



Hua Medicine
華領醫藥

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



2025
ANNUAL REPORT

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CORPORATE INFORMATION

AS OF THE DATE OF THIS REPORT

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) (*Chief Medical Officer*)

Non-executive director

Robert Taylor NELSEN (*Chairman*)

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*)
Yiu Wa Alec TSUI (徐耀華)
Yiu Leung Andy CHEUNG (張耀樑)

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

Au-Yeung Nelly (歐陽麗妮)

Authorized representatives

George Chien Cheng LIN (林潔誠)
Au-Yeung Nelly (歐陽麗妮)

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

Suite 1701, 8 Queen's Road East,
Wanchai, 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

- **Hua Medicine experienced fast growth in mainland China in 2025:** As we engaged in marketing and sales of dorzagliatin in mainland China from January 1, 2025, Hua Medicine has overcome many challenges and successfully established in-house capability to commercialize our global first-in-class antidiabetes medicine dorzagliatin in China. With over 4.0 million packs sold, dorzagliatin has reached diabetes patients through 10 sales regions around the country. Revenues for the fiscal year 2025 were RMB492.9 million, representing an increase of 93% over the comparable period in 2024, and generated cash of RMB514.7 million. In 2025, Hua Medicine established its own professional sales team with 130 product representatives and over 50 staff actively engaged in marketing, medical affairs and commercial operations. At the same time, we established an AI-empowered digital commercialization platform which led to significantly enhanced operational efficiency and sales productivity. We continue to work with our contract development and manufacturing organization partners in optimizing our manufacturing process of dorzagliatin, which allowed us to improve our gross margins by 8.2 percentage points over 2024 to 56.9% for the fiscal year 2025.
- **Hua Medicine continues the expansion of Glucokinase Activators (GKA) for Glucose Homeostasis Management (GHM):** Dorzagliatin has been widely used in China since its launch in October 2022, and as of the latest practicable date, has been prescribed to over 500,000 patients through 3,000+ hospitals, community clinic centers, pharmacies and online channels. Real world evidence (RWE) study results continue supporting its key role in improving pancreatic secretion function in a glucose-dependent manner and demonstrate its role in diabetes prevention, remission and delay or prevention of diabetes complications. Investigator initiated trials (IIT) are currently ongoing in diabetes patients with diabetes kidney diseases (DKD), cognition impairment, and monogenic diabetes (GCK-MODY) in mainland China and Hong Kong. With its critical role in repairing glucose sensors and restoring glucose homeostasis, additional therapy will be added to dorzagliatin to further improve insulin sensitivity and manage lipid metabolism. Hua Medicine has engaged in internal research and business development efforts in these areas to achieve total control of glucose homeostasis and bio-energy balance for healthy longevity. Short term plans have been implemented targeting first-in-disease indication, such as frailty and mild cognition impairment (MCI) as early indication of Alzheimer's disease.
- **Hua Medicine's new product development:** We have advanced our 2nd generation GKA as a once daily therapy for patients with obesity, leveraging dorzagliatin's effects in improved glucose-stimulated glucagon-like peptide-1 GLP-1 secretion in the pancreas and in the intestine. The multiple-ascending dose (MAD) study of the 2nd generation GKA was initiated in the United States with first-patient-in in December 2025, and we expect to report topline data by the middle of 2026. We continue to accelerate the development of a fixed dose combination of dorzagliatin with metformin. Significant progress has been made with the submission of an investigational new drug (IND) file with the Chinese National Medical Products Administration (NMPA). Good manufacturing practice (GMP) commercialization manufacturing process has been successfully completed to support the pivotal bio-equivalence study for new drug application (NDA) filing planned for 2027. In clinical studies, the combination of dorzagliatin with metformin offered better glycemic control in reduction of post-meal glucose levels and managing fasting glucose levels, which provide additional opportunity to improve glucose homeostasis endpoints. In a recently published clinical trial in China, researchers reported the superior benefits of our dorzagliatin in combination with semaglutide as compared to semaglutide alone in a 12-week study. The combination group showed superior results across several key measures, including glycemic control, body-weight related indicators and β -cell function.

- **Opportunity to expand to global market; Hong Kong approval secured:** With improved understanding that impaired glucose homeostasis is a root cause of Type 2 diabetes, Hua Medicine has further incorporated a personalized approach to global diabetes management. In addition, the MAD study of 2nd generation GKA developed for the western patients, are currently underway in the United States. We successfully filed new drug registrations of dorzagliatin in Hong Kong and Macau in 2025, and we received Hong Kong regulatory approval for commercialization on February 27, 2026. After the expected successful launch in 2026, we will expand new applications and indications of dorzagliatin in Hong Kong and other regions in Asia where the root cause of diabetes is very similar with mainland China. We plan to officially launch dorzagliatin in Hong Kong under the trade name MYHOMISIS®, 華領片®.
- **Achieved record profitability in 2025; Robust cash position:** Profit before tax increased to RMB1,106.4 million for the fiscal year 2025, principally due to the release of contract liability upon termination of the collaboration with Bayer Healthcare Company Limited (“Bayer”) effective January 1, 2025 and record sales of dorzagliatin in 2025. We ended fiscal year 2025 with a cash position of approximately RMB1,092.3 million.
- **Commercial operations accelerating towards profitability in 2025:** With our accelerating sales in mainland China powered by our own in-house commercialization team and increased manufacturing efficiencies, our commercialization efforts of dorzagliatin is moving rapidly towards profitability. In fiscal year 2025, our commercialization efforts achieved profits of approximately RMB114.9 million (as defined by gross profits less selling and distribution expenses), whereas in fiscal year 2024 our commercialization efforts achieved a loss of approximately RMB28.5 million. This represents a favorable variance in gross margins and selling and distribution expenses of approximately 33.6% of sales. Although we expect to continue to add personnel to our commercialization team, we expect this profitability trend in our commercial operations in mainland China to continue.
- **NRDL price maintained at same level for the calendar years 2026 and 2027:** Dorzagliatin is recognized as national innovation and an effective therapy for chronic disease. The same NRDL price was offered by the agency for the calendar years 2026 and 2027.
- **Additional 5-year market exclusivity granted:** In February 2026, the China National Intellectual Property Administration granted a five year patent term extension for dorzagliatin, extending its core patent protection to April 2034 and adding five years of market exclusivity.

Financial highlights

- Bank balances and cash position was approximately RMB1,092.3 million as of December 31, 2025.
- Revenue generated by the Company for the year ended December 31, 2025 was approximately RMB492.9 million, reflecting the sales of approximately 4,011,000 packs of HuaTangNing (华堂宁®). Sales revenue and sales volume increased by approximately 93% and 91% respectively, as compared with the year ended December 31, 2024.
- Gross profit generated by the Company for the year ended December 31, 2025 was approximately RMB280.4 million, representing an increase of approximately RMB155.6 million, or approximately 125%, as compared with the year ended December 31, 2024.
- Gross margin generated by the Company for the year ended December 31, 2025 was approximately 56.9%, increasing by approximately 8.2 percentage points, as compared with the year ended December 31, 2024, reflecting increased manufacturing scale and improved cost efficiency.
- Selling and distribution expenses increased by only RMB12.3 million to RMB165.5 million for the year ended December 31, 2025 from RMB153.2 million for the year ended December 31, 2024. The composition of our selling and distribution expenses for the year ended December 31, 2025 changed significantly from the same period in 2024 due to the Company incurring selling and distribution expenses directly as a result of assuming sole commercialization responsibilities for HuaTangNing (华堂宁®) in China, while no longer owing promotion expenses to the former commercialization partner. These figures also reflect a significant positive trend towards profitability where our selling and distribution expenses in the year of 2025 represent approximately 33.6% of revenue whereas in the year of 2024, our selling and distribution expenses represented approximately 59.9% of revenue.
- Other income generated by the Company for the year ended December 31, 2025 was approximately RMB1,263.9 million, which increased by approximately RMB1,147.2 million, or approximately 983%, as compared with the year ended December 31, 2024. For the year ended December 31, 2025, the increase in other income was mainly attributable to the realization of the income relating to the payments received from Bayer for the grant of dorzagliatin promotion rights by the Company (the "**Bayer milestone income**") of approximately RMB1,243.5 million. This net increase of approximately RMB1,147.8 million represented an increase of approximately 1,200% as compared with the year ended December 31, 2024.
- Expenditures incurred by the Company for the year ended December 31, 2025 was approximately RMB433.4 million, of which approximately RMB145.3 million consisted of research and development expenses. For the year ended December 31, 2025, research and development expenses decreased by approximately RMB69.8 million, or approximately 32%, as compared with the year ended December 31, 2024.
- Profit before tax increased by approximately RMB1,356.5 million or approximately 542% to approximately RMB1,106.4 million for the year ended December 31, 2025, as compared with the year ended December 31, 2024.
- Total comprehensive income increased by approximately RMB1,356.9 million or approximately 543% to approximately RMB1,106.8 million for the year ended December 31, 2025, as compared with the year ended December 31, 2024.

CHAIRMAN AND CEO STATEMENT

Dear Shareholders,

We are pleased to report that Hua Medicine has assumed full responsibility for the commercialization of HuaTangNing (华堂宁®) (dorzagliatin tablets) and accomplished several major milestones during the fiscal year 2025.

As we engaged in marketing and sales of dorzagliatin in mainland China from January 1, 2025, Hua Medicine has overcome many challenges and successfully established in-house capability to commercialize our global first-in-class antidiabetes medicine dorzagliatin in China by a professional sales team with 130 product representatives and over 50 staff actively engaged in marketing, medical affairs and commercial operations. At the same time, Hua Medicine established an AI-empowered digital commercialization platform which led to significantly enhanced operational efficiency and sales productivity.

Sales performance exceeded expectations, with over 4.0 million packs of HuaTangNing (华堂宁®) sold during the fiscal year 2025, representing a 91% increase over the fiscal year 2024. Revenue reached RMB492.9 million, a 93% increase year-on-year, and gross profit increased 125% to RMB280.4 million. We continued to work with our contract development and manufacturing organization partners in optimizing our manufacturing process of dorzagliatin, which allowed us to improve our gross margins by 8.2 percentage points over 2024 to 56.9% for the fiscal year 2025.

HuaTangNing (华堂宁®) continued to benefit from its inclusion in China's National Reimbursement Drug List (NRDL), which took effect in January 2024. In 2025, dorzagliatin was recognized as national innovation and an effective therapy for chronic disease by the relevant regulatory authorities in China. The same NRDL price was offered by the agency for the calendar years 2026 and 2027. In February 2026, the China National Intellectual Property Administration granted a five year patent term extension for dorzagliatin, extending its core patent protection to April 2034 and adding five years of market exclusivity.

Reimbursement coverage under the NRDL has significantly increased accessibility, especially in Tier 2 and Tier 3 hospitals, and played a critical role in accelerating patient adoption. Since its launch in October 2022, HuaTangNing (华堂宁®) has been prescribed to over 500,000 patients through 3,000+ hospitals, community centers, pharmacies and online channels.

In parallel with our commercial progress, Hua Medicine continued to invest in clinical innovation and scientific validation. The Company has advanced multiple post-marketing studies to generate real-world evidence of dorzagliatin's long-term safety and effectiveness, including, but not limited to its potential impact on several first-in-disease unmet medical conditions, such as cognitive function, diabetes prevention and remission.

With improved understanding that impaired glucose homeostasis is a root cause of Type 2 diabetes, Hua Medicine has further incorporated a personalized approach to global diabetes management. In addition, the MAD study of 2nd generation GKA developed for the western patients, are currently underway in the United States. We successfully filed new drug registrations of dorzagliatin in Hong Kong and Macau in 2025 and received Hong Kong regulatory approval for commercialization on February 27, 2026. After the expected successful launch in 2026, we will expand new applications and indications of dorzagliatin in Hong Kong and other regions in Asia where the root cause of diabetes is very similar with mainland China. We plan to officially launch dorzagliatin in Hong Kong under the trade name MYHOMSI[®], 華領片[®].

We are excited about 2026 as Hua Medicine remains focused on driving long-term value through disciplined commercial execution, continues to explore the various first-in-disease indications which we are studying on our own or in collaboration with partners to leverage the Company's proprietary glucokinase modulation platform. As always, our successes are the combined effort of the Hua Medicine team, our partners and shareholders. We would like to express our deep appreciation to you all.

Thank you.

Robert Nelsen

Chairman

Li Chen

CEO and Founder

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

The fiscal year 2025 marked a milestone year for us as the Company assumed full responsibility for the commercialization of HuaTangNing (华堂宁®) (dorzagliatin tablets), our global first-in-class glucokinase activator for the treatment of Type 2 diabetes. This transition followed the termination of the exclusive promotion service agreement with Bayer (the “**Agreement**”) effective January 1, 2025, and allowed Hua Medicine to consolidate both operational and strategic control over market execution in mainland China.

