5 million as at December 31, 2017 to approximately RMB53.3 million for as at June 30, 2018, due to new milestone payments to Presidio.

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

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

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund research and development, 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. On August 1, 2018, 224,137,000 Shares of US$0.0001 each were issued at a price of HK$14.00 per Share in connection with the Company's IPO on the Stock Exchange. The proceeds of HK$175,924 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$3,137,742,076 (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account.

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:

	30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
Net cash used in operating activities	**(53,922)**	(80,923)
Net cash from/(used in) in investing activities	**224,605**	(742,737)
Net cash (used in)/from financing activities	**(67,271)**	549,362
Net increase/(decrease) in cash and cash equivalents	**103,412**	(274,298)
Cash and cash equivalents at the beginning of the period	**123,697**	418,973
Effect of foreign exchange rate changes, net	**(1,102)**	33
Cash and cash equivalents at the end of the period	**226,007**	144,708

As at June 30, 2018, cash and cash equivalents were mainly denominated in Renminbi.

Operating Activities

Our cash inflows from operating activities mainly consisted of milestone payments from a licensing partner, government grants and bank interests. Our cash outflow from operating activities mainly consisted of research and development costs, administrative expenses and income tax expenses.

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

For the six months ended June 30, 2017, we had net cash flows used in operating activities of RMB80.9 million, primarily as a result of operating loss before changes in working capital of RMB26.8 million and the negative effect of the changes in working capital. The negative changes in working capital mainly consisted of: (i) a decrease in contract liabilities of RMB26.6 million; (ii) an increase in prepayments, deposits and other receivables of RMB30.7 million mainly because we settled payments with suppliers; and (iii) an increase in inventories of RMB17.8 million as we continued to increase our inventory of raw materials for Ganovo® in anticipation of its commercialization.

Investing Activities

Our cash used in investing activities mainly consisted of our cash used in purchase of wealth management products, purchase of property, equipment and construction in progress and purchase of intangible assets, which primarily represent upfront and/or milestone payments made to Presidio pursuant to the relevant licensing agreements.

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

For the six months ended June 30, 2017, our net cash flows used in investing activities was RMB742.7 million, primarily attributable to: (i) proceeds from disposals of wealth management products of RMB360.1 million, partially offset by the purchases of wealth management products of RMB568.5 million; and (ii) an increase in time deposits with original maturity of over three months of RMB505.7 million.

Financing Activities

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

For the six months ended June 30, 2018, our net cash flows used in financing activities was RMB67.3 million, primarily attributable to issue of Shares of RMB 240.5 million, purchase of Shares from non-controlling shareholders of RMB 250.0 million and dividend paid of US$9.1 million (equivalent to approximately RMB57.8 million) we declared in February 2018.

For the six months ended June 30, 2017, our net cash flows from financing activities was RMB549.4 million, primarily attributable to capital contribution from non-controlling shareholders of RMB482.1 million in relation to our Round Two Financing (as defined in the Propectus).

Capital Expenditures

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Plant and machinery	**913**	217
Motor vehicles	**–**	32
Office equipment	**48**	800
Leasehold improvements	**–**	868
Construction in progress	**2,392**	29,202
Total	**3,353**	31,119

Significant Investments, Material Acquisitions and Disposals

As at the date of this announcement, there were no significant investments held by the Group. For the six months ended June 30, 2018, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Borrowings

As at June 30, 2017 and 2018, the Group did not have any indebtedness. As of the date of this announcement, the Group had available bank facilities of RMB190.0 million, RMB186.4 million of which were unutilised as of the same date.

As at June 30, 2017 and 2018, 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, 2018, 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.

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 four years.

The Group had the operating lease commitments in the amount of approximately RMB7.7 million and RMB5.9 million as at June 30, 2018 and December 31, 2017, respectively.

The Group had the capital commitments in the amount of approximately RMB2.7 million and RMB1.8 million as at June 30, 2018 and as at December 31, 2017, respectively.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided total assets and multiplied by 100%. As at June 30, 2018, the gearing ratio of the Group was 12.3% (as at December 31, 2017: 12.2%).

