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**HUA MEDICINE**

**華領醫藥**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2552)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Hua Medicine (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”, “**we**” or “**us**”) for the year ended December 31, 2024 (the “**Reporting Period**”), together with comparative figures for the year ended December 31, 2023. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those defined in the prospectus of the Company dated August 31, 2018 (the “**Prospectus**”).

### **BUSINESS HIGHLIGHTS**

- 2024 marked the first full year for which our HuaTangNing (华堂宁®) was reimbursed under the National Reimbursement Drug List (“**NRDL**”) in mainland China. Consequently, sales revenue increased by 234% to RMB255.9 million for the fiscal year 2024 compared with the same period in 2023. During the fiscal year 2024, HuaTangNing (华堂宁®) was sold in approximately 2,700 hospitals across mainland China. As of December 31, 2024, Hua Medicine maintained a strong balance sheet with a cash balance of RMB1,139.8 million to support its full-scale commercialization, business development and R&D functions.
- Effective January 1, 2025, Hua Medicine assumed full responsibility for commercialization of HuaTangNing (华堂宁®) in mainland China from its former sales and marketing partner, Bayer Healthcare Company Limited (“**Bayer**”). We recruited Mr. Lu Yu, a pharmaceutical sales executive with over 20 years of diabetes commercialization experience in China to lead our sales and marketing efforts. For the two months ended February 28, 2025, Hua Medicine sold approximately 592,000 packs of HuaTangNing (华堂宁®), representing approximately RMB73.2 million in net sales. During the same period in 2024, approximately 202,000 packs of HuaTangNing (华堂宁®) were sold, representing approximately RMB24.5 million in net sales. The difference represents a 199% increase in sales over a period during which the price per pack remained the same, which demonstrates that the transition of commercialization responsibility for HuaTangNing (华堂宁®) in China from Bayer to Hua Medicine has been smooth and been reinvigorated.

- In 2024, Hua Medicine made significant headway in preparing the future expansion of our glucokinase-targeted, glucose homeostasis-centered therapy into international markets, specifically the United States. We successfully completed and announced the results of our single-ascending dose (“**SAD**”) study in the United States of our second generation glucokinase activator (“**GKA**”) (HM-002-1005), in which we validated the feasibility of our once-daily oral therapy for Type 2 diabetes (“**T2D**”) patients with obesity. We are currently developing the clinical dosage form for advancement of HM-002-1005 in a clinical proof-of-mechanism study. We also advanced our dorzagliatin-metformin fixed-dose combination product candidate into commercial dosage development. We expect to complete the process validation in 2025.
- Based on human genetic data collected from studies of patients administered with dorzagliatin, the Mendelian Randomization methodology has been applied to predict the beneficial effects of dorzagliatin on related and significant diabetes complications, such as reduction in heart failure, coronary artery disease, memory loss and dyslipidemia. In addition, a separate Mendelian Randomization study provided genetic evidence supporting the causal effects of glucokinase activation on lowering the risk of frailty. These findings suggest that glucokinase activators may aid in the management of frailty and sarcopenia in people with diabetes. New clinical indications shall be further explored.
- Since the launch of HuaTangNing (华堂宁®) in the fourth quarter of 2022, our pharmacovigilance team has been diligently monitoring the safety of dorzagliatin in the mainland China market, and was recently recognized by the National Adverse Drug Reaction Monitoring Center as a national example for the pharmaceutical industry. As of December 31, 2024, Hua Medicine had monitored approximately 150,000 patients who have been prescribed HuaTangNing (华堂宁®), and dorzagliatin has been observed to be safe and well tolerated by patients.
- Through our SENSITIZE 3 clinical study in Hong Kong (“**HK**”), we are advancing studies of dorzagliatin in the prediabetes, early treatment and prevention of Type 2 diabetes. We are testing new dosage forms of 25mg and 50mg dorzagliatin (contrasted with the 75mg dosage form approved as HuaTangNing (华堂宁®)) for these new potential indications. We are also supporting an investigator sponsored trial in testing dorzagliatin to treat MODY-2 patients who suffered from genetic mutations that de-activated glucokinase. Early studies in humans by both Dr. Juliana Chan and Dr. Linong Ji have indicated the benefits of dorzagliatin in MODY-2 patients by improving their  $\beta$ -cell functions and glycemic control.
- We are also finalizing and preparing to submit registration applications for dorzagliatin to launch commercialization in the Macau and Hong Kong markets. We plan to submit both applications in 2025.
- We continue to invest in expanding our manufacturing capacity to expected market needs in 2026 and 2027.

## FINANCIAL HIGHLIGHTS

- Bank balances and cash position was approximately RMB1,139.8 million as of December 31, 2024.
- Total revenue generated by the Company for the year ended December 31, 2024 was approximately RMB255.9 million, reflecting the sales of approximately 2,105,000 packs of HuaTangNing (华堂宁®). Sales revenue and sales volume increased by approximately 234% and 740% respectively, as compared with the year ended December 31, 2023.
- Total other income generated by the Company for the year ended December 31, 2024 was approximately RMB116.8 million, decreased by approximately RMB13.8 million, or approximately 11%, as compared with the year ended December 31, 2023. For the year ended December 31, 2024, other income was mainly attributable to the amortization of Bayer milestone income of approximately RMB95.7 million, increased by approximately RMB30.5 million, or approximately 47% as compared with the year ended December 31, 2023.
- Total expenditures incurred by the Company for the year ended December 31, 2024 was approximately RMB493.6 million, of which approximately RMB215.1 million consisted of research and development expenses. For the year ended December 31, 2024, research and development expenses increased by approximately RMB43.6 million, or approximately 25%, as compared with the year ended December 31, 2023.
- For the year ended December 31, 2024, loss before tax increased by approximately RMB38.9 million, or approximately 18%, to approximately RMB250.1 million, which was mainly attributable to the increase of selling expense and research and development expense.
- For the year ended December 31, 2024, total comprehensive expense for the year increased by approximately RMB38.5 million, or approximately 18%, to approximately RMB250.0 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business overview

HuaTangNing (华堂宁®) was reimbursed under the NRDL in mainland China for the first full-year in 2024. Our sales revenue increased by 234% to RMB255.9 million for fiscal year 2024 compared with the same period in 2023. During the fiscal year 2024, we worked with our former partner Bayer to commercialize HuaTangNing (华堂宁®) in approximately 2,700 hospitals across mainland China. During the year, we made a mutual strategic agreement to terminate the exclusive promotion agreement between us and Bayer, and effective January 1, 2025, Hua Medicine assumed full commercialization responsibility for HuaTangNing (华堂宁®) in mainland China.