Sales performance exceeded expectations, with over 4.0 million packs of HuaTangNing (华堂宁®) sold during the Reporting Period, representing a 91% increase over the fiscal year 2024. This growth was achieved at the same price for both periods, underscoring strong demand and successful execution of Hua’s commercial strategy. Revenue reached RMB492.9 million, a 93% increase year-on-year, and gross profit increased 125% to RMB280.4 million. Gross margin improved to 56.9%, reflecting increased manufacturing scale and greater cost efficiency. The strong financial performance was further supported by the one-time release of RMB1.24 billion in previously deferred income associated with the Agreement. This resulted in the Company’s first reported annual profit of RMB1.11 billion – a key milestone in Hua Medicine’s turn towards sustainable profitability.

HuaTangNing (华堂宁®) continued to benefit from its inclusion in China’s National Reimbursement Drug List (NRDL), which took effect in January 2024. In 2025, dorzagliatin was recognized as national innovation and an effective therapy for chronic disease by the relevant regulatory authorities in China. Accordingly, the same NRDL price was offered for the calendar years 2026 and 2027. Reimbursement coverage under the NRDL has significantly increased accessibility, especially in Tier 2 and Tier 3 hospitals, and played a critical role in accelerating patient adoption. Since its launch in October 2022, HuaTangNing (华堂宁®) has been prescribed to over 500,000 patients through 3,000+ hospitals, community centers, pharmacies and online channels. In parallel with our commercial progress, Hua continued to invest in clinical innovation and scientific validation. The Company has advanced multiple post-marketing studies to generate real-world evidence of dorzagliatin’s long-term safety and effectiveness, including, but not limited to its potential impact on several first-in-disease unmet medical conditions, such as cognitive function, diabetes prevention and remission.

In 2025, we also filed regulatory applications for dorzagliatin in Hong Kong and Macau, reflecting a commitment to expanding access outside of mainland China. In February 2026, we received Hong Kong regulatory approval for commercialization and we plan to launch dorzagliatin in Hong Kong by the middle of 2026 under the trade name MYHOMISIS®, 華領片®. We plan to expand new applications and indications of dorzagliatin in Hong Kong and other regions in Asia where the root cause of diabetes is very similar with mainland China.

We have advanced our 2nd generation GKA as a once daily therapy for patients with obesity, leveraging dorzagliatin effects in improved glucose-stimulated GLP-1 secretion in the pancreas and in the intestine. The MAD study of the 2nd generation GKA was initiated in the United States with first-patient-in in December 2025, and we expect to report topline data by the middle of 2026. We continue to accelerate the development of fixed dose combination of dorzagliatin with metformin. Significant progress has been made in the submission of an IND file with the Chinese National Medical Products Administration (NMPA). GMP commercialization manufacturing process has been successfully completed to support the pivotal bio-equivalence study for NDA filing in 2027. In clinical studies, the combination of dorzagliatin with metformin offered better glycemic control in reduction of post-meal glucose levels and managing fasting glucose levels which provide additional opportunity to improve glucose homeostasis endpoints.

Hua Medicine's scientific leadership was further recognized at the 2025 American Diabetes Association (ADA) Annual Meeting, where new data on dorzagliatin's mechanism of action and therapeutic potential were presented.

Looking ahead, Hua Medicine remains focused on driving long-term value through disciplined commercial execution, continued expansion of its clinical pipeline, and exploration of new indications that leverage the Company's proprietary glucokinase modulation platform.

Cautionary Statement required under Rule 18A.08(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"): We may not be able to ultimately develop and market our product candidates successfully.

Product pipeline

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

Product and Pipeline	Indication	Discovery (Pre-clinical – Phase II)	Development (Phase III)	Commercialization
Dorzagliatin	T2D-Drug Naïve			
	T2D-Metformin Tolerated			
	RWE study for Diabetes Remission			
	MODY-2			
	Diabetes prevention IGT2NGT			
	Frailty			
	Early AD			
	CFRD			
Dorzagliatin and Metformin FDC	T2D			
2 nd Generation GKA	Metabolic Disease			
Dorzagliatin add on to GLP-1 RAs	T2D and Obesity			
Dorzagliatin + small molecule GLP-1	T2D and Obesity			
Dorzagliatin+ Empagliflozin	DKD			
Dorzagliatin+ Sitagliptin	T2D			
Dorzagliatin add on to Insulin	Insulin sparing in T2D			
mGLUR5 NAM	PD-L1D			
	Drug Addiction			
GK NAM	Metabolic Disease			

RWE Studies for Dorzagliatin. Dorzagliatin has been approved in mainland China for T2D drug-naïve patients as monotherapy and for metformin-tolerated T2D patients as combination therapy with metformin. Since its launch, dorzagliatin has experienced fast expansion of IIT studies in China and the rest of the world. These studies resulted in new evidence for effective blood glucose control and the potential for the prevention of diabetes complications. A RWE study sponsored by Hua Medicine HMM0701 with 380 T2D patients was fully enrolled in 2025. The interim analysis, as reported at the 2025 American Diabetes Association (ADA), showed that 86% of such patients were taking two or more antidiabetic drugs and 41% of such patients were using insulin. After a 6-month treatment, a significant improvement of glycemic control was observed with HbA1c reduction from 8.1% to 7.3% with the mean time-in-range (TIR) levels increasing to over 70%. Thus far, the studies have demonstrated that when dorzagliatin is administered in combination with other antidiabetic drugs, such patients have experienced significantly improved post-meal glucose levels and improved β -cell function. Separately, a mechanistic study with dorzagliatin (employing double-tracer measurement) was conducted in the United States to provide scientific evidence of hepatic glycogen formation in T2D patients with an average of 17 years of diagnosed diabetes. In this study, patients were treated with dorzagliatin twice daily for 6 weeks. The results showed that dorzagliatin increased direct glucose flux to hepatic glycogen implying the improvement of restoration of hepatic Glucokinase (GK) function. Together with the clinical research data that dorzagliatin improves early phase insulin release and GLP-1 secretion, recovery of hepatic glycogen synthesis in T2D patients offers an important path in controlling post-meal glucose excursion and provides a unique opportunity in controlling diabetes complications, such as diabetes kidney diseases and mild cognition impairment.

The RWE sponsored by Hua Medicine (HMM0601) has completed clinical trials with over 2,000 subjects, with average diabetes duration of 7.9 years and above 30% having disease duration more than 10 years. The initial results suggest that dorzagliatin is safe and well tolerated in Chinese type 2 diabetes mellitus (T2DM) patients. There were no new adverse effects observed in the study and the incident rate remains as low as what was observed in Phase III clinical trials. Patient adherence was generally high, with a mean adherence rate of approximately 95%. In this study, 80% of the participants have used one or more oral anti-diabetes medicine, and 20% used insulin. Dorzagliatin demonstrated good efficacy and safety not only in the overall population but also in elderly, obese, and hyperglycemic patient populations, whether used as monotherapy or in combination with metformin, SGLT2 inhibitors, insulin, and other medications. The topline results will be reported at the 2026 American Diabetes Association.

New Indication for Dorzagliatin – MODY-2 Patients. Medical experts in mainland China and Hong Kong have conducted independent clinical and preclinical studies of dorzagliatin for MODY-2 treatment. MODY-2, also called GCK-MODY, is a monogenic disease in which patients have a genetic defect of glucokinase gene (GCK) which results in elevated blood glucose and significant reduction of the 2nd phase release of insulin. The population of GCK-MODY patients is approximately 1.7 million in China. These patients are diagnosed with diabetes at a young age and represent an unmet medical need given currently available medications are not effective. In clinical studies with MODY-2 patients, China investigators have reported that dorzagliatin is effective in reducing blood glucose levels to normal levels in MODY-2 patients who previously failed to manage their elevated blood glucose levels when treated with metformin, thiazolidinedione, DPP-IV inhibitors, and SGLT-2 inhibitors. Additional results demonstrated that a single dose of dorzagliatin improved overall glucose sensitivity and 2nd phase insulin secretion significantly in GCK-MODY patients, suggesting a unique mechanism of action of dorzagliatin to regulate GLP-1 secretion. Based on such results, Hua Medicine has communicated and reached a consensus with the Center for Drug Evaluation at NMPA to file the IND submission of dorzagliatin for MODY-2 patients in 2026.

Dorzagliatin for Diabetes Prevention. Prevention of diabetes is an important focus at Hua Medicine. There are approximately 1.12 billion people living with prediabetes worldwide. We have initiated the SENSITIZE 3 clinical study in Hong Kong in pre-diabetic (IGT) subjects and in early diabetes patients under the leadership of Dr Juliana Chan and Dr Elaine Chow of the Chinese University of Hong Kong. These studies represent first-in-disease studies. In this double-blinded placebo-controlled study, we will evaluate the blood glucose management and pancreatic function under intravenous glucose tolerance test and oral glucose tolerance test conditions to better define the clinical treatment baseline and endpoints. We expect to complete this study in 2026 and file IND applications of dorzagliatin for diabetes prevention in China and Asian Pacific regions thereafter.

Dorzagliatin for Neurodegenerative Diseases. MCI shows approximately 15.5% prevalence among elderly people in China and approximately 22% in the US, and is common in T2D patients with a 45% incidence rate. Development of dorzagliatin for neurodegenerative disease is a new focus in our drug discovery efforts. Through the Genome-Wide Association Study (GWAS) and Mendelian Randomization (MR) study, we have realized the important role of GCK gene activation in prevention of memory loss and cognitive impairment in humans. It has also come to our attention that post-meal glucose excursion is closely related to Alzheimer disease and dementia. The bio-energy balance in the brain is largely dependent on the glucose homeostasis control in the peripheral organ and the neural network communication in the central and peripheral system via spatial temporal management. Impaired glucose homeostasis and diabetes conditions results in a reduction of glucose transporter expression and insulin receptor expression in the brain, which can be prevented by low dose dorzagliatin. We have realized the potential of dorzagliatin in the treatment of mild MCI and will initiate these first-in-disease clinical studies in the future.

Dorzagliatin for Frailty. Frailty is an age-related geriatric syndrome characterized by reduced tolerance to internal and external stressors. Approximately 17% of Americans and 11% of Asians over the age of 50 suffer from frailty, while pre-frailty affects roughly 50% and 47% of these populations, respectively. It is not a single-organ disease, but the consequence of dysregulated multisystem homeostasis. Genetic evidence supports the causal effects of glucokinase (GK) activation on lowering frailty risk. We plan to initiate clinical studies in the future to advance Dorzagliatin's application in frailty.

Fixed Dose Combination (FDC) of Dorzagliatin and Metformin. We are fast forwarding the development of the FDC of dorzagliatin with metformin. Given the observed success of loose dose combination of dorzagliatin with metformin in Phase III trials and in the real-world performance, we have accelerated the development of FDC dosage form as a twice a day therapy for those T2D patients whose blood glucose cannot be well managed by metformin alone. The FDC will be evaluated against the branded metformin (Glucophage®) and dorzagliatin (HuaTangNing, 华堂宁®). Standard efficacy and safety endpoints will be measured in T2D patients as well as the potential for better glycemic control generally observed through better compliance associated with fixed-dose combinations. An IND with the NMPA has been filed for our FDC with metformin in China.

The 2nd Generation of GKA is under fast development in the United States. In 2025, we successfully developed new tablets of sustained released the 2nd generation of dorzagliatin and initiated MAD clinical study in T2D patients in the United States. We used three strengths of tablets (100, 150 and 200 mg of dorzagliatin) as a once daily therapy. In this study, we incorporated continuous glucose monitoring devices in a 15-day trial to investigate the effectiveness of our 2nd generation GKA in glucose homeostasis control and the mechanism of action for the new drug. We expect multiple ascending dose escalation in the second quarter of 2026, and expect to publish topline data by the middle of 2026.

Development of combination therapy for diabetes and complications. Dorzagliatin rescues pancreatic function in glucose insulin secretion and GLP-1 secretion, as evidenced by clinical and basic research results. It also improves hepatic insulin sensitivity and reduces hepatic insulin resistance through recovery of hepatic glycogen synthesis in T2D patients. The combination of dorzagliatin with DPP-IV inhibitors, SGLT-2 inhibitors, and GLP-1 agonists have demonstrated effective regulation of lipid metabolism. Studies in combination with anticancer PI3K inhibitor has also offered unique benefits for glucose homeostasis management.

Recent genetic studies through GWAS and MR methodology suggested glucokinase activation reduces cardiovascular, stroke and retinopathy risks, prevention of memory loss, and improves frailty, muscle strength, and telomere length.

In animal studies, dorzagliatin demonstrated its effect in prevention of diabetes-related cognitive impairment via protection of down regulation of glucose transporter in the brain and of reduced functional receptors in hippocampal neurotransmission. Dorzagliatin also demonstrated benefits in other studies conducted in clinical studies. Combined with anticancer medicines (PI3Ki), it enhances antitumor efficacy, lowers drug induced hyperglycemia, and promotes weight recovery. Based on the completed and ongoing RWE studies, dorzagliatin has demonstrated significant glycemic control efficacy across diverse patient populations, from treatment-naïve patients receiving monotherapy to those with disease duration exceeding 15 years who have been treated with three or more antidiabetic agents including insulin. In these studies, dorzagliatin markedly reduced 2-hour postprandial blood glucose levels, improved time-in-range (TIR – a clinical marker for glucose fluctuation over a 24-hour period), and brings potential benefits for ameliorating diabetic complications, such as enhanced estimated glomerular filtration rate, a recognized biomarker for kidney function. In addition, the combination of dorzagliatin with GLP-1 receptor agonists has been shown to improve glucose and lipid metabolism in obese T2DM patients, achieve effective weight reduction, and improve pancreatic function – consistent with findings from previous animal studies. We plan to explore these innovative positive effects of glucose homeostasis derived from our GK-based platform with partners in the future.

