Hua Medicine
華領醫藥

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2552

2024
Annual Report

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CORPORATE INFORMATION

Executive directors

Li CHEN (陳力) *(Chief Executive Officer)*
George Chien Cheng LIN (林潔誠)
(Executive Vice President and Chief Strategy Officer)
Yi ZHANG (張怡)

Non-executive directors

Robert Taylor NELSEN *(Chairman)*
Fangxin LI

Independent non-executive directors

William Robert KELLER
Yiu Wa Alec TSUI (徐耀華)
Yiu Leung Andy CHEUNG (張耀樑)

Audit committee

Yiu Leung Andy CHEUNG (張耀樑) *(Chairman)*
William Robert KELLER
Yiu Wa Alec TSUI (徐耀華)

Remuneration committee

William Robert KELLER *(Chairman)*
Fangxin LI
Yiu Wa Alec TSUI (徐耀華)

Nomination committee

Robert Taylor NELSEN *(Chairman)*
William Robert KELLER
Yiu Wa Alec TSUI (徐耀華)

Strategy committee

Li CHEN (陳力) *(Chairman)*
Robert Taylor NELSEN
George Chien Cheng LIN (林潔誠)

Company secretary

Wing Yan Winnie YUEN (袁穎欣)

Authorized representatives

George Chien Cheng LIN (林潔誠)
Wing Yan Winnie YUEN (袁穎欣)

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Registered Office

PO Box 309, Ugland House, Grand Cayman,
KY1-1104, Cayman Islands

Corporate headquarters

Hua Medicine, Building 2, Lane 36, Xuelin Road,
Pudong New Area, Shanghai 201203, PRC

Principal place of business in Hong Kong

Unit 506, Hang Seng Wanchai Building, 200 Hennessy Road,
Wan Chai, Hong Kong

Cayman Islands share registrar

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

Hong Kong share registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

Principal bankers

In Hong Kong:

The Hong Kong and Shanghai Banking Corporation Limited
HSBC Main Building, 1 Queen's Road Central, Hong Kong

In the PRC:

China Construction Bank Corporation Shanghai Zhangjiang Branch
No. 232 Keyuan Road, Shanghai, China

China Merchants Bank Corporation Shanghai Rongke Road Sub-Branch
No.277, Rongke Road, Pudong New Area, Shanghai

Company's website

www.huamedicine.com

Stock code

2552

BUSINESS AND FINANCIAL HIGHLIGHTS

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 as 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. 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 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 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, 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 β-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.

CHAIRMAN AND CEO STATEMENT

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 as 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. 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 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 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.

Through our SENSITIZE 3 clinical study in Hong Kong, 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 β-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 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.

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.

Robert Nelsen
Chairman

Li Chen
CEO and Founder

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.

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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 β-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 all of our drug 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			
	MODY-2			
Dorzagliatin	Diabetes Prevention			
Dorzagliatin	Neurodegeneration			
Dorzagliatin and Metformin FDC	T2D			
2nd 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-LID			
	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 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 report, there are no important events that have occurred since the end of the Reporting Period and up to the date of this report.

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 β-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	215,092	100.0%	171,537	100.0%

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:

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

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:

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

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$	(6,441)	(8,233)
HK$	(2,191)	(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:

	As of December 31,	
	2024	**2023**
Current ratio[1]	4.0	6.2
Quick ratio[2]	3.7	6.1
Gearing ratio[3]	NM	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:

	As of December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Capital expenditure in respect of construction activities contracted for but not provided in the consolidated financial statements	2,117	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 report, the Group had no material contingent liabilities as at December 31, 2024.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Li CHEN (陳力), aged 62, is our founder, Chief Executive Officer, and the Chairman of the Company's Strategy Committee. He was appointed as a Director on June 4, 2010 and re-designated as an executive Director on May 11, 2018. He has been our Chief Executive Officer since June 4, 2010. Since August 2010, March 2011, April 2020, February 2021 and December 2022, respectively, he has served as a director of Hua HK, Hua Shanghai, Hua USA, Hua Lingang and Nanjing AscendRare.

Dr. Chen has over 30 years of experience in the biopharmaceutical industry. He is a pioneer in collaborative innovation in China and has been actively involved in the development of dorzagliatin including the years he spent at Roche (from whom we acquired our rights to dorzagliatin in 2011). Dr. Chen joined Roche in 1992 in the United States, focusing on R&D. Dr. Chen held many leadership positions rising to become a member of Roche's Research Leadership Team. In his last position at Roche before joining the Group, he served as the founding director and chief scientific officer of Roche China R&D Center in Shanghai, China. In that role, Dr. Chen was responsible for development and implementation of Roche China drug discovery strategy, creation of China discovery portfolio, and management of China operations with several drugs from the Roche R&D portfolio during his tenure (including dorzagliatin).

Dr. Chen obtained his Bachelor of Science in Chemistry from Zhengzhou University in July 1982, a Master of Science in Chemistry from East China Normal University in November 1985 in Shanghai and a Ph.D. in Organic Chemistry in August 1992 from Iowa State University in the United States. He is an inventor of 38 granted patents and has authored 58 scientific publications. From September 2007 to September 2010, Dr. Chen served as an adjunct professor at Tongji University in Shanghai. In 2001, Dr. Chen served as the President of the Sino-American Pharmaceutical Professionals Association ("SAPA").

From 2014 to October 2020, Dr. Chen has served as an independent director of Coland Pharmaceutical Co., Ltd (康聯藥業有限公司), a company primarily engaged in sales, marketing and distribution of pharmaceutical products and medical devices, which listed on Taiwan Stock Exchange (stock code: 4144) and withdrew from listing due to privatization effective on 30 October 2020.

George Chien Cheng LIN (林潔誠), aged 54, was appointed as our Director on May 11, 2018 and re-designated as an executive Director on the same date. He has served as the Company's Executive Vice President since December 22, 2017, the Company's Chief Strategy Officer since March 30, 2023 and currently is a member of the Strategy Committee. From December 22, 2017 through March 30, 2023, Mr. Lin also served as the Company's Chief Financial Officer. Mr. Lin has been serving as a member of the Biotech Advisory Panel of the Stock Exchange since April 24, 2018. Mr. Lin has over 19 years of experience in investment banking, working with numerous private and public companies globally. Prior to joining the Group, he worked for Bank of America Merrill Lynch in Hong Kong as an investment banker, and held a number of senior positions including Asia Pacific head of consumer, retail and healthcare investment banking, and head of Hong Kong and Taiwan investment banking coverage from June 2013 to December 2017. From July 2000 to May 2013, he worked for Credit Suisse as an investment banker in the Los Angeles, San Francisco and Hong Kong offices. At Credit Suisse, he focused on financings and merger and acquisitions for a variety of global clients, including, but not limited to, U.S. biotechnology companies and Chinese healthcare companies. His last position at Credit Suisse was Asia Pacific (ex-Japan) head of consumer, retail and healthcare investment banking based in Hong Kong. Prior to investment banking, Mr. Lin practiced corporate law in Los Angeles including working for O'Melveny & Myers for over 4 years from September 1995 to July 1999. Mr. Lin served as an independent non-executive director at Shanghai Bio-heart Biological Technology Co., Ltd., a company first listed on the main board of the Stock Exchange (stock code: 2185) on December 23, 2021, from November 2020 until June 2023.

Mr. Lin obtained his bachelor's degree in biological sciences from the University of California at Davis in June 1992 and a juris doctor degree from The University of Chicago Law School in June 1995. Mr. Lin was admitted to the California State Bar in December 1995.

Dr. Yi ZHANG (張怡), aged 50, has been appointed as an executive Director with such appointment to take effect from January 1, 2024. Dr. Zhang has been serving as the Senior Vice President of the Clinical Research and Development ("R&D") division of the Company since April 2018. In August 2020, Dr. Zhang was promoted to the Senior Vice President of Pharma Development of the Company and the Company's Chief Medical Officer – China. In November 2021, Dr. Zhang served as the Senior Vice President of Pharma Development of the Company and the Company's Chief Medical Officer. Prior to joining the Group in February 2013 as the Head of the Clinical R&D division of the Company, Dr. Zhang was the associate medical director of clinical science at Roche Product Development group ("Roche"), Asia Pacific region since early 2010. She served as a clinical scientist for innovative drug development in the areas of cardiovascular, metabolic and renal diseases. Prior to Roche, Dr. Zhang was as an Associate Professor and Physician worked at Shanghai Ruijin Hospital, affiliated to Shanghai Jiaotong University School of Medicine and as Physician worked at Shanghai Renji Hospital, affiliated to Shanghai Jiaotong University School of Medicine, from December 1999 to October 2010. Dr. Zhang received her bachelor and master's degrees in Clinical Medicine from Shanghai Jiaotong University School of Medicine in China in June 1997 and June 1999 respectively, and her PhD degree in Cardiology from Shanghai Jiaotong University School of Medicine in China in June 2004. As a Visiting Researcher, she studied at National Institutes of Health NIH/NHLBI Framingham Heart Study in the USA in 2009. Dr. Zhang was nominated as a "Shanghai Excelling Academic/Technical Leader" (上海市優秀學術／技術帶頭人) in 2015 and has authored 60 publications in journals such as Nature Genetics, Lancet Diabetes Endocrinol, Circulation: Cardiovascular Genetics, and has invented 3 China patents.

Non-executive Directors

Robert Taylor NELSEN, aged 61, was appointed as our Director on April 23, 2010 and re-designed as a non-executive director on May 11, 2018. He is the Chairman of our Board, the Chairman of the Nomination Committee and a member of the Strategy Committee, and has also been a director of our subsidiary, Hua HK, since August 2010.

Since 1994, Mr. Nelsen has served as a co-founder and managing director of ARCH Venture Partners, a venture capital firm focused on early-stage technology companies, and has played a significant role in the early sourcing, financing and development of more than 30 biopharmaceutical companies. Mr. Nelsen served as a non-executive director of Brii Biosciences Limited 騰盛博藥生物科技有限公司(stock code: 2137) from June 2018 to July 2024, a company listed on the main board of the Stock Exchange. He has also been serving as a director of PRIME Medicine (stock code: PRME) since September 2019 which went public in October 2022, Sana Biotechnology (stock code: SANA) since September 2018, independent director of Lyell Immunopharm (stock code: LYEL) since August 2018, and director of Vir Biotechnology Inc. (stock code: VIR) since January 2017, and previously served as a director of Renovation Healthcare Acquisition Corp. (stock code: REVH) from March 2021 to April 2022, Sienna Biopharmaceuticals, Inc. (stock code: SNNA) from August 2015 to October 2018, Syros Pharmaceuticals, Inc. (stock code: SYRS) from August 2012 to June 2018, Juno Therapeutics, Inc. (stock code: JUNO) from August 2013 to March 2018, KYTHERA Biopharmaceuticals, Inc. (stock code: KYTH) from January 2006 to December 2014, Agios Pharmaceuticals Inc. (stock code: AGIO) from December 2007 to June 2017, Sage Therapeutics, Inc. (stock code: SAGE) from September 2013 to March 2016, Bellerophon Therapeutics, Inc. (stock code: BLPH) from February 2014 to November 2015, Adolor Corporation (stock code: ADLR) from November 1994 to May 2004, Illumina, Inc. (stock code: ILMN) from June 1998 to August 2006, Fate Therapeutics, Inc. (stock code: FATE) from September 2007 to June 2014, and NeurogesX, Inc. (stock code: NGSX) from July 2000 to July 2013, and Unity Biotechnology, Inc. (stock code: UBX) from November 2011 to December 2020, Karuna Therapeutics Inc. (stock code: KRTX) from August 2018 to June 2021, Beam Therapeutics Inc. (stock code: BEAM) from June 2017 to June 2021 and Denali Therapeutics, Inc. (stock code: DNLI) from May 2015 to June 2022, all of which are companies listed on NASDAQ stock market in the United States. Subsequent to June 29, 2012, NGSX shares were quoted on the Over the Counter Bulletin Board (OTC) in the United States. Mr. Nelsen also previously served as a trustee of Fred Hutchinson Cancer Research Center.

Mr. Nelsen received a Bachelor of Science degree with majors in economics and biology from the University of Puget Sound in the United States in 1985 and an M.B.A. from the University of Chicago in the United States in 1987.

Dr. Fangxin LI, aged 32, has been appointed as a non-executive Director on October 12, 2023. He is primarily responsible for providing overall guidance on the business and strategic development of the Group. He also serves as a member of the Remuneration Committee with effect from October 12, 2023.

Dr. Li has been serving as the senior investment manager of WuXi AppTec Singapore Pte. Ltd., a subsidiary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company listed on the Stock Exchange (stock code: 2359), and is primarily responsible for direct investment and portfolio management in healthcare industry, since April 2021. He was a consultant of Bain & Company, a management consulting firm, and was primarily responsible for providing strategy and conducting commercial due diligence for healthcare players, from April 2019 to December 2020. He was a cofounder and the chief executive officer of HAIKUI Regenerative Medicine, and was primarily responsible for research and development in cartilage and dermal implantation technologies, from August 2016 to January 2019. He has also been serving as a non-executive director of CANbridge Pharmaceuticals, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1228.HK), since September 2024.

Dr. Li received his bachelor's degree in Engineering from Imperial College London in the United Kingdom in June 2014. He obtained a PhD degree in Tissue Engineering from University of Oxford in the United Kingdom in September 2018.

Independent Non-executive Directors

William Robert KELLER, aged 76, was appointed as independent non-executive Director on August 26, 2018, effective from September 14, 2018. He is also the Chairman of the Remuneration Committee as well as a member of the Audit Committee and Nomination Committee. Mr. Keller is primarily responsible for supervising and providing independent judgment to our Board.

Since May 2017, Mr. Keller has served as an independent non-executive director on the board of WuXi Biologics, a company primarily engaged in biologics services provision and listed on the main board of the Stock Exchange (stock code: 2269). Since August 2020, he serves as non executive director on the Board of Cathay Biotech Inc, an industrial biotechnology company and listed on the Shanghai Stock Exchange's STAR market (stock code: SS688065.SS). Mr. Keller was a director of Artisan Acquisition Corp. (stock code: ARTA) from March 2021 to May 2022, a company which is listed on NASDAQ stock market in the United States. From December 2010 to October 2020, he holds directorship at Coland Pharmaceutical Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 4144) and withdrawal from listing due to privatization effective on 30 October 2020. From September 2014 to December 2015, Mr. Keller served as an independent director of WuXi PharmaTech, a biopharmaceutical company formerly listed on the New York Stock Exchange during the same period. Between 1974 to 2003, Mr. Keller served in various positions at the Roche Group, including as the general manager of Roche China Ltd. and Shanghai Roche Pharmaceutical Ltd. He has been a vice chairman of the Shanghai Association of Enterprises with Foreign Investment, a senior consultant to the Shanghai Foreign Investment Development Board, and the deputy general manager of Zhangjiang Biotech and Pharmaceutical Base Development Co., Ltd. Mr. Keller previously held directorships in biopharmaceutical companies including Alexion Pharmaceuticals, Inc., a company listed on NASDAQ (stock code: ALXN) from December 2009 to May 2015, China Nuokang Pharmaceutical Inc., a company listed on NASDAQ (stock code: NKBP) from August 2008 to December 2011. He has also served as a chairman of HBM Biomed China Partners and Coland Pharmaceutical Co. Ltd.

Mr. Keller obtained a Bachelor of Science degrees from the School of Economics and Business Administration in Switzerland in July 1972.

