HUA MEDICINE

華領醫藥

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2552)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Hua Medicine (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**" or "**us**") for the year ended December 31, 2023 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2022. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those defined in the prospectus of the Company dated August 31, 2018 (the "**Prospectus**").

BUSINESS HIGHLIGHTS

- HuaTangNing (华堂宁®) has been successfully included in China's National Reimbursement Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (the "**NRDL**") for Type 2 diabetes by the National Healthcare Security Administration (NHSA), effective January 1, 2024. The agreed reimbursed price is RMB5.39 per tablet, which approved for twice daily administration equals to RMB10.78 per day, and so far is one of the most favorable price among other reimbursed oral anti-diabetic medicine.

- The Company has achieved a certain milestone relating to the development of HuaTangNing (华堂宁®) and received the RMB800 million non-refundable milestone payment. Collective cash balance of the Company was RMB1,461 million on December 31, 2023.

- The Company has achieved total revenue of RMB94.2 million from the time of commercial launch at the end of October 2022 through the end of December 31, 2023, i.e. the initial out-of-pocket stage.

- The Company's other income increased to RMB131 million, primarily due to certain milestone payments being amortized, representing an increase of 214.6% compared with 2022.

- The Company has worked with its manufacturing partners and expanded the production capacity of dorzagliatin for ensuring the anticipated demand from the significant increase of 2024 sales promoted by Bayer China. We have initiated investment into dorzagliatin manufacturing capability at Changzhou SynTheAll (STA), Zhejiang Raybow and Shanghai Desano after the successful commercialization launch during the initial out-of-pocket stage. The total investment in 2023 and 2024 for commercial drug manufacturing and capacity expansion is expected in the range of approximately RMB400 million.

- We supported Bayer in the commercialization of HuaTangNing (华堂宁®) with our efforts in management of 72 tier-one distributors. We also engaged clinical KOLs to promote the concept of glucose homeostasis.

- HuaTangNing (华堂宁®) has been used in China for over 14 months in approximately 20,000 T2D patients. The collective results of our clinical trials indicate dorzagliatin 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, which also indicate the safety and efficacy in drug-naive and metformin tolerated patients.

- The Company has advanced R&D programs in new indications of dorzagliatin and has filed patent applications in prevention of developing diabetes and memory defect.

- The Company continues to discover the therapeutic advantage of dorzagliatin in medical care. Through modulating the glucose sensor glucokinase (GK) function and repairing the impaired GLP-1 secretion in patients with diabetes and obesity, dorzagliatin is expected to secure new indication related to endogenous GLP-1 (Nature Comm March 2023). These results have encouraged physician to investigate the combination of dorzagliatin with GLP-1 receptor agonists for patients with poor control of post prandial glucose. Our team has also presented the positive effects of dorzagliatin in the prevention of diabetes and memory defect in Goto-Kakizaki rats at the June 2023 American Diabetes Association (ADA) conference in San Diego, California, USA.

- In June 2023, we published our results of SEED-DREAM study in the well-recognized medical journal of Diabetes, Obesity and Metabolism, in which we reported the dorzagliatin treatment effects during the SEED study that led to diabetes remission in the prospective 52-week clinical DREAM trial. Significant improvement of beta cell function and early phase insulin secretion were observed during the SEED trial, and contributed to an effective reduction of post prandial glucose levels in T2D patients and a significant increase in TIR (Time in Range).

- The Company has advanced its 2nd generation glucokinase activator in the United States as a once daily oral therapy for diabetes based on results previously established in clinical studies with improvement of GLP-1 secretion in patients with diabetes and obesity. US IND submission was completed and accepted by the US FDA at the end of year 2023. We are also continuing to develop new drug candidates of fix-dose-combination of dorzagliatin with metformin, sitagliptin (DPP-4) and empagliflozin (SGLT-2). In clinical studies we have found that combination of dorzagliatin with DPP-4 inhibitor or SGLT-2 inhibitor improved glycaemic control and beta cell function in patients with diabetes and obesity.