Business outlook

There is a great opportunity for dorzagliatin and 2nd generation GKA in China and the global oral antidiabetes drug market. We will continue to strengthen our own commercialization efforts through hub and spoke development with a focus on building up a strong Hua Medicine internal sales and medical marketing organization to drive business growth in 2026. This allows us to rebuild our strong connections directly to the medical community and better promotion of HuaTangNing (华堂宁®) in China and surrounding areas. As it relates to our commercialization efforts of dorzagliatin, we will continue to focus on accelerating sales in mainland China as well as thoughtfully preparing for our commercialization launch in Hong Kong, planned for the middle of 2026. We continue to invest into digital technology platforms to create synergy across functions and enhance the branding opportunity using AI technology.

As illustrated in our product pipeline chart, we will continue to advance our R&D efforts for both dorzagliatin and our 2nd generation GKA on our own as well as in collaboration with academic and strategic partners. We continue to opportunistically seek partnerships in Southeast Asia and Belt and Road nations. In addition, we will continue our business development efforts on our 2nd generation GKA for the global markets based on the success of the Phase 1 single-ascending dose study in the United States and the upcoming topline results of our Phase 1 MAD study planned for the middle of 2026. Finally, we will continue to invest in exploring the positive effects of our GK-based platform on restoring glucose homeostasis in subjects; we are particularly excited about the various first-in-disease indications which we are studying on our own or in collaboration with partners such as cognitive impairment, diabetes prevention and remission.

Important events after the Reporting Period

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 that HuaTangNing (华堂宁®) has a safe, tolerable and benign profile, and is effective in 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.

We have assumed full responsibility for the commercialization of HuaTangNing (华堂宁®) in mainland China since January 1, 2025. In this respect, the Company recruited a pharmaceutical sales executive with over 20 years of diabetes commercialization experience in China to lead our sales and marketing efforts.

For the year ended December 31, 2025, approximately 4,011,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB492.8 million. 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. The difference represents a 93% 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.

Gross profit

For the year ended December 31, 2025, we recorded a gross profit of approximately RMB280.4 million and a gross margin of 56.9%. Our gross margin increased by 8.2 percentage points as compared to 48.7% for the year ended December 31, 2024, which was primarily due to increase in manufacturing efficiency and production volume that led to a corresponding reduction in unit production costs. As our commercialization scale increases, the unit production cost is expected to continue to decrease.

Other income

Other income consisted primarily of Bayer milestone income, government grants and bank interest income. Other income increased by RMB1,147.2 million to RMB1,263.9 million for the year ended December 31, 2025 from RMB116.8 million for the year ended December 31, 2024, which was mainly attributable to an increase of RMB1,147.8 million in Bayer milestone income for the year ended December 31, 2025. Upon the termination of the Agreement with Bayer on January 1, 2025, the unamortized contract liabilities amounting to RMB1,243.5 million were released to profit or loss, and recognized as other income.

Other gains and losses

Other gains and losses consisted primarily of losses due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar and between the Renminbi and the HK dollar. Other gains and losses decreased by RMB6.6 million to a loss of RMB4.5 million for the year ended December 31, 2025 from a gain of RMB2.0 million for the year ended December 31, 2024, which was mainly attributable to foreign exchange losses in connection with bank balances and cash denominated in U.S. dollars and HK dollars and the depreciation of the U.S. dollar and HK dollar against the Renminbi in the year ended December 31, 2025, compared to the appreciation of the U.S. dollar and HK dollar against the Renminbi in the year ended December 31, 2024.

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.

Selling and distribution expenses

Selling and distribution expenses consisted primarily of expenses related to selling and marketing activities. Selling and distribution expenses increased by RMB12.3 million to RMB165.5 million for the year ended December 31, 2025 from RMB153.2 million for the year ended December 31, 2024, which was mainly attributable to the establishment of internalized sales and marketing team at Hua Medicine. The major selling costs are consisted of (i) labor cost of RMB103.4 million, increased by RMB63.5 million as compared to the year ended December 31, 2024, which was primarily attributable to additional labor resources from the establishment and strengthening of our sales and marketing team; (ii) consulting and meeting expenses of RMB43.9 million, increased by RMB34.6 million as compared to the year ended December 31, 2024, which was mainly due to our marketing strategy; and (iii) travelling expenses of RMB8.9 million, increased by RMB7.5 million as compared to the year ended December 31, 2024, which was mainly due to the growing needs of market exploration initiatives. No promotion expenses were incurred for the year ended December 31, 2025, decreased by RMB97.7 million as compared to the year ended December 31, 2024, which was mainly due to the termination of the Agreement with Bayer on January 1, 2025.

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,			
	2025		2024	
	RMB'000	%	RMB'000	%
Clinical trials and research	33,035	22.7%	52,559	24.4%
Non-clinical studies	3,455	2.4%	8,435	3.9%
Chemical, manufacturing and control	23,348	16.1%	66,474	30.9%
Labor cost	62,965	43.3%	58,146	27.0%
Licensing and patent fee	4,732	3.3%	4,820	2.2%
Others	17,787	12.2%	24,658	11.6%
Total	145,322	100.0%	215,092	100.0%

Research and development expenses decreased by RMB69.8 million to RMB145.3 million for the year ended December 31, 2025 from RMB215.1 million for the year ended December 31, 2024. The decrease in research and development expenses included:

- a decrease of RMB19.5 million for clinical trials and research from RMB52.6 million for the year ended December 31, 2024 to RMB33.0 million for the year ended December 31, 2025, which was primarily attributable to the advancement of the multi-center post-marketing observational study and the clinical study related to 2nd generation GKA. We successfully dosed the last patient out the multi-center post-marketing observational study and successfully dosed the first patient in the U.S.-based multiple-ascending dose Phase Ib trial of 2nd generation GKA in 2025. In 2024, we successfully dosed the last patient in the multi-center post-marketing observational study and developed the clinical dosage form for advancement of 2nd generation GKA in a clinical proof-of-mechanism study;
- a decrease of RMB43.1 million in chemical, manufacturing and control expenses from RMB66.5 million for the year ended December 31, 2024 to RMB23.3 million for the year ended December 31, 2025, which was primarily attributable to the completion of major validation projects related to capacity expansion. During the year ended December 31, 2024, we advanced new production line validation and process validation efforts, with most key projects nearing completion by the year-end. Closure procedures for these key projects and subsequent validation projects were strategically scheduled for advancement in 2025;
- an increase of RMB4.8 million in labor cost from RMB58.1 million for the year ended December 31, 2024 to RMB63.0 million for the year ended December 31, 2025, which was primarily attributable to the increase of share-based payment under the accelerated amortization method; and
- a decrease of RMB6.9 million in other expenses from RMB24.7 million for the year ended December 31, 2024 to RMB17.8 million for the year ended December 31, 2025, which was primarily attributable to decreased utility expenses, rental expenses and telecom expenses due to the expense reallocation.

Administrative expenses

Administrative expenses consisted primarily of employee compensation and related costs. Administrative expenses decreased by RMB2.3 million to RMB114.5 million in the year ended December 31, 2025 from RMB116.8 million in the year ended December 31, 2024, which was mainly attributable to (i) a decrease of RMB0.6 million in labor cost, which was primarily attributable to the decrease of share-based payment under the accelerated amortization method, (ii) a decrease of RMB2.7 million in rental fee, which was mainly due to the rental expense relocation, (iii) an adjustment for the increase of RMB1.5 million in recruitment expense due to our recruitment strategy.

Finance costs

Finance costs consisted of expenses associated with the interest on lease liabilities and bank loan. Finance costs was RMB8.1 million for the year ended December 31, 2025 as compared to RMB8.6 million for the year ended December 31, 2024, which was mainly attributable to the decrease of average bank loan balances for the year ended December 31, 2025.

Income tax expense

We recognized no income tax expenses for the year ended December 31, 2025 and the year ended December 31, 2024.

Liquidity and capital resources

For the year ended December 31, 2025, we have been in a net profit 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 RMB52.2 million for the year ended December 31, 2025. As of December 31, 2025, we had cash and cash equivalents of RMB1,092.3 million.

As of December 31, 2025, 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 December 31, 2025), 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,	
	2025 RMB'000	2024 RMB'000
Net cash used in operating activities	(52,150)	(417,966)
Net cash (used in) from investing activities	(654)	10,043
Net cash from financing activities	9,100	83,718
Effect of exchange rate changes	(3,761)	3,134
Net decrease in cash and cash equivalents	(47,465)	(321,071)

Net cash used in 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, 2025, our operating activities used RMB52.2 million of cash, which resulted principally from our profit before tax of RMB1,106.4 million, adjusted for net non-operating cash income of RMB1,200.3 million and cash generated from the movement of our working capital of RMB41.7 million. Our net non-operating cash income during the year ended December 31, 2025 primarily consisted of realization 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, 2025 primarily consisted of the increase in trade and other payables.

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.

Net cash (used in) from investing activities

Net cash used in investing activities was RMB0.7 million for the year ended December 31, 2025, which resulted primarily from the payment related to purchase of equipment and intangible assets and construction of Lingang project, adjusted for the interest received from bank for short-term deposit. 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 financing activities

Net cash from financing activities was RMB9.1 million for the year ended December 31, 2025, 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 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.

Financial position

Our net current assets increased from RMB1,006.2 million as of December 31, 2024 to RMB1,086.2 million as of December 31, 2025. Current assets decreased from RMB1,336.5 million as of December 31, 2024 to RMB1,296.4 million as of December 31, 2025, primarily due to the net cash expenditure for the year ended December 31, 2025.

Indebtedness

As of December 31, 2025 and 2024, our lease liabilities and borrowings amounted to RMB301.7 million and RMB300.2 million, respectively. The following table sets forth our lease liabilities and borrowings as of the dates indicated:

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Current portion	48,659	115,537
Non-current portion	253,014	184,642
Total	301,673	300,179

Our lease liabilities as of December 31, 2025 were from leased properties lease contracts with lease terms of one to three 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 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 the Group's sensitivity to a 5% increase and decrease in functional currencies of the relevant group entities against foreign currencies, 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 rates. A negative number below indicates a decrease in profit/increase in loss where functional currencies strengthen 5% against foreign currencies. For a 5% weakening of functional currencies against foreign currencies, there would be an equal and opposite impact on profit for the year.

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Impact on profit or loss		
US\$	(1,674)	(6,441)
HK\$	(3,011)	(2,191)
MOP\$	(41)	—
RMB	(5)	—

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, 2025 and 2024, we recorded net current assets of RMB1,086.2 million and RMB1,006.2 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,	
	2025	2024
Current ratio ¹	6.2	4.0
Quick ratio ²	5.6	3.7
Gearing ratio ³	30.0%	NM

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, 2025 increased by 2.2 compared with that as of December 31, 2024, and the quick ratio as of December 31, 2025 increased by 1.9 compared with that as of December 31, 2024, which was mainly due to the decrease of short-term loan caused by our financing strategy.

Charge of the Group's assets

Save as disclosed in this report, the Group had no charge of the Group's assets as at 31 December 2025.

Capital commitments

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

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	–	2,117

Future plans for material investments or capital assets

As of December 31, 2025, we planned to continually invest in Shanghai Huasheng Inc, which was established at Shanghai Lingang Special Area for ensuring adequate dorzaglatin 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, 2025.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Li CHEN (陳力), aged 63, 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, December 2022 and February 2025, respectively, he has served as a director of Hua HK, Hua Shanghai, Hua USA, Hua Lingang, Nanjing AscendRare and Wayu Limited.

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. 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 55, 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 51, 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 and her master degree of Business Administration from China Europe International Business School in 2025. 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 62, 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 Bii Biosciences Limited 腾盛博药 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, 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, independent director of Lyell Immunopharm (stock code: LYEL) from August 2018 to May 2025 and director of Vir Biotechnology Inc. (stock code: VIR) from January 2017 to May 2025, 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.

Independent Non-executive Directors

William Robert KELLER, aged 77, 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 until August 2025, he served 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 76, 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 Bii Biosciences Limited (stock code: 2137) since July 2021. He also serves as independent director of a NASDAQ listed company, 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 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, DTXS Silk Road Investment Holdings Company Limited (stock code: 620) from December 2015 to May 2020, and ATA Creativity Global (previous known as ATA Inc.) (stock code: AACG) since January 2008 to February 2026.

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 66, 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 as well as member of the Remuneration 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 chairman of the Audit 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. 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. Robert Taylor Nelsen had resigned as independent director of Lyell Immunopharm, a company listed on NASDAQ (stock code: LYEL), with effect from May 15, 2025. He also had resigned as a director of Vir Biotechnology Inc., a company listed on NASDAQ (stock code: VIR), with effect from May 29, 2025.