Yiu Wa Alec TSUI (徐耀華), aged 75, was appointed as an independent non-executive Director on August 26, 2018, effective from September 14, 2018. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management. He served at various positions, including the chief executive of the Stock Exchange from February 1997 to August 2000, the chief operating officer of Hong Kong Exchanges and Clearing Limited from March 2000 to August 2000 and the chairman of Hong Kong Securities Institute from December 2001 to December 2004. Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited, a private professional consulting services and financial solutions company from February 2006 to June 2016, and presently serves as a director to WAG Worldsec Management Consultancy Limited.

Mr. Tsui is an independent non-executive director of a number of companies listed in Hong Kong, namely, COSCO Shipping International (Hong Kong) Co., Ltd., (stock code: 517) since February 2004, Pacific Online Limited (stock code: 543) since November 2007, and Brii Biosciences Limited (stock code: 2137) since July 2021. He also serves as independent director of two NASDAQ listed companies, ATA Creativity Global (previous known as ATA Inc.) (stock code: AACG) since January 2008 and Melco Resorts & Entertainment Limited (stock code: MLCO) since December 2006. From December 2012 to November 2020, Mr. Tsui also served as independent director of Melco Resorts and Entertainment (Philippines) Corporation (stock code: MRP), a company listed on the Philippine Stock Exchange and withdrawal from listing effective on June 11, 2019. Mr. Tsui is also an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited, a company previously listed in Hong Kong, since August 2000. He also served as independent non-executive directors in various other Hong Kong listed companies, including China Power International Development Limited (stock code: 2380) from March 2004 to December 2016, China Oilfield Services Limited (stock code: 2883) from June 2009 to June 2015, Summit Ascent Holdings Limited (stock code: 102) from March 2011 to September 2018, Kangda International Environmental Company Limited (stock code: 6136) from July 2014 to April 2019, and DTXS Silk Road Investment Holdings Company Limited (stock code: 620) from December 2015 to May 2020.

Mr. Tsui graduated from the University of Tennessee in the United States, with a bachelor's degree in science in industrial engineering in June 1975 and a master's degree in engineering in June 1976. He completed the programme for senior managers in government at the John F. Kennedy School of Government at Harvard University in the United States in August 1993.

Mr. Yiu Leung Andy CHEUNG (張耀樑), aged 65, was appointed as an independent non-executive Director on January 1, 2023. He is primarily responsible for supervising and providing independent view to the Board. Mr. Cheung also serve as the chairman of the Audit Committee.

Mr. Cheung has over 30 years of professional accounting and auditing experience. He has been serving as (i) an independent director and the chairman of the audit committee of Adagene Inc., a company listed on NASDAQ Stock Exchange in the United States (stock code: ADAG), since February 2021; (ii) 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; (iii) an independent non-executive Director and member of the nomination committee of Genscript Biotech Corporation, a company listed on the Stock Exchange (stock code: 1548) since April 2024. He was an independent non-executive director and the chairman of the audit committee of JW (Cayman) Therapeutics Co. Ltd, a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2126), from October 2020 to August 2024.

From July 2018 to June 2020, Mr. Cheung was the deputy area managing partner of Ernst & Young ("EY") in Asia Pacific, overseeing its business operations, finance, information technology and risk management functions. He was a member of EY Asia Pacific's Area Operating Executives, EY's Global Accounts Committee and EY's Global Markets and Investment Committee during that period. From July 2013 to June 2018, Mr. Cheung was the assurance managing partner for EY in Greater China, managing its audit, financial accounting advisory, forensic and climate change and sustainability services in the Mainland China, Hong Kong and Taiwan. He was a member of EY Greater China's Leadership Team during that period. From July 2011 to June 2013, Mr. Cheung was the chief operating officer of EY Hua Ming LLP. From July 2010 to June 2011, Mr. Cheung was an assurance partner of EY China. From July 2009 to June 2010, Mr. Cheung worked as the area chief financial officer of EY Asia Pacific and led the effort to set up EY's China Overseas Investment Network in 2007. Prior to joining EY as assurance partner in 2006, Mr. Cheung was an assurance partner with PricewaterhouseCoopers China and Arthur Andersen China.

Mr. Cheung received his bachelor's degree in accounting and finance from the University of Lancaster in the United Kingdom in June 1982. He obtained a master's degree in accounting and finance from London School of Economics in the United Kingdom in August 1983. He has been a member of Hong Kong Institute of Certified Public Accountants since October 1986 and served as a member of its disciplinary panel from January 2015 to December 2020.

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), since September 30, 2024.

Save as disclosed above, up to the date of this annual report, there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SENIOR MANAGEMENT

Li CHEN (陳力), see "－Directors" for details.

George Chien Cheng LIN (林潔誠), see "－Directors" for details.

Yi ZHANG (張怡), see "－Directors" for details.

Fuxing TANG (湯福興), aged 58, has been serving as Chief Technology Officer, Vice President in our Chemical Manufacturing Control division and Head of R&D in USA since February 2020. Dr. Tang started his career in Forest labs, Inc. During his tenure in Forest labs, Inc./Allergan, Dr. Tang was instrumental in building biopharmaceutical functions and in charging of multi-functions of ADME, preformulation, drug product formulation and post approval drug products manufacturing process trouble-shooting. In addition, Dr. Tang contributed to the development of novel CaCo2 technology for drug discovery and the concept of MDO – multiple dimensional optimization in drug discovery. Prior to joining us, Dr. Tang worked as reviewer in ORS, FDA and worked in TEVA/Allergan as global Director of Biopharmaceutical Sciences, has led and contributed to multiple products approval/launch and NDA/ANDA filings in USA and China including blockbuster drugs Namenda, Bystolic, Linzess and Vraylar. Dr. Tang obtained his Ph.D. in Pharmaceutical Sciences from the University of Florida in May 2000 and conducted postdoctoral research in peptide delivery in Professor Ronald Borchardt ("Father of Caco-2") group from May 2000 to March 2002.

Ying XIE (謝穎), aged 45, has been serving as Vice President for the Quality Assurance division and Chief Quality Officer since May 2023. Mr.Xie served as Vice President, Quality at Eddingpharm from September 2022 to April 2023. Mr. Xie also served as Auditing lead, Quality head, Production head and Commercial Quality head at AstraZeneca in 2010 to 2022. Prior to that, he served as Great China QA Manager at Hospira in 2008 to 2010 and worked as Supplier Quality Manager at AstraZeneca in 2002 to 2008. Mr. Xie obtained his bachelor's degree in Pharmacy from Chengdu University of Traditional Chinese Medicine in 2001, his master's degree of Pharmaceutical Science from Loughborough University, UK in 2002 and business administration from Shanghai JiaoTong University in 2009. Mr. Xie was certified as an IRCA Certified Pharmaceutical Quality System Auditor.

Qing DONG (董清), aged 58, has been serving as Senior Commercial Director for the Commercial Strategy and Marketing division since July 2020. In June 2022, Mr. Dong was promoted to Vice President of Pharmaceutical Commercialization division. Prior to joining our Group, Mr. Dong served as National Commercial Sr. Director at Gilead Sciences from August 2017 to July 2020. He worked as National Commercial Director both with Consumer Health BU, Bayer Healthcare Company Ltd. from July 2016 to August 2017 and Sino-American Shanghai Squibb Pharmaceuticals Ltd. from November 2011 to February 2015. He also served as National Market Access Manager at Sandoz (China) Pharmaceutical Company and National Pricing Manager at Eli Lilly Asia Inc. Mr. Dong obtained his bachelor's degree of Pharmacy from Fudan University in 1990.

Changhong LI (李長紅), aged 56, has been serving as Chief Scientific Officer of the Group, and Chief Executive Officer of Nanjing AscendRare Pharmaceutical Technology Co., Ltd. – a wholly owned subsidiary of Hua Medicine since December 1st, 2022. In Oct. 2018, Dr. Li founded Nanjing AscendRare Pharmaceutical Technology Co., Ltd. and held the position of General Manager until Nov. 2022. From 2000 to 2018, Dr. Li trained and then worked at the Children's Hospital of Philadelphia and the Perelman School of Medicine, University of Pennsylvania in the United States, including 3 years of postdoctoral training. During this period, Dr. Li served as Research Assistant Professor at the University of Pennsylvania and the Children's Hospital of Philadelphia. He was trained by and has collaborated closely with the renowned pediatric endocrinologist Dr. Charles Stanley and the preeminent biochemist Dr. Franz Matschinsky, who is known as "the father of glucokinase". Dr. Li received his bachelor degree of medicine from Chengde Medical College in 1989 and his M.D. and Ph.D. from Peking University School of Medicine in 1996. Dr. Li has published more than 60 SCI articles in internationally renowned academic journals such as JBC, Diabetes, JCI and Cell Metabolism. He has also published more than 10 Chinese articles in several core Chinese medical journals such as Chinese Medical Journal and Chinese Journal of Internal Medicine.

REPORT OF DIRECTORS

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2024.

Principal activities

The Company, together with its subsidiaries, is principally engaged in the development and commercialization of a global first-in-class oral drug, dorzagliatin or HMS5552, for the treatment of diabetes. Dorzagliatin is a first-in-class glucokinase activator, or GKA, designed to control the progressive degenerative nature of diabetes by restoring glucose homeostasis in Type 2 diabetes. The Group received notice of approval in China for dorzagliatin by the NMPA of China on October 8, 2022, and the Group commenced sales of dorzagliatin under the tradename HuaTangNing (华堂宁®) on October 28, 2022. The Company in-licensed the global rights to dorzagliatin from Roche.

Business review

A review of the Company's business, and a discussion of future clinical progress and business development are presented in the sections titled "Chairman and CEO Statement" on pages 6 to 7 of this annual report, "Management Discussion and Analysis" on pages 8 to 18. The financial risk management objectives and policies of the Company are set out in note 33 of the consolidated financial statements in this annual report. Significant events that have an effect on us subsequent to the financial year ended December 31, 2024 are set out in the "Important events after the Reporting Period" section of the "Management Discussion and Analysis" on pages 10 to 11.

The Company is committed to aligning its business operations with the needs of different stakeholders in order to achieve responsible operations and sustainable development. More information regarding the Company's environmental policies and performance, compliance with the relevant laws and regulations that have a significant impact and key relationships with its employees, customers and suppliers and others that have a significant impact is set out in the "Environmental, Social and Governance Report".

Financial key performance indicators

The financial key performance indicators of the Group for the year are set out in the section "Business and Financial Highlights" of this annual report.

Dividend policy and final dividend

Subject to the laws of the Cayman Islands and the Articles of Association, the Company may in general meeting declare dividends in any currency but no dividends shall exceed the amount recommended by the Board, and no dividend will be declared or payable except out of the profits and reserves of the Company lawfully available for distribution including share premium. We do not currently have an expected dividend payout ratio. The determination to pay dividends will be made at the discretion of the Board and will be based upon our cash flow, financial condition, capital requirements and any other conditions that our Directors deem relevant.

The Board did not recommend the payment of final dividend for the year ended December 31, 2024 (December 31, 2023: nil).

Major customers and suppliers

The Group received notice of NDA approval for dorzagliatin by the NMPA on October 8, 2022, and we commenced sales on October 28, 2022. HuaTangNing (华堂宁®) has been successfully included in NRDL for Type-2 diabetes by the NHSA on December 13, 2023. The agreed reimbursed price is RMB5.39 per tablet, which approved for twice daily administration implies RMB10.78 per day. The new version of the NRDL took effect from January 1, 2024. For the year ended December 31, 2024, the Group's five largest customers accounted for 77.8% of the Group's total sales. The Group's single largest customer, Sinopharm Group Co., Ltd., accounted for 35.7% of total sales for the year ended December 31, 2024.

For the year ended December 31, 2024, the Group's five largest suppliers accounted for 51.5% of the Group's total purchases, as compared to 67.6% for the year ended December 31, 2023. The Group's single largest supplier accounted for 33.9% of the Group's total purchases for the year ended December 31, 2024, as compared to 41.8% for the year ended December 31, 2023. WuXi App Tec Group, which includes Changzhou SynTheAll Pharmaceutical Co.,Ltd., Shanghai STA Pharmaceuticals Product Co., Ltd., Shanghai STA Pharmaceutical R&D Co., Ltd., WuXi Medkey Med-Tech Development (Shanghai) Co., Ltd., WuXi Clinical Development Services (Shanghai) Co., Ltd., WuXi AppTec (Nantong) Co., Ltd., and WuXi AppTec (Shanghai) Co., Ltd., a related group controlled by the substantial shareholder of the Company, was the Group's largest supplier for the year.

Save as disclosed above, during the year ended December 31, 2024, at no time did the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of total issued Shares of the Company) have interest in the Group's five largest suppliers or customers.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

Equipment

Details of the movements in equipment of the Group during the year ended December 31, 2024 are set out in note 17 to the consolidated financial statements.

Share capital

The changes in the share capital of the Company during the year ended December 31, 2024 are set out in note 28 to the consolidated financial statements.

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:

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

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

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).

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association, or the law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Reserves

Details of the movement in the reserves of the Group and the Company during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity and note 37, respectively. The distributable reserve as at December 31, 2024 is RMB1,747,542,000.

Borrowings

Details of the borrowings of the Group are set out in the section headed "Management Discussion and Analysis" in this annual report.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's Shares.

Use of net proceeds from the Global Offering

The Shares were listed on 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 RMB million	Unutilized net proceeds as of January 1, 2024 RMB million	Utilization during the year ended December 31, 2024 RMB million	Actual usage up to December 31, 2024 RMB million	Unutilized net proceeds as of December 31, 2024 RMB million	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
Total	100%	747.2	36.4	36.4	747.2	–	N/A

Directors

The Directors during the year ended December 31, 2024 and up to the date of this annual report were:

Executive directors

Li CHEN (陳力) (Chief Executive Officer)
George Chien Cheng LIN (林潔誠) (Executive Vice President and Chief Strategy Officer)
Yi ZHANG (張怡) (appointed on January 1, 2024)

Non-executive directors

Robert Taylor NELSEN (Chairman)
Fangxin LI

Independent non-executive directors

William Robert KELLER
Yiu Wa Alec TSUI (徐耀華)
Yiu Leung Andy CHEUNG (張耀樑)

Biographies of the Directors and Senior Management

The biographies of the Directors and senior management of the Company are provided in the section titled "Directors and Senior Management" on pages 19 to 26 of this annual report.

Directors' Service Contracts

Each of Dr. Li CHEN, Mr. George Chien Cheng LIN and Dr ZHANG Yi, being our executive Directors, has entered into a letter of appointment and service contract with us for a term of three years, which may be terminated by not less than 30 days' notice in writing served by either the executive Director or our Company.

Each of Mr. Robert Taylor NELSEN and Mr. Fangxin LI, being our non-executive Directors, has entered into a letter of appointment with us for a term of three years, which may be terminated by not less than one month's notice in writing served by either the non-executive Director or our Company.

Each of Mr. William Robert KELLER, Mr. Yiu Wa Alec TSUI, and Mr. Yiu Leung Andy CHEUNG being our independent non-executive Directors, has entered into a letter of appointment with us for a term of three years, which may be terminated by not less than one month's notice in writing served by either the independent non-executive Director or our Company.

No Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Company or existed during the year ended December 31, 2024.

Emolument policy

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's performance, qualification, position and seniority, as well as comparable market practices. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Incentive Scheme and the Post-IPO Share Option Scheme.

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 13 and note 14 to the consolidated financial statements in this annual report.

None of the Directors waived or agreed to waive any remuneration and there was no emoluments paid by the Group to any of the Directors as an inducement to upon, or upon joining the Group, or as compensation for loss of office.

Directors' interests in transactions, arrangements, or contracts of significance

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance to which the Company, or any of its holding companies or subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, that subsisted during or at the end of the Reporting Period.