- The Company is investigating the clinical application of dorzagliatin in the prevention of diabetes. We have initiated the SENSITIZE II study at Chinese University of Hong Kong (CUHK) and are developing plans to study the opportunity of reversing impaired glucose tolerance (IGT) to normal glucose tolerance (NGT) in China. IGT is a primary cause of Type 2 diabetes in China, and there are approximately 500 million IGT patients worldwide. The main cause of IGT, especially those with impaired post prandial glucose tolerance, is the impairment of early phase insulin secretion in the pancreas and the defect of glucokinase expression in the liver. Mechanistically, dorzagliatin has the potential of reversing the condition of the IGT to NGT and thereby prevent diabetes.

- Both glucokinase negative allosteric modulator (NAM) and mGLUR5 NAM projects achieved proof of concept in animal models. Optimization of the lead series candidates into non-clinical development has been initiated.

FINANCIAL HIGHLIGHTS

- Bank balances and cash position was approximately RMB1,460.8 million as of December 31, 2023.

- Total revenue generated by the Company for the year ended December 31, 2023 was approximately RMB76.6 million, reflecting the sales of approximately 251,000 packs of HuaTangNing (华堂宁®).

- Total other income generated by the Company for the year ended December 31, 2023 was approximately RMB130.6 million, of which approximately RMB65.1 million was attributable to the amortization of Bayer milestone income.

- Total expenditures incurred by the Company for the year ended December 31, 2023 was approximately RMB383.3 million, of which approximately RMB171.5 million consisted of research and development expenses.

- For the year ended December 31, 2023, research and development expenses increased by approximately RMB42.0 million, or approximately 32%, to approximately RMB171.5 million.

- For the year ended December 31, 2023, loss before tax increased by approximately RMB7.7 million, or approximately 4%, to approximately RMB211.2 million.

- For the year ended December 31, 2023, total comprehensive expense for the year increased by approximately RMB8.1 million, or approximately 4%, to approximately RMB211.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

Hua Medicine has accomplished the following major milestones:

HuaTangNing (华堂宁®) entered the China NRDL on January 1, 2024 with an agreed reimbursed price of RMB5.39 per tablet, which approved for twice daily administration equals to RMB10.78 per day, and so far is one of the most favorable price among other reimbursed oral antidiabetic medicine. Upon entry into the NRDL, it was also acknowledged as a first-in-class innovative new drug for the treatment of Type 2 diabetes. With nation-wide NRDL entry, Type 2 diabetes patients can more easily access and afford a novel therapeutic that can help to improve blood glucose homeostasis. HuaTangNing (华堂宁®) is covered by Shanghai medical insurance by 90% and also supported by on-line insurance coverage.

The Company has achieved a certain milestone relating to the development of HuaTangNing (华堂宁®) and received the RMB800 million non-refundable milestone payment. Collective cash balance of the Company was RMB1,461 million on December 31, 2023.

The Company has achieved total revenue of RMB94.2 million from the time of commercial launch at the end of October 2022 through the end of December 31, 2023, i.e. the initial out-of-pocket stage.

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HuaTangNing (华堂宁®) has been used in China for over 14 months in approximately 20,000 T2D patients. The collective results of our clinical trials indicate dorzagliatin 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, which also indicate the safety and efficacy in drug-naive and metformin tolerated patients.

The Company has advanced R&D programs in new indications of dorzagliatin and has filed patent applications in prevention of developing diabetes and memory defect.

The Company continues to discover the therapeutic advantage of dorzagliatin in medical care. Through modulating the glucose sensor glucokinase (GK) function and repairing the impaired GLP-1 secretion in patients with diabetes and obesity, dorzagliatin is expected to secure new indication related to endogenous GLP-1 (Nature Comm March 2023). These results have encouraged physicians to investigate the combination of dorzagliatin with GLP-1 receptor agonists for patients with poor control of post prandial glucose. Our team has also presented the positive effects of dorzagliatin in the prevention of diabetes and memory defect in Goto-Kakizaki rats at the June 2023 American Diabetes Association (ADA) conference in San Diego, California, USA.