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Current ratio[(1)]	**7.8**	8.8
Quick ratio[(2)]	**7.1**	8.2

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

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

Our current ratio decreased from 8.8 as of December 31, 2017 to 7.8 as of June 30, 2018, and our quick ratio decreased from 8.2 as of December 31, 2017 to 7.1 as of June 30, 2018, primarily due to a decrease in financial assets at fair value through profit or loss for daily operating payment.

Foreign Exchange

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

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from recognized assets and liabilities in foreign operations. The conversion of Renminbi into foreign currencies, including the USD, has been based on rates set by the People's Bank of China. The Group seek to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions. The revenue denominated in USD represented 100% and 77% of the total revenue of the Company for the six months ended June 30, 2017 and the Reporting Period, respectively.

Employees and Remuneration Policies

As disclosed in our Prospectus, the Group had a total of 269 employees, 266 of which were located in the PRC and three consultants were located abroad, and over 65.0% of our employees obtained a bachelor's degree or higher. The table below sets forth the Group's employees by function as disclosed in our Prospectus:

	Numbers of employees	**% of total**
Management	4	1.5
Research and development	34	12.6
Commercialization (Note)	149	55.4
Manufacturing	58	21.6
Operations	24	8.9
Total	269	100

Note: Commercialization team members also perform certain research and development functions prior to commercialization.

The Group's total staff costs for the six months ended June 30, 2018 was RMB 32.0 million, compared to RMB 18.7 million for the six months ended June 30, 2017.

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.

Interim condensed consolidated statement of profit or loss

For the six months ended 30 June

	Notes	**30 June 2018 (Unaudited) *RMB'000***	30 June 2017 (Unaudited) *RMB'000*
REVENUE	4	**115,126**	26,601
Cost of goods sold,		**(2,798)**	–
including royalties		***(1,187)***	–
Gross profit		**112,328**	26,601
Other income and gains	4	**26,081**	14,279
Selling and distribution expenses		**(3,571)**	–
Research and development costs		**(59,731)**	(40,075)
Administrative expenses		**(46,372)**	(11,066)
Other expenses		**(7,222)**	(10,710)
PROFIT/(LOSS) BEFORE TAX	5	**21,513**	(20,971)
Income tax credit/(expense)	6	**125**	(6,569)
PROFIT/(LOSS) FOR THE PERIOD		**21,638**	(27,540)
Attributable to:			
Owners of the parent		**34,125**	(17,467)
Non-controlling interests		**(12,487)**	(10,073)
		21,638	(27,540)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
BASIC (RMB)			
– For profit/(loss) for the period	8	**4.12 cents**	(2.12) cents
DILUTED (RMB)			
– For profit/(loss) for the period	8	**4.08 cents**	(2.12) cents

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June

	30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**21,638**	(27,540)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(884)**	(447)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(884)**	(447)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(884)**	(447)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**20,754**	(27,987)
Attributable to:		
Owners of the parent	**33,241**	(17,914)
Non-controlling interests	**(12,487)**	(10,073)
	20,754	(27,987)

Interim condensed consolidated statement of financial position

	Notes	As at 30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**80,992**	78,815
Intangible assets	10	**53,311**	36,517
Advance payments for property, plant and equipment		**412**	304
Total non-current assets		**134,715**	115,636
CURRENT ASSETS			
Inventories	11	**72,074**	62,211
Trade receivables	12	**55,431**	–
Prepayments, deposits and other receivables	13	**65,890**	58,101
Financial assets at fair value through profit or loss	14	**–**	143,831
Pledged time deposits	15	**–**	4,108
Cash and cash equivalents	15	**613,078**	607,367
Total current assets		**806,473**	875,618
CURRENT LIABILITIES			
Trade and bills payables	16	**14,104**	12,967
Other payables and accruals	17	**76,622**	35,305
Deferred income	18	**12,364**	10,000
Contract liabilities	4	**–**	40,956
Total current liabilities		**103,090**	99,228
NET CURRENT ASSETS		**703,383**	776,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**838,098**	892,026