Directors' interests in competing business

As of the date of this annual report, none of the Directors nor their respective associates (as defined in the Listing Rules) had interests in businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

Dr. Li CHEN has provided a confirmation in respect of the compliance with the deed of non-competition ("Deed of Non-competition") dated August 29, 2018, details of which are set out in the Prospectus. The independent non-executive Directors have also reviewed the compliance by Dr. CHEN with the Deed of Non-competition during the year ended December 31, 2024 and have confirmed that, as far as they can ascertain, there is no breach by Dr. Chen of the Deed of Non-competition.

Permitted indemnity provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Equity-linked agreement

Save for the Pre-IPO Share Incentive Scheme and the Post-IPO Share Option Scheme, details of which are set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2024.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Disclosure of interests

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

As at December 31, 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the ordinary Shares:

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Li CHEN	Interest of spouse(1)	25,220,690 (L)	2.39%
	Beneficial owner(2)	39,118,725 (L)	3.70%
	Interest in controlled corporation(3)	10,000,000 (L)	0.94%
George Chien Cheng LIN	Founder and beneficiary of a trust(4)	3,633,178 (L)	0.34%
	Beneficial owner(2)	31,958,522 (L)	3.02%
Robert Taylor NELSEN	Interest in controlled corporation(5)	125,088,960 (L)	11.85%
	Beneficial owner(6)	150,000 (L)	0.01%
Yiu Wa Alec TSUI	Beneficial owner(6)	24,000 (L)	0.01%
Yi ZHANG	Beneficial owner(2)	11,633,320 (L)	1.10%

Notes:

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

(2) Including options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme and/or Post-IPO Share Option Scheme. Details of such options are set out in the section "Share Schemes" of this annual report.

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

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

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

(6) Shares purchased on the secondary exchange market.

(7) The approximate percentage of shareholding is calculated based on the issued share capital of the Company as at December 31, 2024.

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

Save as disclosed above, as at December 31, 2024, so far as the Directors are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares, underlying Shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

Substantial shareholders' interests and short positions in the Shares, underlying Shares and debentures of the Company

As at December 31, 2024, the interests and short positions of every person (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held[6]	Approximate percentage of shareholding in the Company
ARCH Venture Fund VII, L.P.[1]	Beneficial interest	125,088,960(L)	11.85%
ARCH Venture Partners VII, L.P.[1]	Interest in controlled corporation	125,088,960(L)	11.85%
ARCH Venture Partners VII, LLC[1]	Interest in controlled corporation	125,088,960(L)	11.85%
Keith Lawrence CRANDELL[1]	Interest in controlled corporation	125,088,960(L)	11.85%
Clinton Whitewood BYBEE[1]	Interest in controlled corporation	125,088,960(L)	11.85%
Venrock Associates V, L.P.[2]	Beneficial interest	103,475,595(L)	9.80%
Venrock Management V, LLC[2]	Interest in controlled corporation	103,475,595(L)	9.80%
WuXi PharmaTech Healthcare Fund I L.P.[3]	Beneficial interest	74,029,635(L)	7.01%
WuXi PharmaTech Fund I General Partner L.P.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi PharmaTech Investments (Cayman) Inc.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi PharmaTech Investment Holdings (Cayman) Inc.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi AppTec International Holdings Limited[3]	Interest in controlled corporation	73,829,635(L)	6.99%

Name of Shareholders	Capacity/nature of interest	Number of Shares held[6]	Approximate percentage of shareholding in the Company
WuXi AppTec Co., Ltd.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
HLYY Limited[4]	Nominee of a trust	94,953,925(L)	8.99%
TCT (BVI) Limited[4]	Interest in controlled corporation	94,953,925(L)	8.99%
The Core Trust Company Limited[4]	Trustee	94,981,870(L)	8.99%
Jane Xingfang HONG[5]	Beneficial interest	19,220,690(L)	1.82%
	Interest of spouse	39,118,725(L)	3.70%
	Interest in controlled corporation	10,000,000(L)	0.94%
	Founder of Trust	6,000,000(L)	0.57%

Notes:

1. To the best of our Directors' knowledge, ARCH Venture Fund VII, L.P. is a Delaware limited partnership established in the United States. The general partner of ARCH Venture Fund VII, L.P. is ARCH Venture Partners VII, L.P., a Delaware limited partnership established in the United States. The general partner of ARCH Venture Partners VII, L.P. is ARCH Venture Partners VII, LLC, a limited liability company incorporated in the United States. ARCH Venture Partners VII, LLC is controlled as to one-third by each of Mr. Robert Taylor NELSEN, our non-executive Director, Mr. Keith Lawrence CRANDELL and Mr. Clinton Whitewood BYBEE. As such, each of ARCH Venture Partners VII, L.P., ARCH Venture Partners VII, LLC, Mr. Robert Taylor NELSEN, Mr. Keith Lawrence CRANDELL and Mr. Clinton Whitewood BYBEE is deemed to be interested in the equity interest held by ARCH Venture Fund VII, L.P. and the ultimate controllers of ARCH Venture Fund VII, L.P. are Mr. Robert Taylor NELSEN, Mr. Keith Lawrence CRANDELL and Mr. Clinton Whitewood BYBEE.

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

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

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

5. Ms. Jane Xingfang HONG is the spouse of Dr. Li CHEN, who was granted options for 11,221,725 Shares pursuant to the Pre-IPO Share Incentive Scheme and 24,079,000 Share Options granted pursuant to the Share Option Scheme, respectively. Under the SFO, Ms. HONG is deemed to be interested in the same number of Shares in which Dr. CHEN maintains an interest. She also held approximately 2.39% of the voting rights of the Company.

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

   On October 13, 2021, 6,000,000 shares were transferred to a discretionary trust set up by Ms. Jane Xingfang HONG; therefore, Ms. HONG is deemed to be interested in the same number of Shares held by the trust.

6. The letter "L" denotes the person's long position in the Shares.

7. The approximate percentage of shareholding is calculated based on the issued share capital of the Company as of December 31, 2024.

Saved as disclosed above, as at December 31, 2024, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified.

Connected Transactions and Continuing Connected Transactions

During the year ended December 31, 2024, the Group has not entered into any connected transaction or continuing connected transaction which is required to be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

During the year ended December 31, 2024, none of the related party transactions disclosed in Note 30 to the financial statements constituted a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

Interests in Competitor

The Company does not hold any interests in our competitors.

Share Schemes

The Company currently has two existing share schemes, namely the Pre-IPO Share Incentive Plan and the Post-IPO Share Option Scheme. The Pre-IPO Share Incentive Plan and the Post-IPO Share Option Scheme were adopted before the effective date of the new Chapter 17 of the Listing Rules on January 1, 2023. The Company has complied, and will continue to comply, with the new Chapter 17 to the extent required by the transitional arrangements for the existing share schemes.

No grants were made under the Pre-IPO Share Incentive Plan and the Post-IPO Share Option Plan during the Reporting Period. Accordingly, 0 Shares, representing 0% of the weighted average number of Shares for the Reporting Period, may be issued in respect of options and awards granted during the Reporting Period to eligible participants pursuant to all of the share schemes.

1. Pre-IPO Share Incentive Scheme

The Pre-IPO Share Incentive Scheme was adopted pursuant to a resolution passed on March 25, 2013. No further option or award would be granted under the Pre-IPO Share Incentive Scheme after Listing.

Purpose

The purpose of the Pre-IPO Share Incentive Scheme is to enable the Group to grant options or awards to qualified persons (as determined by our Board or any committees appointed by the Board to administer this scheme (the "**Committee**") including any Director, employee, adviser and consultant of the Company or any of our associated companies as incentives or rewards by reason of their contribution or potential contribution to the Company and/or any of our associated companies.

Eligible Participants

Qualified persons are determined by the Board or the Committee and includes any Director, employee, adviser and consultant of the Company or any of our associated companies.

Maximum Number of Shares Available for Issue

The maximum number of Shares in respect of which options or awards may be granted under the Pre-IPO Share Incentive Scheme is 117,000,000. The Company has established an employee trust to administer the scheme and a total of 117,000,000 Shares, representing all the Shares underlying the options and awards granted under the Pre-IPO Share Incentive Scheme, had been issued to HLYY Limited, the nominee under the trust, to hold the Shares to satisfy the options and awards granted upon exercise/vesting. It follows that 0 Shares, representing 0% of the issued Shares as at April 17, 2025 (being the latest practicable date for ascertaining certain information in this annual report before its publication) (the "Latest Practicable Date") were available for issue under the Pre-IPO Share Incentive Scheme.

Maximum Entitlement of Each Participant

Under the Pre-IPO Share Incentive Scheme, there is no specific limit on the maximum number of options or awards which may be granted to a single eligible participant under the Pre-IPO Share Incentive Scheme.

Exercise Period

Each grantee to whom an option has been granted shall be entitled to exercise the option in such manner as determined by the Committee and as set out in the grant letter. Notwithstanding the grant letter, an option shall expire not more than 10 years after its date of grant.

Vesting Period

Each grantee to whom a share award has been granted shall be entitled to the Shares they are awarded in accordance with the terms (including any restrictions and vesting requirement that may be imposed) of the Pre-IPO Share Incentive Scheme and the grant letter. Notwithstanding the grant letter, a share award should either vest or be forfeited not more than 10 years after the date of grant.

Consideration

No consideration was paid by the grantees for the options and awards granted under the Pre-IPO Share Incentive Scheme.

Exercise Price

The exercise price of each option granted under the Pre-IPO Share Incentive Scheme is determined by the administrator designated by the Board with reference to its reasonable fair market value at the time of grant and using a reasonable methodology as determined by such designated administrator.

Remaining Life

The Pre-IPO Share Incentive Scheme terminated at the close of business on the day before the 10th anniversary of its effective date (being March 25, 2013).

Further details of the Pre-IPO Share Incentive Scheme are set out in the Prospectus.

Outstanding Options

Details of the outstanding options under the Pre-IPO Share Incentive Scheme are as follows:(1)(2)(3)

Name	Date of grant	Grant price	Outstanding as at 1 January 2024	Exercised during the Reporting Period	Forfeited/ Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2024	Weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period
Directors								
Dr. Li CHEN	December 4, 2014[4]	HKD0.546	200,000	(200,000)	–	–	–	HKD1.79
	January 11, 2016[5]	HKD1.794	750,000	–	–	–	750,000	NA
	July 19, 2016[6]	HKD3.12	750,000	–	–	–	750,000	NA
	March 6, 2017[7]	HKD3.666	1,500,000	–	–	–	1,500,000	NA
	January 7, 2018[8]	HKD0.546	1,362,975	–	–	–	1,362,975	NA
	April 3, 2018[9]	HKD3.666	4,608,750	–	–	–	4,608,750	NA
	August 26, 2018[10]	HKD3.822	2,250,000	–	–	–	2,250,000	NA
Mr. George Chien Cheng LIN	April 3, 2018[9]	HKD3.666	25,592,405	–	–	–	25,592,405	NA
Dr. Zhang YI	December 4, 2014[4]	HKD0.546	1,500,000	(1,500,000)	–	–	–	HKD1.38
	January 11, 2016[5]	HKD1.794	3,375,000	–	–	–	3,375,000	NA
	March 6, 2017[7]	HKD3.666	1,200,000	–	–	–	1,200,000	NA
	January 7, 2018[8]	HKD0.546	450,000	–	–	–	450,000	NA
	April 3, 2018[9]	HKD1.95	1,333,320	–	–	–	1,333,320	NA
	June 1, 2018[12]	HKD1.95	375,000	–	–	–	375,000	NA
Other grantees in aggregate								
Employee Participants	December 4, 2014[4]	HKD0.546	730,500	(730,500)	–	–	–	HKD1.68
	January 11, 2016[5]	HKD1.794	2,300,000	–	–	(450,000)	1,850,000	NA
	March 6, 2017[7]	HKD3.666	2,100,000	–	–	(600,000)	1,500,000	NA
	July 24, 2017[11]	HKD0.546	250,000	(150,000)	–	–	100,000	HKD1.60
	January 7, 2018[8]	HKD0.546 or HKD3.666	1,915,484	(560,000)	–	–	1,355,484	HKD1.51
	April 3, 2018[9]	HKD1.95 or HKD3.666	4,726,648	–	–	(504,500)	4,222,148	NA
	June 1, 2018[12]	HKD1.95	3,000,000	–	–	–	3,000,000	NA
	August 26, 2018[10]	HKD2.886	1,844,561	–	–	(82,500)	1,762,061	NA
Service Providers	December 4, 2014[4]	HKD0.546	150,000	–		(150,000)	–	NA
	January 11, 2016[5]	HKD1.794	3,297,000	–	–	–	3,297,000	NA
	March 15, 2016[13]	HKD2.106	25,000	–	–	–	25,000	NA
	May 11, 2018[14]	HKD3.666	1,125,000	–	–	–	1,125,000	NA
Total			66,711,643	(3,140,500)	–	(1,787,000)	61,784,143	HKD1.51

Notes:

(1) No options were granted after Listing.

(2) Unless stated otherwise, 25% of the Shares subject to the options are vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options are vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date (the "Standard Vesting Schedule"). The share options shall be valid for a period of ten years from the date upon which the offer for the grant is options is made by the Company.

(3) All options shall expire not more than 10 years after their respective date of grant and no consideration was paid by the grantees for the options and awards granted under the Pre-IPO Share Incentive Scheme.

(4) With vesting commencement date of November 21, 2014 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.55).

(5) With vesting commencement date of December 22, 2015 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.23 (equivalent to approximately HK$1.79).

(6) With vesting commencement date of April 28, 2016 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.40 (equivalent to approximately HK$3.12).

(7) With vesting commencement date of December 30, 2016 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.67).

(8) With vesting commencement date of December 29, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.67) or approximately US$0.07 (equivalent to approximately HK$0.55).

(9) With vesting commencement date of April 4, 2018, September 14, 2018, September 30, 2017 or December 22, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.67) or approximately US$0.25 (equivalent to approximately HK$1.95).

(10) With vesting commencement date of August 1, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.37 (equivalent to approximately HK$2.89) or US$0.49 (equivalent to approximately HK$3.82).

(11) With vesting commencement date of July 17, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.55), or with vesting commencement date of August 15, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.67).

(12) With vesting commencement date of June 1, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.25 (equivalent to approximately HK$1.95) or approximately US$0.47 (equivalent to approximately HK$3.67).

(13) With vesting commencement date of March 15, 2016 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested in 12 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of approximately US$0.27 (equivalent to approximately HK$2.11).

(14) With vesting commencement date of September 14, 2018 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.67).

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted by the resolutions in writing of all the Shareholders passed on August 26, 2018.

Purpose

The purpose of the Post-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

Eligible Participants

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

Maximum Number of Shares Available for Grant

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 105,191,330 Shares (excluding any Shares which were issued upon the exercise of the Over-allotment Option.

As at January 1, 2024, 43,323,276 Shares were available for future grant under the scheme mandate pursuant to the Post-IPO Share Option Scheme. No service provider sublimit was set under the Post-IPO Share Option Scheme. During the Reporting Period, no Shares were granted to eligible participants pursuant to the Post-IPO Share Option Scheme. As at 31 December 2024 and the Latest Practicable Date, 43,796,608 Shares were available for future grant under the Post-IPO Share Option Scheme.

Maximum Number of Shares Available for Issue

As at January 1, 2024, 104,496,369 Shares were available for issue under the Post-IPO Share Option Scheme. During the Reporting Period, no Shares were issued pursuant to the Post-IPO Share Option Scheme. As at 31 December 2024 and the Latest Practicable Date, 104,496,369 Shares (representing approximately 9.90% of the issued share capital of the Company as at the Latest Practicable Date) were available for issue under the Post-IPO Share Option Scheme.

