



Hua Medicine 華領醫藥

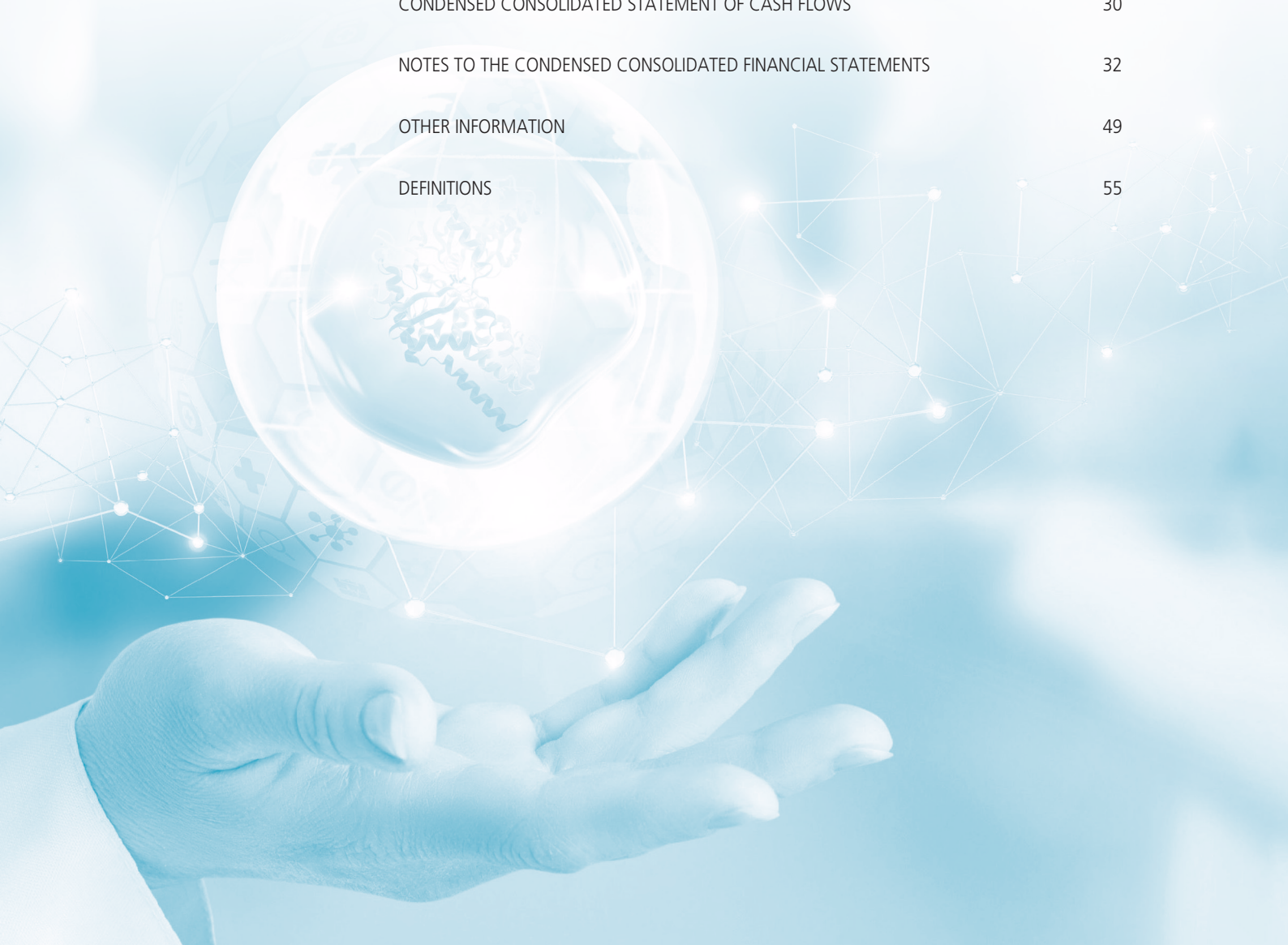
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code: 2552



INTERIM REPORT **2024**

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	2
BUSINESS AND FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	6
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	25
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	26
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	27
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	29
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	30
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	32
OTHER INFORMATION	49
DEFINITIONS	55



CORPORATE INFORMATION

Executive directors

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

Non-executive directors

Robert Taylor NELSEN (*Chairman*)
 Fangxin LI

Independent non-executive directors

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

Audit committee

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

Remuneration committee

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

Nomination committee

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

Strategy committee

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

Company secretary

Wing Yan Winnie YUEN (袁穎欣)

Authorized representatives

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Registered office

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

Corporate headquarters

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

Principal place of business in Hong Kong

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

Cayman Islands share registrar

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

Hong Kong share registrar

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

Principal bankers

In Hong Kong:

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

In the PRC:

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

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

Company's website

www.huamedicine.com

Stock code

2552

BUSINESS AND FINANCIAL HIGHLIGHTS

Business Highlights

This reporting period represents the first instance for which Hua Medicine reports the sale of HuaTangNing (华堂宁®) (dorzagliatin tablets) under China's National Reimbursement Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (the "NRDL") for T2D by the National Healthcare Security Administration (the "NHS"). HuaTangNing (华堂宁®) entered the NRDL in November 2023 and its nationwide reimbursement became effective in mainland China on January 1, 2024. Hua Medicine worked with sales promotion partner Bayer Healthcare Company Limited ("Bayer") and 80 Tier 1 distributors to begin the pharmaceutical market entry in 31 municipalities and provinces in China.

- Sales of HuaTangNing (华堂宁®) in the first half of 2024 reached 846,000 packs, representing a significant increase in sales volume as compared with 212,000 packs in the first half of 2023. Such significant sales increase was driven by the acceleration of increased hospital entries, especially in Shanghai, Beijing and Tianjin, benefiting from government policy supporting novel new drug market access. By June 30, 2024, HuaTangNing (华堂宁®) was prescribed in over 2,100 hospitals and over 2,900 pharmacies, compared with 143 hospitals and 1,080 pharmacies in the first half of 2023.
- Total sales revenue in the first half of 2024 reached RMB102.7 million, representing a 46.0% increase over the first half of 2023. Total revenue of HuaTangNing (华堂宁®) has reached RMB196.9 million in mainland China since its commercial launch in October 2022. For the first half of 2024, HuaTangNing (华堂宁®) was sold principally through hospitals (approximately 72% of total sales), with the remainder of sales through pharmacies (approximately 20% of total sales) and internet drug stores (approximately 8% of total sales).
- Gross profit in the first half of 2024 is RMB47.8 million, representing a gross profit margin of 46.5%. Our gross profit margin decreased when compared with 62.6% for the first half of 2023 and 48.8% for the full year of 2023, despite experiencing a 64.1% price reduction as a result of entering the NRDL effective January 1, 2024. We expect to manage our gross profit margins up as manufacturing scale increases for dorzagliatin tablets.
- Dorzagliatin manufacturing capacity continues to expand, with the expectation to reach over 3 million packs in 2024. New processes for larger capacity have been established with our partners and are under regulatory review for production permit.
- Post marketing clinical studies proceeded at an accelerated rate, in which HMM0601 enrolled 1,368 patients and HMM0701 enrolled 102 patients. HMM0601 is designed to evaluate the long-term safety of dorzagliatin by collecting 1-year clinical safety data in 2,000 T2D patients and HMM0701 is a prospective real-world study to explore dorzagliatin's clinical beneficial effects on the improvement of glucose homeostasis, cognitive function and diabetes remission. A good drug safety profile for dorzagliatin has been observed since its commercial launch in October 2022 – a time span of over 20 months and approximately 100,000 patient exposure.
- Two Mendelian randomization studies conducted by our collaborating Hong Kong based clinical investigators, and published in *Cardiovascular Diabetology* showed that glucokinase activation can lead to long term benefits in reduction of risks in cardiovascular diseases and dyslipidaemia. New clinical indications shall be further explored with our commercialization partner.