In June 2023, we published our results of SEED-DREAM study in the well-recognized medical journal of Diabetes, Obesity and Metabolism, in which we reported the dorzagliatin treatment effects during the SEED study that led to diabetes remission in the prospective 52-week clinical DREAM trial. Significant improvement of beta cell function and early phase insulin secretion were observed during the SEED trial, and contributed to an effective reduction of post prandial glucose levels in T2D patients and a significant increase in TIR (Time in Range).

The Company has advanced its 2nd generation GKA in the United States as a once daily oral therapy for diabetes based on results previously established in clinical studies with improvement of GLP-1 secretion in patients with diabetes and obesity. US IND submission was completed and accepted by the US FDA at the end of year 2023. We are also continuing to develop new drug candidates of fix-dose-combination of dorzagliatin with metformin, sitagliptin (DPP-4) and empagliflozin (SGLT-2). In clinical studies we have found that combination of dorzagliatin with DPP-4 inhibitor or SGLT-2 inhibitor improved glycaemic control and beta cell function in patients with diabetes and obesity.

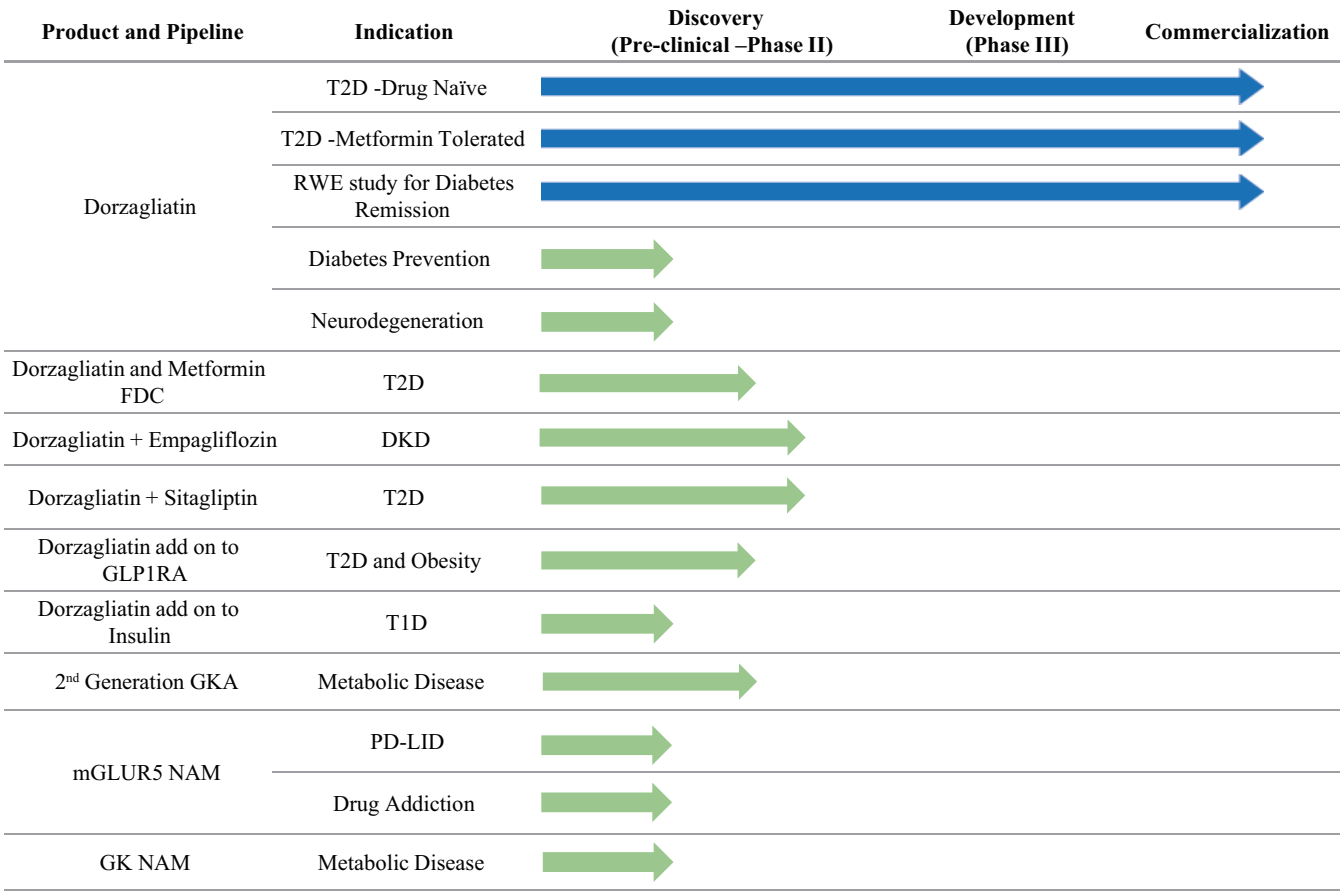
The Company is investigating the clinical application of dorzagliatin in the prevention of diabetes. We have initiated the SENSITIZE II study at Chinese University of Hong Kong (CUHK) and are developing plans to study the opportunity of reversing impaired glucose tolerance (IGT) to normal glucose tolerance (NGT) in China. IGT is a primary cause of Type 2 diabetes in China, and there are approximately 500 million IGT patients worldwide. The main cause of IGT, especially those with impaired post prandial glucose tolerance, is the impairment of early phase insulin secretion in the pancreas and the defect of glucokinase expression in the liver. Mechanistically, dorzagliatin has the potential of reversing the condition of the IGT to NGT and thereby prevent diabetes.