Maximum Entitlement of Each Grantee

Unless otherwise approved by the Shareholders in general meeting, the number of Shares that may be granted to a participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial Shareholders (as defined in the Listing Rules), or the total number of Shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

Exercise and Vesting Period

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme.

Consideration

A consideration of HK$1.00 is payable on acceptance of the grant of an option.

Exercise Price

The exercise price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant.

Remaining Life

The Post-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to September 14, 2028. The remaining life of the Post-IPO Share Option Scheme is approximately four years.

Outstanding Options

Details of the outstanding options under the Post-IPO Share Option Scheme are as follows:

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/ Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2024	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period
Directors													
Dr. Li CHEN	June 25, 2019[15]	HKD8.866	4 years	10 years from date of grant	12,079,000	–	–	–	–	12,079,000	NA	HKD6.69	NA
	March 22, 2021[16]	HKD4.984	4 years	10 years from date of grant	3,000,000	–	–	–	–	3,000,000	NA	HKD4.83	NA
	March 17, 2022[17]	HKD3.40	4 years	10 years from date of grant	5,000,000	–	–	–	–	5,000,000	NA	HKD3.40	NA
	March 31, 2023[18]	HKD3.62	4 years	10 years from date of grant	4,000,000	–	–	–	–	4,000,000	NA	HKD3.52	NA
Mr. George Chien Cheng LIN	May 17, 2019[15]	HKD8.866	4 years	10 years from date of grant	300,000	–	–	–	–	300,000	NA	HKD7.01	NA
	March 31, 2023[18]	HKD3.62	4 years	10 years from date of grant	1,200,000	–	–	–	–	1,200,000	NA	HKD3.52	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/ Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2024	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period
Dr. Zhang YI	June 25, 2019[15]	HKD8.866	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD6.69	NA
	March 17, 2020[22]	HKD3.616	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD3.18	NA
	March 22, 2021[27]	HKD4.984	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD4.83	NA
	March 17, 2022[30]	HKD3.40	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD3.40	NA
	March 31, 2023[33]	HKD3.62	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD3.52	NA
Other grantees in aggregate													
Employee Participants	October 29, 2018[19]	HKD7.192	4 years	10 years from date of grant	75,000	–	–	–	–	75,000	NA	HKD6.68	NA
	May 15, 2019[20]	HKD8.866	4 years	10 years from date of grant	3,879,457	–	–	–	(229,157)	3,650,300	NA	HKD7.01	NA
	Accepted: January 3, 2020[21]	HKD6.64	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD4.98	NA
	March 17, 2020[22]	HKD3.616	4 years	10 years from date of grant	5,405,843	–	–	(4,155)	(70,843)	5,330,845	NA	HKD3.18	NA
	April 3, 2020[23]	HKD3.00	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD3.00	NA
	April 7, 2020[24]	HKD3.018	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD2.86	NA
	August 18, 2020[25]	HKD7.184	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD7.08	NA
	January 7, 2021[26]	HKD5.584	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD5.22	NA
	March 22, 2021[27]	HKD4.984	4 years	10 years from date of grant	4,002,000	–	–	(143,751)	(31,658)	3,826,591	NA	HKD4.83	NA
	August 30, 2021[28]	HKD4.56	4 years	10 years from date of grant	200,000	–	–	(58,326)	(141,674)	–	NA	HKD4.56	NA
	September 23, 2021[29]	HKD5.05	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD5.05	NA
	March 17, 2022[30]	HKD3.40	4 years	10 years from date of grant	2,585,425	–	–	(260,413)	–	2,325,012	NA	HKD3.40	NA
	June 24, 2022[31]	HKD3.95	4 years	10 years from date of grant	1,000,000	–	–	–	–	1,000,000	NA	HKD3.95	NA
	December 1, 2022[32]	HKD3.47	4 years	10 years from date of grant	1,500,000	–	–	–	–	1,500,000	NA	HKD3.47	NA
	March 31, 2023[33]	HKD3.62	4 years	10 years from date of grant	5,200,000	–	–	(500,000)	–	4,700,000	NA	HKD3.62	NA
	May 8, 2023[34]	HKD2.968	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD2.83	NA
Service Providers	May 15, 2019[20]	HKD8.866	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD7.01	NA
Total					53,826,725	–	–	(966,645)	(473,332)	52,386,748	NA	NA	NA

Notes:

(15) With vesting commencement date of January 23, 2019 or November 11, 2019 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$8.866. The closing price of the Shares immediately before the date on which the options were granted was HK$6.69. The fair value of the options at the date of grant is from HK$3.96 to HK$4.16.

(16) With grant date of January 7, 2021 and vesting commencement date of January 7, 2021 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$4.984. The closing price of the Shares immediately before the date on which the options were granted was HK$4.83. The fair value of the options at the date of grant is HK$3.08.

(17) With grant date of March 17, 2022 and vesting commencement date of March 17, 2022 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.40. The closing price of the Shares immediately before the date on which the options were granted was HK$3.40. The fair value of the options at the date of grant is HK$2.42.

(18) With grant date of March 31, 2023 and vesting commencement date of March 31, 2023 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.62. The closing price of the Shares immediately before the date on which the options were granted was HK$3.52. The fair value of the options at the date of grant is HK$2.46.

(19) With grant date of October 29, 2018 and vesting commencement date of October 29, 2018 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$7.192. The closing price of the Shares immediately before the date on which the options were granted was HK$6.68. The fair value of the options at the date of grant is HK$4.44.

(20) With grant date of May 15, 2019 and vesting commencement date of May 15, 2019 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$8.866. The closing price of the Shares immediately before the date on which the options were granted was HK$7.01. The fair value of the options at the date of grant is HK$3.96.

(21) With vesting commencement date of November 13, 2019 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$6.64. The closing price of the Shares immediately before the date on which the options were granted was HK$4.98. The fair value of the options at the date of grant is HK$2.86.

(22) With grant date of March 17, 2020 and vesting commencement date of March 17, 2020 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.616. The closing price of the Shares immediately before the date on which the options were granted was HK$3.18. The fair value of the options at the date of grant is from HK$1.83 to HK$3.47.

(23) With grant date of April 3, 2020 and vesting commencement date April 3, 2020 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.00. The closing price of the Shares immediately before the date on which the options were granted was HK$3.00. The fair value of the options at the date of grant is HK$1.89.

(24) With grant date of April 7, 2020 and vesting commencement date April 7, 2020 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.018. The closing price of the Shares immediately before the date on which the options were granted was HK$2.86. The fair value of the options at the date of grant is HK$1.88.

(25) With grant date of August 18, 2020 and vesting commencement date August 18, 2020 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$7.184. The closing price of the Shares immediately before the date on which the options were granted was HK$7.08. The fair value of the options at the date of grant is HK$3.77.

(26) With grant date of January 7, 2021 and vesting commencement date January 7, 2021 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$5.584. The closing price of the Shares immediately before the date on which the options were granted was HK$5.22. The fair value of the options at the date of grant is HK$3.29.

(27) With grant date of March 22, 2021 and vesting commencement date March 22, 2021 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$4.984. The closing price of the Shares immediately before the date on which the options were granted was HK$4.83. The fair value of the options at the date of grant is HK$3.08.

(28) With grant date of August 30, 2021 and vesting commencement date August 30, 2021 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$4.56. The closing price of the Shares immediately before the date on which the options were granted was HK$4.56. The fair value of the options at the date of grant is HK$3.34.

(29) With grant date of September 23, 2021 and vesting commencement date September 23, 2021 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$5.05. The closing price of the Shares immediately before the date on which the options were granted was HK$5.05. The fair value of the options at the date of grant is HK$3.70.

(30) With grant date of March 17, 2022 and vesting commencement date March 17, 2022 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.40. The closing price of the Shares immediately before the date on which the options were granted was HK$3.40. The fair value of the options at the date of grant is HK$2.42.

(31) With grant date of June 24, 2022 and vesting commencement date June 24, 2022 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.95. The closing price of the Shares immediately before the date on which the options were granted was HK$3.95. The fair value of the options at the date of grant is HK$2.78.

(32) With grant date of December 1, 2022 and vesting commencement date December 1, 2022 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.47. The closing price of the Shares immediately before the date on which the options were granted was HK$3.47. The fair value of the options at the date of grant is HK$2.41.

(33) With grant date of March 31, 2023 and vesting commencement date March 31, 2023 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$3.62. The closing price of the Shares immediately before the date on which the options were granted was HK$3.62. The fair value of the options at the date of grant is HK$2.46.

(34) With grant date of May 8, 2023 and vesting commencement date May 8, 2023 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK$2.968. The closing price of the Shares immediately before the date on which the options were granted was HK$2.83. The fair value of the options at the date of grant is HK$1.91.

(35) All options shall expire not more than 10 years after their respective date of grant and no consideration was paid by the grantees for the options and awards granted under the Post-IPO Share Option Scheme.

Principal Risks and Uncertainties

The Company has the following risks and uncertainties which may affect the results and business operations, some of which are inherent to the Company, some are inherent to the pharmaceutical sector, and some are from external sources.

- Company reliance on third parties:

  We continued to rely on third-party CMOs to produce dorzagliatin for commercial production requirements. If we experience problems with our CMOs, the manufacturing of dorzagliatin could be delayed and our efforts to market dorzagliatin compromised. Our quality assurance team conducts regular quality checks, has set up with joint quality committees, and our clinical operations team conducts regular trainings for our CROs.

- Dorzagliatin as cornerstone therapy:

  Dorzagliatin as a monotherapy or in combination with other T2D treatments may cause undesirable side effects that could delay or prevent its regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval, if any. The Company continues to plan for and conduct additional clinical trials and other studies to establish dorzagliatin's potential as a cornerstone therapy for T2D.

- Retention of key staff members:

  Our continued success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel. The Company has regularly reviewed our compensation packages and benefits to ensure we remain competitive in the market.

- The Company's key operations are in China:

  There are potential risks associated with doing business primarily in one geographic region.

Key Relationships

- **Employees**

  The Company's relationship with its employees are discussed in the "Environmental, Social and Governance Report" to be published with this annual report.

- **Key customers**

  Our customers are mainly regional pharmaceutical distributors located in China. We are reliant on our customers to distribute our core product – HuaTangNing (华堂宁®) to hospitals, pharmacies and online channels.

- **Service Providers and Suppliers**

  Our service providers and suppliers are mainly CROs, CMOs, SMOs and promotion service providers located in China, providing us with a range of services such as drug discovery, development, clinical trial expertise, clinical and commercial manufacturing and commercialization service in China. We are heavily reliant on our suppliers to provide us services regarding our clinical trials, preclinical studies, manufacturing and commercialization service in China.

- **Hospitals**

  Our clinical trials are conducted in hospitals across China. We remain committed to offering hospitals and doctors related training and full support in conducting the clinical trials. We maintain a close relationship directly, through telephone calls, direct mail, visits, and training sessions. We also work with our CROs and SMOs to ensure that hospitals and doctors have the support they need to guarantee the quality of our clinical trials.

- **Licensing Agreement with Roche**

  We have entered into a research, development and commercialization agreement with Hoffmann-La Roche Inc. and F. Hoffmann-La Roche Ltd., or collectively, Roche in December 2011, under which we obtained an exclusive license under certain patents and know-how owned by Roche to develop, make, commission, use, sell, offer for sale, export and import Roche's proprietary GKA, RO5305552 (now referred to as dorzagliatin or HMS5552), worldwide in the licensed field of treatment of diabetes. The key U.S. patent licensed from Roche (U.S. 7,741,327) recites claims to compounds and pharmaceutical compositions thereof, and has an expiration date of March 9, 2029. We have the right to sublicense our rights to third parties. Under our agreement, we are required to make various upfront, milestone and royalty payments.

Employees and remuneration policy

As of December 31, 2024, the Group employed a total of 168 employees, as compared to a total of 177 employees as of 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 labour 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 section headed "Share Incentive Schemes" in this annual report for further details.

Sufficiency of Public Float

The Company has maintained the public float as required by the Listing Rules during the year ended December 31, 2024.

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.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2024 have been audited by Deloitte Touche Tohmatsu, auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor at the AGM.

A resolution will be proposed at the AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company and to authorize the Board to fix the remuneration of the auditor.

By Order of the Board,
Hua Medicine
Dr. Li CHEN
Chief Executive Officer and Executive Director

Hong Kong, March 27, 2025

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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.

Model Code for Securities Transactions

The Company has adopted 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 Model Code throughout the Reporting Period.

The Company has also established the Code for Securities Transactions by Relevant Officers of the Company (the "Code") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code by the relevant officers during the Reporting Period was noted by the Company.

Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board would regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Li CHEN *(Chief Executive Officer)*
George Chien Cheng LIN *(Executive Vice President and Chief Strategy Officer)*
Yi ZHANG *(appointed on January 1, 2024)*

Non-executive Directors
Robert Taylor NELSEN *(Chairman)*
Fangxin LI

Independent Non-executive Directors
William Robert KELLER
Yiu Wa Alec TSUI
Yiu Leung Andy CHEUNG

Dr. Yi ZHANG, who was appointed as an executive Director on January 1, 2024, obtained legal advice from Hong Kong legal advisers on December 29, 2023 as required under Rule 3.09D of the Listing Rules and confirmed she understood her obligations as a director of a listed issuer.

None of the members of the Board is related to one another.

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 19 to 26 of this annual report.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Robert Taylor NELSEN and Dr. Li CHEN, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the Reporting Period, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

Appointment and Re-election of Directors

Each Director has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, subject to renewal after the expiry of the then current term.

According to the Company's Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Besides, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Under the Articles of Association of the Company, every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Responsibilities of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, in order to ensure compliance and enhance their awareness of good corporate governance practices. The Company also arranges suitable professional development seminars and courses for the Directors from time to time.

The Directors informed the Company that they had received sufficient and relevant training and continuous professional development during the Reporting Period.

Record of training received by the Directors for the year ended December 31, 2024 are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Li CHEN	A/B
George Chien Cheng LIN	A/B
Yi ZHANG (appointed on January 1, 2024)	A/B
Non-executive Directors	
Robert Taylor NELSEN	A/B
Fangxin LI	A/B
Independent Non-executive Directors	
William Robert KELLER	A/B
Yiu Leung Andy CHEUNG	A/B
Yiu Wa Alec TSUI	A/B

Notes:

A. Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B. Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Meetings and Directors' Attendance Records

Code provision C.5.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

Apart from regular Board meetings, the Chairman has met with the independent non-executive Directors without the presence of other Directors in accordance with code provision C.2.7 of the CG Code.

The attendance records of the Directors at the Board meetings and general meetings of the Company during the Reporting Period are as follows:

	Attendance/No. of Meeting(s)	
Name of Directors	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Li CHEN	7/7	1/1
George Chien Cheng LIN	7/7	1/1
Yi ZHANG (appointed on January 1, 2024)	7/7	1/1
Non-executive Directors		
Robert Taylor NELSEN (Chairman)	7/7	1/1
Fangxin LI	7/7	1/1
Independent Non-executive Directors		
William Robert KELLER	7/7	1/1
Yiu Wa Alec TSUI	7/7	1/1
Yiu Leung Andy CHEUNG	7/7	1/1

Board Committees

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the Company's website and the Stock Exchange's website. The terms of reference of the Strategy Committee is available on the Company's website.

The list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report on page 2.

Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision D.3.3 of the CG Code.

During the Reporting Period, the Audit Committee consisted of three members, namely Mr. William Robert KELLER, Mr. Yiu Wa Alec TSUI and Mr. Yiu Leung Andy CHEUNG, independent non-executive Directors. Mr. Yiu Leung Andy CHEUNG is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held 5 meetings to review the annual and interim reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, engagement of non-audit services, relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	**Attendance**
Mr. Yiu Leung Andy CHEUNG (Chairman)	5/5
William Robert KELLER	5/5
Yiu Wa Alec TSUI	5/5

Remuneration Committee

The Company established the Remuneration Committee in compliance with Rules 3.25 and 3.26 of the Listing Rules and code provision E.1.2 of the CG Code.