	Note	As at **30 June 2018** **(Unaudited)** ***RMB'000***	 31 December 2017 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income	18	**13,144**	22,070
Deferred tax liabilities		**–**	125
Total non-current liabilities		**13,144**	22,195
Net assets		**824,954**	869,831
EQUITY			
Equity attributable to owners of the parent			
Share capital		**14**	9
Reserves		**824,940**	596,952
		824,954	596,961
Non-controlling interests		**–**	272,870
Total equity		**824,954**	869,831

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2018

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

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

	Attributable to owners of the parent							
	Share capital *RMB'000*	Share premium account *RMB'000*	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	9	92,234	253,408	18,318	(91,610)	272,359	136,725	409,084
Loss for the period	—	—	—	—	(17,467)	(17,467)	(10,073)	(27,540)
Other comprehensive income for the period:								
Exchange differences on translation of the Company	—	—	—	(447)	—	(447)	—	(447)
Total comprehensive loss for the period	—	—	—	(447)	(17,467)	(17,914)	(10,073)	(27,987)
Equity-settled share award	—	—	308	—	—	308	154	462
Capital contribution from non-controlling shareholders	—	—	315,234	—	—	315,234	166,878	482,112
Transfer of shares to non-controlling shareholders	—	—	65,692	—	—	65,692	1,875	67,567
At 30 June 2017 (Unaudited)	9	92,234	634,642	17,871	(109,077)	635,679	295,559	931,238

* These reserve accounts comprise the consolidated reserves of RMB824,940,000 in the consolidated statement of financial position as at 30 June 2018.

Interim condensed consolidated statement of cash flows

For the six months ended 30 June

	Notes	**30 June 2018 (Unaudited)** ***RMB'000***	30 June 2017 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**21,513**	(20,971)
Adjustments for:			
Bank interest income	4	**(5,294)**	(4,421)
Interest income from loans to a related party	4	**–**	(69)
Dividend income from financial assets at fair value through profit or loss	4	**(3,104)**	(2,910)
Changes in fair value of financial assets at fair value through profit or loss		**831**	(1,361)
Depreciation of items of property, plant and equipment	5	**1,176**	994
Amortisation of intangible assets	5	**2,169**	1,459
Equity-settled share award expense	19	**1,640**	462
		18,931	(26,817)
Increase in inventories		**(9,863)**	(17,808)
Increase in trade receivables		**(55,431)**	–
Increase in prepayments, deposits and other receivables,		**(5,205)**	(30,689)
Increase in trade and bills payables		**1,137**	12,016
Increase in other payables and accruals		**41,317**	10,853
Decrease in deferred income		**(6,562)**	–
Decrease in contract liabilities		**(40,956)**	(26,603)
Interest received		**2,710**	4,490
Cash used in operations		**(53,922)**	(74,558)
Income tax paid		**–**	(6,365)
Net cash flows used in operating activities		**(53,922)**	(80,923)

	30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment and construction in progress	**(3,461)**	(21,073)
Purchases of intangible assets	**(18,745)**	(19,975)
Purchases of financial assets at fair value through profit or loss	**(229,000)**	(568,538)
Proceeds from disposals of financial assets at fair value through profit or loss	**372,000**	360,148
Dividend income from financial assets at fair value through profit or loss	**3,104**	2,910
Receipt of government grants for property, plant and equipment	**–**	5,160
Decrease/(increase) in time deposits with original maturity of over three months	**100,707**	(505,709)
Receipt of repayment of loans to a related party	**–**	4,340
Net cash flows from/(used in) investing activities	**224,605**	(742,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	**240,498**	–
Capital contribution from non-controlling shareholders	**–**	482,112
Purchase of shares from non-controlling shareholders	**(249,954)**	–
Transfer of shares to non-controlling shareholders	**–**	67,567
Interest paid	**–**	(317)
Dividend paid	**(57,815)**	–
Net cash flows (used in)/from financing activities	**(67,271)**	549,362

	30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**103,412**	(274,298)
Cash and cash equivalents at beginning of 1 January	**123,697**	418,973
Effect of foreign exchange rate changes, net	**(1,102)**	33
CASH AND CASH EQUIVALENTS AT 30 JUNE	**226,007**	144,708
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statements of financial position	**613,078**	648,350
Time deposits with original maturity of less than three months when acquired, pledged as security for bills payable	**–**	2,067
Non-pledged time deposits with original maturity of over three months when acquired	**(387,071)**	(505,709)
Cash and cash equivalents as stated in the consolidated statements of cash flows	**226,007**	144,708

Notes to the interim condensed consolidated financial statements

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014.