In 2025, we recruited Mr. Lu Yu, a pharmaceutical sales executive with over 20 years of diabetes commercialization experience in China, to lead our sales and marketing efforts. For the first two months ended February 28, 2025, Hua Medicine sold approximately 592,000 packs of HuaTangNing (华堂宁®), representing approximately RMB73.2 million in net sales, as compared to the same period in 2024 when approximately 202,000 packs of HuaTangNing (华堂宁®) were sold, representing approximately RMB24.5 million in net sales. This 199% year-over-year increase in sales occurred during a period when the price per pack remained the same, demonstrating that the transition of commercialization responsibility for HuaTangNing (华堂宁®) in China from Bayer to Hua Medicine has been smooth and been reinvigorated.

As of December 31, 2024, Hua Medicine maintained a strong balance sheet with a cash balance of RMB1,139.8 million to support its full-scale commercialization, business development and R&D functions.

In 2024, Hua Medicine also made significant headway in preparing the future expansion of our glucokinase-targeted, glucose homeostasis-centered therapy into the international markets, specifically the United States. We successfully completed and announced the results of our SAD study in the United States of our second generation GKA (HM-002-1005) in which we validated the feasibility of our once daily oral therapy for T2D patients with obesity. We are currently developing the clinical dosage form for advancement of HM-002-1005 in a clinical proof-of-mechanism study. We also advanced our dorzagliatin-metformin fixed-dose combination product candidate into commercial dosage development. We expect to complete the process validation in 2025.

Based on human genetic data collected from studies of patients administered with dorzagliatin, the Mendelian Randomization methodology has been applied to predict the beneficial effects of dorzagliatin on related and significant diabetes complications, such as reduction in heart failure, coronary artery disease, memory loss and dyslipidemia. In addition, a separate Mendelian Randomization study provided genetic evidence supporting the causal effects of glucokinase activation on lowering the risk of frailty. These findings suggest that glucokinase activators may aid in the management of frailty and sarcopenia in people with diabetes. We will continue our research and development efforts to explore new indications.

Since the launch of HuaTangNing (华堂宁®) in the fourth quarter of 2022, our pharmacovigilance team has been diligently monitoring the safety of dorzagliatin in the mainland China market, and was recently recognized by the National Adverse Drug Reaction Monitoring Center as a national example for the pharmaceutical industry. As of December 31, 2024, Hua Medicine had monitored approximately 150,000 patients who have been prescribed HuaTangNing (华堂宁®), and dorzagliatin has been observed to be safe and well tolerated by patients.

Through our SENSITIZE 3 clinical study in Hong Kong, we are advancing studies of dorzagliatin in prediabetes, early treatment and prevention of Type 2 diabetes. We are testing new dosage forms of 25mg and 50mg dorzagliatin (as contrasted with the 75mg dosage form approved as HuaTangNing (华堂宁®)) for these new potential indications. We are also supporting an investigator-sponsored trial in testing dorzagliatin to treat MODY-2 patients who suffered from genetic mutations that de-activated glucokinase. Early studies in humans by both Dr. Juliana Chan and Dr. Linong Ji have indicated the benefit of dorzagliatin in MODY-2 patients by improving their  $\beta$ -cell functions and glycemic control.

We are also finalizing and preparing to submit the registration applications for dorzagliatin to launch commercialization in the Macau and Hong Kong markets. We plan to submit both registration applications in 2025.

We continue to invest in expanding our manufacturing capacity to meet expected market needs in 2026 and 2027.

Further, we continue to strengthen our intellectual property rights globally. As of December 31, 2024, we owned more than 200 granted patents covering our proprietary technology worldwide.

**Cautionary Statement required under Rule 18A.08(3) of the Listing Rules:** We may not be able to ultimately develop and market our product candidates successfully.

## Product pipeline

Set out below are the key stages of our product candidates under development:

Product and Pipeline	Indication	Discovery (Pre-clinical – Phase II)	Development (Phase III)	Commercialization
Dorzagliatin	T2D-Drug Naïve	→		
	T2D-Metformin Tolerated	→		
	RWE study for Diabetes Remission	→		
Dorzagliatin	MODY-2	→		
Dorzagliatin	Diabetes Prevention	→		
Dorzagliatin	Neurodegeneration	→		
Dorzagliatin and Metformin FDC	T2D	→		
2 <sup>nd</sup> Generation GKA	Metabolic Disease	→		
Dorzagliatin add on to GLP-1 RAs	T2D and Obesity	→		
Dorzagliatin+ Empagliflozin	DKD	→		
Dorzagliatin+ Sitagliptin	T2D	→		
Dorzagliatin add on to Insulin	T2D	→		
mGLUR5 NAM	PD-L1D	→		
	Drug Addiction	→		
GK NAM	Metabolic Disease	→		

We are continuing expansion on our product pipeline through development of fixed dose combination of metformin and dorzagliatin for patients who have failed to control blood glucose levels while using high dose metformin (daily dose > 1500 mg). In the loose dose combination

study – DAWN Trial, dorzagliatin add-on to metformin provided HbA1c reduction of greater than 1% and post meal glucose reduction of greater than 5 mmol/L. These desirable glycemic control levels coupled with a very safe 0.8% hypoglycemic rate would suggest strong potential demand for a branded oral anti-diabetic (“OAD”) medication using a convenient fixed dose combination of dorzagliatin and metformin.

We are also advancing the combination of dorzagliatin with GLP-1RA, DPP-IV inhibitors and SGLT-2 inhibitor through combined effects in collecting real-world evidence and proof-of-concept studies in animal models. The synergy between dorzagliatin with these agents has the potential to expand our indication into other diseases in metabolic disorders, such as obesity and MASH.

We will continue our engagement in diabetes prevention, opportunities in longevity and prevention of memory loss and eventually find a new way to increase healthy life span and longevity in humans.

### **Business outlook**

There is a great opportunity for dorzagliatin and 2nd generation GKA in China and global OAD market.