Dr. Fangxin Li had resigned as the non-executive director and a member of the Remuneration Committee of Hua Medicine with effect from June 25, 2025.

Mr. Yiu Leung Andy Cheung had been re-designated from a member to the chairman of the Audit Committee of Genscript Biotech Corporation, a company listed on the Stock Exchange (stock code: 1548), with effect from May 29, 2025.

Mr. William Robert Keller had resigned as a non-executive director of Cathay Biotech Inc., an industrial biotechnology company listed on the Shanghai Stock Exchange's STAR market (stock code: SS688065.SS), with effect from August 28, 2025.

Mr. Yiu Wa Alec Tsui had resigned as an independent director of ATA Creativity Global, a company listed on NASDAQ (stock code: AACG), with effect from February 2, 2026.

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 59, 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. Now, Dr. Tang served as Chief Technology Officer, Vice President of Global Research and Development Technology division and President of Hua Medicine USA. 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.

Qing DONG (董清), aged 59, 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 57, 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.

Ying XIE (謝穎), aged 46, 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.

Yu Lu (陸宇), aged 51, has been serving as Vice President of the Sales & Marketing Division since he joined the company in January 2025. Prior to joining Hua Medicine, Mr. Lu was employed by Eli Lilly China from 2018 to December 2024 as Senior National Commercial Director, where he was responsible for the sales and promotion of the company's diabetes product portfolio in national markets, including insulin and GLP-1 RA. Before that, Mr. Lu worked at Novo Nordisk from 2006 to 2018, during which he was promoted from Marketing Manager to Senior Regional Commercial Director. He was responsible for the sales and marketing of the diabetes portfolio, covering OAD, insulin and GLP-1 RA. Mr. Lu has over 20 years of experience in multinational pharmaceutical companies, with nearly 20 years of experience in diabetes commercial and marketing management. He is familiar with China's national diabetes markets and has extensive experience in large scale team management. Mr. Lu obtained a Bachelor's degree from Medicine in Inner Mongolia Medical University and completed the Peking University International MBA – NN Management Diploma program.

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, 2025.

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 7 to 8 of this annual report, "Management Discussion and Analysis" on pages 9 to 21. The financial risk management objectives and policies of the Company are set out in note 34 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, 2025 are set out in the "Important events after the Reporting Period" section of the "Management Discussion and Analysis" on pages 14.

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, 2025 (December 31, 2024: 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, 2025, the Group's five largest customers accounted for 76.6% of the Group's total sales. The Group's single largest customer, Sinopharm Group Co., Ltd., accounted for 33.0% of total sales for the year ended December 31, 2025.

For the year ended December 31, 2025, the Group's five largest suppliers accounted for 55.9% of the Group's total purchases, as compared to 51.5% for the year ended December 31, 2024. The Group's single largest supplier accounted for 31.9% of the Group's total purchases for the year ended December 31, 2025, as compared to 33.9% for the year ended December 31, 2024. WuXi App Tec Group, which includes Changzhou SynTheAll Pharmaceutical Co., Ltd., Shanghai STA Pharmaceuticals Product Co., Ltd., Shanghai STA Pharmaceutical R&D Co., Ltd., Taixing STA Pharmaceutical Co., Ltd., WuXi Medkey Med-Tech Development (Shanghai) Co., Ltd., and WuXi Clinical Development Services (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, 2025, 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 37 to the consolidated financial statements.

Equipment

Details of the movements in equipment of the Group during the year ended December 31, 2025 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, 2025 are set out in note 29 to the consolidated financial statements.

Indebtedness

As of December 31, 2025 and 2024, our lease liabilities and borrowings amounted to RMB301.7 million and RMB300.2 million, respectively. The following table sets forth our lease liabilities and borrowings as of the dates indicated:

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Current portion	48,659	115,537
Non-current portion	253,014	184,642
Total	301,673	300,179

Our lease liabilities as of December 31, 2025 were from leased properties lease contracts with lease terms of one to three 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, 2025. As at December 31, 2025, 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, 2025 are set out in the consolidated statement of changes in equity and note 38, respectively. The distributable reserve as at December 31, 2025 is RMB1,742,983,000.

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.

Directors

The Directors during the year ended December 31, 2025 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) (*Chief Medical Officer*)

Non-executive director

Robert Taylor NELSEN (*Chairman*)

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 22 to 28 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.

Mr. Robert Taylor NELSEN being our non-executive Director, 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, 2025.

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 or the five highest paid individuals 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, 2025 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, 2025.

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, 2025, 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⁾	45,518,725 (L)	4.31%
	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⁾	32,658,522 (L)	3.09%
Robert Taylor NELSEN	Interest in controlled corporation ⁽⁵⁾	125,088,960 (L)	11.84%
	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⁾	12,743,320 (L)	1.21%

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, 2025.
- (8) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at December 31, 2025, 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, 2025, 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%
HLYY Limited ⁽³⁾	Nominee of a trust	84,368,811 (L)	7.98%
TCT (BVI) Limited ⁽³⁾	Interest in controlled corporation	84,368,811 (L)	7.98%
The Core Trust Company Limited ⁽³⁾	Trustee	84,396,756 (L)	7.98%
Jane Xingfang HONG ⁽⁴⁾	Beneficial interest	19,220,690 (L)	1.82%
	Interest of spouse	45,518,725 (L)	4.30%
	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. 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.
4. 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.
5. The letter "L" denotes the person's long position in the Shares.
6. The approximate percentage of shareholding is calculated based on the issued share capital of the Company as of December 31, 2025.

Saved as disclosed above, as at December 31, 2025, 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, 2025, 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, 2025, none of the related party transactions disclosed in Note 31 to the financial statements constituted a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules for which disclosure is required, and the Company has complied with the applicable disclosure requirements in 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.

29,700,000 Shares, representing 3.0% 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, 2026 (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 2025	Exercised during the Reporting Period	Forfeited/ Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2025	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	January 11, 2016 ⁴	HKD1.794	750,000	(750,000)	–	–	–	HKD3.26
	July 19, 2016 ⁵	HKD3.12	750,000	–	–	–	750,000	NA
	March 6, 2017 ⁶	HKD3.666	1,500,000	–	–	–	1,500,000	NA
	January 7, 2018 ⁷	HKD0.546	1,362,975	–	–	–	1,362,975	NA
	April 3, 2018 ⁸	HKD3.666	4,608,750	–	–	–	4,608,750	NA
	August 26, 2018 ⁹	HKD3.822	2,250,000	–	–	–	2,250,000	NA
Mr. George Chien Cheng LIN	April 3, 2018 ⁸	HKD3.666	25,592,405	–	–	–	25,592,405	NA
Dr. Zhang YI	January 11, 2016 ⁴	HKD1.794	3,375,000	(3,375,000)	–	–	–	HKD3.25
	March 6, 2017 ⁶	HKD3.666	1,200,000	–	–	–	1,200,000	NA
	January 7, 2018 ⁷	HKD0.546	450,000	–	–	–	450,000	NA
	April 3, 2018 ⁸	HKD1.95	1,333,320	–	–	–	1,333,320	NA
	June 1, 2018 ¹¹	HKD1.95	375,000	–	–	–	375,000	NA
Other grantees in aggregate								
Employee Participants	January 11, 2016 ⁴	HKD1.794	1,850,000	(1,700,000)	–	–	150,000	HKD3.53
	March 6, 2017 ⁶	HKD3.666	1,500,000	–	–	–	1,500,000	NA
	July 24, 2017 ¹⁰	HKD0.546	100,000	(100,000)	–	–	–	HKD1.70
	January 7, 2018 ⁷	HKD0.546	1,355,484	(474,500)	–	–	880,984	HKD3.55
		or HKD3.666						
	April 3, 2018 ⁸	HKD1.95	4,222,148	(1,371,320)	–	–	2,850,828	HKD2.63
		or HKD3.666						
	June 1, 2018 ¹¹	HKD1.95	3,000,000	(2,546,000)	–	–	454,000	HKD3.13
	August 26, 2018 ⁹	HKD2.886	1,762,061	(324,000)	–	–	1,438,061	HKD4.14
Service Providers	January 11, 2016 ⁴	HKD1.794	3,297,000	(1,200,000)	–	–	2,097,000	HKD3.45
	March 15, 2016 ¹²	HKD2.106	25,000	–	–	–	25,000	NA
	May 11, 2018 ¹³	HKD3.666	1,125,000	–	–	–	1,125,000	NA
Total			<u>61,784,143</u>	<u>(11,840,820)</u>	<u>–</u>	<u>–</u>	<u>49,943,323</u>	<u>HKD3.28</u>

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 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).
- (5) 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).
- (6) 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).
- (7) 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).
- (8) 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).
- (9) 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).
- (10) 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).

- (11) 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).
- (12) 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).
- (13) 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, 2025, 43,796,608 Shares were available for future grant under the scheme mandate pursuant to the Post-IPO Share Option Scheme. During the Reporting Period, 29,700,000 Shares were granted to eligible participants pursuant to the Post-IPO Share Option Scheme. As at 31 December 2025 and the Latest Practicable Date, 15,107,033 Shares were available for future grant under the Post-IPO Share Option Scheme.

Maximum Number of Shares Available for Issue

As at January 1, 2025, 104,496,369 Shares were available for issue under the Post-IPO Share Option Scheme. During the Reporting Period, 1,016,255 Shares were issued pursuant to the Post-IPO Share Option Scheme. As at 31 December 2025 and the Latest Practicable Date, 103,480,114 Shares (representing approximately 9.79% 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 three 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 2025	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 2025	Closing price of the Shares immediately before the dates on which the options were exercised		
											Fair Value of the options at the date of grant	of the immediately before the date of grant	which the options were exercised during the Reporting Period
Dr. Li CHEN	June 25, 2019 ¹⁴	HKD8.866	4 years	10 years from date of grant	12,079,000	–	–	–	–	12,079,000	NA	HKD6.69	NA
	March 22, 2021 ¹⁵	HKD4.984	4 years	10 years from date of grant	3,000,000	–	–	–	–	3,000,000	NA	HKD4.83	NA
	March 17, 2022 ¹⁶	HKD3.40	4 years	10 years from date of grant	5,000,000	–	–	–	–	5,000,000	NA	HKD3.40	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2025	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 2025	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the dates on which the options were exercised	
												of the Shares immediately before the date of grant	exercised during the Reporting Period
	March 31, 2023 ¹⁷	HKD3.62	4 years	10 years from date of grant	4,000,000	–	–	–	–	4,000,000	NA	HKD3.52	NA
	March 28, 2025 ³³	HKD2.48	4 years	10 years from date of grant	–	3,000,000	–	–	–	3,000,000	HKD1.77	HKD2.58	NA
	November 28, 2025 ³⁴	HKD3.38	3 years and 5 months	10 years from date of grant	–	3,400,000	–	–	–	3,400,000	HKD2.19	HKD3.26	NA
Mr. George Chien Cheng LIN	May 17, 2019 ¹⁴	HKD8.866	4 years	10 years from date of grant	300,000	–	–	–	–	300,000	NA	HKD7.01	NA
	March 31, 2023 ¹⁷	HKD3.62	4 years	10 years from date of grant	1,200,000	–	–	–	–	1,200,000	NA	HKD3.52	NA
	March 28, 2025 ³³	HKD2.48	4 years	10 years from date of grant	–	200,000	–	–	–	200,000	HKD1.77	HKD2.58	NA
	November 28, 2025 ³⁴	HKD3.38	3 years and 5 months	10 years from date of grant	–	500,000	–	–	–	500,000	HKD2.19	HKD3.26	NA
Dr. Zhang Yi	June 25, 2019 ¹⁴	HKD8.866	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD6.69	NA
	March 17, 2020 ²¹	HKD3.616	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD3.18	NA
	March 22, 2021 ²⁶	HKD4.984	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD4.83	NA
	March 17, 2022 ²⁹	HKD3.40	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD3.40	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2025	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 2025	Fair Value of the options at the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised	
												Closing price of the Shares immediately before the date of grant	which the options were exercised during the Reporting Period
	March 31, 2023 ³²	HKD3.62	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD3.52	NA
	March 28, 2025 ³³	HKD2.48	4 years	10 years from date of grant	–	210,000	–	–	–	210,000	HKD1.77	HKD2.58	NA
	November 28, 2025 ³⁴	HKD3.38	3 years and 5 months	10 years from date of grant	–	900,000	–	–	–	900,000	HKD2.19	HKD3.26	NA
Other grantees in aggregate													
Employee	October 29, 2018 ¹⁸	HKD7.192	4 years	10 years from date of grant	75,000	–	–	–	–	75,000	NA	HKD6.68	NA
Participants	May 15, 2019 ¹⁹	HKD8.866	4 years	10 years from date of grant	3,650,300	–	–	–	(430,000)	3,220,300	NA	HKD7.01	NA
	Accepted: January 3, 2020 ²⁰	HKD6.64	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD4.98	NA
	March 17, 2020 ²¹	HKD3.616	4 years	10 years from date of grant	5,330,845	–	(310,000)	–	–	5,020,845	NA	HKD3.18	HKD3.94
	April 3, 2020 ²²	HKD3.00	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD3.00	NA
	April 7, 2020 ²³	HKD3.018	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD2.86	NA
	August 18, 2020 ²⁴	HKD7.184	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD7.08	NA
	January 7, 2021 ²⁵	HKD5.584	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD5.22	NA
	March 22, 2021 ²⁵	HKD4.984	4 years	10 years from date of grant	3,826,591	–	–	–	(580,000)	3,246,591	NA	HKD4.83	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2025	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 2025	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the dates on which the options were exercised	
												immediately before the date of grant	during the Reporting Period
	September 23, 2021 ²⁷	HKD5.05	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD5.05	NA
	March 17, 2022 ²⁸	HKD3.40	4 years	10 years from date of grant	2,325,012	–	(425,000)	(45,825)	(425)	1,853,762	NA	HKD3.40	HKD3.62
	June 24, 2022 ²⁹	HKD3.95	4 years	10 years from date of grant	1,000,000	–	–	–	–	1,000,000	NA	HKD3.95	NA
	December 1, 2022 ³⁰	HKD3.47	4 years	10 years from date of grant	1,500,000	–	–	–	–	1,500,000	NA	HKD3.47	NA
	March 31, 2023 ³¹	HKD3.62	4 years	10 years from date of grant	4,700,000	–	(281,255)	(314,574)	–	4,104,171	NA	HKD3.62	HKD4.20
	May 8, 2023 ³²	HKD2.968	4 years	10 years from date of grant	500,000	–	–	–	–	500,000	NA	HKD2.83	NA
	March 28, 2025 ³³	HKD2.48	4 years	10 years from date of grant	–	6,140,000	–	(460,000)	–	5,680,000	HKD1.77	HKD2.58	NA
	November 28, 2025 ³⁴	HKD3.38	3 years and 5 months	10 years from date of grant	–	15,200,000	–	–	–	15,200,000	HKD2.19	HKD3.26	NA
Service Providers	May 15, 2019 ¹⁹	HKD8.866	4 years	10 years from date of grant	200,000	–	–	–	–	200,000	NA	HKD7.01	NA
	March 28, 2025 ³³	HKD2.48	4 years	10 years from date of grant	–	150,000	–	–	–	150,000	HKD1.77	HKD2.58	NA
Total					<u>52,386,748</u>	<u>29,700,000</u>	<u>(1,016,255)</u>	<u>(820,399)</u>	<u>(1,010,425)</u>	<u>79,239,669</u>	<u>NA</u>	<u>NA</u>	<u>HKD3.88</u>