The registered office of the Company is at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Company is located at 18/F, Teasbury Centre, 28 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 (the "Listing Date").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements included in the Accounts' Report set forth in Appendix I to the Company's prospectus dated 20 July 2018.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the following revised standards effective as of 1 January 2018.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The adoption of these revised standards has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

The Group has not applied the new and revised Hong Kong Financial Reporting Standards, that have been issued but are not yet effective, in these interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**26,376**	–
Other countries	**88,750**	26,601
Total	**115,126**	26,601

(b) Non-current assets

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**118,056**	98,254
Cayman Islands	**16,659**	17,382
Total	**134,715**	115,636

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

Information about a major customer

During the period, revenue of RMB88,750,000 was derived from collaboration arrangement with a single collaboration partner (the six months ended 30 June 2017: RMB26,601,000).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of collaboration revenue, and the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sales of products	**26,376**	–
Collaboration revenue	**88,750**	26,601
	115,126	26,601
Other income and gains		
Bank interest income	**5,294**	4,421
Interest income from loans to a related party	**–**	69
Dividend income from financial assets at fair value through profit or loss	**3,104**	2,910
Changes in fair value of financial assets at fair value through profit or loss	**–**	1,361
Government grants*	**13,921**	5,517
Foreign exchange gain, net	**3,762**	–
Others	**–**	1
	26,081	14,279

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

Note:

(a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Timing of revenue-recognition		
Over time		
– Collaboration revenue	**40,956**	26,601
At a point in time		
– Sale of products	**26,376**	–
– Collaboration revenue	**47,794**	–
Total	**115,126**	26,601

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Current	**–**	40,956

The Group received non-refundable upfront fees and milestone payments for development and regulatory application as agreed in the collaboration agreements from the collaboration partner.

The following table shows the revenue recognised during the period related to carried-forward contract liabilities.

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Collaboration revenue	**40,956**	26,601

The following table shows the unsatisfied performance obligations as at 31 December 2017 and 30 June 2018.

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Current	**–**	40,956

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**1,176**	994
Amortisation of other intangible assets	**2,169**	1,459
Operating lease expenses	**1,074**	1,086
Auditor's remuneration	**1,474**	118
Research and development costs	**59,731**	40,075
Cost of inventories sold	**2,798**	–
Foreign exchange (gain)/loss	**(3,762)**	10,702
Equity-settled share award expense	**1,640**	462

6. INCOME TAX

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

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax:		
Income tax charge	**–**	6,365
Deferred tax	**(125)**	204
Total tax charge for the period	**(125)**	6,569

7. DIVIDENDS

On 1 February 2018, the Company declared a dividend of US$9,120,051 (equivalent to RMB57,815,000) to its shareholders (the six months ended 30 June 2017: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent, and on the assumption that 828,788,586 shares issued and issuable, comprising weighted average number of 17,724,304 shares issued during the period and 811,064,282 shares to be issued pursuant to the capitalisation issue after the reporting period (note 25(a)) (the six months ended 30 June 2017: weighted average number of 14,750,000 shares issued during the period and 811,064,282 shares, which were deemed to have been issued by way of capitalisation throughout the six months ended 30 June 2017). The number of shares for the current period has been arrived at after eliminating the shares for the share award scheme.