Financial Highlights

- Bank balances and cash position was approximately RMB1,338.8 million as of June 30, 2024.
- Total revenue generated by the Company for the six months ended June 30, 2024 was approximately RMB102.7 million, reflecting sales of approximately 846,000 packs of HuaTangNing (华堂宁®).
- Total other income generated by the Company for the six months ended June 30, 2024 was approximately RMB55.1 million, of which approximately RMB47.8 million was attributable to the amortization of Bayer milestone income.
- Total expenditures incurred by the Company for the six months ended June 30, 2024 was approximately RMB245.9 million, of which approximately RMB119.8 million was attributable to research and development expenses.
- Research and development expenses increased by approximately RMB48.8 million or approximately 68.7% to approximately RMB119.8 million for the six months ended June 30, 2024, compared with the six months ended June 30, 2023.
- Loss before tax increased by approximately RMB52.1 million or approximately 57.9% to approximately RMB142.2 million for the six months ended June 30, 2024, compared with the six months ended June 30, 2023.
- Total comprehensive expense for the period increased by approximately RMB51.4 million or approximately 56.8% to approximately RMB142.0 million for the six months ended June 30, 2024, compared with the six months ended June 30, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

During the first reporting period under the NRDL, HuaTangNing (华堂宁®) experienced a fast entry into hospitals and pharmacies, especially in Shanghai, Beijing, Tianjin where the government policies support market entry for novel new drugs. The number of hospitals prescribing HuaTangNing (华堂宁®) exceeded 2,100 in the first half of 2024. Revenue of HuaTangNing (华堂宁®) reached RMB102.7 million for the first half of 2024 and is expected to continue to grow in the second half of 2024. As we build off our new foundation under the NRDL, we plan to leverage our well-established partnerships to enhance the dorzagliatin manufacturing process, which is expected to lead to efficiencies, expanded capacity and reduction of cost of goods. We are optimizing our operations across the board with the goal to achieve profitability in the year of 2025.

We continued our post marketing clinical studies at approximately 80 hospitals to better understand the benefits dorzagliatin provides to patients with T2D and T2D complications, such as memory loss and diabetes kidney disease. Through our collaboration with our clinical research partners in Hong Kong, we have discovered that glucokinase (GK) activation brings the benefits of reduction of risks in cardiovascular disease, and dyslipidemia. These results (applying the Mendelian Randomization (MR) methodology) certainly expand our understanding of the benefits of GK activation through dorzagliatin and for uncovering new indications of dorzagliatin in the future.

MR is a statistical method that uses genetic variants to investigate the causal effects of exposures (e.g., treatments) on outcomes (e.g., diseases). Its unique advantage lies in its reduced susceptibility to confounding and time-related biases compared with observational studies, which is achieved by leveraging the random allocation of genetic variants at conception. In evidence-based medicine, the credibility of evidence from MR is second only to that of randomized controlled trials. Through our collaboration with Hong Kong diabetic management experts, we have discovered that GK activation, as investigated through MR, brings significant benefits which reduces the risks of cardiovascular disease. Specifically, the Phase III clinical trials of dorzagliatin demonstrated its favorable safety profile, with no risk of hypertriglyceridemia. This is attributed to the specific binding mode of dorzagliatin on glucokinase, which does not disrupt the glucokinase-glucokinase regulatory protein (GK-GKRP) interaction. Our findings suggest that disruption of interaction of the GK-GKRP complex, rather than direct GK activation, would worsen lipid profiles. This unique characteristic of dorzagliatin makes it a promising T2D medicine for long-term treatment and with minimal risks of dyslipidemia effects.

Product pipeline and business outlook

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	→		
	Diabetes Prevention	→		
	Neurodegeneration	→		
Dorzagliatin and Metformin FDC	T2D	→		
Dorzagliatin + Empagliflozin	DKD	→		
Dorzagliatin + Sitagliptin	T2D	→		
Dorzagliatin add on to GLP1RA	T2D and Obesity	→		
Dorzagliatin add on to Insulin	T1D	→		
2 nd Generation GKA	Metabolic Disease	→		
mGLUR5 NAM	PD-L1D	→		
	Drug Addiction	→		
GK NAM	Metabolic Disease	→		

We have advanced our post-marketing real world evidence (RWE) studies HMM0601 and HMM0701 in T2D patients in mainland China, and HMM0123 in Hong Kong, China. In these studies, we are collecting evidence in medical practices for optimization of glucose homeostasis either through dorzagliatin alone or in combination with standard care T2D medications such as metformin, DPP-IV inhibitors, SGLT-2 inhibitors, GLP-1RA and insulin. These results create new evidence for dorzagliatin in the expansion of its indication in diabetes prevention and remission.

Hua Medicine is continuing its drug development pipeline with a focus on the fixed dose combination (FDC) of new drug candidates. The new drug Dorzagliatin-Metformin FDC entered manufacturing process validation and our plan is to launch this new medicine for T2D in 2028. Additional new FDC drugs with dorzagliatin will be developed for T2D patients, tailored specifically to address T2D patients with associated complications such as obesity and diabetes kidney disease.

To further leverage the unique advantage of dorzagliatin in restoring GLP-1 secretion in patients with diabetes and obesity, Hua Medicine initiated its Phase I study in the United States with our 2nd generation GKA HMS1005. The trial has been proceeding smoothly and has already completed dose escalation in three cohorts of T2D patients in the United States. The topline data is expected to be available in the fourth quarter of 2024, supporting future drug development.

At the American Diabetes Association (ADA) Annual Meeting 2024, Hua Medicine reported new scientific data supporting the combination of dorzagliatin with a SGLT-2 inhibitor which led to improvement in glycaemic control. Combination of dorzagliatin with chronic kidney disease (CKD) medicine, such as SGLT-2 inhibitor, empagliflozin, in mid to late stage diabetes kidney disease patients, offers new opportunity to expand dorzagliatin's indication.

We are exploring more drug repurposing opportunities for dorzagliatin using the MR framework, such as renal diseases, neuropathy related diseases, eye related diseases, cognitive disorders, and cancers. Animal studies shall be further performed to validate the promising findings.

We are continuing to optimize our protein allosteric modulation technology (PAMT) and expansion from positive allosteric modulator (PAM), such as GK positive allosteric modulator dorzagliatin, to negative allosteric modulator (NAM) in kinase and G-protein-coupled receptors (GPCR) proteins. The GK NAM program advanced to the pre-clinical candidate (PCC) selection stage and final optimization of the PCC to clinical candidate for congenital hyperinsulinism (CHI), and potentially for dyslipidaemia. We continue to advance mGLUR5 NAM program for its clinical potential in Parkinson's disease (PDLID), Fragile X syndrome (FXS), and drug addiction.

Cautionary statement: We may not be able to ultimately develop and market our product candidates successfully.

Important events after the reporting period

Save as disclosed above, there are no important events that have occurred since June 30, 2024 and up to the date of this report.

Financial review

Revenue

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

For the six months ended June 30, 2024, approximately 846,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB102.7 million. Our sales volume increased by 634,000 packs or RMB32.3 million as compared to the six months ended June 30, 2023. From first commercial launch through June 30, 2024, approximately 1,150,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB196.9 million.

HuaTangNing (华堂宁®) was successfully included in the NRDL for T2D by the NHSA at the end of 2023. Upon the above significant development, the sales volume of HuaTangNing (华堂宁®) is expected to have a huge increase in the following years.

Gross profit

For the six months ended June 30, 2024, we recorded a gross profit of approximately RMB47.8 million and a gross margin of 46.5%. Our gross margin decreased by 16.1% as compared to 62.6% for the six months ended June 30, 2023, which was primarily due to the sales price of HuaTangNing (华堂宁®) which decreased from RMB341.95 per pack to RMB124.88 per pack after entering the NRDL at the end of 2023. As our commercialization scale increases, the gross margin is expected to increase to a more normalised rate.

Other income

Our other income consisted primarily of Bayer milestone income (milestone payments from Bayer upon the achievement of certain milestones relating to the development of HuaTangNing (华堂宁®)), government grants and bank interest income. Our other income increased by RMB16.5 million to RMB55.1 million for the six months ended June 30, 2024 from RMB38.6 million for the six months ended June 30, 2023, which was mainly attributable to an increase of RMB26.2 million in Bayer milestone income for the six months ended June 30, 2024, adjusted for a decrease of RMB7.2 million in government grants and a decrease of RMB2.5 million in bank interest income from short-term deposits.

Other gains and losses

Our other gains and losses consisted primarily of gains due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar and between Renminbi and the HK dollar. Our other gains and losses decreased by RMB7.9 million, which were mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollar and HK dollar and the small appreciation of the U.S. dollar and HK dollar against the Renminbi for the six months ended June 30, 2024, compared to the large appreciation of the U.S. dollar and HK dollar against the Renminbi for the six months ended June 30, 2023.

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

Administrative expenses

Our administrative expenses consisted primarily of employee compensation and related costs. Our administrative expenses increased by RMB7.1 million to RMB61.1 million for the six months ended June 30, 2024 from RMB54.0 million for the six months ended June 30, 2023, which was mainly attributable to i) an increase of RMB6.6 million in labour cost, which was primarily attributable to the labour resource reallocation; ii) an increase of RMB2.1 million in meeting and travelling expenses, which was mainly due to the additional company events and meetings held in the first half of 2024; and iii) an adjustment for the decrease of RMB1.4 million in recruitment expense.