Both glucokinase negative allosteric modulator (NAM) and mGLUR5 NAM projects achieved proof of concept in animal models. Optimization of the lead series candidates into non-clinical development has been initiated.

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

Product pipeline

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



Hua Medicine continues to focus on the expansion of glucokinase (GK) therapy in restoring glucose homeostasis which may lead to diabetes prevention, remission and delay of diabetes complications. Several real world studies for diabetes remission has been initiated with our commitment to leverage the benefit of dorzagliatin in beta cell protection and improvement of time-in-range (TIR) which are the critical components in diabetes remission and prevention. We will continue our clinical study collaboration with Professor Juliana Chan in Hong Kong to establish a path forward in personalized diabetes care and use of biomarkers in diabetes prevention. Combination of dorzagliatin with metformin, sitagliptin (DPP-4) and empagliflozin (SGLT-2) will expand our coverage in a broader spectrum of T2D patients with obesity and metabolic syndrome. An add on advantage of dorzagliatin to GLP-1 therapy can greatly improve beta cell function and glucose sensitivity that can then lead to better post meal glycemic control and the opportunity to reverse diabetes. In addition, we are exploring the use of dorzagliatin in combination with insulin in late stage T1D patients to reduce the incidences of hypoglycemia.

We will continue to study the effects of dorzagliatin in the prevention of memory loss and establish the connections between glucose homeostasis control and neurodegenerative disease. We also have advanced our understanding in glucose and glutamate homeostasis so that we can better understand its link to neurodegenerative diseases such as Alzheimer's disease, Parkinson's disease, dyskinesia, and drug addiction. Our research on glucose homeostasis and allosteric modulation of glucokinase (GK) has led to the discovery of GK negative allosteric modulator (NAM) for the treatment of metabolic diseases including congenital hyperinsulinism (CHI). We are very pleased to announce that we have started clinical study of the 2nd generation of a once daily glucokinase activator (GKA) in the United States with the potential to help more patients with diabetes and obesity in western countries.

Business outlook

We expect an increase in sales of HuaTangNing (华堂宁®) after entering NRDL and advances of new indications with dorzagliatin in combinations with existing therapy, as well as advance new drug product in fixed dose combination of dorzagliatin with other oral anti-diabetes drugs. With the positive impact of dorzagliatin on the restoration of insulin and GLP-1 secretion in obese diabetics, we are advancing our 2nd generation GKA into phase I study in the United States and an accelerated clinical development plan for diabetes patients with obesity. We are continuing to optimize our core technology in allosteric regulation of physiologically important protein targets and advance glucokinase negative allosteric modulator (GK NAM) and metallotropic glutamate receptor NAM (mGLUR NAM) for diseases that have no treatment. This will give us the chance to develop the First-In-Disease (FID) therapies for unmet medical needs. We are also developing technologies in personalized diabetes care with algorithms that can help physicians to enhance their care of such patients.