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

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	**34,125**	(17,467)

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	*(Unaudited)*
Shares		
Weighted average number of ordinary shares in issue during the period	**17,724,304**	14,750,000
Effect of capitalisation issue	**811,064,282**	811,064,282
	828,788,586	825,814,282
Effect of dilution-weighted average number of ordinary shares under the share award scheme	**8,405,252**	–
	837,193,838	825,814,282

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Carrying amount at beginning of period	**78,815**	49,825
Additions	**3,353**	31,119
Depreciation provided during the period	**(1,176)**	(2,108)
Disposals	**–**	(21)
Carrying amount at end of period	**80,992**	78,815

10. OTHER INTANGIBLE ASSETS

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Carrying amount at beginning of period	**36,517**	20,432
Additions	**18,745**	20,651
Amortisation provided during the period	**(2,169)**	(3,442)
Exchange realignment	**218**	(1,124)
Carrying amount at end of period	**53,311**	36,517

11. INVENTORIES

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Raw materials	**67,599**	62,211
Work in progress	**2,551**	–
Finished goods	**1,924**	–
	72,074	62,211

12. TRADE RECEIVABLES

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Trade receivables	**55,431**	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally 45 days to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Less than 3 months	**55,431**	–

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Other receivables	**1,021**	4,078
Interest receivable	**7,219**	4,635
Value-added tax recoverable	**27,045**	24,999
Prepayments	**21,851**	21,056
Prepaid income tax	**1,363**	1,363
Prepaid expenses	**1,871**	1,970
Deferred listing expenses	**5,520**	–
	65,890	58,101

The ageing analysis of the prepayments, deposits and other receivables that are not considered to be impaired is as follows:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Neither past due nor impaired	**65,890**	58,101

The financial assets included in the above balances that were neither past due nor impaired relate to other receivables for which there was no recent history of default.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Investments in financial products at fair value	**–**	143,831

The above investments represent investments in certain financial products issued by commercial banks in the People's Republic of China with expected interest rates ranging from 0.35% to 5% per annum. The fair values of the investments approximate to their costs plus expected interest.

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Cash and bank balances	**226,007**	106,521
Time deposits	**387,071**	504,954
	613,078	611,475
Less:		
Pledged time deposits for bills payable	**–**	(4,108)
Cash and cash equivalents	**613,078**	607,367
Denominated in RMB	**156,392**	20,542
Denominated in USD	**456,630**	586,772
Denominated in others	**56**	53
Cash and cash equivalents	**613,078**	607,367

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

16. TRADE AND BILLS PAYABLES

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Trade payables	**10,541**	8,859
Notes payable	**3,563**	4,108
	14,104	12,967

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Less than 3 months	**12,480**	8,837
Between 3 and 6 months	**1,624**	4,130
	14,104	12,967

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

The maturity date of the notes payable is within six months.

17. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Other payables	**47,907**	24,848
Payroll payable	**6,188**	9,428
Taxes other than income tax	**203**	1
Accrued expenses	**22,324**	1,028
	76,622	35,305

Other payables are non-interest-bearing and repayable on demand.

18. DEFERRED INCOME

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Government grants		
Current	**12,364**	10,000
Non-current	**13,144**	22,070
	25,508	32,070

The movements in government grants during the reporting period are as follows:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
At 1 January	**32,070**	15,824
Grants received during the period/year	**4,554**	24,246
Amount released	**(11,116)**	(8,000)
At 30 June/31 December	**25,508**	32,070
Current	**12,364**	10,000
Non-current	**13,144**	22,070
	25,508	32,070

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research activities and clinical trials, award for new drugs development and capital expenditure incurred on certain projects.

19. SHARE AWARD

On 14 July 2016, Zande Investment and Management LLP ("Zande") entered into an equity interest subscription agreement with PowerTree, pursuant to which Zande subscribed for approximately 2.44% equity interest in Ascletis BioScience for a cash consideration of US$312,220. Subsequently on 2 August 2016, Zande, Hangzhou Zanqin Investment and Management LLP ("Zanqin"), Hangzhou Zanwei Investment and Management LLP ("Zanwei") and Hangzhou Zanfang Investment and Management LLP ("Zanfang") (collectively, the "PRC Share Incentive Entities") and PowerTree entered into an equity interest subscription agreement with Ascletis BioScience, pursuant to which Zanqin, Zanwei, Zanfang, Zande and PowerTree agreed to subscribe for approximately 1.18%, 1.18%, 1.18%, 0.25% and 10.08% equity interest in Ascletis BioScience, respectively, for a cash consideration of RMB2,319,581, RMB2,319,581, RMB2,319,581, RMB497,045 and US$3,133,689, respectively. The consideration was determined based on fair market value at that time. The purpose to establish the PRC Share Incentive Entities was to reserve equity interest for future employee incentive plans. Ms. Heying YANG, being a supervisor of Ascletis BioScience and the mother of a director, as the general partner, and the Group's employees, each as a limited partner, subscribed for equity interest in Zanqin and Zanwei by way of entering into partnership agreement.