Finance cost

Our finance cost consisted of expenses associated with the interest on lease liabilities and bank loan. Our finance cost was RMB3.9 million for the six months ended June 30, 2024 as compared to RMB3.5 million for the six months ended June 30, 2023, which was mainly attributable to an increase in bank loan balances in the first half of 2024.

Selling expenses

Our selling expenses consisted primarily of expenses related to selling and marketing activities. Our selling expenses increased by RMB8.2 million to RMB61.1 million for the six months ended June 30, 2024 from RMB52.9 million for the six months ended June 30, 2023, which was mainly attributable to i) an increase of RMB4.2 million in labour cost, which was primarily attributable to additional labour resources; ii) an increase of RMB5.9 million in promotion expenses, which was mainly due to increased sales scale in the first half of 2024; and iii) an adjustment for the decrease of RMB3.3 million in meeting expenses due to our marketing strategy.

Research and development expenses

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

	Six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
Dorzagliatin Clinical Trials	21,428	17.9%	1,900	2.7%
Dorzagliatin Non-clinical Studies	6,118	5.1%	4,032	5.7%
Chemical, Manufacturing and Control	47,761	39.9%	11,900	16.8%
Labor Cost	28,854	24.1%	34,926	49.2%
Dorzagliatin Licensing and Patent Fee	2,532	2.1%	2,300	3.2%
Others	13,083	10.9%	15,940	22.4%
Total	<u>119,776</u>	<u>100%</u>	<u>70,998</u>	<u>100%</u>

Research and development expenses increased by RMB48.8 million to RMB119.8 million for the six months ended June 30, 2024 from RMB71.0 million for the six months ended June 30, 2023. The increase in research and development expenses mainly included:

- an increase of RMB19.5 million for dorzagliatin clinical trials from RMB1.9 million for the six months ended June 30, 2023 to RMB21.4 million for the six months ended June 30, 2024, which was primarily attributable to the multicenter post-marketing observational study conducted in the first half of 2024, which was designed to evaluate the long-term safety of dorzagliatin in patients with T2D and 2nd generation GKA study conducted in the first half of 2024;
- an increase of RMB35.9 million in chemical, manufacturing, and control expenses from RMB11.9 million for the six months ended June 30, 2023 to RMB47.8 million for the six months ended June 30, 2024. We focused on the new production line validation and process validation for capacity expansion in the first half of 2024. In the first half of 2023, we focused on the scale up and process development for existing production line;
- a decrease of RMB6.0 million in labour cost from RMB34.9 million for the six months ended June 30, 2023 to RMB28.9 million for the six months ended June 30, 2024, which was primarily attributable to the decrease of share-based payment under the accelerated amortization method; and
- a decrease of RMB2.8 million in other expenses from RMB15.9 million for the six months ended June 30, 2023 to RMB13.1 million for the six months ended June 30, 2024, which was primarily attributable to decreased utility expenses, rental expenses and telecom expenses due to the expense reallocation.

Income tax expense

We recognized no income tax expenses for the six months ended June 30, 2024 and the six months ended June 30, 2023.

Liquidity and capital resources

Since our inception, we have incurred net losses 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 RMB226.8 million for the six months ended June 30, 2024. As of June 30, 2024, we had cash and cash equivalents of RMB1,338.8 million.

As of June 30, 2024, there were no significant investments held by the Company (including any investment in an investee company with a value of 5% or more of the Company's total assets as of June 30, 2024), nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended June 30, 2024.

Cash flows

The following table provides information regarding our cash flows for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Net cash (used in) from operating activities	(226,774)	258,769
Net cash from investing activities	4,368	691
Net cash from financing activities	99,125	122,736
Effect of exchange rate changes	1,266	8,461
	<u>1,266</u>	<u>8,461</u>
Net (decrease) increase in cash and cash equivalents	<u>(122,015)</u>	<u>390,657</u>

Net cash (used in) from operating activities

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

During the six months ended June 30, 2024, our operating activities used RMB226.8 million of cash, which resulted principally from our loss before tax of RMB142.2 million, adjusted for net non-cash income and net non-operating income of RMB27.1 million and cash used in the movement of our working capital of RMB57.5 million. Our net non-cash income and net non-operating income during the six months ended June 30, 2024 primarily consisted of other income resulted from the amortization of contract liabilities and bank interest income, adjusted for depreciation of equipment, right-of-use assets and amortization for intangible assets, share-based payment expense and interest on bank loan and lease liabilities. The movement of our working capital during the six months ended June 30, 2024 primarily consisted of the increase in trade and other receivables, the increase in inventories and the increase in value added tax recoverable.

During the six months ended June 30, 2023, our operating activities generated RMB258.8 million of cash, which resulted principally from our loss before tax of RMB90.1 million, adjusted for non-cash charges and non-operating cash income of RMB12.0 million, and by cash generated from our operating assets and liabilities of RMB360.9 million. Our net non-cash charges during the six months ended June 30, 2023 primarily consisted of share-based payment expense, depreciation of equipment, right-of-use assets and amortization for intangible assets.

Net cash from investing activities

Net cash from investing activities was RMB4.4 million for the six months ended June 30, 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 at the Shanghai Lingang Special Area. Net cash from investing activities was RMB0.7 million for the six months ended June 30, 2023, which resulted primarily from the interest received from bank for short-term deposit, adjusted for the purchase of plant and equipment and intangible assets.

Net cash from financing activities

Net cash from financing activities was RMB99.1 million for the six months ended June 30, 2024, which proceeds from short-term and long-term bank loan and exercise of share options, offset by payments relating to lease liabilities and bank loan. Net cash from financing activities was RMB122.7 million for the six months ended June 30, 2023, which proceeds from short-term and long-term bank loan and exercise of share options, offset by payments relating to lease liabilities.

Financial position

Our net current assets decreased from RMB1,320.4 million as of December 31, 2023 to RMB1,205.1 million as of June 30, 2024. Current assets decreased from RMB1,572.5 million as of December 31, 2023 to RMB1,516.2 million as of June 30, 2024, primarily due to the net cash expenditure for the six months ended June 30, 2024.

Indebtedness

As of June 30, 2024, our lease liabilities and borrowings amounted to RMB33.1 million and RMB239.3 million. The following table sets forth our lease liabilities and borrowings as of the dates indicated:

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Current portion	92,229	41,471
Non-current portion	180,185	126,283
Total	<u>272,414</u>	<u>167,754</u>

Our lease liabilities as of June 30, 2024 were from leased properties lease contracts with lease terms of one to two years. As of June 30, 2024, we did not have any other indebtedness.

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 set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. We currently do not hedge or consider it necessary to hedge any of these risks.

Currency risk

Our business mainly operates in the PRC with most of our transactions settled in Renminbi, and our financial statements are presented in Renminbi. Renminbi is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into foreign currencies. The value of Renminbi is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trade 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 converted a portion of those funds to Renminbi immediately and placed the remaining amount in time deposits. We converted additional amounts to Renminbi as needed. The value of the Renminbi against the U.S. dollars 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. dollars 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. dollars or other currencies for business purposes, appreciation of the U.S. or HK dollars against the Renminbi would have a negative effect on the U.S. dollars or other currencies amounts available to us. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency rate.

The following table details our sensitivity to a 5% increase and decrease in the Renminbi against the U.S. dollar and the HK dollar, the foreign currencies to which we may have material exposure. 5% represents management's assessment of the reasonably possible changes in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation as of June 30, 2024 for a 5% change in foreign currency rate. A negative number below indicates an increase in loss where Renminbi strengthens 5% against the U.S. dollar and the HK dollar. For a 5% weakening of the Renminbi against the U.S. dollar and the HK dollar, there would be an equal and opposite impact on gain for the period.

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Impact on profit or loss		
US\$	(7,277)	(8,233)
HK\$	(2,251)	(2,316)

Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits. 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 June 30, 2024 and December 31, 2023, we recorded net current assets of RMB1,205.1 million and RMB1,320.4 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Key financial ratios

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

	As of June 30, 2024	As of December 31, 2023
Current ratio ⁽¹⁾	4.9	6.2
Quick ratio ⁽²⁾	4.6	6.1
Gearing ratio ⁽³⁾	NM	165.8%

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

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

(3) Gearing ratio represents liability divided by equity as of the same date. Liability is defined as short term loan, long term loan and lease liabilities (excluding trade and other payables, deferred income and contract liabilities). Equity includes all capital and reserves of the Group. Gearing ratio is not meaningful as our equity was negative as of June 30, 2024.

The current ratio as of June 30, 2024 decreased by 1.3 compared with that as of December 31, 2023, and the quick ratio as of June 30, 2024 decreased by 1.5 compared with that as of December 31, 2023, which were mainly due to the increase of short-term and long-term loan caused by our financing strategy.