We will strengthen our own commercialization efforts through hub and spoke development with focus on building up strong Hua internal sales and medical marketing organization to drive business growth in 2025. This will allow us to rebuild our strong connections directly to the medical community and better promotion of HuaTangNing (华堂宁®) in China and surrounding areas.

We continue to invest into digital technology platforms to create synergy across functions and enhance the branding opportunity using AI technology.

We are working on the registration of dorzagliatin in HK and Macau region and engage partnerships in Southeastern Asia and Belt and Road nations. In addition, business development work on 2nd generation GKA in western obese populated regions will be continued based on the initial success of the SAD study in the United States.

### **Important events after the Reporting Period**

On January 1, 2025, the Group exercised its termination right on the exclusive promotion service agreement (the “**Exclusive Promotion Service Agreement**”) with Bayer. Details of the Group’s right to terminate the Exclusive Promotion Service Agreement with Bayer are set out in the Company’s announcement dated December 31, 2024. Effective January 1, 2025, the Group has assumed full commercialization responsibility for HuaTangNing (华堂宁®) in mainland China. The Group recruited Mr. Lu Yu, an experienced pharmaceutical sales executive with over 20 years of diabetes commercialization experience in China, to lead our sales and marketing efforts. For the first two months ended February 28, 2025, Hua Medicine has sold approximately 592,000 packs of HuaTangNing (华堂宁®), representing approximately RMB73.2 million net sales, as compared to the same period in 2024 when approximately 202,000 packs of HuaTangNing (华堂宁®) were sold, representing approximately RMB24.5 million of net sales. This represents an 199% increase in sales for the comparable periods in 2025 over 2024.

Upon the termination of the Exclusive Promotion Service Agreement, the unamortized contact liabilities amounting to RMB1,243,499,000 are released to profit or loss, and will be recognized as a gain in 2025 by the Group. Both parties have confirmed in a signed letter that there are no outstanding matters arising from such termination, nor does either party owe the other party any obligation or liabilities from such separation.

Save as disclosed in this announcement, there are no important events that have occurred since the end of the Reporting Period and up to the date of this announcement.

## **Financial review**

### ***Revenue***

Our revenue was generated from the sale of our core product – HuaTangNing (华堂宁®). The collective results of our clinical trials indicate HuaTangNing (华堂宁®) has a safe, tolerable and benign profile, is effective at restoring regulation of blood glucose homeostasis through improvement in  $\beta$ -cell function and reduction in insulin resistance and has led to diabetes remission in select populations of T2D patients.

For the year ended December 31, 2024, approximately 2,105,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB255.9 million. For the year ended December 31, 2023, approximately 251,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB76.6 million.

HuaTangNing (华堂宁®) was successfully included in NRDL for Type 2 diabetes by the National Healthcare Security Administration (NHSA) at the end of 2023. Upon the above breaking news, the sales of HuaTangNing (华堂宁®) is expected to have a huge increase in the following years.

### ***Gross profit***

For the year ended December 31, 2024, we recorded a gross profit of approximately RMB124.7 million and a gross margin of 48.7%. Our gross margin decreased by 0.1% as compared to 48.8% for the year ended December 31, 2023, which was primarily due to the decreased sales price from RMB341.95 per pack to RMB124.88 per pack after entering NRDL at the end of year 2023, adjusted by the sufficient supply and increased sales volume, leading to the decreased unit production expense and unit fixed cost. As our commercialization scale increases, the unit cost is expected to continually decrease.

### ***Other income***

Our other income consisted primarily of income relating to the payments received from Bayer for the grant of dorzagliatin promotion rights by the Company (the “**Bayer milestone income**”), government grants and bank interest income. Our other income decreased by RMB13.8 million to RMB116.8 million for the year ended December 31, 2024 from RMB130.6 million for the year ended December 31, 2023, which was mainly attributable to the decrease of RMB41.3 million in government grants and RMB3.0 million in bank interest income from short-term deposits, adjusted by an increase of RMB30.5 million in Bayer milestone income.

### ***Other gains and losses***

Our other gains and losses consisted primarily of gains due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar and between the Renminbi and the HK dollar. Our other gains and losses decreased by RMB2.1 million to RMB2.0 million for the year ended December 31, 2024 from RMB4.1 million for the year ended December 31, 2023, which was mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollars and HK dollars and the small appreciation of the U.S. dollar and HK dollar against the Renminbi in the year ended December 31, 2024, compared to the large appreciation of the U.S. dollar and HK dollar against the Renminbi in the year ended December 31, 2023.

Our business mainly operates in the PRC, and most of our transactions are settled in Renminbi. Since inception, we have financed our business principally through equity financings, with related proceeds denominated in U.S. dollars, HK dollars and Renminbi. We converted a portion of those U.S. dollar proceeds to Renminbi, with the remaining amounts reserved for additional conversions to Renminbi as needed. Conversion of our assets and liabilities for financial statement presentation purposes exposes us to currency-related gains or losses and the actual conversion of our U.S. dollar and HK dollar denominated cash balances (including the HK dollar proceeds received from the Global Offering (comprising the Hong Kong public offering of 10,476,000 shares of the Company (the “**Shares**”) and the international offering of 94,280,000 Shares and 2,980,500 Shares pursuant to the partial exercise of the over-allotment option granted by the Company) (the “**Global Offering**”) into Renminbi) also exposes us to currency exchange risk. We have not engaged in any foreign exchange hedging related activity.

### ***Administrative expenses***

Our administrative expenses consisted primarily of employee compensation and related costs. Our administrative expenses decreased by RMB7.4 million to RMB116.8 million in the year ended December 31, 2024 from RMB124.1 million in the year ended December 31, 2023, which was mainly attributable to i) a decrease of RMB5.0 million in labor cost, which was primarily attributable to the decreased labor resources and the decrease of share-based payment under the accelerated amortization method, ii) a decrease of RMB3.1 million in marketing and consultant fee, which was mainly due to the consulting related to NRDL negotiation was conducted during the year ended December 31, 2023 and no such consulting being conducted during the year ended December 31, 2024, iii) a decrease of RMB1.8 million in recruitment expense due to our recruitment strategy, and iv) an adjustment for the increase of RMB1.7 million in travelling expense due to the increased business activities after entering NRDL.