On 15 March 2018, JJW11 Limited was incorporated in the BVI. The purpose for its incorporation is to set up an offshore share incentive platform to replace the PRC Share Incentive Entities and to hold incentive shares for the participants of the employee incentive plans. For any participant who had subscribed for equity interest in the PRC Share Incentive Entities, the amount of the award is determined based on his/her previous interest in such PRC Share Incentive Entities. There is no significant change to the terms of the employee incentive plans.

The employees of the Group shall not have any right to receive any shares awarded to them and all other interest attributable thereto unless and until the shares have transferred the legal and beneficial ownership of such awarded shares to them and the legal and beneficial ownership of those awarded shares vested in them. When the participant ceased to be the Group's employee, the unvested shares would be retained by the partnerships.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares and is determined using an option pricing model, adjusted for the exclusion of expected dividends to be received in the vesting period.

Pursuant to share award on 9 July 2016, equity interest in Ascletis BioScience was granted to a selected employee at consideration of RMB100,000 and the earliest vesting date is 9 July 2021. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

Pursuant to share award on 21 December 2016, equity interest in Ascletis BioScience was granted to 5 selected employees at consideration of RMB319,000 and the earliest vesting date is 21 December 2021. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

Pursuant to share award on 25 June 2017, equity interest in Ascletis BioScience was granted to 19 selected employees at consideration of RMB486,000 and the earliest vesting date is 25 June 2022. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

Pursuant to share award on 18 December 2017, equity interest in Ascletis BioScience was granted to 67 selected employees at consideration of RMB2,750,000 and the earliest vesting date is 18 December 2022. There is no other performance target required except the eligible participant remains as an employee of the Group during the vesting period.

During the period, a share award expense of RMB1,640,000 was charged to the interim condensed consolidated statements of profit or loss (the six months ended 30 June 2017: RMB462,000).

20. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its properties and warehouse under operating lease arrangements. Leases for properties and warehouse are negotiated for terms ranging from one to four years. At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Within one year	**2,191**	1,961
In the second to third years	**5,122**	2,843
After three years	**352**	1,050
	7,665	5,854

21. COMMITMENTS

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**2,720**	1,769

22. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the six months ended 30 June 2018 and 2017:

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Receipt of repayment of loans to a supervisor:			
Heying YANG	(i)	**–**	4,340
Interest income from a supervisor:			
Heying YANG	(i)	**–**	69

Note:

(i) The loans to a supervisor were unsecured, bore interest at 4.35% per annum and repayable on demand.

(b) Outstanding balances with related parties:

The Group had no significant balances with its related parties as at 30 June 2018 and 31 December 2017.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2018 and 31 December 2017 are as follows:

As at 30 June 2018

Financial assets

	Financial assets at amortised cost	**Total**
	RMB'000	***RMB'000***
Trade receivables	**55,431**	**55,431**
Financial assets included in prepayments, deposits and other receivables	**8,240**	**8,240**
Cash and cash equivalents	**613,078**	**613,078**
	676,749	**676,749**

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*	**Total** *RMB'000*
Trade and bills payables	**14,104**	**14,104**
Financial liabilities included in other payables and accruals	**70,231**	**70,231**
	84,335	**84,335**

As at 31 December 2017

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, deposits and other receivables	8,713	–	8,713
Financial assets at fair value through profit or loss	–	143,831	143,831
Pledged time deposits	4,108	–	4,108
Cash and cash equivalents	607,367	–	607,367
	620,188	143,831	764,019

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	12,967	12,967
Financial liabilities included in other payables and accruals	25,876	25,876
	38,843	38,843

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Investments in financial products	–	143,831	–	143,831
	–	143,831	–	143,831

The Group did not have any financial assets measured at fair value as at 30 June 2018.