Charge of the Group's assets

As of June 30, 2024, RMB8.9 million of the Group's bank deposits were charged by the bank.

Non-current pledged bank deposits amounting to RMB1,565,000 (unaudited) (December 31, 2023: RMB1,565,000 (audited)) carrying a fixed interest rate of 2.75% have been pledged to secure completion of the factory construction at the Shanghai Lingang Special Area. These deposits will be released within 10 working days upon the completion of the factory construction, if such construction is completed within the agreed period. The remaining non-current pledged bank deposits amounting to RMB1,565,000 (unaudited) (December 31, 2023: RMB1,565,000 (audited)) carrying a fixed interest rate of 2.75% have been pledged to secure production at the factory. These deposits will be released within 10 working days upon the launch of production, if such launch is completed within the agreed period.

As of June 30, 2024, deposits amounting to RMB5,773,000 (unaudited) (December 31, 2023: RMB476,000 (audited)) carrying a fixed interest rate of 2.75% were restricted due to a dispute on the amount of unsettled payment with a contractor.

Capital commitments

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

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	1,935	3,186

Future plans for material investments or capital assets

As of June 30, 2024, we planned to continue to invest in Shanghai Huasheng Inc, which was established in the Shanghai Lingang Special Area for ensuring adequate dorzagliatin commercial supply and the source of funding is expected to come from internal resources and/or external borrowings, as considered appropriate by the management of the Company.

Contingent liabilities

Save as disclosed in this report, the Group had no material contingent liabilities as of June 30, 2024 (as of June 30, 2023: Nil).

Disclosure under Rules 13.20 to 13.22 of the Listing Rules

The Company does not have any continuing disclosure obligations under Rules 13.20, 13.21 or 13.22 of the Listing Rules.

Employees and remuneration policy

As of June 30, 2024, we had 172 employees, as compared to a total of 177 employees as of December 31, 2023. The following table shows a breakdown of our employees by function as of June 30, 2024:

	Number of employees	Approximate percentage
Research and development	70	41%
General and administration	45	26%
Commercial and marketing	34	20%
Manufacturing	12	7%
Management	11	6%
Total	<u>172</u>	<u>100%</u>

The majority of the employees are employed in mainland China. For the six months ended June 30, 2024, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB81.4 million as compared to RMB81.9 million for the six months ended June 30, 2023.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve their working efficiency. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the six months ended June 30, 2024.

The Company has also adopted a Pre-IPO Share Incentive Scheme and a Post-IPO Share Option Scheme. Please refer to the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV to the Prospectus and the annual and interim reports of the Company for further details.

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. The Company has complied, and will continue to comply, with the new Chapter 17 to the extent required by the transitional arrangements for existing share schemes.

No Shares, representing approximately 0.0% of the weighted average number of Shares (excluding treasury shares (as defined under the Listing Rules)) 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

No further option or award would be granted under the Pre-IPO Share Incentive Scheme after Listing. Accordingly, 0 options and awards were available for grant as at January 1, 2024 and June 30, 2024, respectively. No service provider sublimit was set under the Pre-IPO Share Incentive Scheme. 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.

Details of the material terms of the Pre-IPO Share Incentive Scheme are set out in the annual report of the Company for the year ended December 31, 2023 and details of the movements in the outstanding share options granted under the Pre-IPO Share Incentive Scheme (to be satisfied by existing Shares) during the Reporting Period will be set out in the annual report of the Company for the year ending December 31, 2024.

2. Post-IPO Share Option Scheme

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

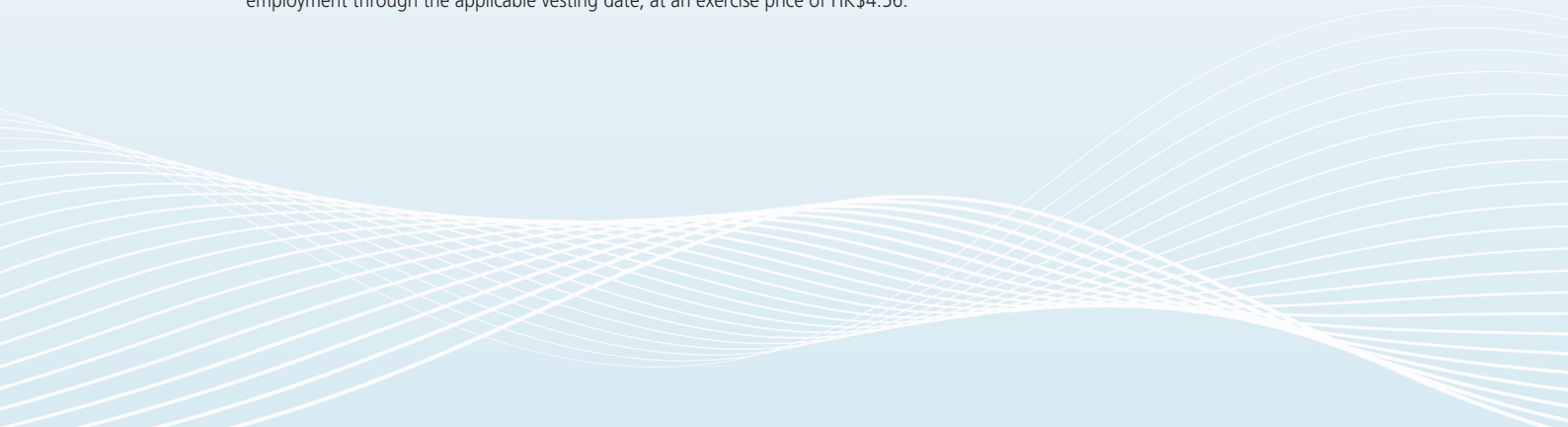
Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2024	Fair value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised
Directors													
Dr. Li CHEN	June 25, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	12,079,000	-	-	-	-	12,079,000	NA	NA	NA
	March 22, 2021 ⁽²⁾	HKD4.984	4 years	10 years from date of grant	3,000,000	-	-	-	-	3,000,000	NA	NA	NA
	March 17, 2022 ⁽³⁾	HKD3.40	4 years	10 years from date of grant	5,000,000	-	-	-	-	5,000,000	NA	NA	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	4,000,000	-	-	-	-	4,000,000	NA	NA	NA
Mr. George Chien Cheng LIN	May 17, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	300,000	-	-	-	-	300,000	NA	NA	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	1,200,000	-	-	-	-	1,200,000	NA	NA	NA
Dr. Yi Zhang	May 15, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
	March 17, 2020 ⁽⁷⁾	HKD3.616	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
	March 22, 2021 ⁽²⁾	HKD4.984	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	NA	NA
	March 17, 2022 ⁽³⁾	HKD3.40	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	NA	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	NA	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2024	Fair value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised
Other grantees in aggregate													
Employee Participants	October 29, 2018 ⁽⁵⁾	HKD7.192	4 years	10 years from date of grant	75,000	-	-	-	-	75,000	NA	NA	NA
	May 15, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	3,879,457	-	-	-	-	3,879,457	NA	NA	NA
	Accepted: January 3, 2020 ⁽⁶⁾	HKD6.64	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
	March 17, 2020 ⁽⁷⁾	HKD3.616	4 years	10 years from date of grant	5,405,843	-	-	(4,155)	-	5,401,688	NA	NA	NA
	April 3, 2020 ⁽⁸⁾	HKD3.00	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
	April 7, 2020 ⁽⁹⁾	HKD3.018	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
	August 18, 2020 ⁽¹⁰⁾	HKD7.184	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	NA	NA
	January 7, 2021 ⁽¹¹⁾	HKD5.584	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	NA	NA
	March 22, 2021 ⁽¹²⁾	HKD4.984	4 years	10 years from date of grant	4,002,000	-	-	(143,751)	-	3,858,249	NA	NA	NA
	August 30, 2021 ⁽¹³⁾	HKD4.56	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2024	Fair value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised
	September 23, 2021 ⁽¹⁴⁾	HKD5.05	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
	March 17, 2022 ⁽¹⁵⁾	HKD3.40	4 years	10 years from date of grant	2,585,425	-	-	(260,413)	-	2,325,012	NA	NA	NA
	June 24, 2022 ⁽¹⁶⁾	HKD3.95	4 years	10 years from date of grant	1,000,000	-	-	-	-	1,000,000	NA	NA	NA
	December 1, 2022 ⁽¹⁷⁾	HKD3.47	4 years	10 years from date of grant	1,500,000	-	-	-	-	1,500,000	NA	NA	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	5,200,000	-	-	(500,000)	-	4,700,000	NA	NA	NA
	May 8, 2023 ⁽¹⁸⁾	HKD2.968	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	NA	NA
Service Providers	May 15, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	NA	NA
Total					53,826,725	-	-	(908,319)	-	52,918,406			

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.