Notes:

- (14) 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.
- (15) 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.
- (16) 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.
- (17) 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.
- (18) 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.
- (19) 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.

- (20) 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.
- (21) 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.
- (22) 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.
- (23) 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.
- (24) 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.
- (25) 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.

- (26) 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.
- (27) 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.
- (28) 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.
- (29) 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.
- (30) 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.
- (31) 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.

- (32) 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.
- (33) With grant date of March 8, 2025 and vesting commencement date March 8, 2025 and are exercisable in accordance with the vesting schedule that 25% of the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK\$2.48. The closing price of the Shares immediately before the date on which the options were granted was HK\$2.58. The fair value of the options is calculated using the Black-Scholes pricing model and the fair value at the date of grant is HK\$1.77.
- (34) With grant date of November 28, 2025 and vesting commencement date November 28, 2025 and are exercisable in accordance with the vesting schedule that 30% of the Shares subject to the options will be vested on May 1, 2027, 30% of the Shares subject to the options will be vested on May 1, 2028 and the remaining 40% of the Shares subject to the options shall be vested on May 1, 2029, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK\$3.38. The vesting of the Share Options are also subject to the achievement of performance targets by the grantee and the Group for the financial years ending December 31, 2026, 2027 and 2028. The performance targets of the grantees at the individual level shall be determined based on the grantee's role. The closing price of the Shares immediately before the date on which the options were granted was HK\$3.26. The fair value of the options is calculated using the Black-Scholes pricing model and the fair value at the date of grant is HK\$2.19. Further details are set out in the announcement of the Company dated December 1, 2025.
- (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.
- (36) Details of the accounting standard and policy adopted to calculate the fair value of the options at the date of grant are set out in Note 30 of the consolidated financial statements in this annual report.

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 supply chain team conducts regular trainings for our CMOs.

- **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, 2034. 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, 2025, the Group employed a total of 328 employees, as compared to a total of 168 employees as of December 31, 2024. The majority of the employees are employed in mainland China. For the year ended December 31, 2025, staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB208.1 million as compared to RMB157.2 million for the year ended December 31, 2024.

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, 2025.

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, 2025.

Review of Annual Results

The consolidated financial results of the Group for the year ended December 31, 2025 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, 2025 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 26, 2026

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”)⁽¹⁾ 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, 2025. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate. In particular, the Company notes that the Corporate Governance Code was revised on 1 July 2025, under which code provision B.3.5 provides that issuers should appoint at least one director of a different gender to the nomination committee. The Company is in process of making relevant arrangements and intends to appoint a female director to its nomination committee by mid-2026 and make an announcement in accordance with the Listing Rules accordingly.

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.

⁽¹⁾ The amendments to the CG Code effective on 1 July 2025 will apply to corporate governance reports and annual reports for financial years commencing on or after 1 July 2025. For this annual report, the Company shall refer to the then effective CG Code.

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, one non-executive Director 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 (*Chief Medical Officer*)

Non-executive Director

Robert Taylor NELSEN (*Chairman*)

Independent Non-executive Directors

William Robert KELLER

Yiu Wa Alec TSUI

Yiu Leung Andy CHEUNG

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 22 to 27 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 coordinating 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, 2025 are summarized as follows:

Directors	Type of Training ^{Note}
<i>Executive Directors</i>	
Li CHEN	A/B
George Chien Cheng LIN	A/B
Yi ZHANG	A/B
<i>Non-executive Directors</i>	
Robert Taylor NELSEN	A/B
Fangxin Li (<i>resigned on June 25, 2025</i>)	A/B
<i>Independent Non-executive Directors</i>	
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:

Name of Directors	Attendance/No. of Meeting(s)	
	Board Meetings	Annual General Meeting
<i>Executive Directors</i>		
Li CHEN	5/5	1/1
George Chien Cheng LIN	5/5	1/1
Yi ZHANG	5/5	1/1
<i>Non-executive Directors</i>		
Robert Taylor NELSEN (Chairman)	3/5	–
Fangxin Li (<i>resigned on June 25, 2025</i>)	2/2	–
<i>Independent Non-executive Directors</i>		
William Robert KELLER	5/5	1/1
Yiu Wa Alec TSUI	5/5	1/1
Yiu Leung Andy CHEUNG	5/5	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 6 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)	6/6
William Robert KELLER	6/6
Yiu Wa Alec TSUI	6/6

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 Dr. Fangxin LI (resigned on June 25, 2025), independent non-executive Directors. Mr. William Robert KELLER is the chairman of the Remuneration Committee.

On November 27, 2025, Mr. Yiu Leung Andy CHEUNG, an independent non-executive Director, has been appointed as a member 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 4 meetings to assess performance and make recommendations to the Board on the remuneration policy and packages of Directors, senior management and other related matters. In addition, the Remuneration Committee reviewed and approved the grants of share options made under the Post-IPO Share Option Scheme during the Reporting Period (including to three executive Directors and senior managers of the Company). In particular, upon taking into consideration that the grants are in recognition for the outstanding performance of the executive Directors and senior managers, who helped the Company in achieving various milestones in 2024 and 2025 that are critical for the Company's future development and growth, the remuneration committee of the Company is of the view that it is not necessary to set a clawback mechanism for the grants to the three executive Directors and senior managers because such grants could reinforce their commitment to long-term services of the Company. As such, the arrangement is aligned with the purpose of the Share Option Scheme.

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)	4/4
Fangxin Li (<i>resigned on June 25, 2025</i>)	2/2
Yiu Leung Andy CHEUNG (<i>appointed on November 27, 2025</i>)	1/1
Yiu Wa Alec TSUI	4/4

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, non-executive Director, 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 2 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)	2/2
William Robert KELLER	2/2
Yiu Wa Alec TSUI	2/2

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	14.3% (1)	85.7% (6)
Senior Management	12.5% (1)	87.5% (7)
Other employees	50.6% (162)	49.4% (158)
Overall workforce	49.1% (163)	50.9% (169)

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 Mr. 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 2 meetings 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)	2/2
Robert Taylor NELSEN	1/2
George Chien Cheng LIN	2/2

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, 2025, 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, 2025, 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, 2025.

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 72 to 76 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, 2025 amounted to RMB2.1 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, 2025 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	2,129
Non-audit Services	
– Interim review	763
– Special review	58
	2,950

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 22 and 28 of this annual report, for the year ended December 31, 2025 are set out below:

Remuneration band	Number of individuals
Below RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	1
RMB3,000,001 to RMB3,500,000	1
RMB3,500,001 to RMB4,000,000	1
RMB4,000,001 to RMB4,500,000	1
RMB4,500,001 to RMB5,000,000	0
Above RMB5,000,000	3

Company Secretary

During the Reporting Period and up to March 26, 2026, Ms. YUEN Wing Yan, Winnie ("Ms. Yuen") of Tricor Services Limited served as the Company's company secretary. Ms. Yuen's primary contact person at the Company was Mr. George Chien Cheng LIN, executive Director and Chief Strategy Officer.

On March 26, 2026, Ms. Yuen resigned as the company secretary of the Company, and Ms. AU-YEUNG Nelly ("Ms. Au-Yeung") was appointed as the company secretary of the Company.

During the Reporting Period, both Ms. Au-Yeung and Ms. Yuen had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules.

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 be 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	:	Suite 1701 8 Queen's Road East 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

The third amended and restated memorandum and articles of association were adopted with effect from the June 27, 2024.

During the year ended December 31, 2025, the Company has not made any changes to the Articles of Association. The third amended and restated memorandum and articles of association are 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 2025 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 77 to 148, which comprise the consolidated statement of financial position as of December 31, 2025, 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, 2025, 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 ("HKSA") 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"), as applicable to audits of financial statements of public interest entities. We have also 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 matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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

Revenue recognition

As disclosed in Note 6 to the consolidated financial statements, the Group recognised net revenue generated from sales of products amounting to RMB493 million for the year ended December 31, 2025. Revenue has a significant impact on the Group's consolidated financial statements. Therefore, we identify revenue recognition as a key audit matter.

The major audit procedures we performed in relation to revenue recognition include:

1. Understanding the Group's revenue recognition process and key controls, evaluating design and implementation of these controls and performing operating effectiveness test on those controls;
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. Selecting samples from the revenue recognised during the year. For each sample selected, vouching to relevant supporting documents, including delivery and acceptance notes and value-added tax invoices to evaluate the occurrence and accuracy of the revenue recognised;
4. Performing test on subsequent collection of trade receivables as of the year end orders to verify the revenue recognition;
5. Selecting samples from revenue transactions recorded within a period before the year end. For each sample selected, reviewing the supporting documents such as delivery notes, logistics records, and report delivery records to evaluate if the revenue is recognised in the appropriate period.