### ***Finance costs***

Our finance cost consisted of expenses associated with the interest on lease liabilities and bank loan. Our finance cost was RMB8.6 million for the year ended December 31, 2024 as compared to RMB7.9 million for the year ended December 31, 2023, which was mainly attributable to increase in bank loan in year 2024.



## ***Selling expenses***

Our selling expenses consisted primarily of expenses related to selling and marketing activities. Our selling expenses increased by RMB73.4 million to RMB153.2 million in the year ended December 31, 2024 from RMB79.8 million in the year ended December 31, 2023, which was mainly attributable to i) an increase of RMB67.8 million in promotion expense, which was primarily attributable to the increased sales scale, and ii) an increase of RMB5.5 million in labor cost, which was mainly due to the increased labor resources.

## ***Research and development expenses***

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

	For the year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Clinical trials and research	52,559	24.4%	8,295	4.8%
Non-clinical studies	8,435	3.9%	16,205	9.4%
Chemical, manufacturing and control	66,474	30.9%	53,672	31.3%
Labor cost	58,146	27.0%	61,952	36.2%
Licensing and patent fee	4,820	2.2%	3,629	2.1%
Others	24,658	11.6%	27,784	16.2%
Total	<u>215,092</u>	<u>100.0%</u>	<u>171,537</u>	<u>100.0%</u>

Research and development expenses increased by RMB43.6 million to RMB215.1 million for the year ended December 31, 2024 from RMB171.5 million for the year ended December 31, 2023. The increase in research and development expenses included:

- an increase of RMB44.3 million for dorzagliatin clinical trials from RMB8.3 million for the year ended December 31, 2023 to RMB52.6 million for the year ended December 31, 2024, which was primarily attributable to the multi-center post-marketing observational study conducted in year 2024, which was designed to evaluate the long-term safety of dorzagliatin in patients with T2D and 2nd generation GKA study conducted in year 2024;
- an increase of RMB12.8 million in chemical, manufacturing, and control (CMC) expenses from RMB53.7 million for the year ended December 31, 2023 to RMB66.5 million for the year ended December 31, 2024. We focused on the new production line validation and process validation for capacity expansion in year 2024. In year 2023, we focused on the scale up and process development for existing production line;
- a decrease of RMB3.8 million in labor cost from RMB62.0 million for the year ended December 31, 2023 to RMB58.1 million for the year ended December 31, 2024, which was primarily attributable to the decrease of share-based payment under the accelerated amortization method; and
- a decrease of RMB3.1 million in other expenses from RMB27.8 million for the year ended December 31, 2023 to RMB24.7 million for the year ended December 31, 2024, which was primarily attributable to the decreased utility expense and IT related expense.

## ***Income tax expense***

We recognized no income tax expenses for the year ended December 31, 2024 and the year ended December 31, 2023.

## **Liquidity and capital resources**

For the year ended December 31, 2024, we have been in a net loss position and negative cash flows from operations. Our primary use of cash is to fund manufacturing expenses and research and development expenses. Our operating activities used RMB418.0 million for the year ended December 31, 2024. As of December 31, 2024, we had cash and cash equivalents of RMB1,139.8 million.

As of December 31, 2024, there were no significant investments held by the Company (including any investment in an investee company with a value of 5% or more of the Company's total assets as of 31 December 2024), nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

## **Cash flows**

The following table provides information regarding our cash flows for the years indicated:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash (used in) from operating activities	<b>(417,966)</b>	889,367
Net cash from investing activities	<b>10,043</b>	8,077
Net cash from financing activities	<b>83,718</b>	69,068
Effect of exchange rate changes	<b>3,134</b>	3,680
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b><u>(321,071)</u></b>	<b><u>970,192</u></b>

## ***Net cash (used in) from operating activities***

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

During the year ended December 31, 2024, our operating activities used RMB418.0 million of cash, which resulted principally from our loss before tax of RMB250.1 million, adjusted for net non-operating cash income of RMB59.8 million and cash used in the movement of our working capital of RMB108.0 million. Our net non-operating cash income during the year ended December 31, 2024 primarily consisted of amortised income of contract liabilities, bank interest income and income from government grants, adjusted for depreciation of equipment and right-of-use assets, interest on bank loan and lease liabilities and share option expenses. The movement of our working capital during the year ended December 31, 2024 primarily consisted of the increase in inventories and trade and other receivables.

During the year ended December 31, 2023, our operating activities generated RMB889.4 million of cash, which resulted principally from our loss before tax of RMB211.2 million, adjusted for net non-operating cash income of RMB30.4 million and cash generated from the movement of our working capital of RMB1,131.0 million. Our net non-operating cash income during the year ended December 31, 2023 primarily consisted of amortised income of contract liabilities, bank interest income and income from government grants, adjusted for depreciation of equipment and right-of-use assets, interest on bank loan and lease liabilities and share option expenses. The movement of our working capital during the year ended December 31, 2023 primarily consisted of the decrease in trade and other receivables and the increase in contract liabilities.

### ***Net cash from investing activities***

Net cash from investing activities was RMB10.0 million for the year ended December 31, 2024, which resulted primarily from the interest received from bank for short-term deposit, adjusted for the purchase of equipment and intangible assets and construction of Lingang project. Net cash from investing activities was RMB8.1 million for the year ended December 31, 2023, which resulted primarily from the interest received from bank for short-term deposit, adjusted for the purchase of equipment and intangible assets and construction of Lingang project.

### ***Net cash from financing activities***

Net cash from financing activities was RMB83.7 million for the year ended December 31, 2024, which proceeds from short-term and long-term bank loan and exercise of share options, offset by payments relating to lease liabilities. Net cash from financing activities was RMB69.1 million for the year ended December 31, 2023, which proceeds from short-term and long-term bank loan and exercise of share options, offset by payments relating to lease liabilities.

### **Financial position**

Our net current assets decreased from RMB1,320.4 million as of December 31, 2023 to RMB1,006.2 million as of December 31, 2024. Current assets decreased from RMB1,572.5 million as of December 31, 2023 to RMB1,336.5 million as of December 31, 2024, primarily due to the net cash expenditure for the year ended December 31, 2024.