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 30 June 2018.

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.

Financial instruments whose carrying amounts approximate to their fair values

Management has determined that the carrying amounts of cash and cash equivalents, time deposits, trade receivables, deposits and other receivables, trade and notes payables and other payables and accruals based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

25. EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

The Company allotted and issued a total of 645,812,103 shares and 228,593,204 preferred shares credited as fully paid at par to the holders of shares and preferred shares, respectively, whose names appear on the register of members of the Company on the Listing Date in proportion to their existing shareholdings in the Company by capitalising the sum of US$87,440.5307 from the share premium account of the Company. The shares allotted and issued pursuant to the above capitalisation issue ranked pari passu in all respects with the existing issued shares.

(b) Initial public offering

On the Listing Date, 224,137,000 shares of US$0.0001 each were issued at a price of HK$14.00 per share in connection with the Company's initial public offering on the Stock Exchange. The proceeds of HK$175,924 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$3,137,742,076 (before deduction of listing expenses) were credited to the share premium account.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the Reporting Period.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up to the date of this announcement, except for a deviation from the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Dr. Jinzi Jason WU. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

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.

As the Company's Shares were listed on the Stock Exchange on August 1, 2018, the Model Code and Written Guidelines were not applicable to the Company during the Reporting Period.

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 period from the Listing Date to the date of this announcement. 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.

USE OF PROCEEDS FROM LISTING

The primary reason for our Listing is to raise funding for the research and development as well as commercialization of our Core Products. See below. In addition, we believe that the Listing will allow us to:

- *Further our business strategies and expand our operations*. We believe the Listing will provide us with additional resources to execute our business strategies, including the further development of our Core Products, as well as our development of other drug programs and pursuit of in-licensing and acquisition opportunities. As we commercialize our first products, we will need funding and

resources to support our commercialization efforts and develop our sales network. Moreover, we will be required to develop and maintain more business relationships with distributors, hospitals, KOLs, suppliers and other business partners, which we believe will benefit from a listing status given the enhanced credibility, better business reputation and sound internal and corporate governance practice;

- *Strengthen employee commitment*. The Listing is a key milestone in our company's history. Therefore, it is an important channel through which our employees would be able to share our success and achievement and, we believe, one that would strengthen their commitment to continual success of our company. In addition, we believe that the listing status will enhance our ability to attract, recruit, retain and motivate experienced and qualified staff (in particular, key management and technical personnel);

- *Raise profile and strengthen our competitiveness*. The Listing status would enhance our level of competitiveness in our industry and helps us secure collaboration and other business opportunities; and

- *Create a long-term fund raising platform*. The Listing will provide us with opportunities to raise funds through follow-on offerings as well as debt financings after completion of the Global Offering, which would support to our future expansion and improve our operating and financial performance to maximize Shareholders' return.

On August 1, 2018, 224,137,000 Shares of US$0.0001 each were issued at a price of HK$14.00 per Share in connection with the Company's IPO on the Stock Exchange. The proceeds of HK$175,924 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$3,137,742,076 (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account.

According to the F&S Report (as defined in the Prospectus), average costs to develop an NDA-approved Category 1 drug in China generally range from RMB280 million to RMB390 million. Such costs may vary significantly depending on factors including but not limited to the type of drug candidate, indication, therapeutic area, clinical trial design and number of enrolled patients. As at the date of this announcement, we did not use those proceeds mentioned above. Based on our estimates, which we believe are consistent with industry practice, we currently intend to apply these net proceeds for the following purposes as same as what we described in the Prospectus:

- *For our Core Products (allocation subject to change based on the progress and results of our drug candidate programs):*

    - o approximately 30.0% will be used for the continued research and development of our Core Product pipeline, consisting of:

        - approximately 4.0% for initiating and conducting a number of phase IV clinical trials for Ganovo® and Ravidasvir;