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 HKSA's 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 HKSA's, 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 (practicing certificate number: P08019).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 26, 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2025

	Notes	Year ended December 31,	
		2025 RMB'000	2024 RMB'000
Revenue	6	492,934	255,892
Cost of sales		(212,579)	(131,168)
Gross profit		280,355	124,724
Other income	7	1,263,914	116,753
Other gains and losses	8	(4,533)	2,017
Selling and distribution expenses		(165,453)	(153,182)
Research and development expenses		(145,322)	(215,092)
Administrative expenses		(114,462)	(116,755)
Finance costs	9	(8,146)	(8,609)
Profit (loss) before tax	10	1,106,353	(250,144)
Income tax expense	11	—	—
Profit (loss) for the year		1,106,353	(250,144)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		475	109
Other comprehensive income for the year, net of income tax		475	109
Total comprehensive income (expense) for the year		1,106,828	(250,035)
EARNING (LOSS) PER SHARE	15	RMB	RMB
Basic		1.12	(0.25)
Diluted		1.10	(0.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2025

		As of December 31,	
		2025	2024
	Notes	RMB'000	RMB'000
Non-current assets			
Plant and equipment	17	30,233	38,195
Right-of-use assets	18	79,840	91,466
Intangible assets	19	22,589	26,066
Trade and other receivables	21	38,387	35,069
Amount due from a director	22	2,259	–
		<u>173,308</u>	<u>190,796</u>
Current assets			
Inventories	20	121,667	126,672
Trade and other receivables	21	82,471	61,164
Restricted bank deposits		–	8,907
Bank balances and cash	23	1,092,288	1,139,753
		<u>1,296,426</u>	<u>1,336,496</u>
Current liabilities			
Trade and other payables	24	161,608	116,694
Borrowings	25	30,610	98,275
Lease liabilities	26	18,049	17,262
Contract liabilities	27	–	95,654
Deferred income	28	–	2,386
		<u>210,267</u>	<u>330,271</u>
Net current assets		<u>1,086,159</u>	<u>1,006,225</u>
Total assets less current liabilities		<u>1,259,467</u>	<u>1,197,021</u>
Non-current liabilities			
Borrowings	25	220,556	138,736
Lease liabilities	26	32,458	45,906
Contract liabilities	27	–	1,147,845
		<u>253,014</u>	<u>1,332,487</u>
Net assets (liabilities)		<u>1,006,453</u>	<u>(135,466)</u>

	Note	As of December 31,	
		2025	2024
		RMB'000	RMB'000
Capital and reserves			
Share capital	29	7,221	7,214
Treasury shares held in trust	29	(411)	(492)
Reserves		<u>999,643</u>	<u>(142,188)</u>
Total equity (deficit)		<u><u>1,006,453</u></u>	<u><u>(135,466)</u></u>

The consolidated financial statements on pages 77 to 79 were approved and authorized for issue by the directors of the Company on March 26, 2026 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, 2025

	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 (deficit) RMB'000
As of January 1, 2024	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 29 (a))	-	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)
Profit for the year	-	-	-	-	-	-	1,106,353	1,106,353
Other comprehensive income for the year	-	-	-	-	-	475	-	475
Total comprehensive income for the year	-	-	-	-	-	475	1,106,353	1,106,828
Exercise of share options (Note 29 (b) and (c))	7	81	22,898	(81)	-	-	-	22,905
Recognition of equity-settled share-based payment (Note 30)	-	-	-	-	12,186	-	-	12,186
As of December 31, 2025	7,221	(411)	5,955,302	(9,671)	308,296	386	(5,254,670)	1,006,453

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	Year ended December 31	
	2025	2024
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	1,106,353	(250,144)
Adjustments for:		
Bank interest income	(11,487)	(13,438)
Income from government grants	(2,386)	(2,747)
Depreciation of plant and equipment	10,174	11,408
Depreciation of right-of-use assets	18,817	19,639
Amortization of intangible assets	3,477	3,536
Finance costs	8,146	8,609
Share-based payment expense	12,186	11,841
Net unrealized foreign exchange losses (gains)	4,236	(3,024)
Amortization of payments received for exclusive promotion rights granted	–	(95,654)
Release of contract liabilities upon termination of service agreement	(1,243,499)	–
Operating cash flows before movements in working capital	(93,983)	(309,974)
Increase in trade and other receivables	(38,692)	(15,023)
Decrease (increase) in value added tax recoverable	16,846	(8,853)
Decrease in amounts due from a related party	–	342
Decrease (increase) in inventories	5,005	(82,037)
Decrease (increase) in restricted bank deposits	8,907	(5,301)
Increase in trade and other payables	49,767	2,880
NET CASH USED IN OPERATING ACTIVITIES	(52,150)	(417,966)
INVESTING ACTIVITIES		
Purchase of intangible assets	–	(1,030)
Purchase of plant and equipment	(7,546)	(2,830)
Interest received from banks	11,400	13,486
Payment of rental deposits	(2,554)	(50)
Refund of rental deposits	304	467
Payments of employee loans	(2,258)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(654)	10,043

		Year ended December 31	
		2025	2024
	Note	RMB'000	RMB'000
FINANCING ACTIVITIES			
Proceeds from borrowings		112,430	133,150
Prepayment of borrowings		(98,275)	(20,175)
Proceeds from exercise of share options		22,462	1,611
Interests paid		(6,176)	(6,780)
Repayments of lease liabilities		<u>(21,341)</u>	<u>(24,088)</u>
NET CASH FROM FINANCING ACTIVITIES	36	<u>9,100</u>	<u>83,718</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(43,704)	(324,205)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,139,753	1,460,824
Effect of exchange rate changes		<u>(3,761)</u>	<u>3,134</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH		1,092,288	1,139,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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

Amendments to an IFRS accounting standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an IFRS accounting standard as 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, 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

The application of the amendments to an IFRS accounting standard 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 ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
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 Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³

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

² Effective for annual periods beginning on or after January 1, 2026.

³ Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS accounting standard 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 (MPMs) 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 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of IFRS 18) 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 January 1, 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

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 as 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of 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.

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 component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the 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.

Revenue from contracts with customers

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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.

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 amounts of the initial measurement of the lease liabilities;
- 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.

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.

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)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* 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 incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including the risk-free rate based on government bond rates and a credit risk adjustment based on bond yields.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- 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, 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.
- 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 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 Accounting standard 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 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 payments 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 granted to employees (Continued)

When the share options are exercised, 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 "Profit (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 differences 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.

Equipment and leasehold improvement in the course of construction for production, supply or administrative purposes 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. 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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 or a group of cash-generating units) 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.

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.

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.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

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 concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the 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, trade and other receivables, amount due from a director) 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 past event and the current conditions at the reporting date as well as the forecast of future economic 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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;
- 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.

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)

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.

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 amount due from a director where the corresponding adjustment is recognized through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item.

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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss.

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 is the key assumption 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, 2025, no deferred tax asset has been recognized on the tax losses of RMB1,847,422,000 and other deductible temporary differences of RMB11,223,000. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a 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,	
	2025	2024
	RMB'000	RMB'000
Customer A	162,469	91,383
Customer B	103,919	49,928
Customer C	74,444	39,984

6. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
At a point in time		
Sales of pharmaceutical products	492,844	255,873
Service income	90	19
	<u>492,934</u>	<u>255,892</u>

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 and received by the customer. 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 invoice. 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.

Where a contract includes a consideration payable to customers, sales are limited to the amount the Group expects to receive for the fulfillment of performance obligations. Sales are therefore reduced by actual and expected sales deductions resulting from rebates. The Group determines the best estimate of the variable consideration based on specific contractual terms and historical experience.

7. OTHER INCOME

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Interest income	11,487	13,438
Government grants and subsidies (<i>Note a</i>)	8,928	7,661
– Assets-related grants	2,386	2,727
– Income-related grants	6,542	4,934
Release of contract liabilities upon termination of service agreement (<i>Note b</i>)	1,243,499	–
Amortization of payments received for exclusive promotion rights granted (<i>Note b</i>)	–	95,654
	<u>1,263,914</u>	<u>116,753</u>

Note a: The amount mainly represents 1) government grant related to income received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable; and 2) 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 details of release of contract liabilities upon termination of service agreement and amortization of payments received for exclusive promotion rights granted have been set out in *Note 27*.

8. OTHER GAINS AND LOSSES

Other gains and losses mainly represent the foreign exchange gains and losses during the years ended December 31, 2025 and 2024.

9. FINANCE COSTS

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Interest on lease liabilities	1,864	1,623
Interest on borrowings	6,282	6,986
	<u>8,146</u>	<u>8,609</u>

10. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax for the year has been arrived at after charging:

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Depreciation of plant and equipment	10,174	11,408
Depreciation of right-of-use assets	18,817	19,639
Amortization of intangible assets	3,477	3,536
Total depreciation and amortization	<u>32,468</u>	<u>34,583</u>
Staff costs (including directors' emoluments):		
– Salaries and other benefits	195,947	145,368
– Retirement benefit scheme contributions	12,943	8,815
– Other social security and housing provident fund	18,409	5,806
– Share-based payment	12,186	11,841
	<u>239,485</u>	<u>171,830</u>
Capitalized in inventories	740	(3,271)
	<u>240,225</u>	<u>168,559</u>
Auditors' remuneration		
– Audit services	2,129	2,186
– Non-audit services	821	800
	<u>2,950</u>	<u>2,986</u>
Inventories recognized as cost	<u>161,823</u>	<u>101,032</u>
Inventories recognized as expenses	<u>670</u>	<u>1,587</u>

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 Medicine (Shanghai) Ltd.

Hua Medicine (Shanghai) Ltd. 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 2025, and registered with the PRC tax authorities for enjoying a reduced 15% EIT rate. Accordingly, the profits derived by Hua Medicine (Shanghai) Ltd. is subject to 15% EIT rate for the year ended December 31, 2025. The qualification as a High and New Technology Enterprise is subject to review by the PRC tax authorities every three years. As of December 31, 2025, the new qualification has been obtained from the Science and Technology Committee of Shanghai.

The subsidiary incorporated in the United States is subject to Federal and State Income taxes. The effective combined income tax rate is 21% for the year ended December 31, 2025 (2024: 21%).

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

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
(Profit) loss before tax	(1,106,353)	250,144
Income tax calculated at 25%	276,588	(62,536)
Tax effect of income not taxable for tax purpose	(266)	(624)
Tax effect of expenses that are not deductible for tax purpose	9,279	7,929
Effect of research and development expenses that are additionally deducted	(31,486)	(44,485)
Effect of other deductible temporary differences not recognized	–	942
Utilization of deductible temporary differences previously not recognized	(311,686)	(30,244)
Utilization of tax losses previously not recognized	(106)	698
Effect of tax losses not recognized	57,677	128,320
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,	
	2025	2024
	RMB'000	RMB'000
Deferred tax assets	9,291	11,333
Deferred tax liabilities	(9,291)	(11,333)
	<u>—</u>	<u>—</u>

At the end of the reporting period, the Group has deductible temporary differences of RMB54,319,000 (2024: RMB1,312,088,000). RMB6,464,000 deferred tax asset in respect of deductible temporary differences of RMB43,096,000 has been recognized (2024: RMB53,916,000). No deferred tax asset has been recognised in respect of deductible temporary difference of RMB11,223,000, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2024: RMB1,258,172,000).

At the end of the reporting period, the Group has unused tax losses of approximately RMB1,866,269,000 (2024: RMB1,638,776,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB18,847,000 (2024: RMB21,639,000) of such losses. No deferred tax asset has been recognized in respect of the remaining approximately RMB1,847,422,000 (2024: RMB1,617,137,000) due to the unpredictability of future profit streams.

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

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
2026	3,909	3,909
2027	2,011	2,011
2028	165,847	165,847
2029	518,802	516,026
2030	90,665	75,949
2031	326,877	324,085
2032	—	—
2033	—	—
2034	470,218	473,224
2035	196,585	—
Indefinite	72,508	56,086
	<u>1,847,422</u>	<u>1,617,137</u>

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, 2025, the Group incurred amortisation cost of the license agreement of RMB2,792,000 (2024: 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	Salaries and other benefits	Performance based bonus	Retirement benefit scheme contributions	Other social security and housing provident fund	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2025							
Executive directors							
Dr. Li CHEN*	–	7,452	2,556	73	94	4,269	14,444
Mr. George Chien Cheng LIN	–	3,705	1,770	–	219	567	6,261
Dr. Yi ZHANG <i>(Note ii)</i>	–	3,147	1,335	73	94	449	5,098
Non-executive directors							
Mr. Robert T. NELSEN	–	–	–	–	–	–	–
Dr. Fangxin LI <i>(Note i)</i>	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Yiu Leung Andy CHEUNG	540	–	–	–	–	–	540
Mr. William Robert KELLER	540	–	–	–	–	–	540
Mr. Yiu Wa Alec TSUI	450	–	–	–	–	–	450
	<u>1,530</u>	<u>14,304</u>	<u>5,661</u>	<u>146</u>	<u>407</u>	<u>5,285</u>	<u>27,333</u>

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	Salaries and other benefits	Performance based bonus	Retirement benefit scheme contributions	Other social security and housing provident fund	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 ii)	–	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	540	–	–	–	–	–	540
Mr. William Robert KELLER	540	–	–	–	–	–	540
Mr. Yiu Wa Alec TSUI	450	–	–	–	–	–	450
	<u>1,530</u>	<u>14,455</u>	<u>4,548</u>	<u>146</u>	<u>335</u>	<u>6,380</u>	<u>27,394</u>

* Chief Executive Officer

Notes:

- (i) Dr. Fangxin LI tendered his resignation as the non-executive director and a member of the remuneration committee of the board on June 25, 2025 with immediate effect.
- (ii) 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 in respect of their services to the Group. Details of the share-based payment transactions are set out in Note 30.

During the year, there was a loan in favor of one of the directors, which has been recognized as amount due from a director. Details are set out in Note 31(2024: nil).

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included three directors of the Company (2024: three), details of whose remuneration are set out in Note 13 above. Details of the remuneration for the remaining two highest paid employees (2024: two) are as follows:

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Salaries and other benefits	4,571	4,192
Retirement benefit scheme contributions	144	145
Other social security and housing provident fund	188	188
Performance based bonus	2,256	1,420
Share-based payment	827	1,418
	<u>7,986</u>	<u>7,363</u>

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,	
	2025	2024
	No. of employees	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	1
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$6,500,001 to HK\$7,000,000	1	–
HK\$7,000,001 to HK\$7,500,000	–	1
HK\$15,500,001 to HK\$16,000,000	1	–
HK\$16,000,001 to HK\$16,500,000	–	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 30.