### **Indebtedness**

As of December 31, 2024 and 2023, our lease liabilities and borrowings amounted to RMB300.2 million and RMB167.8 million, respectively. The following table sets forth our lease liabilities and borrowings as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current portion	<b>115,537</b>	41,471
Non-current portion	<b>184,642</b>	126,283
Total	<b><u>300,179</u></b>	<b><u>167,754</u></b>

Our lease liabilities as of December 31, 2024 were from leased properties lease contracts with lease terms of one to four years.

## **Qualitative and quantitative disclosures about market risk**

We are exposed to a variety of market risks, including currency risk, interest rate risk, credit risk, and liquidity risk, details of which are as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. We currently do not hedge or consider it necessary to hedge any of these risks.

### ***Currency risk***

Our business mainly operates in the PRC with most of our transactions settled in Renminbi, and our financial statements are presented in Renminbi. Renminbi is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currencies. The value of Renminbi is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk.

Since our inception, we have raised funds through various rounds of offshore financings and received proceeds of such financings in U.S. dollars, HK dollars and Renminbi. We convert a portion of those funds to Renminbi immediately and place the remaining amount in time deposits. We convert additional amounts to Renminbi as needed. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. To the extent that we need to convert U.S. dollars or other currencies we have received in previous financings into Renminbi for our operations, or if any of our arrangements with other parties are denominated in U.S. dollars and need to be converted into Renminbi, appreciation of the Renminbi against the U.S. dollar or other currencies would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollar or other currencies for business purposes, appreciation of the U.S. or HK dollar against the Renminbi would have a negative effect on the U.S. dollar or other currencies amounts available to us. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency rate.

The following table details our sensitivity to a 5% increase and decrease in Renminbi against U.S. dollars and HK dollars, the foreign currencies with which we may have material exposure. No sensitivity analysis has been disclosed for the Taiwan dollars denominated assets as the impact on profit is immaterial. 5% represents the management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where Renminbi strengthens 5% against U.S. dollars and HK dollars. For a 5% weakening of Renminbi against U.S. dollars and HK dollars there would be an equal and opposite impact on loss for the year.

**As of December 31,**  
**2024**                      2023  
**RMB'000**                **RMB'000**

**Impact on profit or loss**

US\$	<b>(6,441)</b>	(8,233)
HK\$	<b>(2,191)</b>	(2,316)

***Interest rate risk***

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, lease liabilities, pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk. Nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

***Liquidity risk***

As of December 31, 2024 and 2023, we recorded net current assets of RMB1,006.2 million and RMB1,320.4 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

**Key financial ratios**

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

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
Current ratio <sup>1</sup>	<b>4.0</b>	6.2
Quick ratio <sup>2</sup>	<b>3.7</b>	6.1
Gearing ratio <sup>3</sup>	<b>NM</b>	165.8%

1. Current ratio represents current assets divided by current liabilities as of the same date.
2. Quick ratio represents current assets less inventories divided by current liabilities as of the same date.
3. Gearing ratio represents liability divided by equity as of the same date. Liability is defined as short term loan, long term loan and lease liabilities (excluding trade and other payables, deferred income and contract liability). Equity includes all capital and reserves of the Group. Gearing ratio is not meaningful as our equity was negative as of December 31, 2024.

The current ratio as of December 31, 2024 decreased by 2.2 compared with that as of December 31, 2023, and the quick ratio as of December 31, 2024 decreased by 2.4 compared with that as of December 31, 2023, which were mainly due to the increase of short-term and long-term loan caused by our financing strategy.

### **Charge of the Group's assets**

As of December 31, 2024, RMB8.9 million of the Group's bank deposits were charged by the bank.

Deposits amounting to RMB1,565,000 (2023: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure completion of the factory construction. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion completed within agreed period. The remaining deposits amounting to RMB1,565,000 (2023: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure production of the factory. These deposits will be released within 10 working days upon the launch of production, if such launch completed within agreed period.

As of December 31, 2024, deposits amounting to RMB5,777,000 (December 31, 2023: RMB476,000) were restricted due to a dispute on the amount of unsettled payment with a contractor. The deposit was released on January 26, 2025 as the dispute has been settled.

### **Capital commitments**

The following table sets forth our capital commitments as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Capital expenditure in respect of construction activities contracted for but not provided in the consolidated financial statements	<b>2,117</b>	3,186

### **Future plans for material investments or capital assets**

As of December 31, 2024, we plan to continually invest in Shanghai Huasheng Inc, which was established at Shanghai Lingang Special Area for ensuring adequate dorzagliatin commercial supply and the source of funding is expected to come from internal resources and/or external borrowings, as considered appropriate by the management of the Company.

### **Contingent liabilities**

Save as disclosed in this announcement, the Group had no material contingent liabilities as at 31 December 2024.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended December 31,	
		2024 RMB'000 (audited)	2023 RMB'000 (audited)
Revenue	4	255,892	76,610
Cost of sales		<u>(131,168)</u>	<u>(39,236)</u>
Gross profit		<u>124,724</u>	<u>37,374</u>
Other income	5	116,753	130,602
Other gains and losses	6	2,017	4,137
Administrative expenses		(116,755)	(124,148)
Finance costs	7	(8,609)	(7,907)
Selling expenses		(153,182)	(79,755)
Research and development expenses		<u>(215,092)</u>	<u>(171,537)</u>
Loss before tax	8	(250,144)	(211,234)
Income tax expense	9	<u>-</u>	<u>-</u>
Loss for the year		<u>(250,144)</u>	<u>(211,234)</u>
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		<u>109</u>	<u>(293)</u>
Total comprehensive expense for the year		<u>(250,035)</u>	<u>(211,527)</u>
<b>LOSS PER SHARE</b>			
Basic and diluted	11	<u>(0.25)</u>	<u>(0.22)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31, 2024	As of December 31, 2023
	<i>NOTES</i>	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Non-current assets</b>			
Plant and equipment		38,195	45,348
Right-of-use assets	13	91,466	69,190
Intangible assets		26,066	28,572
Pledged bank deposits	16	–	3,130
Trade and other receivables	15	35,069	6,656
		<u>190,796</u>	<u>152,896</u>
<b>Current assets</b>			
Inventories	14	126,672	44,635
Trade and other receivables	15	61,164	66,200
Amounts due from related parties		–	342
Pledged bank deposits	16	8,907	476
Bank balances and cash	16	1,139,753	1,460,824
		<u>1,336,496</u>	<u>1,572,477</u>
<b>Current liabilities</b>			
Trade and other payables	17	116,694	112,182
Borrowings	18	98,275	17,192
Lease liabilities		17,262	24,279
Contract liabilities	19	95,654	95,654
Deferred income		2,386	2,727
		<u>330,271</u>	<u>252,034</u>
<b>Net Current Assets</b>		<u>1,006,225</u>	<u>1,320,443</u>
<b>Total Assets Less Current Liabilities</b>		<u>1,197,021</u>	<u>1,473,339</u>
<b>Non-current liabilities</b>			
Borrowings	18	138,736	106,844
Lease liabilities		45,906	19,439
Contract liabilities	19	1,147,845	1,243,499
Deferred income		–	2,406
		<u>1,332,487</u>	<u>1,372,188</u>
<b>Net (Liabilities) Assets</b>		<u>(135,466)</u>	<u>101,151</u>