During the Reporting Period, the Remuneration Committee consisted of three members, namely Mr. William Robert KELLER, Mr. Yiu Wa Alec Tsui and Mr. Fangxin LI, independent non-executive Directors. Mr. William Robert KELLER is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Reporting Period, the Remuneration Committee held 2 meetings to assess performance and make recommendations to the Board on the remuneration policy and packages of Directors, senior management and other related matters.

Details of the remuneration of the senior management by band are set out in the section headed "Remuneration of Directors and Senior Management".

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	**Attendance**
William Robert KELLER (Chairman)	2/2
Mr. Fangxin LI	2/2
Mr. Yiu Wa Alec TSUI	2/2

Nomination Committee

The Company established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules and code provision B.3.1 of the CG Code.

During the Reporting Period, the Nomination Committee consisted of three members, namely Mr. Robert Taylor NELSEN, Mr. Yiu Wa Alec Tsui and Mr. William Robert KELLER, independent non-executive Directors. Mr. Robert Taylor NELSEN is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "Board Diversity Policy"), including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting and recommend candidates for directorship. The Nomination Committee reviewed the board diversity policy and considered that an appropriate balance of diversity of perspectives of the Board is maintained.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Robert Taylor NELSEN (Chairman)	1/1
William Robert KELLER	1/1
Mr. Yiu Wa Alec Tsui	1/1

Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy annually to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	12.5% (1)	87.5% (7)
Senior Management	14.3% (1)	85.7% (6)
Other employees	60% (97)	40% (64)
Overall workforce	56% (99)	44% (77)

The Board had targeted to achieve, and had achieved, its gender diversity target of at least 1 female Director, 1 female senior management and 50% female employees.

The Company will continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Director Nomination Policy

The Company has adopted a director nomination policy (the "Director Nomination Policy") which aims to set out the criteria and process in the nomination and appointment of directors of the Company, to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure the Board continuity and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

Strategy Committee

During the Reporting Period, the Strategy Committee consists of three members, namely Dr. Li CHEN, Executive Director, Mr. Robert Taylor NELSEN, non-executive Director, and George Chien Cheng LIN, executive director. Dr. Li CHEN is the chairman of the Strategy Committee.

The principal duties of the Strategy Committee include considering, reviewing and advising on the mid-term and long-term development strategies of the Company's operations and to supervise or monitor the implementation of the development strategies and business plans.

During the Reporting Period, the Strategy Committee held 1 meeting to supervise and monitor the implementation of the development strategies and business plans of the Company.

The attendance records of the members of the Strategy Committee are as follows:

Name of Members of the Strategy Committee	Attendance
Li CHEN (Chairman)	1/1
Robert Taylor NELSEN	1/1
George Chien Cheng LIN	1/1

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended December 31, 2024, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines of the Company, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Risk Management and Internal Control

The Board acknowledges its responsibility in risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems.

The Audit Committee assists the Board by forming independent opinion on financial reporting process and the effectiveness of internal control and risk assessment systems, supervises audit process and performs other duties assigned by the Board.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department has examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

During the Reporting Period, the Company has assessed the likelihood of risk occurrence, including providing the response plan to the global pandemic, adjusting and monitoring the risk management progress and has reported all the execution results and effectiveness of the systems to the Audit Committee and the Board.

The Company has adopted a series of internal control policies, procedures and programs designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control systems include the following:

Information Disclosure Policy – The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Anti-Corruption Policy – The Company has developed anti-corruption policy to prohibit any form of fraud or bribery.

Anti-fraud Policy – The Company has developed anti-fraud policy to implement measures and prevent fraudulent behavior.

Whistleblower Policy – The Company has implemented measures that enable employees to raise concerns on improper conducts related to financial reports, internal control and other aspects, to ensure the strict compliance with the Company's code of conduct.

Employee Handbook – The Employee Handbook has been adopted to define the rights and obligations of both the company and employees, to maintain a normal working order in the organization, improve work efficiency and protect the legitimate rights and interests of employees.

Procedural Document Management Policy – The Company has implemented the policy to regulate the lifecycle management of procedural documents and ensure the compliance of various business processes.

Connected Transactions – The Company has adopted the policy to ensure connected transactions comply with the Listing Rules.

Internal Audit Policy – The Company has established the policy during Reporting Period to regulate internal audit procedures and define roles and responsibilities.

Departments also conduct trainings and assessment regularly to identify risks that potentially impact the business of the Group.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, conducted an annual review of the risk management and internal control systems, including financial, operational and compliance controls, for the year ended December 31, 2024, and considered that such systems are effective and adequate.

Directors' Responsibility in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 73 of this annual report.

Auditors' Remuneration

The remuneration paid to Deloitte Touche Tohmatsu ("Deloitte"), the external auditors of the Company, in respect of audit services and non-audit services for the year ended December 31, 2024 amounted to RMB2.2 million and RMB0.8 million, respectively.

An analysis of the remuneration paid to Deloitte in respect of audit services and non-audit services for the year ended December 31, 2024 is set out below:

Service Category	**Fees Paid/Payable RMB'000**
Audit Services	2,186
Non-audit Services	
– Interim review	742
– Special review	58
	2,986

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements in this annual report and details of the remuneration of the senior management of the Company by band, whose biographies are set out on pages 25 and 26 of this annual report, for the year ended December 31, 2024 are set out below:

Remuneration band	Number of individuals
Below RMB2,500,000	0
RMB2,500,001 to RMB3,000,000	2
RMB3,000,001 to RMB3,500,000	1
RMB3,500,001 to RMB4,000,000	0
RMB4,000,001 to RMB4,500,000	1
RMB4,500,001 to RMB5,000,000	1
Above RMB5,000,000	2

Company Secretary

Ms. YUEN Wing Yan, Winnie ("Ms. Yuen") of Tricor Services Limited has been engaged by the Company as the Company's company secretary. Ms. Yuen's primary contact person at the Company is Mr. George Chien Cheng LIN, executive Director and Chief Strategy Officer.

Ms. Yuen has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year ended December 31, 2024.

Shareholders' Rights

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

The Company's Shareholders may convene an extraordinary general meeting ("EGM") and put forward proposals at Shareholders' meetings as follows:

– Pursuant to Article 12.3 of the Company's Articles of Association, EGM shall convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. EGM may also be convened on the written requisition of any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting, the resolutions to be added to the meeting agenda, and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address	:	Unit 506, Hang Seng Wanchai Building 200 Hennessy Road Wanchai, Hong Kong (For the attention of the Head of China IR – Mr. Chengde WANG)
Tel	:	+86(21) 38101803
Email	:	ir@huamedicine.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Amendments to Constitutional Documents

At the annual general meeting of the Company held on June 28, 2024, a special resolution was duly passed by the shareholders to approve and adopt the third amended and restated memorandum and articles of association of the Company (the "M&A"). The amendments were made to: (i) update and bring the existing Articles in line with the amendments made to the Listing Rules in respect of the electronic dissemination of corporate communications by listed issuers which came into effect on December 31, 2023; and (ii) make other consequential and housekeeping amendments.

Details of the amendments were set out in the Company's circular dated April 25, 2024. The amended M&A is available on the websites of the Stock Exchange and the Company.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. In addition to general meetings, the Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The policy aims to ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company. The policy is available on the Company's website and annually reviewed by the Board to ensure its effectiveness. Having considered the channels of communication and shareholders engagement in the general meeting held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2024 and is effective.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HUA MEDICINE

(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hua Medicine (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 148, which comprise the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Occurrence on revenue recognition	
As disclosed in Note 6 to the consolidated financial statements, the Group recognised net revenue generated from sales of products amounting to RMB256 million for the year ended December 31, 2024. Revenue has a significant impact on the Group's consolidated financial statements. Therefore, we identify the occurrence of revenue recognition as a key audit matter.	The major audit procedures we performed in relation to the occurrence of revenue recognition include: 1. Obtaining an understanding of the key controls relevant to the occurrence of revenue recognition process, evaluating design and implementation of these controls and performing operating effectiveness test; 2. Inquiring the management of the Group on its revenue recognition policy. Based on the key terms stipulated in the sales contracts obtained, evaluating whether the revenue recognition policy of the Group complies with IFRS 15 *Revenue from Contracts with Customers*; 3. Performing test of details by selecting samples from the recorded revenue transactions and vouching to relevant supporting documents, including delivery notes, value-added tax invoices and subsequent receipt documents, if any, so to test whether the revenue transactions occurred; 4. Performing test on sales return after year end prior to the date of the auditor's report to assess the impact and reasonableness of sales return, if any.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Li Jiali.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

	Notes	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
Revenue	6	255,892	76,610
Cost of sales		(131,168)	(39,236)
Gross profit		124,724	37,374
Other income	7	116,753	130,602
Other gains and losses	8	2,017	4,137
Administrative expenses		(116,755)	(124,148)
Finance costs	9	(8,609)	(7,907)
Selling expenses		(153,182)	(79,755)
Research and development expenses		(215,092)	(171,537)
Loss before tax	10	(250,144)	(211,234)
Income tax expense	11	–	–
Loss for the year		(250,144)	(211,234)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		109	(293)
Other comprehensive income (expense) for the year, net of income tax		109	(293)
Total comprehensive expense for the year		(250,035)	(211,527)
Loss per share	15	RMB	RMB
Basic and diluted		(0.25)	(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2024

		As of December 31,	
		2024	2023
	Notes	RMB'000	RMB'000
Non-current assets			
Plant and equipment	17	38,195	45,348
Right-of-use assets	18	91,466	69,190
Intangible assets	19	26,066	28,572
Pledged bank deposits	22	–	3,130
Trade and other receivables	21	35,069	6,656
		190,796	152,896
Current assets			
Inventories	20	126,672	44,635
Trade and other receivables	21	61,164	66,200
Amounts due from related parties	30	–	342
Pledged bank deposits	22	8,907	476
Bank balances and cash	22	1,139,753	1,460,824
		1,336,496	1,572,477
Current liabilities			
Trade and other payables	23	116,694	112,182
Borrowings	24	98,275	17,192
Lease liabilities	25	17,262	24,279
Contract liabilities	26	95,654	95,654
Deferred income	27	2,386	2,727
		330,271	252,034
Net current assets		1,006,225	1,320,443
Total assets less current liabilities		1,197,021	1,473,339
Non-current liabilities			
Borrowings	24	138,736	106,844
Lease liabilities	25	45,906	19,439
Contract liabilities	26	1,147,845	1,243,499
Deferred income	27	–	2,406
		1,332,487	1,372,188
Net (liabilities)/assets		(135,466)	101,151

	Notes	As of December 31, 2024 RMB'000	2023 RMB'000
Capital and reserves			
Share capital	28	7,214	7,214
Treasury shares held in trust	28	(492)	(513)
Reserves		(142,188)	94,450
Total (deficit)/equity		(135,466)	101,151

The consolidated financial statements on pages 74 to 76 were approved and authorized for issue by the directors of the Company on March 27, 2025 and are signed on its behalf by:

Dr. Li Chen
DIRECTOR

Mr. George Chien Cheng Lin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

	Share capital RMB'000	Treasury shares held in trust RMB'000	Share premium RMB'000	Other reserve RMB'000	Share-based payments reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As of January 1, 2023	7,214	(584)	5,921,640	(9,498)	260,358	95	(5,899,645)	279,580
Loss for the year	–	–	–	–	–	–	(211,234)	(211,234)
Other comprehensive-expense for the year	–	–	–	–	–	(293)	–	(293)
Total comprehensive expense for the year	–	–	–	–	–	(293)	(211,234)	(211,527)
Exercise of share options (Note 28 (a))	–	71	9,187	(71)	–	–	–	9,187
Recognition of equity-settled share-based payment	–	–	–	–	23,911	–	–	23,911
As of December 31, 2023	7,214	(513)	5,930,827	(9,569)	284,269	(198)	(6,110,879)	101,151
Loss for the year	–	–	–	–	–	–	(250,144)	(250,144)
Other comprehensive income for the year	–	–	–	–	–	109	–	109
Total comprehensive income for the year	–	–	–	–	–	109	(250,144)	(250,035)
Exercise of share options (Note 28 (b))	–	21	1,577	(21)	–	–	–	1,577
Recognition of equity-settled share-based payment	–	–	–	–	11,841	–	–	11,841
As of December 31, 2024	7,214	(492)	5,932,404	(9,590)	296,110	(89)	(6,361,023)	(135,466)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	Year ended December 31	
	2024	2023
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	(250,144)	(211,234)
Adjustments for:		
Bank interest income	(13,438)	(16,512)
Income from government grants	(2,747)	(12,809)
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
Finance costs	8,609	7,907
Share-based payment expense	11,841	23,911
Gain on disposal of equipment	–	(35)
Net unrealized foreign exchange gains	(3,024)	(3,974)
Amortisation of contract liabilities	(95,654)	(65,116)
Operating cash flows before movements in working capital	(309,974)	(241,624)
(Increase) decrease in trade and other receivables	(23,876)	372,751
Decrease in amounts due from related parties	342	1,480
Increase in inventories	(82,037)	(42,720)
(Increase) decrease in pledged deposits	(5,301)	4,220
Increase in trade and other payables	2,880	38,272
Increase in deferred income	–	2,270
Increase in contract liabilities	–	754,718
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(417,966)	889,367
INVESTING ACTIVITIES		
Purchase of intangible assets	(1,030)	(101)
Purchase of plant and equipment	(2,830)	(9,734)
Proceeds from disposal of equipment	–	71
Payment on disposal of plant and equipment	–	(7)
Interest received from bank	13,486	17,048
Receipt from loan to an employee	–	800
Refund of rental deposits	417	–
NET CASH FROM INVESTING ACTIVITIES	10,043	8,077

	Note	Year ended December 31 2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES			
Proceeds from borrowings		133,150	199,997
Prepayment of borrowings		(20,175)	(109,884)
Proceeds from exercise of share options		1,611	9,886
Payments for bank interests		(6,780)	(5,079)
Repayments of lease liabilities		(24,088)	(25,852)
NET CASH FROM FINANCING ACTIVITIES	35	83,718	69,068
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(324,205)	966,512
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,460,824	490,632
Effect of exchange rate changes		3,134	3,680
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH		1,139,753	1,460,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1. General information

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

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. Application of new and amendments to IFRS accounting standards

New and Amendments to IFRS accounting standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS accounting standards issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the new and amendments to IFRS accounting standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of new and amendments to IFRS accounting standards (Continued)

New and Amendments to IFRS accounting standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS accounting standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS	Annual Improvements to IFRS Accounting Standards Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2025.

3 Effective for annual periods beginning on or after 1 January 2026.

4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS accounting standards mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRS accounting standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. Application of new and amendments to IFRS accounting standards (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and other comprehensive income and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. Basis of preparation of consolidated financial statements and material accounting policy information

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS accounting standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases vehicles and apartments that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government 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. Such grants are presented under "other income".