- (7) 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.
 - (8) 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.
 - (9) 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.
 - (10) 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.
 - (11) 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.
 - (12) 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.
 - (13) With grant date of August 30, 2021 and vesting commencement date August 30, 2021 and are exercisable in accordance with the vesting schedule that the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date, at an exercise price of HK\$4.56.
- 

- (14) 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.
- (15) 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.
- (16) 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.
- (17) 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.
- (18) 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.
- (19) As at January 1, 2024 and June 30, 2024, 43,323,276 Shares and 43,323,276 Shares were available for future grant under the scheme mandate of the Post-IPO Share Option Scheme, respectively. No service provider sublimit was set under the Post-IPO Share Option Scheme.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF HUA MEDICINE

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Hua Medicine (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 48, which comprise the condensed consolidated statement of financial position at June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and condensed consolidated notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 29, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	NOTES	Six months ended June 30,	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3	102,663	70,331
Cost of sales		<u>(54,901)</u>	<u>(26,284)</u>
Gross profit		<u>47,762</u>	<u>44,047</u>
Other income	5	55,079	38,594
Other gains and losses	6	791	8,728
Administrative expenses		(61,099)	(54,017)
Finance cost	7	(3,880)	(3,529)
Research and development expenses		(119,776)	(70,998)
Selling expenses		<u>(61,118)</u>	<u>(52,921)</u>
Loss before tax	8	(142,241)	(90,096)
Income tax expense	9	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(142,241)</u></u>	<u><u>(90,096)</u></u>
Other comprehensive income (expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>264</u>	<u>(451)</u>
Other comprehensive income (expense) for the period, net of income tax		<u>264</u>	<u>(451)</u>
Total comprehensive expense for the period		<u><u>(141,977)</u></u>	<u><u>(90,547)</u></u>
		RMB	RMB
LOSS PER SHARE	12		
Basic and diluted		<u>(0.15)</u>	<u>(0.09)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2024

	NOTES	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Non-current assets			
Plant and equipment	13	39,939	45,348
Right-of-use assets	13	61,387	69,190
Intangible assets		27,530	28,572
Pledged bank deposits	15	3,130	3,130
Trade and other receivables	14	6,615	6,656
		<u>138,601</u>	<u>152,896</u>
Current assets			
Inventories		73,233	44,635
Trade and other receivables	14	98,369	66,200
Amounts due from a related party	22	–	342
Restricted bank deposits	15	5,773	476
Bank balances and cash	15	1,338,809	1,460,824
		<u>1,516,184</u>	<u>1,572,477</u>
Current liabilities			
Trade and other payables	16	120,457	112,182
Borrowings	17	65,793	17,192
Lease liabilities		26,436	24,279
Contract liabilities		95,654	95,654
Deferred income	18	2,736	2,727
		<u>311,076</u>	<u>252,034</u>
Net current assets		<u>1,205,108</u>	<u>1,320,443</u>
Total assets less current liabilities		<u>1,343,709</u>	<u>1,473,339</u>

		At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
	NOTES		
Non-current liabilities			
Borrowings	17	173,481	106,844
Lease liabilities		6,704	19,439
Contract liabilities		1,195,672	1,243,499
Deferred income	18	1,023	2,406
		<u>1,376,880</u>	<u>1,372,188</u>
Net (liabilities) assets		<u>(33,171)</u>	<u>101,151</u>
Capital and reserves			
Share capital	19	7,214	7,214
Treasury shares held in trust	19	(509)	(513)
Reserves		<u>(39,876)</u>	<u>94,450</u>
Total (deficit) equity		<u>(33,171)</u>	<u>101,151</u>

The condensed consolidated financial statements on pages 25 to 48 were approved and authorized for issue by the directors of the Company on August 29, 2024 and are signed on its behalf by:

Dr. Li Chen
DIRECTOR

Mr. George Chien Cheng Lin
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Share capital RMB'000	Treasury shares held in trust RMB'000	Share premium RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2024 (audited)	7,214	(513)	5,930,827	(9,569)	284,269	(198)	(6,110,879)	101,151
Loss for the period (unaudited)	-	-	-	-	-	-	(142,241)	(142,241)
Other comprehensive income for the period (unaudited)	-	-	-	-	-	264	-	264
Total comprehensive expense for the period (unaudited)	-	-	-	-	-	264	(142,241)	(141,977)
Exercise of share options (Note 19 (b)) (unaudited)	-	4	299	(4)	-	-	-	299
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	7,356	-	-	7,356
At June 30, 2024 (unaudited)	<u>7,214</u>	<u>(509)</u>	<u>5,931,126</u>	<u>(9,573)</u>	<u>291,625</u>	<u>66</u>	<u>(6,253,120)</u>	<u>(33,171)</u>
At January 1, 2023 (audited)	7,214	(584)	5,921,640	(9,498)	260,358	95	(5,899,645)	279,580
Loss for the period (unaudited)	-	-	-	-	-	-	(90,096)	(90,096)
Other comprehensive expense for the period (unaudited)	-	-	-	-	-	(451)	-	(451)
Total comprehensive expense for the period (unaudited)	-	-	-	-	-	(451)	(90,096)	(90,547)
Exercise of share options (Note 19 (b)) (unaudited)	-	59	7,767	(59)	-	-	-	7,767
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	11,626	-	-	11,626
At June 30, 2023 (unaudited)	<u>7,214</u>	<u>(525)</u>	<u>5,929,407</u>	<u>(9,557)</u>	<u>271,984</u>	<u>(356)</u>	<u>(5,989,741)</u>	<u>208,426</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(142,241)	(90,096)
Adjustments for:		
Bank interest income	(5,446)	(7,944)
Income from government grants	(1,379)	(6,405)
Depreciation of plant and equipment	5,775	6,154
Depreciation of right-of-use assets	9,861	9,890
Amortization of intangible assets	1,757	1,742
Finance cost	3,880	3,529
Share-based payment expense	7,356	11,626
Gain on disposal of equipment	–	(38)
Net unrealized foreign exchange gains	(1,003)	(8,911)
Amortisation of contract liabilities	(47,827)	(21,652)
Operating cash flows before movements in working capital	(169,267)	(102,105)
(Increase) decrease in trade and other receivables	(28,516)	367,924
Decrease in amounts due from a related party	342	1,592
Increase in inventories	(28,598)	(14,968)
Increase in restricted deposits	(5,297)	–
Increase in trade and other payables	8,293	5,030
(Increase) decrease in value added tax recoverable	(3,736)	1,296
Increase in deferred income	5	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(226,774)	258,769
INVESTING ACTIVITIES		
Purchase of plant and equipment	(962)	(7,058)
Purchase of intangible assets	(207)	(101)
Payment on disposal of plant and equipment	–	(7)
Proceeds from disposal of plant and equipment	–	71
Proceeds from repayment of a loan to an employee	–	800
Interest received from bank	5,537	6,986
NET CASH FROM INVESTING ACTIVITIES	4,368	691

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Proceeds from borrowings	122,562	130,761
Withdraw of borrowings	(7,324)	–
Proceeds from exercise of share options	333	8,500
Payments for bank interests	(2,858)	(1,923)
Repayment of borrowings	–	(2,000)
Repayments of leases liabilities	(13,588)	(12,602)
	<u>99,125</u>	<u>122,736</u>
NET CASH FROM FINANCING ACTIVITIES		
	99,125	122,736
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(123,281)	382,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,460,824	490,632
Effects of exchange rate changes	1,266	8,461
	<u>1,266</u>	<u>8,461</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD,		
REPRESENTED BY BANK BALANCES AND CASH	<u>1,338,809</u>	<u>881,289</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Hua Medicine (the “Company”) was established in the Cayman Islands as an exempted company with limited liability on November 10, 2009, and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on September 14, 2018 (the “Listing Date”). The address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the interim report. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as “Group”) are principally engaged in developing and commercialization of a global first-in-class oral drug, Dorzagliatin or HMS5552, for the treatment of Type 2 diabetes.

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The functional currency of the Company is Renminbi (“RMB”), which is the same as the presentation currency of the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 (“Reporting Period”) are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2023.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board (the "IASB"), for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment		
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	<u>102,663</u>	<u>70,331</u>

4. OPERATING SEGMENTS

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.