	<b>As of December 31, 2024</b>	<b>As of December 31, 2023</b>
<i>NOTES</i>	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(audited)</b>	<b>(audited)</b>
<b>Capital and reserves</b>		
Share capital	7,214	7,214
Treasury shares held in trust	(492)	(513)
Reserves	<u>(142,188)</u>	<u>94,450</u>
<b>Total (Deficit) Equity</b>	<u><u>(135,466)</u></u>	<u><u>101,151</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

## 1. General information

The Company was established in the Cayman Islands as an exempted company with limited liability on November 10, 2009, and its shares are listed on The Stock Exchange of Hong Kong Limited on September 14, 2018 (the “Listing Date”). The address of the registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Building 2, Lane 36, Xuelin Road, Pudong New Area, Shanghai 201203, PRC.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as “Group”) are principally engaged in development and commercialization of a global first-in-class oral drug, dorzagliatin or HMS5552, for the treatment of Type 2 diabetes.

## 2. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The functional currency of the Company is Renminbi, which is the same as the presentation currency of the consolidated financial statements.

## 3. Segment information

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

All revenue from external customers are all derived from the PRC and all non-current assets of the Group are located in the PRC.

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	For the year ended December 31,	
	2024	2023
	RMB’000	RMB’000
	(audited)	(audited)
Customer A	91,383	35,036
Customer B	49,928	11,332
Customer C	39,984	N/A <sup>1</sup>
Customer D	N/A <sup>1</sup>	10,701

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

#### 4. Revenue

The following is an analysis of the Group's revenue:

##### (i) Disaggregation of revenue from contracts with customers

	For the year ended	
	December 31,	
	2024	2023
	RMB'000	RMB'000
	(audited)	(audited)
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	255,873	76,610
Service Income	19	—
	<u>255,892</u>	<u>76,610</u>

##### (ii) Performance obligations for contracts with customers and revenue recognition policies

For the sale of pharmaceutical products, revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customers have the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 60 days upon delivery. Customers can only return or request refund if the goods delivered do not meet required quality standards. Therefore, the probability of the significant reversal in revenue in relation to sales return in the future is remote.

#### 5. Other income

	For the year ended	
	December 31,	
	2024	2023
	RMB'000	RMB'000
	(audited)	(audited)
Bank interest income	13,438	16,512
Government grants and subsidies ( <i>Note a</i> )	7,661	48,974
Amortization of payments received for exclusive promotion rights granted ( <i>Note b</i> )	95,654	65,116
	<u>116,753</u>	<u>130,602</u>

*Note a:* The amount mainly represents 1) government grant related to income received as compensation for the Group's R&D expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants. These grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives acknowledge of compliance. Other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable; and 2) amortization of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's leasehold improvement, furniture, fixture and equipment.

*Note b:* The amount represents the amortization of advance payments received to grant the promotion rights to an independent third party on dorzagliatin over the agreed exclusive promotion period.

## 6. Other gains and losses

Other gains and losses mainly represent the foreign exchange gains and losses during the years ended December 31, 2024 and 2023.

## 7. Finance costs

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
	(audited)	(audited)
Interest on lease liabilities	1,623	2,736
Interest on borrowings	6,986	5,171
	<u>8,609</u>	<u>7,907</u>

## 8. Loss before tax

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

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
	(audited)	(audited)
Depreciation of plant and equipment	11,408	12,919
Depreciation of right-of-use assets	19,639	19,838
Amortization of intangible assets	3,536	3,481
Total depreciation and amortization	<u>34,583</u>	<u>36,238</u>
Staff costs (including directors' emoluments):		
– Salaries and other benefits	142,396	139,327
– Retirement benefit scheme contributions	8,635	9,231
– Other social security and housing provident fund	5,687	6,485
– Share-based payment	11,841	23,911
	<u>168,559</u>	<u>178,954</u>
Auditors' remuneration		
– Audit services	2,186	2,015
– Non-audit services	800	756
	<u>2,986</u>	<u>2,771</u>
Expenses relating to short-term leases	<u>1,864</u>	<u>1,071</u>

## 9. Income tax expense

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

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

Under the Law of the PRC of Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% during the reporting period, except for Hua Shanghai.

## **9. Income tax expense – continued**

Hua Shanghai has been certified as a “High and New Technology Enterprise” by the Science and Technology Committee of Shanghai and relevant authorities on December 14, 2022 for a term of three years from 2022 to 2024, and registered with the PRC tax authorities for enjoying a reduced 15% EIT rate. Accordingly, the profits derived by Hua Shanghai is subject to 15% EIT rate for the year 2024. The qualification as a High and New Technology Enterprise will be subject to review by the PRC tax authorities every three years. As of December 31, 2024, the new qualification is in the process of application.

The subsidiary incorporated in the United States are subject to Federal and State Income taxes. The effective combined income tax rate is 21% for the year ended December 31, 2024 (2023: 21%).

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

## **10. License agreement**

In December 2011, the Group entered into a research, development and commercialization agreement (“GKA Agreement”) with Hoffman-La Roche Inc., and F. Hoffman-La Roche AG (collectively referenced as “Roche”) under which Roche granted the Group an exclusive license of patent rights, know-how and regulatory filings with respect to a compound which is a glucokinase activator to research, develop and commercialize products (“Licensed Product”) in the field of diabetes in the licensed territory (“Licensed Territory”). Pursuant to the GKA Agreement, the Group made US\$2,000,000 non-refundable upfront payment to Roche in 2012.