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options/restricted stock units granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments is determined at the grant date without taking into consideration all non-market vesting conditions and the equity-settled share-based payments are expensed by tranche (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted shall be vested is hereinafter referred to as a "Tranche") on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payments reserve.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options/restricted stock units granted to employees (Continued)

When the share options are exercised or when the restricted stock units are vested, the Company transfers the treasury shares into ordinary shares or issues new ordinary shares, and the amount previously recognized in the share-based payments reserve will continue to be held in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share-based payment reserve will continue to be held in share-based payments reserve.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the goods or services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes and leasehold improvement in the course of construction are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses and, on the same basis as intangible assets that are acquired separately.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Impairment on plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Impairment on plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "other income" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including bank balances and cash, pledged bank deposits, trade and other receivables, amounts due from related parties) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and amounts due from related parties. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of other receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amounts due from related parties where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated balance sheet) when the rights to receive cash flows from the asset have expired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3. Basis of preparation of consolidated financial statements and material accounting policy information (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities held by the Group are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

4. Critical accounting judgements and key source of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. Critical accounting judgements and key source of estimation uncertainty (Continued)

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Internal generated research and development expenses

Internal generated development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Internal generated research and development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. After assessment, the directors of the Company conclude that all expenses incurred for research and development activities were regarded as research and development expenses which did not meet these criteria and therefore were expensed when incurred.

Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

As at December 31, 2024, no deferred tax asset has been recognized on the tax losses of RMB1,617,137,000 and other deductible temporary differences of RMB1,258,172,000. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a recognition takes place.

5. 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:

	Year ended December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Customer A	91,383	35,036
Customer B	49,928	11,332
Customer C	39,984	N/A[1]
Customer D	N/A[1]	10,701

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. Revenue

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

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	255,873	76,610
Service income	19	–
	255,892	76,610

6. Revenue (Continued)

(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.

7. Other income

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

Note a: The amount mainly represents 1) government grant related to income received as compensation for research and development costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income were recorded in deferred income when received and recognized in profit or loss when related costs were subsequently incurred and the Group received government acknowledge of compliance; and 2) amortisation 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.

8. 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.

9. Finance costs

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
Interest on lease liabilities	1,623	2,736
Interest on borrowings	6,986	5,171
	8,609	7,907

10. Loss before tax

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

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
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	34,583	36,238
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
	168,559	178,954
Auditors' remuneration		
– Audit services	2,186	2,015
– Non-audit services	800	756
	2,986	2,771
Expense relating to short-term leases *(Note 18)*	1,864	1,071

11. 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.

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%).

The tax charge for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Loss before tax	250,144	211,234
Income tax credit calculated at 25%	(62,536)	(52,809)
Tax effect of income not taxable for tax purpose	(624)	(1,424)
Tax effect of expenses that are not deductible for tax purpose	7,929	12,352
Effect of research and development expenses that are additionally deducted	(44,485)	(31,487)
Effect of other deductible temporary differences not recognized	942	170,546
Utilization of deductible temporary differences previously not recognized	(30,244)	(24)
Utilization of tax losses previously not recognized	698	(106,829)
Effect of tax losses not recognized	128,320	9,675
Income tax expenses recognized in profit or loss	–	–

11. Income tax expense (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Deferred tax assets	11,333	8,290
Deferred tax liabilities	(11,333)	(8,290)
	–	–

At the end of the reporting period, the Group has deductible temporary differences of RMB1,312,088,000 (2023: RMB1,411,682,000). RMB8,087,000 deferred tax asset in respect of deductible temporary differences of RMB53,916,000 has been recognized (2023: RMB30,834,000). No deferred tax asset has been recognised in respect of deductible temporary difference of RMB1,258,172,000, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2023: RMB1,380,848,000).

At the end of the reporting period, the Group has unused tax losses of approximately RMB1,638,776,000 (2023: RMB1,144,141,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB21,639,000 (2023: RMB24,431,000) of such losses. No deferred tax asset has been recognized in respect of the remaining approximately RMB1,617,137,000 (2023: RMB1,119,710,000) due to the unpredictability of future profit streams.

11. Income tax expense (Continued)

The unrecognized tax losses will be carried forward and expire in years as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
2026	3,909	793
2027	2,011	1,118
2028	165,847	163,457
2029	516,026	493,907
2030	75,949	75,949
2031	324,085	324,408
2032	–	893
2033	–	21,035
2034	473,224	–
Indefinite	56,086	38,150
	1,617,137	1,119,710

12. 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$40,000,000 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).

13. Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the service provided to the Group during the reporting period are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance based bonus RMB'000	Retirement benefit scheme contributions RMB'000	Other social security and housing provident fund RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended December 31, 2024							
Executive directors							
Dr. Li CHEN*	–	7,545	2,078	73	94	4,856	14,646
Mr. George Chien Cheng LIN	–	3,747	1,596	–	147	906	6,396
Dr Yi ZHANG *(Note v)*	–	3,163	874	73	94	618	4,822
Non-executive directors							
Mr. Robert T. NELSEN	–	–	–	–	–	–	–
Dr. Fangxin LI	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Yiu Leung Andy CHEUNG *(Note iii)*	540	–	–	–	–	–	540
Mr. William Robert KELLER	540	–	–	–	–	–	540
Mr. Yiu Wa Alec TSUI	450	–	–	–	–	–	450
	1,530	14,455	4,548	146	335	6,380	27,394

13. Directors' and chief executive's emoluments (Continued)

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the service provided to the Group during the reporting period are as follows: (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Performance based bonus RMB'000	Retirement benefit scheme contributions RMB'000	Other social security and housing provident fund RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended December 31, 2023							
Executive directors							
Dr. Li CHEN*	–	5,737	1,985	70	94	9,197	17,083
Mr. George Chien Cheng LIN	–	3,782	2,213	–	16	1,145	7,156
Non-executive directors							
Mr. Robert T. NELSEN	–	–	–	–	–	–	–
Ms. Wei ZHAO *(Note i)*	113	–	–	–	–	–	113
Dr. Fangxin LI *(Note ii)*	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Yiu Leung Andy CHEUNG *(Note iii)*	540	–	–	–	–	–	540
Mr. William Robert KELLER	540	–	–	–	–	–	540
Mr. Junling LIU *(Note iv)*	113	–	–	–	–	–	113
Mr. Yiu Wa Alec TSUI	450	–	–	–	–	–	450
	1,756	9,519	4,198	70	110	10,342	25,995

* Chief Executive Officer

Notes:

(i) Ms. Wei ZHAO tendered her resignation from the office of a non-executive director and as a member of the board's remuneration committee on October 12, 2023 with immediate effect.

(ii) Dr. Fangxin LI was appointed as a non-executive director with effect from October 12, 2023.

(iii) Mr. Yiu Leung Andy CHEUNG was appointed as an independent non-executive director with effect from January 1, 2023.

(iv) Mr. Junling LIU tendered his resignation from the office of independent non-executive directors on March 31, 2023 with immediate effect.

(v) Dr. Yi ZHANG was appointed as an executive director with effect from January 1, 2024.

13. Directors' and chief executive's emoluments (Continued)

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

None of the directors of the Company has waived any emoluments during the reporting period.

Certain directors of the Company were granted share options and restricted stock units in respect of their services to the Group. Details of the share-based payment transactions are set out in Note 29.

During the year, there were no loans, quasi-loans or other dealings in favor of the directors, their controlled bodies corporate and connected entities (2023: nil).

14. Five highest paid employees

The five highest paid individuals of the Group included three directors of the Company (2023: two), details of whose remuneration are set out in Note 13 above. Details of the remuneration for the remaining two highest paid employees (2023: three) are as follows:

	Year ended December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Salaries and other benefits	4,192	6,689
Retirement benefit scheme contributions	145	210
Other social security and housing provident fund	188	282
Performance based bonus	1,420	3,129
Share-based payment	1,418	4,045
	7,363	14,355

14. Five highest paid employees (Continued)

The number of these employees (including directors) whose remuneration fell within the following bands is as follows:

	Year ended December 31, 2024 No. of employees	2023 No. of employees
Hong Kong Dollars ("HK$")		
HK$3,000,001 to HK$3,500,000	1	–
HK$4,000,001 to HK$4,500,000	–	1
HK$4,500,001 to HK$5,000,000	1	–
HK$5,000,001 to HK$5,500,000	1	1
HK$6,000,001 to HK$6,500,000	–	1
HK$7,000,001 to HK$7,500,000	1	–
HK$7,500,001 to HK$8,000,000	–	1
HK$16,000,001 to HK$16,500,000	1	–
HK$19,500,001 to HK$20,000,000	–	1

Certain non-directors highest paid employees were granted share options in respect of their services to the Group. Details of the share-based payment transactions are set out in Note 29.

15. 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:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Loss for the year for the purpose of basic and diluted loss per share	(250,144)	(211,234)

15. Loss per share (Continued)

Number of Shares:

	Year ended December 31, 2024	2023
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	981,392,196	977,054,886

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

16. Dividends

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

17. Plant and equipment

	Motor vehicles RMB'000	Experimental equipment RMB'000	Furniture fixtures and equipment RMB'000	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost						
At January 1, 2023	1,334	7,621	14,504	43,330	21,300	88,089
Additions	467	1,289	1,035	550	1,100	4,441
Disposal	(408)	–	(352)	–	–	(760)
At December 31, 2023	1,393	8,910	15,187	43,880	22,400	91,770
Additions	–	77	1,374	272	2,533	4,256
Transfer from CIP	–	–	390	–	(390)	–
Disposal	–	–	(6)	–		(6)
At December 31, 2024	1,393	8,987	16,945	44,152	24,543	96,020
Accumulated depreciation						
At January 1, 2023	1,183	2,671	11,116	19,264	–	34,234
Charge for the year	161	1,314	2,228	9,216	–	12,919
Disposal	(393)	–	(338)	–	–	(731)
At December 31, 2023	951	3,985	13,006	28,480	–	46,422
Charge for the year	113	1,555	1,095	8,645	–	11,408
Disposal	–	–	(5)	–	–	(5)
At December 31, 2024	1,064	5,540	14,096	37,125	–	57,825
Carrying amount						
At December 31, 2024	329	3,447	2,849	7,027	24,543	38,195
At December 31, 2023	442	4,925	2,181	15,400	22,400	45,348

The above items of plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Motor vehicles	4 years
Experimental equipment	3-7 years
Furniture, fixtures and equipment	3-5 years
Leasehold improvement	Over the shorter of the lease term or five years

18. Right-of-use assets

	Leasehold lands RMB'000	Leasehold buildings RMB'000	Total RMB'000
As of December 31, 2024			
Carrying amount	37,550	53,916	91,466
As of December 31, 2023			
Carrying amount	38,356	30,834	69,190
For the year ended December 31, 2024			
Depreciation charge	806	18,833	19,639
For the year ended December 31, 2023			
Depreciation charge	806	19,032	19,838

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Expense relating to short-term leases *(Note (a))*	1,864	1,071
Total cash outflow for leases *(Note (b))*	25,952	25,919
Additions to right-of-use assets	41,915	3,175

Notes:

(a) The Group regularly entered into short-term leases for motor vehicles and apartments. As of December 31, 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

(b) Amount includes payments of leasehold lands, principal and interest portion of lease liabilities and short-term leases.

For both years, the Group leases various offices, apartments and vehicles for its operations. Lease terms are negotiated on an individual basis and contain different terms and conditions, ranging from 1 to 4 years in 2024 (2023: 1 to 6 years). In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. Right-of-use assets (Continued)

Restrictions or covenants on leases

Lease liabilities of RMB63,168,000 are recognized with related right-of-use assets of RMB53,916,000 as of December 31, 2024 (2023: Lease liabilities of RMB43,718,000 are recognized with related right-of-use assets of RMB30,834,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. Intangible assets

	Intellectual property (Note 12) RMB'000	Software RMB'000	Knowhow RMB'000	Total RMB'000
Cost				
As of January 1, 2023	27,921	5,246	1,200	34,367
Additions	–	101	–	101
As of December 31, 2023	27,921	5,347	1,200	34,468
Additions	–	1,030	–	1,030
As of December 31, 2024	27,921	6,377	1,200	35,498
Amortization				
As of January 1, 2023	698	1,707	10	2,415
Charge for the year	2,792	569	120	3,481
As of December 31, 2023	3,490	2,276	130	5,896
Charge for the year	2,792	624	120	3,536
As of December 31, 2024	6,282	2,900	250	9,432
Carrying amount				
As of December 31, 2024	21,639	3,477	950	26,066
As of December 31, 2023	24,431	3,071	1,070	28,572

19. Intangible assets (Continued)

The above items of intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods since they are available for use:

Intellectual property	10 years
Software	8-10 years
Knowhow	10 years

20. Inventories

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables	82,680	32,984
Work in progress	534	846
Finished goods	43,458	10,805
	126,672	44,635

21. Trade and other receivables

	As of December 31, 2024 RMB'000	As of December 31, 2023 RMB'000
Trade receivables	34,388	637
Prepayments for research and development services	4,056	25,866
Prepayment for raw materials and manufacture services	28,026	23,230
– non-current	28,000	–
– current	26	23,230
Utility and rental deposits	5,129	5,547
– non-current	4,614	4,891
– current	515	656
Value add tax ("VAT") recoverable	20,049	11,196
– non-current	2,455	1,669
– current	17,594	9,527
Interest receivables	287	335
Other receivables for considerations of options exercised	11	45
Others	4,287	6,000
– non-current	–	96
– current	4,287	5,904
	96,233	72,856

	As of December 31, 2024 RMB'000	As of December 31, 2023 RMB'000
Analysis as		
– non-current	35,069	6,656
– current	61,164	66,200
	96,233	72,856

21. Trade and other receivables (Continued)

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	2023
	RMB'000	RMB'000
0-60 days	34,388	637

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.

Details of impairment assessment of trade and other receivables are set out in Note 33.

22. 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.

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.

22. Bank balances and cash/pledged bank deposits (Continued)

Bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31,	
	2024	**2023**
	RMB'000	RMB'000
US$	127,915	163,741
HK$	43,702	45,952

23. Trade and other payables

	As of December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
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
	116,694	112,182

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

The ageing analysis of the trade payables presented based on the invoice dates at the end of reporting period is as follows:

	As of December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Uninvoiced or within 30 days	63,722	13,939
31 to 60 days	–	37,694
	63,722	51,633

23. Trade and other payables (Continued)

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 RMB'000	As of December 31, 2023 RMB'000
US$	414	308

24. Borrowings

	As of December 31, 2024 RMB'000	As of December 31, 2023 RMB'000
Unsecured bank loans	237,011	124,036
The carrying amounts of the above borrowings are repayable:		
Within one year	98,275	17,192
Within a period of more than one year but not exceeding two years	25,713	93,251
Within a period of more than two years but not exceeding five years	113,023	13,593
	237,011	124,036
Less: Amounts due within one year shown under current liabilities	(98,275)	(17,192)
Amounts shown under non-current liabilities	138,736	106,844

The exposure of the Group's borrowings are as follows:

	As of December 31, 2024 RMB'000	As of December 31, 2023 RMB'000
Fixed-rate borrowings	89,366	104,616
Variable-rate borrowings	147,645	19,420
	237,011	124,036

The Group's variable-rate borrowings carry interest at one year Loan Prime Rate (LPR) minus 0.25% or 0.15%. Interest rates are reset every year.

24. Borrowings (Continued)

The ranges of effective interest rates on the Group's borrowings are as follows:

	As of December 31,	
	2024	**2023**
Effective interest rate:		
Fixed-rate borrowings	2.50%	3.40% – 3.60%
Variable-rate borrowings	2.85% – 3.30%	3.30%

25. Lease liabilities

	As of December 31,	
	2024	**2023**
	RMB'000	**RMB'000**
Lease liabilities payable:		
Within one year	17,262	24,279
Within a period of more than one year but not more than two years	15,733	19,439
Within a period of more than two years but not more than five years	30,173	–
	63,168	43,718
Less: Amount due for settlement with 12 months shown under current liabilities	(17,262)	(24,279)
Amount due for settlement after 12 months shown under non-current liabilities	45,906	19,439

The incremental borrowing rates applied to lease liabilities range from 3.96% to 5.34% (2023: from 4.89% to 5.34%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HK$
	RMB'000
As of December 31, 2024	–
As of December 31, 2023	263

26. Contract liabilities

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

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 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. As disclosed in Note 38, the Exclusive Promotion Service Agreement was terminated on January 1, 2025.