Revenue by geographical location:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	102,663	70,331

5. OTHER INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	5,446	7,944
Government grants (Note a)	1,806	8,998
– R&D activities related grants	50	4,500
– Assets-related grants	1,364	4,155
– Others	392	343
Amortization of payments received for exclusive promotion rights granted (Note b)	47,827	21,652
	<u>55,079</u>	<u>38,594</u>

Note a:

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

5. OTHER INCOME (Continued)

Note b:

On August 17, 2020, the Group entered into an exclusive promotion service agreement with Bayer Healthcare Company Limited (“Bayer”) under which the Group granted the exclusive promotion rights on dorzagliatin. Pursuant to the agreement, the Group is entitled to a non-refundable 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. The Group received an aggregate non-refundable payment of RMB1,500,000,000 up to June 30, 2024, the VAT-excluded amount was recognized in contract liabilities as RMB1,415,094,000 and amortized within the agreed exclusive promotion period. The amortization of payments received for exclusive promotion rights grants during the current interim period is RMB47,827,000 (unaudited) (six months ended June 30, 2023: RMB21,652,000 (unaudited)). The carrying amounts of contract liabilities at June 30, 2024 is RMB1,291,326,000 (unaudited) (December 31, 2023: RMB1,339,153,000 (audited)). Under the exclusive promotion service agreement, Bayer as the promotion service provider is responsible for the marketing, promotion, and medical education activities in China while the Group shall pay Bayer tiered service fees based on net sales in China, recognized as selling expenses in current interim period.

6. OTHER GAINS AND LOSSES

Other gains and losses mainly represent the foreign exchange gains and losses during six months ended June 30, 2024 and 2023, respectively.

7. FINANCE COST

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on lease liabilities	951	1,486
Interest on borrowings	2,929	2,043
	<u>3,880</u>	<u>3,529</u>

8. LOSS BEFORE TAX

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of plant and equipment	5,775	6,154
Depreciation of right-of-use assets	9,861	9,890
Amortization of intangible assets	1,757	1,742
	<hr/>	<hr/>
Total depreciation and amortization	17,393	17,786
Capitalized in construction in progress	–	–
	<hr/>	<hr/>
	17,393	17,786
	<hr/>	<hr/>
Staff cost (including directors' emoluments):		
– Salaries and other benefits	74,084	70,298
– Retirement benefit scheme contributions	4,566	3,884
– Share-based payment	7,356	11,626
	<hr/>	<hr/>
	86,006	85,808
	<hr/>	<hr/>
Auditors' remuneration	867	720
Expenses relating to short-term leases and leases of low-value assets	536	511
	<hr/>	<hr/>

9. INCOME TAX EXPENSE

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

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

Under the Law of the PRC of Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the estimated tax rate of the Group's PRC subsidiary is 25% during the period presented in the condensed consolidated financial statements, except for Hua Medicine (Shanghai) Ltd. ("Hua Shanghai"). No PRC Enterprise Income tax was provided for as there was no estimated assessable profit of the Group's PRC subsidiary during the period presented in the condensed consolidated financial statements.

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

9. INCOME TAX EXPENSE (Continued)

The subsidiary incorporated in the United States are subject to Federal and State Income taxes, the effective combined income tax rate is 21% for the current interim period (six months ended June 30, 2023: 21%).

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

10. LICENSE AGREEMENT

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

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

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

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

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

11. DIVIDENDS

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

12. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	<u>(142,241)</u>	<u>(90,096)</u>

Number of Shares:

	Six months ended June 30,	
	2024	2023
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>980,647,436</u>	<u>974,001,822</u>

The computation of diluted loss per share for the six months ended June 30, 2024 and 2023 respectively did not assume the exercise of share options since their assumed exercise would result in a decrease in loss per share.

13. PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired RMB874,000 (unaudited) (six months ended June 30, 2023: RMB1,805,000 (unaudited)) of plant and equipment. In addition, during the current interim period, there is no disposal of plant and equipment (six months ended June 30, 2023: aggregated carrying amount of RMB26,000 (unaudited) for cash proceeds of RMB64,000 (unaudited), resulting in a gain on disposal of RMB38,000 (unaudited)).

During the current interim period, the Group extended the lease terms of several existing lease agreements for one year. The Group is required to make fixed monthly or quarterly payments. On date of lease modification, the Group recognized right-of-use assets of RMB2,058,000 (unaudited) (six months ended June 30, 2023: RMB2,005,000 (unaudited)) and lease liabilities of RMB2,058,000 (unaudited) (six months ended June 30, 2023: RMB2,005,000 (unaudited)).

14. TRADE AND OTHER RECEIVABLES

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Trade receivables	49,783	637
Prepayments for research and development services	8,353	25,866
Prepayment for raw materials and manufacture services	22,000	23,230
Utility and rental deposits	5,513	5,547
– current	932	656
– non-current	4,581	4,891
Value added tax recoverable	14,932	11,196
– current	12,898	9,527
– non-current	2,034	1,669
Interest receivables	244	335
Other receivables for considerations of options exercised	11	45
Others	4,148	6,000
– current	4,148	5,904
– non-current	–	96
	<u>104,984</u>	<u>72,856</u>
Analyzed as		
– current	98,369	66,200
– non-current	6,615	6,656
	<u>104,984</u>	<u>72,856</u>

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

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
0-60 days	<u>49,783</u>	<u>637</u>

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/RESTRICTED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits. The short term bank deposits carry interests at market rates which ranged from 0.00% to 4.62% per annum as of June 30, 2024 (December 31, 2023: from 0.00% to 4.66 % per annum).

Non-current pledged bank deposits amounting to RMB1,565,000 (unaudited) (December 31, 2023: RMB1,565,000 (audited)) carrying a fixed interest rate of 2.75% have been pledged to secure completion of the factory construction at the Shanghai Lingang Special Area. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion completed within the agreed period. The remaining non-current pledged bank deposits amounting to RMB1,565,000 (unaudited) (December 31, 2023: RMB1,565,000 (audited)) carrying a fixed interest rate of 2.75% have been pledged to secure production at the factory. These deposits will be released within 10 working days upon the launch of production, if such launch completed within the agreed period.

As of June 30, 2024, deposits amounting to RMB5,773,000 (unaudited) (December 31, 2023: RMB476,000 (audited)) carrying a fixed interest rate of 2.75% were restricted due to a dispute on the amount of unsettled payment with a contractor.

16. TRADE AND OTHER PAYABLES

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Trade payables	89,757	51,633
Payroll and bonus payables	19,162	37,048
Other payables	5,544	17,374
Accrued leasehold improvement expenditure	77	107
Construction expenditure	5,723	5,896
Interest payable	194	124
	<u>120,457</u>	<u>112,182</u>

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

16. TRADE AND OTHER PAYABLES (Continued)

The aging analysis of the trade payables presented based on the invoice date at the end of each reporting period is as follows:

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Uninvoiced or within 30 days	89,649	13,939
31 to 60 days	58	37,694
61 to 180 days	–	–
181 to 365 days	50	–
	<u>89,757</u>	<u>51,633</u>

17. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB122,562,000 (six months ended June 30, 2023: RMB130,761,000 (unaudited)). The variable-rate borrowings carry interest rates which are linked with Loan Prime Rate (LPR), ranged from 3.2% to 3.3%, and are repayable in instalments over a period of two to three years. The proceeds were used for daily operations.

18. DEFERRED INCOME

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Government grants received		
R&D activities related grants (Note i)	10	20
Assets-related grants (Note ii)	3,749	5,113
	<u>3,759</u>	<u>5,133</u>
Less: current liabilities	2,736	2,727
	<u>1,023</u>	<u>2,406</u>
Non-current liabilities		

18. DEFERRED INCOME (Continued)

Notes:

- i: The deferred income represents the government grants received from the local government to support the research and development activities of the Group. The grants will be recognized in profit or loss as other income upon the Group complying with the conditions attached to the grants and the government acknowledged acceptance.
- ii: The asset-related grants amounting to RMB20,000,000 are the subsidies received from the government in 2022. The amount is for the purpose of compensation for leasehold improvement, furniture, fixture and equipment purchased by the Group in prior years. Amortization of RMB1,364,000 was recognized in profit or loss during the current interim period and the remaining balance will be recognized in profit or loss over the remaining useful lives of the corresponding assets.