15. EARNINGS (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:

Earnings (loss) figures are calculated as follows:

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Earnings (loss) for the period attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	1,106,353	(250,144)

15. EARNINGS (LOSS) PER SHARE (Continued)

Number of Shares:

	Year ended December 31,	
	2025	2024
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	988,070,530	981,392,196
Effect of dilutive potential ordinary shares:		
Options	<u>16,212,974</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,004,283,504</u>	<u>981,392,196</u>

The computation of diluted earnings per share for the year ended December 31, 2025 is based on weighted average number of shares assumed to be in issue after taking into account the effect of share options issued by the Company (the year ended December 31, 2024: 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, 2025 and 2024.

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, 2024	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
Additions	–	141	1,298	174	1,250	2,863
Disposal	–	–	(6)	–	(651)	(657)
At December 31, 2025	1,393	9,128	18,237	44,326	25,142	98,226
Accumulated depreciation						
At January 1, 2024	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
Charge for the year	113	1,545	1,315	7,201	–	10,174
Disposal	–	–	(6)	–	–	(6)
At December 31, 2025	1,177	7,085	15,405	44,326	–	67,993
Carrying amount						
At December 31, 2025	216	2,043	2,832	–	25,142	30,233
At December 31, 2024	329	3,447	2,849	7,027	24,543	38,195

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, 2025			
Carrying amount	36,744	43,096	79,840
As of December 31, 2024			
Carrying amount	37,550	53,916	91,466
For the year ended December 31, 2025			
Depreciation charge	806	18,011	18,817
For the year ended December 31, 2024			
Depreciation charge	806	18,833	19,639
	Year ended December 31,		
	2025	2024	
	RMB'000	RMB'000	
Expense relating to short-term leases (<i>Note (a)</i>)	1,531	1,864	
Total cash outflow for leases (<i>Note (b)</i>)	25,426	25,952	
Additions to right-of-use assets	7,191	41,915	

Notes:

- (a) The Group regularly entered into short-term leases for motor vehicles and apartments. As of December 31, 2025 and 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 and apartments for its operations. Lease terms are negotiated on an individual basis and contain different terms and conditions, ranging from 1 to 3 years in 2025 (2024: 1 to 4 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 RMB50,507,000 are recognized with related right-of-use assets of RMB43,096,000 as of December 31, 2025 (2024: Lease liabilities of RMB63,168,000 are recognized with related right-of-use assets of RMB53,916,000). 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 RMB'000 (Note 12)	Software RMB'000	Knowhow RMB'000	Total RMB'000
Cost				
As of January 1, 2024	27,921	5,347	1,200	34,468
Additions	—	1,030	—	1,030
As of December 31, 2024 and 2025	27,921	6,377	1,200	35,498
Amortization				
As of January 1, 2024	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
Charge for the year	2,792	565	120	3,477
As of December 31, 2025	9,074	3,465	370	12,909
Carrying amount				
As of December 31, 2025	18,847	2,912	830	22,589
As of December 31, 2024	21,639	3,477	950	26,066

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,	
	2025	2024
	RMB'000	RMB'000
Raw materials and consumables	54,910	82,680
Work in progress	26,307	534
Finished goods	40,450	43,458
	<u>121,667</u>	<u>126,672</u>

21. TRADE AND OTHER RECEIVABLES

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Trade receivables	74,830	34,388
Prepayments for research and development services	1,045	4,056
Prepayment for raw materials and manufacture services	28,178	28,026
– non-current	28,000	28,000
– current	178	26
Prepayment for sales and marketing services	1,447	–
Utility and rental deposits	7,379	5,129
– non-current	7,184	4,614
– current	195	515
Value add tax (“VAT”) recoverable	3,203	20,049
– non-current	3,203	2,455
– current	–	17,594
Interest receivables	373	287
Other receivables for considerations of options exercised	454	11
Others	3,949	4,287
– current	3,949	4,287
	<u>120,858</u>	<u>96,233</u>

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Analysis as		
– non-current	38,387	35,069
– current	82,471	61,164
	<u>120,858</u>	<u>96,233</u>

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,	
	2025	2024
	RMB'000	RMB'000
0-60 days	74,830	34,388

As at January 1, 2024, trade receivables from contracts with customers amounted to RMB637,000.

The Group maintains adequate credit policy to assess 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 34.

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

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
US\$	–	902
HK\$	768	112

22. AMOUNT DUE FROM A DIRECTOR

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Executive director		
Yi Zhang	2,259	–

Note: Yi Zhang is one of the executive directors, details are set out in Note 13. Details of the amount due from a director are set out in Note 31.

23. BANK BALANCES AND CASH

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 3.12% as of December 31, 2025 (2024: 0.00% to 4.62%) per annum.

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,	
	2025	2024
	RMB'000	RMB'000
US\$	33,475	127,915
HK\$	57,213	43,702
MOP\$	815	–
RMB	105	–

24. TRADE AND OTHER PAYABLES

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Trade payables	81,650	63,722
Other payables	11,583	4,220
Construction expenditure payables	2,018	7,352
Payroll and bonus payables	55,076	37,571
Interest payable	436	330
Value add tax ("VAT") payable	4,864	–
Others	5,981	3,499
	161,608	116,694

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

24. TRADE AND OTHER PAYABLES (Continued)

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,	
	2025	2024
	RMB'000	RMB'000
Uninvoiced or within 30 days	81,526	63,722
31 to 60 days	124	—
	<u>81,650</u>	<u>63,722</u>

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

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
US\$	—	414
HK\$	<u>17</u>	<u>—</u>

25. BORROWINGS

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Unsecured bank loans	<u>251,166</u>	<u>237,011</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	30,610	98,275
Within a period of more than one year but not exceeding two years	182,626	25,713
Within a period of more than two years but not exceeding five years	<u>37,930</u>	<u>113,023</u>
	<u>251,166</u>	<u>237,011</u>
Less: Amounts due within one year shown under current liabilities	<u>(30,610)</u>	<u>(98,275)</u>
Amounts shown under non-current liabilities	<u>220,556</u>	<u>138,736</u>

25. BORROWINGS (Continued)

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

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Fixed-rate borrowings	36,499	89,366
Variable-rate borrowings	214,667	147,645
	<u>251,166</u>	<u>237,011</u>

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

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

	As of December 31,	
	2025	2024
Effective interest rate:		
Fixed-rate borrowings	2.40%	2.50%
Variable-rate borrowings	<u>2.75%-3.30%</u>	<u>2.85% – 3.30%</u>

26. LEASE LIABILITIES

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	18,049	17,262
Within a period of more than one year but not more than two years	17,769	15,733
Within a period of more than two years but not more than five years	<u>14,689</u>	<u>30,173</u>
	50,507	63,168
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(18,049)</u>	<u>(17,262)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>32,458</u>	<u>45,906</u>

The incremental borrowing rates applied to lease liabilities range from 3.40% to 5.34% (2024: from 3.96% to 5.34%).

27. CONTRACT LIABILITIES

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Advance from a customer for exclusive promotion rights	—	1,243,499
Analysis as		
– non-current	—	1,147,845
– current	—	95,654
	—	1,243,499

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

The Group served a formal notice of termination on the Agreement to the independent third party in accordance with the early termination right of the Group agreed in the Agreement with effect from January 1, 2025. As a result, the outstanding contract liabilities upon such termination of RMB1,243,499,000 are recognized as other income immediately.

As at January 1, 2024, contract liabilities amounted to RMB1,339,153,000.

28. DEFERRED INCOME

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Government grants received		
Assets-related grants	—	2,386
	—	2,386
Less: current liabilities	—	(2,386)
Non-current liabilities	—	—

29. 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, 2025 and 2024 are set out as below:

		Authorized Number of shares	US\$
Ordinary shares of US\$0.001 each			
As of January 1, 2024, December 31, 2024 and December 31, 2025		<u>2,000,000,000</u>	<u>2,000,000</u>
	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
Exercise of share options (<i>Note (c)</i>)	<u>1,016,255</u>	<u>1,016</u>	<u>7</u>
Ordinary shares of US\$0.001 each			
At December 31, 2025	<u>1,056,605,016</u>	<u>1,056,605</u>	<u>7,221</u>

29. 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, 2024	75,066,704	75,066	513
Options exercised to purchase ordinary shares under the trust (<i>Note (a)</i>)	(3,140,500)	(3,141)	(21)
Treasury shares held in trust as of December 31, 2024	71,926,204	71,925	492
Options exercised to purchase ordinary shares under the trust (<i>Note (b)</i>)	(11,840,820)	(11,841)	(81)
Treasury shares held in trust as of December 31, 2025	60,085,384	60,084	411

On August 26, 2018, the Company entered into a trust deed with The Core Trust Company Limited (the "Trustee") and HLYY Limited (the "Nominee"), a limited liability company incorporated in the British Virgin Islands and wholly owned by the Trustee, pursuant to which the Trustee has agreed to administer the Pre-IPO Share Incentive Scheme (as defined in Note 30).

As of December 31, 2025 and 2024, shares are held in trust including 60,085,384 and 71,926,204 shares for outstanding options (including forfeited and lapsed shares of nil and 11,985,831 due to the resignation of certain employees in 2025 and 2024 which were originally entitled to these employees, respectively) and are disclosed separately in treasury shares since the Company has control over the nominee in 2025 and 2024, respectively.

Notes:

- (a) 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.
- (b) During the year ended December 31, 2025, several employees and consultants exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 11,840,820 ordinary shares of the Company at the average exercise price of HK\$1.81 per share for an aggregate consideration equivalent to RMB19,624,000.
- (c) During the year ended December 31, 2025, several employees exercised their right, evidenced by corresponding option agreements under the Company's Post-IPO Share Incentive Scheme, to subscribe 1,016,255 ordinary shares of the Company at the average exercise price of HK\$3.53 per share for an aggregate consideration equivalent to RMB3,281,000.

30. SHARE-BASED PAYMENT TRANSACTIONS

On March 5, 2013, 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.

30. 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 outstanding as of December 31, 2025	Exercise price per share
Directors:			
Dr. Li CHEN	December 4, 2014 ~ August 26, 2018	10,471,725	US\$0.07 ~ 0.49
Mr. George Chien Cheng LIN	April 3, 2018	25,592,405	US\$0.47
Dr. Yi ZHANG (<i>Note 13 (ii)</i>)	March 25, 2013 ~ June 6, 2018	3,358,320	US\$0.07 ~ 0.47
Employees	March 25, 2013 ~ August 26, 2018	7,273,873	US\$0.07 ~ 0.47
Individual consultants	September 12, 2013 ~ May 11, 2018	3,247,000	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 outstanding as of December 31, 2025	Exercise price per share
Directors:			
Dr. Li CHEN	March 8, 2019 ~ November 28, 2025	30,479,000	HK\$2.48~8.866
Mr. George Chien Cheng LIN	March 8, 2019 ~ November 28, 2025	2,200,000	HK\$2.48~8.866
Dr. Yi ZHANG (<i>Note 13 (ii)</i>)	March 8, 2019 ~ November 28, 2025	3,010,000	HK\$2.48~8.866
Employees	September 28, 2018 ~ November 28, 2025	43,200,669	HK\$2.48~8.866
Individual consultants	March 8, 2019~ November 28, 2025	350,000	HK\$2.48~8.866

(3) On March 28, 2025, the Company granted a total of 9,700,000 share options at nil consideration to directors, employees and consultants of the Group, subject to the accomplishment of certain non-market performance conditions. The fair value of the options determined at the date of grant were HK\$1.77. The closing price of the Company's share immediately before March 28, 2025, the date of grant, was HK\$2.48.

25% of total options shall vest on the anniversary date one year after the vesting commencement date and the remaining 75% shall vest subsequently in 36 equal monthly instalments.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

- (4) On November 28, 2025, the Company granted a total of 20,000,000 share options at nil consideration to directors and employees of the Group, subject to the accomplishment of certain market performance conditions. The fair value of the options determined at the date of grant were HK\$2.19. The closing price of the Company's share immediately before November 28, 2025, the date of grant, was HK\$3.38.

30% of the share options shall be vested on May 1, 2027, 30% of the share options shall be vested on May 1, 2028 and the remaining 40% of the share options shall be vested on May 1, 2029. The vesting of the share options is subject to the achievement of performance targets for the financial years ending December 31, 2026, 2027 and 2028, including the fulfilment of both personal and Group's performance targets.