In 2017, the Group made US\$1,000,000 milestone payment to Roche upon the commencement of clinical trial Phase III in the PRC (excluding Hong Kong and Macau) for the Licensed Product.

In 2021, the Group made US\$1,000,000 milestone payment to Roche upon New Drug Application (“NDA”) filing in the PRC (excluding Hong Kong and Macau) to the National Medical Products Administration.

In 2022, the Group made US\$3,000,000 milestone payments to Roche upon the achievement of development of the Licensed Product through new drug approval in the PRC (excluding Hong Kong and Macau).

The Group is further obligated to make US\$33,000,000 milestone payments upon the achievement of development of the Licensed Product through new drug approval in the Licensed Territory other than the PRC (excluding Hong Kong and Macau). Upon commercialization, the Group is contingently obligated to make US\$15,000,000 milestone payments for the first time when the territory-wide calendar year net sales exceed US\$500,000,000 and US\$4,000,000 milestone payments for the first time when the territory-wide calendar year net sales exceed US\$1,000,000,000. The Group is also obligated to make royalty payments at the applicable incremental royalty rate based on sales of the Licensed Product.

The payments are recognised as intangible assets. For the year ended December 31, 2024, the Group incurred amortisation cost of the license agreement of RMB2,792,000 (2023: RMB2,792,000).

## 11. Loss per share

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

Loss figures are calculated as follows:

	For the year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Loss for the year for the purpose of basic and diluted loss per share	<u>(250,144)</u>	<u>(211,234)</u>

Number of shares:

	For the year ended December 31,	
	2024	2023
	(audited)	(audited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>981,392,196</u>	<u>977,054,886</u>

The computation of diluted loss per share for the years ended December 31, 2024 and 2023 respectively did not assume the exercise of share options since their assumed exercise would result in a decrease in loss per share.

## 12. Dividends

No dividends were paid or declared by the Company during the years ended December 31, 2024 and 2023.

## 13. Right-of-use assets

The Group entered into several lease modifications agreements for the use of leased properties for one to four years, and the net book value of right-of-use assets as of December 31, 2024 and 2023 is RMB91,466,000 and RMB69,190,000.

## 14. Inventories

	For the year ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Raw materials and consumables	82,680	32,984
Work in progress	534	846
Finished goods	<u>43,458</u>	<u>10,805</u>
	<u>126,672</u>	<u>44,635</u>

## 15. Trade and other receivables

	As of December 31, 2024 <i>RMB'000</i> (audited)	As of December 31, 2023 <i>RMB'000</i> (audited)
Trade receivables	34,388	637
Prepayments for research and development services	4,056	25,866
Prepayment for raw materials and manufacture services		
– current	26	23,230
– non-current	28,000	–
Utility and rental deposits		
– current	515	656
– non-current	4,614	4,891
Value add tax (“VAT”) recoverable		
– current	17,594	9,527
– non-current	2,455	1,669
Interest receivables	287	335
Other receivables for considerations of options exercised	11	45
Others		
– current	4,287	5,904
– non-current	–	96
	<u>96,233</u>	<u>72,856</u>
Analysis as		
– current	61,164	66,200
– non-current	35,069	6,656
	<u>96,233</u>	<u>72,856</u>

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables, presented based on invoice date:

	As of December 31, 2024 <i>RMB'000</i> (audited)	As of December 31, 2023 <i>RMB'000</i> (audited)
0-60 days	<u>34,388</u>	<u>637</u>

The Group maintains adequate credit policy to access the credit quality of the customers and closely monitored to minimize any credit risk associated with the trade debtors. The Group’s customers have strong financial capacity.

## 16. Bank balances and cash/pledged bank deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short term bank deposits carry interests at market rates which ranged from 0.00% to 4.62% as of December 31, 2024 (2023: 0.00% to 4.66%) per annum.

## 16. Bank balances and cash/pledged bank deposits – continued

Deposits amounting to RMB1,565,000 (2023: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure completion of the factory construction. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion completed within agreed period. The remaining deposits amounting to RMB1,565,000 (2023: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure production of the factory. These deposits will be released within 10 working days upon the launch of production, if such launch completed within agreed period.

As of December 31, 2024, deposits amounting to RMB5,777,000 (December 31, 2023: RMB476,000) were restricted due to a dispute on the amount of unsettled payment with a contractor. The deposit was released on January 26, 2025 as the dispute has been settled.

## 17. Trade and other payables

	As of December 31, 2024 <i>RMB'000</i> (audited)	As of December 31, 2023 <i>RMB'000</i> (audited)
Trade payables	63,722	51,633
Other payables	4,220	11,268
Construction expenditure payables	7,352	5,896
Payroll and bonus payables	37,571	37,048
Interest Payable	330	124
Others	3,499	6,213
	<u>116,694</u>	<u>112,182</u>

The average credit period on purchases of goods/services ranges up to 60 days.

The aging analysis of the trade payables presented based on the goods/services relevant invoice or billing date at the end of each reporting period is as follows:

	As of December 31, 2024 <i>RMB'000</i> (audited)	As of December 31, 2023 <i>RMB'000</i> (audited)
Uninvoiced or within 30 days	63,722	13,939
31 to 60 days	–	37,694
	<u>63,722</u>	<u>51,633</u>

Analysis of trade and other payables denominated in currency other than the functional currencies of the relevant group entities is set out below:

	As of December 31, 2024 <i>RMB'000</i> (audited)	As of December 31, 2023 <i>RMB'000</i> (audited)
US\$	<u>414</u>	<u>308</u>



## 18. Borrowings

During the years ended December 31, 2024, the Group obtained new bank loans amounting to RMB133,150,000 (year ended December 31, 2023: RMB199,997,000). The variable-rate borrowings carry interest rates which are linked with Loan Prime Rate (LPR), ranged from 2.85% to 3.3%, and are repayable in instalments over a period of one to three years. The proceeds were used for daily operations.