19. SHARE CAPITAL

The details of the changes of the Company's authorized and issued and fully paid ordinary shares during the six months ended June 30, 2023 are set out as below:

	Authorized number of shares	US\$
Ordinary shares of US\$0.001 each At December 31, 2022 (audited) and June 30, 2023 (unaudited)	<u>2,000,000,000</u>	<u>2,000,000</u>
		Shown in the condensed consolidated statement of financial position as RMB'000
	Issued and fully paid number of shares	
Ordinary shares of US\$0.001 each At December 31, 2023 (audited) and June 30, 2024 (unaudited)	<u>1,055,588,761</u>	<u>1,055,589</u> <u>7,214</u>

19. SHARE CAPITAL (Continued)

The details of the changes of the treasury shares held in trust during the six months ended June 30, 2024 are set out as below:

	Number of treasury shares	US\$	Shown in the condensed consolidated statement of financial position as RMB'000
Treasury shares held in trust at December 31, 2023 (audited) (Note (a))	75,066,704	75,066	513
Option exercised to purchase ordinary shares under the trust (Note (b))	<u>(600,500)</u>	<u>(601)</u>	<u>(4)</u>
Treasury shares held in trust at June 30, 2024 (unaudited) (Note (a))	<u>74,466,204</u>	<u>74,465</u>	<u>509</u>

Notes:

- (a) On August 26, 2018, the Company entered into a trust deed with The Core Trust Company Limited (the "Trustee") and HLYY Limited (the "Nominee"), a limited liability company incorporated in the British Virgin Islands and wholly owned by the Trustee, pursuant to which the Trustee has agreed to administer the Pre-IPO Share Incentive Scheme (as defined in Note 20). As of June 30, 2024, 74,466,204 shares of the sum of US\$74,465 (equivalent to RMB509,000) (December 31, 2023: 75,066,704 shares of the sum of US\$75,066 (equivalent to RMB513,000)) are held in trust including 74,466,204 shares (December 31, 2023: 75,066,704 shares) for outstanding options are disclosed in treasury shares since the Company has control over the Nominee.
- (b) During six months ended June 30, 2024, an employee exercised the right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 600,500 ordinary shares of the Company at the average exercise price of HK\$0.55 per share for an aggregate consideration equivalent to RMB299,000.

20. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

On August 26, 2018, the Company adopted a post-IPO share option Scheme (the "Post-IPO Share Option Scheme"). The total number of shares may be issued under the Post-IPO Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the shares in issue on the Listing Date of the Company, representing 105,191,330 shares of the Company.

Under the Pre-IPO Share Incentive Scheme and Post-IPO Share Option 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.

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

Categories	Date of grant	Number of options outstanding at June 30, 2024	Exercise price per share
Directors:			
Dr. Li Chen	December 4, 2014 ~ August 26, 2018	11,421,725	US\$0.07 ~ 0.49
Mr. George Chien Cheng Lin	April 3, 2018	25,592,405	US\$0.47
Dr. Yi Zhang	March 25, 2013 ~ June 6, 2018	8,233,320	US\$0.07 ~ 0.47
Employees	March 25, 2013 ~ August 26, 2018	16,266,693	US\$0.07 ~ 0.47
Individual consultants	September 12, 2013 ~ May 11, 2018	4,597,000	US\$0.07 ~ 0.47

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

Categories	Date of grant	Number of options outstanding at June 30, 2024	Exercise price per share
Directors:			
Dr. Li Chen	March 8, 2019 ~ March 31, 2023	24,079,000	HK\$3.4 ~ 8.866
Mr. George Chien Cheng Lin	March 8, 2019 ~ March 31, 2023	1,500,000	HK\$3.62 ~ 8.866
Dr. Yi Zhang	March 8, 2019 ~ March 31, 2023	1,900,000	HK\$3.40 ~ 8.866
Employees	September 28, 2018 ~ May 8, 2023	25,239,406	HK\$2.968 ~ 8.866
Individual consultants	March 8, 2019	200,000	HK\$8.866

(3) Options granted under the Pre-IPO Share Incentive Scheme and the Post-IPO Share Option Scheme shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments except for the options granted to non-employees individual consultants on September 12, 2013 and March 15, 2016. The options granted to individual consultants on September 12, 2013 have a contractual term of 10 years and generally vest over a three year period, with 33% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 67% vesting in 24 substantially equal monthly instalments. The options granted to individual consultants on March 15, 2016 have a contractual term of 10 years and vest in 12 equal monthly instalments. The vesting commencement date of 10,519,300 shares of options granted to Dr. Li CHEN on March 8, 2019 was subject to the positive HMM0301 Phase III results as determined in the directors of the Company's sole discretion (without the participation of the chief executive officer). On November 11, 2019, the directors of the Company approved the 10,519,300 shares of options granted to Dr. Li CHEN should commence the vesting period on November 11, 2019 based on the positive HMM0301 Phase III topline trial results being announced by the Company.

20. 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 Share Incentive Scheme and Post-IPO Share Option Scheme during the six months ended June 30, 2024:

Categories	Option type	Outstanding at December 31, 2023	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding at June 30, 2024
Category 1: Directors							
Dr. Li Chen	Pre-IPO Share Incentive Scheme	11,421,725	-	-	-	-	11,421,725
	Post-IPO Share Option Scheme	24,079,000	-	-	-	-	24,079,000
	Subtotal	35,500,725	-	-	-	-	35,500,725
Mr. George Chien Cheng Lin	Pre-IPO Share Incentive Scheme	25,592,405	-	-	-	-	25,592,405
	Post-IPO Share Option Scheme	1,500,000	-	-	-	-	1,500,000
	Subtotal	27,092,405	-	-	-	-	27,092,405
Dr. Yi Zhang	Pre-IPO Share Incentive Scheme	8,233,320	-	-	-	-	8,233,320
	Post-IPO Share Option Scheme	1,900,000	-	-	-	-	1,900,000
	Subtotal	10,133,320	-	-	-	-	10,133,320
	Total Directors	72,726,450	-	-	-	-	72,726,450
Category 2: Employees							
	Pre-IPO Share Incentive Scheme	16,867,193	-	(600,500)	-	-	16,266,693
	Post-IPO Share Option Scheme	26,147,725	-	-	(908,319)	-	25,239,406
	Total Employees	43,014,918	-	(600,500)	(908,319)	-	41,506,099
Category 3: Consultants							
	Pre-IPO Share Incentive Scheme	4,597,000	-	-	-	-	4,597,000
	Post-IPO Share Option Scheme	200,000	-	-	-	-	200,000
	Total Individual consultants	4,797,000	-	-	-	-	4,797,000
	Total all categories	120,538,368	-	(600,500)	(908,319)	-	119,029,549
Exercisable at the end of the period		99,812,795					105,278,274
Weighted average exercise price (HK\$)		4.05	-	0.55	3.77	-	4.06

During six months ended June 30, 2024, the Group recognized RMB7,356,000 (unaudited) of share-based payment expense in relation to the grants of the share options (six months ended June 30, 2023: RMB11,626,000 (unaudited)).

21. COMMITMENTS

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the condensed consolidated financial statements	<u>1,935</u>	<u>3,186</u>

22. RELATED PARTY TRANSACTIONS

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

(1) Related party transactions

Goods sales to related party

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Guangdong 111 Pharmaceutical (Notes a and b)	<u>530</u>	<u>9,132</u>

(2) Related party balance

	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Amounts due from a related party		
Guangdong 111 Pharmaceutical (Notes a, b and c)	<u>N/A</u>	<u>342</u>

22. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balance (Continued)

Notes:

- (a) Guangdong 111 Pharmaceutical is an entity in which a former director of the Company had significant influence and ceased to be considered a related party since April 1, 2024.
- (b) The English names are for identification purpose only.
- (c) As of December 31, 2023, the aging of amounts due from related parties is within 60 days based on invoice dates.

(3) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	5,123	3,796
Retirement benefit scheme contributions	149	87
Share-based payment	4,050	5,183
	<u>9,322</u>	<u>9,066</u>

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

There is no Group's financial assets and financial liabilities are measured at fair value at the end of June 30, 2024 and December 31, 2023. The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements, however, approximate their fair values.

24. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the end of the Reporting Period that require additional disclosure or adjustments.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the six months ended June 30, 2024. As at June 30, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2024 (June 30, 2023: Nil).