- approximately 6.0%, for initiating and conducting bridging studies, a phase IIb clinical trial and a phase III clinical trial (if needed), for ASC09;
- approximately 6.0%, for initiating and conducting bridging studies, a phase II clinical trial and a phase III clinical trial for ASC06;
- approximately 10.0%, for other research and development costs, including long-term toxicology studies, pharmacology studies, large-scale API synthesis and optimization and large-scale formulation development, and to supplement funding for the research and development of our Core Products as necessary; and
- approximately 4.0%, for staff compensation.

o approximately 25.0%, will be used for commercialization of Ganovo® and Ravidasvir, consisting of:

- approximately 12.0%, for (i) hiring additional commercialization personnel with extensive China experience in sales and marketing of anti-viral and hepatitis drugs to increase our coverage of hospitals and doctors with HCV patients in regions with high incidence rates; and (ii) providing in-house and external training, including but not limited to programs on scientific and medical progress with respect to anti-viral drugs, regulatory framework and policy updates and global biotechnology and pharmaceutical development for commercialization personnel to enhance their knowledge; and
- approximately 13.0%, for marketing activities: (i) increasing the frequency of organizing and participating in academic conferences, seminars and symposia; (ii) conducting scientific promotional activities; (iii) raising awareness for HCV to increase diagnosis rate by partnering with diagnostic equipment and reagent manufacturers, independent clinical labs, health check-up networks and Internet healthcare companies; (iv) expanding our distribution network; and (v) establishing additional regional offices to deepen our market penetration.

- *For our other assets and other purposes:*

o approximately 15.0%, will be used for pursuing in-licensing of new drug candidates; although we have not identified any specific targets as of the Latest Practicable Date (as defined in the Prospectus);

o approximately 10.0%, will be used for research and development of ASC21 by initiating and conducting clinical trials;

o approximately 10.0%, will be used for supporting our research and development infrastructure and the early development of our two in-house drug programs at discovery stage for HBV and NASH; and

o approximately 10.0%,will be used for our working capital and other general corporate purposes.

For most of our planned uses of proceeds as described above, we expect the expenditures to be incurred over a five year period from 2018 to 2022. Based on our current plans, we expect a majority of the expenditures to be incurred from 2020 to 2022 as sales of Ganovo® and Ravidasvir continue to ramp up, and as we invest in the clinical trials of a growing pipeline of other drug candidates.

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

As the Shares of the Company had not yet been listed on the Stock Exchange for the six months ended 30 June, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REVIEW OF INTERIM RESULTS

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 Inerim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2018) 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 any payment of an interim dividend for the six months ended June 30, 2018.

PUBLICATION OF THE 2018 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.ascletis.com). The interim report for the six months ended June 30, 2018 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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.

DEFINITIONS

"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
"CAGR"	compound annual growth rate
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局), predecessor of CDA
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Dr. Wu, Mrs. Wu, Lakemont Holding LLC and the Lakemont 2018 GRAT, as a group, or any member of them
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this Prospectus, our Core Products include Ganovo® (danoprevir), Ravidasvir, ASC09 and ASC06
"Director(s)"	the director(s) of the Company
"Dr. Wu"	Dr. Jinzi Jason WU (吳勁梓), our Founder and the spouse of Mrs. Wu, chairman of the Board, chief executive officer, an executive Director of the Company, one of our Controlling Shareholders
"Founder"	the founder of our Group, being Dr. Wu
"Group" or "the Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"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" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on August 1, 2018
"Listing Date"	August 1, 2018, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"MAH"	Pilot Plan for the Drug Marketing Authorization Holder Mechanism (《藥品上市許可持有人制度試點方案》) issued by State Counsel on May 26, 2016
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Mrs. Wu"	Mrs. Judy Hejingdao WU, an executive Director, one of our Controlling Shareholders and the spouse of Dr. Wu
"Prospectus"	the prospectus issued by the Company dated July 20, 2018
"Reporting Period"	the six-month period from January 1, 2018 to June 30, 2018
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company

In this announcement, 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.

By order 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 31, 2018

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Jinzi Jason WU and Mrs. Judy Hejingdao WU, as executive Directors; Mr. Wei FU, as non-executive Director; and Dr. Ru Rong JI, Dr. Yizhen WEI, Mr. Jiong GU and Ms. Lin HUA, as independent non-executive Directors.