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, 2025:

Category	Option type	Outstanding as of January 1, 2025	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2025
Category 1: Director							
Dr. Li CHEN	Pre-IPO Scheme						
	2014	–	–	–	–	–	–
	2016	1,500,000	–	(750,000)	–	–	750,000
	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
	2025	–	6,400,000	–	–	–	6,400,000
		<u>35,300,725</u>	<u>6,400,000</u>	<u>(750,000)</u>	<u>–</u>	<u>–</u>	<u>40,950,725</u>
	Pre-IPO Scheme						
	2018	25,592,405	–	–	–	–	25,592,405
Mr. George Chien Cheng LIN	Post-IPO Scheme						
	2019	300,000	–	–	–	–	300,000
	2023	1,200,000	–	–	–	–	1,200,000
	2025	–	700,000	–	–	–	700,000
		<u>27,092,405</u>	<u>700,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,792,405</u>

30. 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, 2025: (Continued)

Category	Option type	Outstanding as of January 1, 2025	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2025
Category 1: Director (Continued)							
Dr. Yi ZHANG	Pre-IPO Scheme						
	2014	–	–	–	–	–	–
	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
	2025	–	1,110,000	–	–	–	1,110,000
		8,633,320	1,110,000	(3,375,000)	–	–	6,368,320
	Total directors	71,026,450	8,210,000	(4,125,000)	–	–	75,111,450
Category 2: Employees							
Pre-IPO Scheme							
2014	–	–	–	–	–	–	
2016	1,850,000	–	(1,700,000)	–	–	150,000	
2017	1,600,000	–	(100,000)	–	–	1,500,000	
2018	10,339,693	–	(4,715,820)	–	–	5,623,873	
Post-IPO Scheme							
2018	75,000	–	–	–	–	75,000	
2019	3,650,300	–	–	–	(430,000)	3,220,300	
2020	6,430,845	–	(310,000)	–	–	6,120,845	
2021	4,526,591	–	–	–	(580,000)	3,946,591	
2022	4,825,012	–	(425,000)	(45,825)	(425)	4,353,762	
2023	5,200,000	–	(281,255)	(314,574)	–	4,604,171	
2025	–	21,340,000	–	(460,000)	–	20,880,000	
Total employees	38,497,441	21,340,000	(7,532,075)	(820,399)	(1,010,425)	50,474,542	

30. 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, 2025: (Continued)

Category	Option type	Outstanding as of January 1, 2025	Granted During year	Exercised during year	Forfeited during year	Lapsed during year	Outstanding as of December 31, 2025
Category 3: Individual consultants	Pre-IPO Scheme						
	2014	–	–	–	–	–	–
	2016	3,322,000	–	(1,200,000)	–	–	2,122,000
	2018	1,125,000	–	–	–	–	1,125,000
	Post-IPO Scheme						
	2019	200,000	–	–	–	–	200,000
	2025	–	150,000	–	–	–	150,000
	Total individual consultants	4,647,000	150,000	(1,200,000)	–	–	3,597,000
	Total all categories	114,170,891	29,700,000	(12,857,075)	(820,399)	(1,010,425)	129,182,992
	Exercisable at the beginning and end of the year	104,550,278					96,137,320
	Weighted average exercise price (HK\$)	4.16	3.09	1.95	2.97	6.64	4.12

30. 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
		<u>35,500,725</u>	<u>–</u>	<u>(200,000)</u>	<u>–</u>	<u>–</u>	<u>35,300,725</u>
	Pre-IPO Scheme						
	2018	25,592,405	–	–	–	–	25,592,405
Mr. George Chien Cheng LIN	Post-IPO Scheme						
	2019	300,000	–	–	–	–	300,000
	2023	1,200,000	–	–	–	–	1,200,000
		<u>27,092,405</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,092,405</u>

30. 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: (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	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	

30. 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: (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)	(2,260,332)	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

The share options outstanding at December 31, 2025 had a weighted average remaining contractual life of 6.06 years (2024: 4.38 years).

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK\$4.12 (2024: HK\$4.16).

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 during the year ended December 31, 2025 were as follows:

	March 28, 2025	November 28, 2025
Grant date option fair value per share	HK\$1.77	HK\$2.19
Grant date share price	HK\$2.48	HK\$3.38
Exercise price	HK\$2.48	HK\$3.38
Expected volatility	68.6%	70.0%
Expected life	6.08 years	6.26 years
Risk-free rate	3.36%	2.55%
Expected dividend yield	0%	0%

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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 behavioural considerations. The Group recognized the total expense of RMB12,186,000 for the year ended December 31, 2025 (2024: RMB11,841,000), respectively, in relation to share options granted by the Company.

31. 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 at/		Maximum amount outstanding during	
		Year ended	Year ended	Year ended	Year ended
		31/12/2025	31/12/2024	31/12/2025	31/12/2024
		RMB'000	RMB'000	RMB'000	RMB'000
Entity in which a former director has significant influence	Trade sales (Notes a and b)	N/A	528	N/A	N/A
Executive director Yi Zhang	Amount due from a director (Note c)	2,259	–	2,259	–

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 one of executive directors, Yi Zhang's personal borrowing has been recognized as amount due from a director, which is repayable in two years. The interest rate is 5.375% per year. As at December 31, 2025, the principal of the loan is RMB2,258,000 (HK\$2,500,000) and the interest receivable is RMB1,000 (HK\$1,000).

The amount are non-trade related and unsecured.

31. RELATED PARTY TRANSACTIONS (Continued)

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,	
	2025	2024
	RMB'000	RMB'000
Short term benefits	19,965	19,002
Post-employment benefits	553	480
Share-based payment	5,285	6,380
	<u>25,803</u>	<u>25,862</u>

32. CAPITAL COMMITMENTS

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	<u>–</u>	<u>2,117</u>

33. 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, net of bank balances and cash, 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.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Financial assets		
Amortized cost	<u>1,177,583</u>	<u>1,188,475</u>
Financial liabilities		
Amortized cost	<u>350,186</u>	<u>314,112</u>

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, bank balances and cash, restricted bank deposits, amount due from a director, 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, amount due from a director and 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.

34. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

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,	
	2025	2024
	RMB'000	RMB'000
Assets		
US\$	33,475	128,817
HK\$	60,240	43,814
MOP\$	815	—
RMB	105	—
	<u> </u>	<u> </u>
	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Liabilities		
US\$	—	414
HK\$	17	—
	<u> </u>	<u> </u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in functional currencies of the relevant group entities against foreign currencies, 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 rates. A negative number below indicates a decrease in profit/increase in loss where functional currencies strengthen 5% against foreign currencies. For a 5% weakening of functional currencies against foreign currencies, there would be an equal and opposite impact on profit/loss for the year.

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Impact on profit or loss		
US\$	(1,674)	(6,441)
HK\$	(3,011)	(2,191)
MOP\$	(41)	—
RMB	(5)	—
	<u> </u>	<u> </u>

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.

34. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (Note 25), lease liabilities (Note 26) and bank balances (Note 23). 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 (Note 23) and variable-rate borrowings (see note 25 for details of these borrowings). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LPR arising from the Group's variable rate borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and variable rates and ensure they are within reasonable range.

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2024: 50 basis points) increase or decrease in variable-rate bank borrowings are used, representing management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points (2024: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2025 would decrease/increase by approximately RMB1,073,000 (2024: loss would increase/decrease by approximately RMB738,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate borrowings.

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, amount due from a director, bank balances and restricted 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.

34. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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

Internal credit rating	Description	Trade receivables	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

34. 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 December 31,	
					2025 Gross carrying amount RMB'000	2024 Gross carrying amount RMB'000
Financial assets at amortized cost						
Trade receivables	21	N/A	Low risk (Note i)	Lifetime ECL	74,830	34,388
Amount due from a director	22, 31	N/A	Low risk (Note ii)	12m ECL	2,259	–
Other receivables	21	N/A	Low risk (Note ii)	12m ECL	8,206	5,427
Bank balances and cash	23	A1-A3	N/A (Note iii)	12m ECL	1,092,288	1,139,753
Restricted bank deposits	23	A1-A3	N/A (Note iii)	12m ECL	–	8,907

34. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

Notes:

(i) Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 34.99% (2024: 33.90%) and 75.38% (2024: 81.64%) 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 performed 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, 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, as all of the trade receivables are due from reputable pharmaceutical distributors which have low risk of default and usually settled within credit period.

(ii) Amount due from a director and other receivables

For the purpose of impairment assessment for amount due from a director and 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 amount due from a director and each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss given default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

(iii) Bank balances and restricted bank deposits

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

34. 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 and lease 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, 2025							
Trade and other payables	N/A	99,020	–	–	–	99,020	99,020
Borrowings	2.94%	37,587	184,118	38,435	–	260,140	251,166
Lease liabilities	3.45%	19,372	18,484	14,848	–	52,704	50,507
As of December 31, 2024							
Trade and other payables	N/A	116,694	–	–	–	116,694	116,694
Borrowings	2.94%	104,049	30,050	113,023	–	247,122	237,011
Lease liabilities	4.08%	37,757	16,940	31,005	–	85,702	63,168

(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, 2025 and 2024.

(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.

35. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiaries 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 RMB12,985,000 for the year ended December 31, 2025 (2024: RMB8,635,000).

36. 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.

					Other receivables for considerations of options exercised	Total
	Borrowings	Other payable	Interest payable	Lease liabilities		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)	(Note 24)	(Note 24)	(Note 26)	(Note 21)	
As of January 1, 2024	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
Financing cash flows	14,155	–	(6,176)	(21,341)	22,462	9,100
Non-cash changes						
New leases entered	–	–	–	7,191	–	7,191
Accrued expense for lease payments	–	375	–	(375)	–	–
Interest expenses	–	–	6,282	1,864	–	8,146
Exercise of options by employees	–	–	–	–	(22,905)	(22,905)
As of December 31, 2025	251,166	375	436	50,507	(454)	302,030

37. 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		Principal activities
			2025	2024	
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\$8,822,000	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					
Shanghai Huasheng Inc (Note (a)) 上海華領生物科技股份有限公司	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 RMB43,025,000 and paid-in capital of RMB43,025,000	100%	100%	Development of innovative medicines
Indirectly held					
WAYU Limited (Note (b)) 華崙一人有限公司	Macau Limited liability company	Registered capital of MOP25,000 and paid-in capital of MOP1,000,000	100%	N/A	Commercialization of innovative medicines

Notes:

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

(b) WAYU Limited was established in Macau, PRC China, in February 2025.

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

38. 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,	
	2025	2024
	RMB'000	RMB'000
Non-current Asset		
Investments in subsidiaries	1,930,055	1,909,838
Current Assets		
Other receivables	1,456	1,164
Amount due from a subsidiary	20,589	18,390
Bank balances and cash	118,295	132,721
	140,340	152,275
Current Liabilities		
Trade and other payables	5,978	4,433
Amount due to a subsidiary	5,624	6,521
	11,602	10,954
Net Current Assets	128,738	141,321
Total Assets Less Current Liabilities	2,058,793	2,051,159
Net Assets	2,058,793	2,051,159
Capital and Reserves		
Share capital	7,221	7,214
Reserves	2,051,572	2,043,945
Total Equity	2,058,793	2,051,159

38. INFORMATION OF FINANCIAL POSITION OF THE COMPANY AND MOVEMENTS IN THE COMPANY'S RESERVES (Continued)

The movements in the Company's reserves for the years ended December 31, 2025 and 2024 are as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As of January 1, 2024	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
Loss and total comprehensive expense for the year	–	–	(27,457)	(27,457)
Exercise of share options	22,898	–	–	22,898
Recognition of equity-settled payment for subsidiary	–	12,186	–	12,186
As of December 31, 2025	5,955,302	308,589	(4,212,319)	2,051,572

39. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after December 31, 2025 that require additional disclosure or adjustments.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

	For the year ended 31 December				
	2021	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	17,599	76,610	255,892	492,934
Cost of sales	—	(9,910)	(39,236)	(131,168)	(212,579)
Other income	11,871	41,511	130,602	116,753	1,263,914
Other gains and losses	(10,373)	26,026	4,137	2,017	(4,533)
Selling and distribution expenses	—	(15,348)	(79,755)	(153,182)	(165,453)
Research and Development expenses	(186,835)	(129,528)	(171,537)	(215,092)	(145,322)
Administrative expenses	(134,835)	(129,931)	(124,148)	(116,755)	(114,462)
Finance costs	(3,950)	(3,667)	(7,907)	(8,609)	(8,146)
Other expenses	(1,612)	(259)	—	—	—
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	454	94	(293)	109	475
Total comprehensive (expense) income for the year	(325,280)	(203,413)	(211,527)	(250,035)	1,106,828

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2021	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	704,600	940,257	1,572,477	1,336,496	1,296,426
Inventories	—	1,915	44,635	126,672	121,667
Trade and other receivables	24,666	441,192	66,200	61,164	82,471
Amounts due from related parties	—	1,822	342	—	—
Pledged bank deposits	4,696	4,696	476	8,907	—
Bank balances and cash	675,238	490,632	1,460,824	1,139,753	1,092,288
Current liabilities	106,884	188,386	252,034	330,271	210,267
Trade and other payables	79,738	79,111	112,182	116,694	161,608
Borrowings	—	33,923	17,192	98,275	30,610
Lease liabilities	13,296	21,490	24,279	17,262	18,049
Contract liabilities	—	43,303	95,654	95,654	—
Deferred income	13,850	10,559	2,727	2,386	—
Net current assets	597,716	751,871	1,320,443	1,006,225	1,086,159
Non-current assets	198,953	181,240	152,896	190,796	173,308
Non-current liabilities	346,338	653,531	1,372,188	1,332,487	253,014
Net assets (liabilities)	450,331	279,580	101,151	(135,466)	1,006,453
Total equity (deficit)	450,331	279,580	101,151	(135,466)	1,006,453

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
"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, 2025
"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