27. Deferred income

	As of December 31, 2024 RMB'000	2023 RMB'000
Government grants received		
R&D activities related grants	–	20
Assets-related grants (Note i)	2,386	5,113
	2,386	5,133
Less: current liabilities	(2,386)	(2,727)
Non-current liabilities	–	2,406

27. Deferred income (Continued)

Note:

i: The asset-related grants amounting to RMB20,000,000 are the subsidies received from the government during the prior reporting period. The amount is for the purpose of compensation for leasehold improvement, furniture, fixture and equipment purchased by the Group in prior years. Amortisation of RMB2,727,000 was recognized in profit or loss during the current reporting period and the remaining balance will be recognized in profit or loss over the remaining useful lives of the corresponding assets.

28. Share capital

The details of the changes of the Company's authorized and issued and fully paid ordinary shares during the years ended December 31, 2024 and 2023 are set out as below:

	Authorized Number of shares	US$
Ordinary shares of US$0.001 each		
As of January 1, 2023, December 31, 2023 and December 31, 2024	2,000,000,000	2,000,000

	Issued and fully paid Number of shares	US$	Shown in the consolidated statement of financial position as RMB'000
Ordinary shares of US$0.001 each			
As of January 1, 2023, December 31, 2023 and December 31, 2024	1,055,588,761	1,055,589	7,214

28. Share capital (Continued)

The details of the treasury shares held in trust are set out as below:

	Number of treasury shares	US$	Shown in the consolidated statement of financial position as RMB'000
Treasury shares held in trust as of January 1, 2023	85,478,024	85,477	584
Options exercised to purchase ordinary shares under the trust (Note (a))	(10,411,320)	(10,411)	(71)
Treasury shares held in trust as of December 31, 2023	75,066,704	75,066	513
Options exercised to purchase ordinary shares under the trust (Note (b))	(3,140,500)	(3,141)	(21)
Treasury shares held in trust as of December 31, 2024	71,926,204	71,925	492

As of December 31, 2024 and 2023, shares are held in trust including 71,926,204 and 75,066,704 shares for outstanding options (including forfeited and lapsed shares of 11,985,831 and 10,198,831 due to the resignation of certain employees in 2024 and 2023 which were originally entitled to these employees, respectively) and are disclosed separately in treasury shares since the Company has control over the Nominee in 2024 and 2023, respectively.

Notes:

(a) During the year ended December 31, 2023, several employees and consultants exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 10,411,320 ordinary shares of the Company at the average exercise price of HK$0.98 per share for an aggregate consideration equivalent to RMB9,187,000.

(b) During the year ended December 31, 2024, several employees and consultants exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 3,140,500 ordinary shares of the Company at the average exercise price of HK$0.55 per share for an aggregate consideration equivalent to RMB1,577,000.

29. Share-based payment transactions

On August 26, 2018, the Company adopted the pre-IPO share incentive scheme (the "Pre-IPO Share Incentive Scheme") and established an employee trust to administer the scheme. A total of 7,800,000 ordinary shares of the Company, representing all the Company's shares underlying the Pre-IPO Scheme (defined as below) and the restricted stock units granted under the Pre-IPO Share Incentive Scheme, were issued to, the Nominee, to hold such shares to satisfy the options and restricted stock units granted upon exercise/vesting. No further Company's shares will be allotted and issued to the Nominee for the purpose of the Pre-IPO Share Incentive Scheme (other than pursuant to the capitalization issue, rights issue, sub-division or consolidation of shares in accordance with the Pre-IPO Share Incentive Scheme), and no further option or award will be granted under the Pre-IPO Share Incentive Scheme.

The Company also conditionally adopted a post-IPO share option scheme (the "Post-IPO Scheme") on August 26, 2018, which became effective on the Listing Date.

The history of the issuance of the share option schemes, restricted stock units under the Pre-IPO Share Incentive Scheme and Post-IPO Scheme is set out below.

Equity-settled share option scheme of the Company

The Company's Pre-IPO share option scheme (the "Pre-IPO Scheme") was adopted pursuant to a resolution passed on March 5, 2015 for the primary purpose of providing incentives to directors, eligible employees and individual consultants who render services to the Group.

The Company's Post -IPO Scheme was adopted by the resolutions in writing of all the shareholders passed on August 26, 2018 for the primary purpose of providing incentives to directors of the Company eligible employees and individual consultants who render services to the Group.

Under the Pre-IPO Scheme and Post-IPO Scheme, the directors of the Company may grant options to eligible employees, including the directors of the Company, to subscribe for shares of the Company. The fair value of the services provided by employees are measured at the fair value of options at the grant date. Additionally, the Company may, from time to time, grant share options to individual consultants for settlement in respect of research and development advisory services provided to the Group. The fair value of the services from individual consultants is determined by the fair value of the services received on the services receipt date.

The directors of the Company approved up to 117,000,000 shares of the Company in which options may be granted under the Pre-IPO Scheme and approved up to 105,191,330 shares of the Company in which options may be granted under the Post-IPO Scheme.

29. Share-based payment transactions (Continued)

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

(1) Details of specific categories of options under the Pre-IPO Scheme are as follows:

Category	Date of grant	Number of options	Exercise price per share
Directors:			
Dr. Li CHEN	December 4, 2014 ~ August 26, 2018	11,221,725	US$0.07 ~ 0.49
Mr. George Chien Cheng LIN	April 3, 2018	25,592,405	US$0.47
Dr. Yi ZHANG (Note 13 (v))	March 25, 2013 ~ June 6, 2018	6,733,320	US$0.07 ~ 0.47
Employees	March 25, 2013 ~ August 26, 2018	13,789,693	US$0.07 ~ 0.47
Individual consultants	September 12, 2013 ~ May 11, 2018	4,447,000	US$0.07 ~ 0.47

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

Category	Date of grant	Number of options	Exercise price per share
Directors:			
Dr. Li CHEN	March 8, 2019 ~ March 31, 2023	24,079,000	HK$3.40~8.866
Mr. George Chien Cheng LIN	March 8, 2019 ~ March 31, 2023	1,500,000	HK$3.62~8.866
Dr. Yi ZHANG (Note 13 (v))	March 8, 2019 ~ March 31, 2023	1,900,000	HK$3.40~8.866
Employees	September 28, 2018 ~ May 8, 2023	24,707,748	HK$2.968~ 8.866
Individual consultants	March 8, 2019	200,000	HK$8.866

(3) Options granted under the Pre-IPO Scheme and the Post-IPO Scheme shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments except for the options granted to non-employees individual consultants on September 12, 2013 and March 15, 2016. The options granted to individual consultants on September 12, 2013 have a contractual term of 10 years and generally vest over a three year period, with 33% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 67% vesting in 24 substantially equal monthly instalments. The options granted to individual consultants on March 15, 2016 have a contractual term of 10 years and vest in 12 equal monthly instalments. The vesting commencement date of 10,519,300 shares of options granted to Dr. Li CHEN on June 25, 2019 was subject to the positive HMM0301 Phase III results as determined in the directors of the Company's sole discretion (without the participation of the chief executive officer). On November 11, 2019, the directors of the Company approved the 10,519,300 shares of options granted to Dr. Li CHEN should commence the vesting period on November 11, 2019 based on the positive HMM0301 Phase III topline trial results being announced by the Company.

29. Share-based payment transactions (Continued)

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

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Scheme and Post-IPO Scheme during the year ended December 31, 2024:

Category	Option type	Outstanding as of January 1, 2024	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2024
Category 1: Director							
Dr. Li CHEN	**Pre-IPO Scheme**						
	2014	200,000	–	(200,000)	–	–	–
	2016	1,500,000	–	–	–	–	1,500,000
	2017	1,500,000	–	–	–	–	1,500,000
	2018	8,221,725	–	–	–	–	8,221,725
	Post-IPO Scheme						
	2019	12,079,000	–	–	–	–	12,079,000
	2021	3,000,000	–	–	–	–	3,000,000
	2022	5,000,000	–	–	–	–	5,000,000
	2023	4,000,000	–	–	–	–	4,000,000
		35,500,725	–	(200,000)	–	–	35,300,725
Mr. George Chien Cheng LIN	**Pre-IPO Scheme**						
	2018	25,592,405	–	–	–	–	25,592,405
	Post-IPO Scheme						
	2019	300,000	–	–	–	–	300,000
	2023	1,200,000	–	–	–	–	1,200,000
		27,092,405	–	–	–	–	27,092,405

29. Share-based payment transactions (Continued)

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

Category	Option type	Outstanding as of January 1, 2024	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2024
Category 1: Director – Continued							
Dr. Yi ZHANG (Note)	**Pre-IPO Scheme**						
	2014	1,500,000	–	(1,500,000)	–	–	–
	2016	3,375,000	–	–	–	–	3,375,000
	2017	1,200,000	–	–	–	–	1,200,000
	2018	2,158,320	–	–	–	–	2,158,320
	Post-IPO Scheme						
	2019	200,000	–	–	–	–	200,000
	2020	200,000	–	–	–	–	200,000
	2021	500,000	–	–	–	–	500,000
	2022	500,000	–	–	–	–	500,000
	2023	500,000	–	–	–	–	500,000
		10,133,320	–	(1,500,000)	–	–	8,633,320
	Total directors	72,726,450	–	(1,700,000)	–	–	71,026,450
Category 2: Employees	**Pre-IPO Scheme**						
	2014	730,500	–	(730,500)	–	–	–
	2016	2,300,000	–	–	–	(450,000)	1,850,000
	2017	2,350,000	–	(150,000)	–	(600,000)	1,600,000
	2018	11,486,693	–	(560,000)	–	(587,000)	10,339,693
	Post-IPO Scheme						
	2018	75,000	–	–	–	–	75,000
	2019	3,879,457	–	–	–	(229,157)	3,650,300
	2020	6,505,843	–	–	(4,155)	(70,843)	6,430,845
	2021	4,902,000	–	–	(202,077)	(173,332)	4,526,591
	2022	5,085,425	–	–	(260,413)	–	4,825,012
	2023	5,700,000	–	–	(500,000)	–	5,200,000
	Total employees	43,014,918	–	(1,440,500)	(966,645)	(2,110,332)	38,497,441

29. Share-based payment transactions (Continued)

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

Category	Option type	Outstanding as of January 1, 2024	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2024
Category 3: Individual consultants	**Pre-IPO Scheme**						
	2014	150,000	–	–	–	(150,000)	–
	2016	3,322,000	–	–	–	–	3,322,000
	2018	1,125,000	–	–	–	–	1,125,000
	Post-IPO Scheme						
	2019	200,000	–	–	–	–	200,000
	Total individual consultants	4,797,000	–	–	–	(150,000)	4,647,000
	Total all categories	120,538,368	–	(3,140,500)	(966,645)	(2,260,322)	114,170,891
	Exercisable at the beginning and end of the year	99,812,795					104,550,278
	Weighted average exercise price (HK$)	4.05	–	0.67	3.82	3.26	4.16

29. Share-based payment transactions (Continued)

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

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Scheme and Post-IPO Scheme during the year ended December 31, 2023:

Category	Option type	Outstanding as of January 1, 2023	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2023
Category 1: Director							
Dr. Li CHEN	**Pre-IPO Scheme**						
	2014	200,000	–	–	–	–	200,000
	2016	1,500,000	–	–	–	–	1,500,000
	2017	1,500,000	–	–	–	–	1,500,000
	2018	8,221,725	–	–	–	–	8,221,725
	Post-IPO Scheme						
	2019	12,079,000	–	–	–	–	12,079,000
	2021	3,000,000	–	–	–	–	3,000,000
	2022	5,000,000	–	–	–	–	5,000,000
	2023	–	4,000,000	–	–	–	4,000,000
		31,500,725	4,000,000	–	–	–	35,500,725
Mr. George Chien Cheng LIN	**Pre-IPO Scheme**						
	2018	25,592,405	–	–	–	–	25,592,405
	Post-IPO Scheme						
	2019	300,000	–	–	–	–	300,000
	2023	–	1,200,000	–	–	–	1,200,000
		25,892,405	1,200,000	–	–	–	27,092,405
	Total directors	57,393,130	5,200,000	–	–	–	62,593,130

29. Share-based payment transactions (Continued)

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

Category	Option type	Outstanding as of January 1, 2023	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2023
Category 2: Employees	**Pre-IPO Scheme**						
	2013	3,654,000	–	(3,654,000)	–	–	–
	2014	3,730,500	–	(1,500,000)	–	–	2,230,500
	2016	6,875,000	–	(1,200,000)	–	–	5,675,000
	2017	5,004,000	–	(254,000)	–	(1,200,000)	3,550,000
	2018	19,352,293	–	(2,903,320)	–	(2,803,960)	13,645,013
	Post-IPO Scheme						
	2018	75,000	–	–	–	–	75,000
	2019	4,929,457	–	–	–	(850,000)	4,079,457
	2020	7,218,360	–	–	(43,742)	(468,775)	6,705,843
	2021	5,607,005	–	–	(76,254)	(128,751)	5,402,000
	2022	5,700,000	–	–	(114,575)	–	5,585,425
	2023	–	6,200,000	–	–	–	6,200,000
	Total employees	62,145,615	6,200,000	(9,511,320)	(234,571)	(5,451,486)	53,148,238
Category 3: Individual consultants	**Pre-IPO Scheme**						
	2013	1,550,000	–	(900,000)	–	(650,000)	–
	2014	150,000	–	–	–	–	150,000
	2016	3,322,000	–	–	–	–	3,322,000
	2018	1,125,000	–	–	–	–	1,125,000
	Post-IPO Scheme						
	2019	200,000	–	–	–	–	200,000
	Total individual consultants	6,347,000	–	(900,000)	–	(650,000)	4,797,000
	Total all categories	125,885,745	11,400,000	(10,411,320)	(234,571)	(6,101,486)	120,538,368
	Exercisable at the beginning and end of the year	106,031,812					99,812,795
	Weighted average exercise price (HK$)	3.77	3.59	0.96	3.96	2.83	4.05

Note: As disclosed in Note 13, Dr. Yi ZHANG was appointed as an executive director of the Company with effect from January 1, 2024 and the outstanding options granted to her was included in Category 2: Employees as at December 31, 2023 prior to the appointment.