## 19. Contract liabilities

	As of December 31, 2024 <i>RMB'000</i> (audited)	As of December 31, 2023 <i>RMB'000</i> (audited)
Advance from a customer for exclusive promotion rights	<u>1,243,499</u>	<u>1,339,153</u>
Analysis as		
– current	95,654	95,654
– non-current	<u>1,147,845</u>	<u>1,243,499</u>
	<u>1,243,499</u>	<u>1,339,153</u>

On August 17, 2020, the Group entered into an exclusive promotion service agreement with an independent third party under which the Group granted the exclusive promotion rights on dorzagliatin. Pursuant to the agreement, the Group is entitled to an upfront payment and additional milestone payments, while the counterparty receives the exclusive rights to commercialize the product in China and will receive tiered service fee based on the net sales. In August 2020, the Group received the non-refundable upfront payment, amounting to RMB300,000,000. The VAT-excluded amount was recognized in contract liabilities as RMB283,019,000 and amortized upon NDA approval within the agreed exclusive promotion period. In October 2022, the Group was further entitled to an aggregate milestone payment of RMB400,000,000 upon the receipt of dorzagliatin approval and commercialization. The VAT-excluded amount was recognized in contract liabilities as RMB377,358,000 and amortized upon NDA approval within the agreed exclusive promotion period. In August 2023, the Group achieved a milestone relating to the development of HuaTangNing (华堂宁®) and received the payment RMB800,000,000 in November 2023. The VAT-excluded amount was recognized in contract liabilities as RMB754,717,000 and amortized within the agreed exclusive promotion period.

On January 1, 2025, the Group exercised its termination right on the Exclusive Promotion Service Agreement with Bayer. Details of the Group's right to terminate the Exclusive Promotion Service Agreement with Bayer are set out in the Company's announcement dated December 31, 2024.

Upon the termination of the Exclusive Promotion Service Agreement, the unamortized contact liabilities amounting to RMB1,243,499,000 are released to profit or loss and recognized as a gain in 2025 by the Group.

## **Other information**

### **Purchase, sale or redemption of the Company's listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the year ended December 31, 2024. As at December 31, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

### **Employees and remuneration policy**

As at December 31, 2024, the Group employed a total of 168 employees, as compared to a total of 177 employees as at December 31, 2023. The majority of the employees are employed in mainland China. For the year ended December 31, 2024, staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB154.2 million as compared to RMB163.3 million for the year ended December 31, 2023.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve their working efficiency. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the year ended December 31, 2024.

The Company has also adopted a Pre-IPO Share Incentive Scheme and a Post-IPO Share Option Scheme. Please refer to the Company's annual and interim reports for further details.

### **Use of net proceeds from the Global Offering**

The Shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on September 14, 2018. The net proceeds from the Global Offering have been applied according to the intentions set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of December 31, 2024:

	% of use of proceeds	Net proceeds from the Global Offering <i>RMB million</i>	Unutilized net proceeds as of January 1, 2024 <i>RMB million</i>	Utilization during the year ended December 31, 2024 <i>RMB million</i>	Actual usage up to December 31, 2024 <i>RMB million</i>	Unutilized net proceeds as of December 31, 2024 <i>RMB million</i>	Expected time frame for unutilized amount
(a) Dorzagliatin research and development	39%	291.4	-	-	291.4	-	N/A
(b) Dorzagliatin lifecycle management and additional indications	9%	67.2	-	-	67.2	-	N/A
(c) Dorzagliatin launch and commercialization	27%	201.8	-	-	201.8	-	N/A
(d) New product and diabetes care technology development	11%	82.2	36.4	36.4	82.2	-	N/A
(e) Product licensing and partnership	4%	29.9	-	-	29.9	-	N/A
(f) General working capital	10%	74.7	-	-	74.7	-	N/A
<b>Total</b>	<b>100%</b>	<b>747.2</b>	<b>36.4</b>	<b>36.4</b>	<b>747.2</b>	<b>-</b>	<b>N/A</b>

### Final dividend

The Board has resolved not to declare any final dividend for the year ended December 31, 2024 (December 31, 2023: NIL).

### Securities transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as the guidelines for regulating the directors’ dealings in the securities of the Company. Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code throughout the year ended December 31, 2024.

### Corporate governance

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code throughout the year ended December 31, 2024. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

## **Changes to information in respect of the Directors**

Mr. Yiu Leung Andy Cheung had been appointed as an independent non-executive director and chairman of the audit committee of CanSino Biologics Inc., a company listed on the Stock Exchange (stock code: 6185) and on the Shanghai Stock Exchange STAR Market (stock code: 688185) since February 2024. He also had been appointed as an independent non-executive director of Genscript Biotech Corporation, a company listed on the Stock Exchange (Stock code: 1548), with effect from April 12, 2024. In addition, Mr Cheung had resigned as independent non-executive director of JW (Cayman) Therapeutics Co. Ltd, a company listed on the Stock Exchange (stock code: 2126), with effect from August 28, 2024.

Dr. Fangxin Li had been serving as a non-executive director of CANbridge Pharmaceuticals, a company listed on the Stock Exchange (stock code: 1228.HK), since September 30, 2024.

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

## **Review of annual results**

The consolidated financial results of the Group for the year ended December 31, 2024 has been audited by the Company's auditor, Deloitte Touche Tohmatsu, and reviewed by the audit committee of the Company, which consists of Mr. Yiu Leung Andy Cheung, Mr. William Robert Keller and Mr. Yiu Wa Alec Tsui.

## **Scope of Work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **Annual general meeting and closure of register of shareholders**

The annual general meeting (“AGM”) of the Company is scheduled to be held on June 26, 2025. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from June 23, 2025 to June 26, 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong share registrar, Tricor Investor Services Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on June 20, 2025.

## **Publication of the annual results and 2024 annual report on the websites of the Stock Exchange and the Company**

This annual results announcement is published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.huamedicine.com](http://www.huamedicine.com)). The Company’s annual report for the year ended December 31, 2024 containing all the information required under the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company (if requested) in due course.

By order of the Board  
**Dr. Li Chen**  
*Chief Executive Officer*  
*and*  
*Executive Director*

Hong Kong, March 27, 2025

*As of the date of this announcement, the Board comprises Dr. Li Chen, Mr. George Chien Cheng Lin and Dr. Yi Zhang as executive Directors; Mr. Robert Taylor Nelsen and Dr. Fangxin Li as non-executive Directors; and Mr. William Robert Keller, Mr. Yiu Wa Alec Tsui and Mr. Yiu Leung Andy Cheung as independent non-executive Directors.*