Use of net proceeds from the Global Offering

The Shares were listed on the Stock Exchange on September 14, 2018. The net proceeds from the Global Offering have been, and will continue to be, applied according to the intentions set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. A portion of the net proceeds was carried forward from previous years due to adjustments to the timeline for the development of our manufacturing capabilities. We expect the remaining unutilized net proceeds as of June 30, 2024 will be fully utilized by the end of year 2024.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of June 30, 2024:

				Utilization				
		Net proceeds	Unutilized	during the	Actual	Unutilized		
	% of use	from the	net proceeds	six months	usage up to	net proceeds	Expected time	
	of proceeds	Global	as of	ended	June 30,	as of	frame for the	
		Offering	January 1,	June 30,	June 30,	June 30,	unutilized amount	
		RMB million	2024	2024	2024	2024		
			RMB million	RMB million	RMB million	RMB million		
(a)	Dorzagliatin research and development	39%	291.4	-	-	291.4	-	N/A
(b)	Dorzagliatin lifecycle management and additional indications	9%	67.2	-	-	67.2	-	N/A
(c)	Dorzagliatin launch and commercialization	27%	201.8	-	-	201.8	-	N/A
(d)	New product and diabetes care technology development	11%	82.2	36.4	18.2	64.0	18.2	By the end of year 2024
(e)	Product licensing and partnership	4%	29.9	-	-	29.9	-	N/A
(f)	General working capital	10%	74.7	-	-	74.7	-	N/A
	Total	100%	747.2	36.4	18.2	729.0	18.2	By the end of year 2024

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 June 30, 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 Director	Nature of interest	Number of Shares ⁽⁸⁾	Approximate percentage of shareholding in the Company ⁽⁷⁾
Li CHEN	Interest of spouse ⁽¹⁾	25,220,690 (L)	2.39%
	Beneficial owner ⁽²⁾	39,118,725 (L)	3.70%
	Interest in controlled corporation ⁽³⁾	10,000,000 (L)	0.94%
George Chien Cheng LIN	Founder and beneficiary of a trust ⁽⁴⁾	3,633,178 (L)	0.34%
	Beneficial owner ⁽²⁾	31,958,522 (L)	3.02%
Robert Taylor NELSEN	Interest in controlled corporation ⁽⁵⁾	125,088,960 (L)	11.85%
	Beneficial owner ⁽⁶⁾	150,000 (L)	0.01%
Yiu Wa Alec TSUI	Beneficial owner ⁽⁶⁾	24,000 (L)	0.01%
Yi ZHANG	Beneficial owner ⁽²⁾	11,633,320 (L)	1.10%

Notes:

- (1) Dr. CHEN is the spouse of Ms. Jane Xingfang HONG. Under the SFO, Dr. CHEN is deemed to be interested in the same number of Shares in which Ms. Jane Xingfang HONG holds an interest.
- (2) Including options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme and/or the Post-IPO Share Option Scheme.
- (3) On 10 April 2019, 100,000 Shares beneficially held by Ms. Jane Xingfang HONG were transferred to Chen Family Investments, LLC in exchange for 1 voting share representing 100% voting right in Chen Family Investments, LLC. Therefore, Ms. Jane Xingfang HONG and her spouse, Dr. CHEN, are deemed to be interested in the 10,000,000 Shares held by Chen Family Investments, LLC.
- (4) The George and Ann Lin 2005 Trust is a family trust set up by Mr. LIN. Therefore, Mr. LIN is deemed to be interested in the Shares held by the George and Ann Lin 2005 Trust.
- (5) 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 June 30, 2024.
- (8) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at June 30, 2024, so far as the Directors are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares, underlying Shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Stock Exchange.

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

As at June 30, 2024, the interests and short positions of every person (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held ⁽⁶⁾	Approximate percentage of shareholding in the Company ⁽⁷⁾
ARCH Venture Fund VII, L.P. ⁽¹⁾	Beneficial interest	125,088,960(L)	11.85%
ARCH Venture Partners VII, L.P. ⁽¹⁾	Interest in controlled corporation	125,088,960(L)	11.85%
ARCH Venture Partners VII, LLC ⁽¹⁾	Interest in controlled corporation	125,088,960(L)	11.85%
Keith Lawrence CRANDELL ⁽¹⁾	Interest in controlled corporation	125,088,960(L)	11.85%
Clinton Whitewood BYBEE ⁽¹⁾	Interest in controlled corporation	125,088,960(L)	11.85%
Venrock Associates V, L.P. ⁽²⁾	Beneficial interest	103,475,595(L)	9.80%
Venrock Management V, LLC ⁽²⁾	Interest in controlled corporation	103,475,595(L)	9.80%
WuXi PharmaTech Healthcare Fund I L.P. ⁽³⁾	Beneficial interest	73,829,635(L)	6.99%
WuXi PharmaTech Fund I General Partner L.P. ⁽³⁾	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi PharmaTech Investments (Cayman) Inc. ⁽³⁾	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi PharmaTech Investment Holdings (Cayman) Inc. ⁽³⁾	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi AppTec International Holdings Limited ⁽³⁾	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi AppTec Co., Ltd. ⁽³⁾	Interest in controlled corporation	73,829,635(L)	6.99%
HLYY Limited ⁽⁴⁾	Nominee of a trust	94,953,925(L)	8.99%
TCT (BVI) Limited ⁽⁴⁾	Interest in controlled corporation	94,953,925(L)	8.99%
The Core Trust Company Limited ⁽⁴⁾	Trustee	94,981,870(L)	8.99%
Jane Xingfang HONG ⁽⁵⁾	Beneficial interest	19,220,690(L)	1.82%
	Interest of spouse	39,118,725(L)	3.70%
	Interest in controlled corporation	10,000,000(L)	0.94%
	Founder of Trust	6,000,000(L)	0.57%

Notes:

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

2. To the best of our Directors' knowledge, Venrock Associates V, L.P. is an exempted limited partnership established in the United States. The general partner of Venrock Associates V, L.P. is Venrock Management V, LLC, an exempted limited liability company established in the United States. Venrock Management V, LLC is ultimately controlled by a group of individuals, none of whom controls, directly or indirectly, one-third or more of the voting power at the general meetings of Venrock Management V, LLC or otherwise is deemed to control Venrock Management V, LLC under the SFO.
3. To the best of our Directors' knowledge, the general partner of Wuxi Pharmatech Healthcare Fund I L.P. is Wuxi Pharmatech Fund I General Partner L.P., a limited partnership established in the Cayman Islands whose general partner is Wuxi Pharmatech Investments (Cayman) Inc., an exempted limited liability company established in the Cayman Islands. Wuxi Pharmatech Investments (Cayman) Inc. is a wholly-owned subsidiary of Wuxi Pharmatech Investment Holdings (Cayman) Inc., which is in turn wholly-owned by Wuxi AppTec International Holdings Limited, which is in turn wholly-owned by WuXi AppTec Co., Ltd.
4. HLYY Limited is 100% owned by TCT (BVI) Limited. TCT (BVI) Limited is 100% owned by The Core Trust Company Limited. HLYY Limited holds the Shares underlying the option and awards granted under the Pre-IPO Share Incentive Scheme.
5. Ms. Jane Xingfang HONG is the spouse of Dr. Li CHEN and under the SFO, Ms. HONG is deemed to be interested in the same number of Shares in which Dr. CHEN maintains an interest.

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

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

6. The letter "L" denotes the person's long position in the Shares.
7. The approximate percentage of shareholding is calculated based on the issued share capital of the Company as at June 30, 2024.

Saved as disclosed above, as at June 30, 2024, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Stock Exchange.

Securities transactions by the Directors

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing Date. Specific enquiry has been made of each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code for the six months ended June 30, 2024.

Corporate governance

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

The Company has adopted the code provisions of the CG Code 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 six months ended June 30, 2024. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

Changes to information of the Directors

Mr. Robert Taylor Nelsen had resigned as a non-executive director of Brie Biosciences Limited, a company listed on the Stock Exchange (Stock code: 2137), with effect from July 12, 2024.

Mr. Yiu Leung Andy Cheung had been appointed as an independent non-executive director of Genscript Biotech Corporation, a company listed on the Stock Exchange (Stock code: 1548), with effect from April 12, 2024. In addition, Mr Cheung had resigned as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd, a company listed on the Stock Exchange (Stock code: 2126), with effect from August 28, 2024.

Save as disclosed above, there were no other changes to the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review of interim results and interim report

The unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2024 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee of the Company has reviewed and discussed with the management of the Company, the unaudited interim results and the interim report of the Group for the six months ended June 30, 2024, and confirms that the applicable accounting principles, standard and requirements have been complied with, and that adequate disclosures have been made.

DEFINITIONS

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

“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“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
“Director(s)”	the director(s) of the Company
“Global Offering”	the global offering of the Shares, comprising the Hong Kong public offering of initially 10,476,000 Shares (subject to reallocation) and the international offering of initially 94,280,000 Shares (subject to reallocation and the over-allotment option granted by the Company and exercisable by the stabilizing manager in the Global Offering to require us to allot and issue up to 15,713,000 additional Shares to cover over-allocations in the international offering)
“Group”, “our”, “we” or “us”	the Company and its subsidiaries
“HK\$”, “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Post-IPO Share Option Scheme”	the post-IPO share option scheme approved and adopted by the Company on August 26, 2018 for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries

“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-IPO Share Incentive Scheme”	the share incentive scheme approved and adopted by the Company on March 25, 2013 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of its subsidiaries
“Prospectus”	the prospectus of the company dated August 31, 2018 in connection with the Hong Kong public offering of the Shares
“Reporting Period”	six months ended June 30, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of US\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“T2D”	Type 2 Diabetes
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.”	the United States of America