29. Share-based payment transactions (Continued)

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

These fair values were calculated using the Black-Scholes pricing model. These fair values of the options at grant dates and corresponding inputs into the model were as follows:

	January 3, 2020	March 24, 2020	March 25, 2020	April 12, 2020	April 13, 2020	April 14, 2020	May 15, 2020	June 15, 2020	September 1, 2020
Grant date option fair value per share	HK$2.86	HK$1.86	HK$1.92	HK$1.88	HK$1.89	HK$1.83	HK$2.97	HK$3.47	HK$3.77
Grant date share price	HK$4.98	HK$3.15	HK$3.23	HK$2.99	HK$2.99	HK$3.05	HK$4.45	HK$4.97	HK$6.05
Exercise price	HK$6.64	HK$3.62	HK$3.62	HK$3.02	HK$3.00	HK$3.62	HK$3.62	HK$3.62	HK$7.18
Expected volatility	69.47%	69.60%	69.67%	71.65%	71.81%	71.95%	72.67%	74.76%	75.80%
Expected life	6.01 years	6.07 years	6.01 years	6.07 years	6.06 years	6.04 years	6 years	5.96 years	6.06 years
Risk-free rate	1.67%	0.84%	0.75%	0.69%	0.69%	0.66%	0.36%	0.39%	0.39%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%

	September 1, 2020	January 7, 2021	March 22, 2021	May 06, 2021	August 30, 2021	September 23, 2021	March 17, 2022	June 24, 2022	December 1, 2022
Grant date option fair value per share	HK$3.77	HK$3.29	HK$3.08	HK$3.02	HK$3.34	HK$3.70	HK$2.42	HK$2.78	HK$2.41
Grant date share price	HK$6.05	HK$5.22	HK$4.83	HK$4.75	HK$4.56	HK$5.05	HK$3.40	HK$3.95	HK$3.47
Exercise price	HK$7.18	HK$5.58	HK$4.98	HK$4.89	HK$4.56	HK$5.05	HK$3.40	HK$3.95	HK$3.47
Expected volatility	75.80%	73.86%	73.28%	73.12%	88.79%	88.48%	83.29%	80.00%	77.10%
Expected life	6.06 years	6.08 years	6.08 years	6.08 years	6.08 years	6.08 years	6.08 years	6.08 years	6.08 years
Risk-free rate	0.39%	0.47%	0.94%	0.84%	0.82%	0.88%	1.93%	2.82%	3.57%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%

29. Share-based payment transactions (Continued)

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

	March 31, 2023	May 8, 2023
Grant date option fair value per share	HK$2.46	HK$1.91
Grant date share price	HK$3.62	HK$2.83
Exercise price	HK$3.62	HK$2.97
Expected volatility	75.20%	76.0%
Expected life	6.08 years	6.08 years
Risk-free rate	3.10%	3.01%
Expected dividend yield	0%	0%

Expected volatility was determined by using the historical volatility of the comparable companies and the effect of difference in leverage between the Company and the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. The Group recognized the total expense of RMB11,841,000 and RMB23,911,000 for the years ended December 31, 2024 and 2023, respectively, in relation to share options granted by the Company.

30. Related party transactions

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Relationships	Nature of balances/transactions	As of/ Year ended 31/12/2024 RMB'000	As of/ Year ended 31/12/2023 RMB'000
Entity in which a former director has significant influence	Trade sales	528	10,701
	Amounts due from related parties *(Note)*	–	342

Notes:

(a) Guangdong 111 Pharmaceutical is an entity in which a former director of the Company had significant influence and ceased to be considered a related party since April 1, 2024.

(b) The English names are for identification purpose only.

(c) As of December 31, 2023, the aging of amounts due from related parties is within 60 days based on invoice dates.

Compensation of key management personnel

The remuneration of key management personnel of the Group, who are the directors of the Company during the reporting period, were as follows:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Short term benefits	19,002	13,717
Post-employment benefits	480	180
Share-based payment	6,380	10,342
	25,862	24,239

31. Capital commitments

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	2,117	3,186

32. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of net debts and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

33. Financial instruments

(a) Categories of financial instruments

	As of December 31, 2024 RMB'000	2023 RMB'000
Financial assets		
Amortized cost (including bank balances and cash/pledged bank deposits)	1,188,475	1,471,336
Financial liabilities		
Amortized cost	314,112	197,029

33. Financial instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, bank balances and cash, pledged bank deposits, trade and other payables, and borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain bank balances and cash, trade and other receivables, trade and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Assets		
US$	128,817	164,652
HK$	43,814	46,313

33. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates an increase in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, 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$	(6,441)	(8,233)
HK$	(2,191)	(2,316)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year.

(ii) 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 of the Group 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 balance. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant, therefore no sensitivity analysis on such risk has been prepared.

33. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances and pledged bank deposits.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread among approved counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ amounts due from related parties	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit – impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit – impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit – impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	As of ended December 31, 2024 Gross carrying amount RMB'000	2023 Gross carrying amount RMB'000
Financial assets at amortized cost						
Trade receivables and amounts due from related parties arising from contracts with customers	21, 30	N/A	Low risk (Note i)	Lifetime ECL	34,388	979
Other receivables	21	N/A	Low risk (Note ii)	12m ECL	5,427	5,927
Bank balances and cash	22	A1-A3	N/A (Note iii)	12m ECL	1,139,753	1,460,824
Pledged bank deposits	22	A1-A3	N/A (Note iii)	12m ECL	8,907	3,606

33. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Notes:

(i) Trade receivables and amounts due from related parties arising from contracts with customers

The Group has concentration of credit risk as 33.90% (2023: 34.91%) and 81.64% (2023: 100.00%) of the total trade receivables and amounts due from related parties were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customers, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group has performs impairment assessment under the ECL model on trade balances individually, based on the general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

According to individual assessment of the management, since all of the trade receivables and amounts due from related parties balances are due from reputable pharmaceutical distributors which have low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL, in the opinion of the management, the impairment loss for the trade receivables from the customers is immaterial.

(ii) Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

(iii) Bank balances and pledged bank deposits

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

33. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Within 1 year or on demand RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As of December 31, 2024							
Trade and other payables	N/A	116,694	–	–	–	116,694	116,694
Borrowings	3.63%	104,049	30,050	113,023	–	247,122	237,011
Lease liabilities	4.08%	37,757	16,940	31,005	–	85,702	63,168
As of December 31, 2023							
Trade and other payables	N/A	72,993	–	–	–	72,993	72,993
Borrowings	3.51%	21,347	95,268	14,030	–	130,645	124,036
Lease liabilities	5.25%	25,859	19,968	–	–	45,827	43,718

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

There are no financial assets and liabilities measured at fair value as of December 31, 2024 and 2023.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

34. Retirement benefit plans

The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The Group contributions to the retirement benefit scheme are expensed as incurred and not reduced by contribution forfeited by those employees who leave the plan. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB8,635,000 for the year ended December 31, 2024 (2023: RMB9,231,000).

35. Reconciliation of assets and liabilities arising from financing activities

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000 (Note 24)	Interest Payable RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 25)	Other receivables for considerations of options exercised RMB'000 (Note 21)	Total RMB'000
As of January 1, 2023	33,923	32	63,659	(744)	96,870
Financing cash flows	90,113	(5,079)	(25,852)	9,886	69,068
Non-cash changes					
New leases entered	–	–	3,175	–	3,175
Acquired on acquisition of a subsidiary	–	–	–	–	–
Interest expenses	–	5,171	2,736	–	7,907
Exercise of options by employees	–	–	–	(9,187)	(9,187)
As of December 31, 2023	124,036	124	43,718	(45)	167,833
Financing cash flows	112,975	(6,780)	(24,088)	1,611	83,718
Non-cash changes					
New leases entered	–	–	41,915	–	41,915
Interest expenses	–	6,986	1,623	–	8,609
Exercise of options by employees	–	–	–	(1,577)	(1,577)
As of December 31, 2024	237,011	330	63,168	(11)	300,498

36. Particulars of subsidiaries of the company

Details of the subsidiaries directly and indirectly held by the Company at the end of the Reporting Period are set out below.

Name of companies	Place of incorporation/ establishment/ operation and nature of the legal entity	Issued and fully paid share capital/ Registered capital	Attributable equity interest held by the Company 2024	2023	Principal activities
Directly held					
Hua Medicine Technology (Hong Kong) Limited ("Hua HK") 華領醫藥技術(香港)有限公司 (formerly known as Hua Medicine Limited)	Hong Kong Limited liability company	Registered capital of US$210,567,937.96	100%	100%	Investment holding company
Hua Medicine USA Inc	The United States Limited Liability company	Registered capital of US$7,010,000	100%	100%	Development of innovative medicines
Indirectly held					
Hua Shanghai *(Note (a))* 華領醫藥技術(上海)有限公司	The PRC Limited liability company	Registered capital of US$114,718,839.00 and paid-in capital of US$114,718,839.00	100%	100%	Development of innovative medicines
Indirectly held					
Hua Biotechnology *(Note (a))* 上海華領生物科技有限公司	The PRC Limited liability company	Registered capital of RMB70,000,000 and paid-in capital of RMB67,400,000.00	100%	100%	Commercialization of innovative medicines
Indirectly held					
Nanjing AscendRare *(Note (a))* 南京盛德瑞爾醫藥科技有限公司	The PRC Limited liability company	Registered capital of RMB38,025,000 and paid-in capital of RMB38,025,000	100%	100%	Development of innovative medicines

Note:

(a) The English names are for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the year.

37. Information of financial position of the Company and movements in the Company's reserves

The statement of financial position of the Company is as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Non-current Asset		
Investments in subsidiaries	1,909,838	1,880,821
Current Assets		
Other receivables	1,164	1,551
Amounts due from a subsidiary	18,390	22,789
Bank balances and cash	132,721	163,522
	152,275	187,862
Current Liabilities		
Trade and other payables	4,433	4,802
Amounts due to a subsidiary	6,521	6,538
	10,954	11,340
Net Current Assets	141,321	176,522
Total Assets Less Current Liabilities	2,051,159	2,057,343
Net Assets	2,051,159	2,057,343
Capital and Reserves		
Share capital	7,214	7,214
Reserves	2,043,945	2,050,129
Total Equity	2,051,159	2,057,343

37. Information of financial position of the Company and movements in the Company's reserves (Continued)

The movements in the Company's reserves of the Company for the year ended December 31, 2024 and 2023 are as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As of January 1, 2023	5,921,640	260,651	(4,143,730)	2,038,561
Loss and total comprehensive expense for the year	–	–	(21,530)	(21,530)
Options exercised to purchase ordinary shares under the trust	9,187	–	–	9,187
Recognition of equity-settled payment for subsidiary	–	23,911	–	23,911
As of December 31, 2023	5,930,827	284,562	(4,165,260)	2,050,129
Loss and total comprehensive expense for the year	–	–	(19,602)	(19,602)
Options exercised to purchase ordinary shares under the trust	1,577	–	–	1,577
Recognition of equity-settled payment for subsidiary	–	11,841	–	11,841
As of December 31, 2024	5,932,404	296,403	(4,184,862)	2,043,945

38. Events after the reporting period

On January 1, 2025, the Group exercised its termination right on the Exclusive Promotion Service Agreement with Bayer Healthcare Company Limited ("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. 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.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

	For the year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	–	–	17,599	76,610	**255,892**
Cost of sales	–	–	(9,910)	(39,236)	**(131,168)**
Other income	15,859	11,871	41,511	130,602	**116,753**
Other gains and losses	(41,827)	(10,373)	26,026	4,137	**2,017**
Administrative expenses	(140,084)	(134,835)	(129,931)	(124,148)	**(116,755)**
Finance costs	(4,396)	(3,950)	(3,667)	(7,907)	**(8,609)**
Selling expenses	–	–	(15,348)	(79,755)	**(153,182)**
Other expenses	(1,724)	(1,612)	(259)	–	**–**
Research and Development expenses	(220,962)	(186,835)	(129,528)	(171,537)	**(215,092)**
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(453)	454	94	(293)	**109**
Total comprehensive expense for the year	(393,587)	(325,280)	(203,413)	(211,527)	**(250,035)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Current assets	1,045,277	704,600	940,257	1,572,477	**1,336,496**
Inventories	–	–	1,915	44,635	**126,672**
Trade and other receivables	13,187	24,666	441,192	66,200	**61,164**
Amounts due from related parties	–	–	1,822	342	**–**
Pledged bank deposits	–	4,696	4,696	476	**8,907**
Bank balances and cash	1,032,090	675,238	490,632	1,460,824	**1,139,753**
Current liabilities	106,547	106,884	188,386	252,034	**330,271**
Trade and other payables	80,794	79,738	79,111	112,182	**116,694**
Borrowings	–	–	33,923	17,192	**98,275**
Lease liabilities	11,503	13,296	21,490	24,279	**17,262**
Contract liabilities	–	–	43,303	95,654	**95,654**
Deferred income	14,250	13,850	10,559	2,727	**2,386**
Net current assets	938,730	597,716	751,871	1,320,443	**1,006,225**
Non-current assets	153,244	198,953	181,240	152,896	**190,796**
Non-current liabilities	359,479	346,338	653,531	1,372,188	**1,332,487**
Net assets (liabilities)	732,495	450,331	279,580	101,151	**(135,466)**
Total equity (deficit)	732,495	450,331	279,580	101,151	**(135,466)**

DEFINITIONS

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"Articles of Association"	the memorandum and articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"Company"	Hua Medicine (華領醫藥), an exempt limited liability company incorporated under the laws of the Cayman Islands on November 10, 2009 and whose Shares are listed on the Stock Exchange
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"CMC"	chemistry, manufacturing and control
"CMO"	a contract manufacturing organization, which provides support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis
"CRO"	a contract research organization, which provides support to the pharmaceutical industry in the form of research services outsourced on a contract basis
"Director(s)"	the director(s) of the Company
"first-in-class"	drugs that are approved as a new class of therapy with novel mechanism of action for treating a medical condition
"GLP-1"	glucagon-like peptide-1, a peptide hormone with the ability to decrease blood glucose levels in a glucose-dependent manner by enhancing the secretion of insulin. GLP-1 agonists have been successfully developed as injectable anti-diabetic therapies and are approved in both China and the United States, among other countries
"glucose homeostasis"	an intricate physiological process within the human body that regulates blood glucose levels within an acceptable range or threshold. This process is dependent on the balance of insulin (which normally facilitates uptake of glucose after meal), glucagon (which facilitates the production of glucose by the body when glucose levels are low), and other hormones
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"Hua HK"	Hua Medicine Technology (Hong Kong) Limited (華領醫藥技術(香港)有限公司), formerly known as Hua Medicine Limited (華醫藥有限公司), a limited liability company incorporated under the laws of Hong Kong on August 12, 2010, being a wholly-owned subsidiary of the Company
"Hua Lingang"	Shanghai Huasheng Inc. (上海華領生物科技有限公司), a limited liability company incorporated under the laws of the PRC on February 03, 2021, being an indirect wholly owned subsidiary of the Company
"Hua Shanghai"	Hua Medicine (Shanghai) Ltd. (華領醫藥技術(上海)有限公司), a limited liability company incorporated under the laws of the PRC on June 22, 2011, being an indirect wholly-owned subsidiary of the Company
"Hua USA"	Hua Medicine USA Inc. (華領醫藥美國有限公司), a limited liability company incorporated under the laws of USA on April 9, 2020, being an indirect wholly-owned subsidiary of the Company
"insulin"	a hormone produced by the β-cells in the pancreas that is critical in promoting the absorption of glucose from the blood into the liver, skeletal muscle and adipose cells (or fat), among other cells
"Listing Date"	September 14, 2018, being the date on which the Shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"mGLUR5"	metabotropic glutamate receptor subtype 5
"monotherapy"	the use of one type of treatment alone to treat a certain disease or condition
"Model Code"	the Model Code for the Securities Transactions by Directors of Listed Issuer's contained in Appendix C3 to the Listing Rules
"NDA"	new drug application
"NMPA"	National Medical Products Administration (國家藥品監督管理局), and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"PRC"	the People's Republic of China, excluding, for the purposes of this report, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Pre-IPO Share Incentive Scheme"	the share incentive scheme approved and adopted by the Company on March 25, 2013 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by our Company on August 26, 2018 for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries; a summary of the principal terms is set forth in "Appendix IV – Statutory and General Information – D. Share Incentive Schemes – 2. Post-IPO Share Option Scheme" of the Prospectus
"Prospectus"	the prospectus issued by the Company on August 31, 2018 in connection with the Hong Kong public offering of the Shares
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGLT-2"	Sodium-glucose co-transporter-2
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) with nominal value of US$0.001 each in the share capital of the Company
"SMO"	Site management organizations
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"US$" or "U. S. dollars"	United States dollars, the lawful currency of the United States of America
"U. S."	the United States of America