Important events after the Reporting Period

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

Financial review

Revenue

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

For the year ended December 31, 2023, approximately 251,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB76.6 million. From the first commercial launch at the end of October 2022 through December 31, 2022, approximately 53,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB17.6 million.

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

Gross profit

For the year ended December 31, 2023, we recorded a gross profit of approximately RMB37.4 million and a gross margin of 48.8%. Our gross margin increased by 5.1% as compared to 43.7% for the year ended December 31, 2022, which was primarily due to sufficient supply and increased sales volume, leading to the decreased unit production expense and unit fixed cost. As our commercialization scale increases, the unit cost is expected to continually decrease.

Other income

Our other income consisted primarily of income relating to the payments received from Bayer for the grant of dorzagliatin promotion rights by the Company (the "**Bayer milestone income**"), government grants and bank interest income. Our other income increased by RMB89.1 million to RMB130.6 million for the year ended December 31, 2023 from RMB41.5 million for the year ended December 31, 2022, which was mainly attributable to an increase of RMB54.3 million in Bayer milestone income, RMB22.5 million in government grants and RMB12.3 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 the Renminbi and the HK dollar. Our other gains and losses decreased by RMB21.9 million to RMB4.1 million for the year ended December 31, 2023 from RMB26.0 million for the year ended December 31, 2022, which was mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollars and HK dollars and the small appreciation of the U.S. dollar and HK dollar against the Renminbi in the year ended December 31, 2023, compared to the large depreciation of the U.S. dollar and HK dollar against the Renminbi in the year ended December 31, 2022.

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

Administrative expenses

Our administrative expenses consisted primarily of employee compensation and related costs. Our administrative expenses decreased by RMB5.8 million to RMB124.1 million in the year ended December 31, 2023 from RMB129.9 million in the year ended December 31, 2022, which was mainly attributable to i) a decrease of RMB5.6 million in labor cost, which was primarily attributable to the labor resource reallocation, ii) a decrease of RMB3.7 million in marketing and consultant fee, which was mainly due to less consulting related to new drug applications ("**NDA**") was conducted during the year ended December 31, 2023 and iii) an adjustment for the increase of RMB1.5 million in recruitment expense due to our recruitment strategy.

Finance costs

Our finance cost consisted of expenses associated with the interest on lease liabilities and bank loan. Our finance cost was RMB7.9 million for the year ended December 31, 2023 as compared to RMB3.7 million for the year ended December 31, 2022, which was mainly attributable to increase in bank loan in year 2023.

Selling expenses

Our selling expenses consisted primarily of expenses related to selling and marketing activities. Our selling expenses was RMB79.8 million for the year ended December 31, 2023, which consisted primarily of RMB34.5 million of employee compensation, RMB29.7 million of promotion expense and RMB15.6 million of meeting expense, consulting expense, logistics expense and other related expenses.

Research and development expenses

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

	For the year ended December 31,			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Dorzagliatin clinical trials	**8,295**	**4.8%**	4,928	3.8%
Dorzagliatin non-clinical studies	**16,205**	**9.4%**	4,368	3.4%
Chemical, manufacturing and control	**53,672**	**31.3%**	9,765	7.5%
Labor cost	**61,952**	**36.2%**	84,341	65.1%
Dorzagliatin licensing and patent fee	**3,629**	**2.1%**	2,453	1.9%
Others	**27,784**	**16.2%**	23,673	18.3%
Total	**171,537**	**100.0%**	129,528	100.0%

Research and development expenses increased by RMB42.0 million to RMB171.5 million for the year ended December 31, 2023 from RMB129.5 million for the year ended December 31, 2022. The increase in research and development expenses included:

- an increase of RMB3.4 million for dorzagliatin clinical trials from RMB4.9 million for the year ended December 31, 2022 to RMB8.3 million for the year ended December 31, 2023, which was primarily attributable to the multicenter post-marketing observational study conducted in year 2023, which was designed to evaluate the long-term safety of dorzagliatin in patients with T2D;

- an increase of RMB11.8 million for dorzagliatin non-clinical studies from RMB4.4 million for the year ended December 31, 2022 to RMB16.2 million for the year ended December 31, 2023, which was primarily attributable to the new pre-clinical studies of second generation glucokinase activator conducted in the United States in the year of 2023;

- an increase of RMB43.9 million in chemical, manufacturing, and control (CMC) expenses from RMB9.8 million for the year ended December 31, 2022 to RMB53.7 million for the year ended December 31, 2023. We focused on the scale up and process development for our existing production line, process validation for intermediate product and additional validations and research for capacity expansion in the year of 2023. In year 2022, we focused on the process validation, drug substance and production for clinical trial which was required by the National Medical Products Administration in China and transitioned to commercial production after NDA approval;

- a decrease of RMB22.3 million in labor cost from RMB84.3 million for the year ended December 31, 2022 to RMB62.0 million for the year ended December 31, 2023, which was primarily attributable to labor resource reallocation and the decrease of share-based payment under the accelerated amortization method; and

- an increase of RMB4.1 million in other expenses from RMB23.7 million for the year ended December 31, 2022 to RMB27.8 million for the year ended December 31, 2023, which was primarily attributable to the increased travelling expense and meeting expense due to the new research projects conducted in the year of 2023.

Income tax expense

We recognized no income tax expenses for the year ended December 31, 2023 and the year ended December 31, 2022.

Liquidity and capital resources

For the year ended December 31, 2023, we have been in a net loss position yet achieved a net cash inflows from operations. Our primary use of cash is to fund manufacturing expenses and research and development expenses. Our operating activities generated RMB889.4 million for the year ended December 31, 2023. As of December 31, 2023, we had cash and cash equivalents of RMB1,460.8 million.

As of December 31, 2023, there were no significant investments held by the Company (including any investment in an investee company with a value of 5% or more of the Company's total assets as of 31 December 2023), nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Cash operating cost

The following table sets out the components of our cash operating cost for the years indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Research and development costs	**166,798**	110,433
Manufacturing costs	**92,730**	–
Administrative costs		
– Workforce employment	**57,969**	64,901
– VAT and surcharges[1]	**45,180**	–
– Others	**57,818**	49,390
Selling costs	**35,776**	5,390
	456,271	230,114

1. The cash outflows on VAT are VAT-out payments related to Bayer milestone payments received during the year and not included as costs or expenses in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2023.

Cash flows

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

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	**889,367**	(230,114)
Net cash from (used in) investing activities	**8,077**	(4,752)
Net cash from financing activities	**69,068**	21,476
Effect of exchange rate changes	**3,680**	28,784
Net increase (decrease) in cash and cash equivalents	**970,192**	(184,606)

Net cash from (used in) operating activities

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

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

During the year ended December 31, 2022, our operating activities used RMB230.1 million of cash, which resulted principally from our loss before tax of RMB203.5 million, adjusted for net non-operating cash charges of RMB0.5 million, and by cash used in increasing our working capital of RMB27.1 million. Our net non-operating cash charges during the year ended December 31, 2022 primarily consisted of depreciation of equipment and right-of-use assets, interest on lease liabilities and share option expenses, adjusted for bank interest income, income from government grants and net foreign exchange gains. The movement of our working capital during the year ended December 31, 2022 primarily consisted of the increase in trade and other receivables, adjusted for the increase in contract liabilities.

Net cash from (used in) investing activities

Net cash from investing activities was RMB8.1 million for the year ended December 31, 2023, which resulted primarily from the interest received from bank for short-term deposit, adjusted for the purchase of equipment and intangible assets and construction of Lingang project. Net cash used in investing activities was RMB4.8 million for the year ended December 31, 2022, which resulted primarily from the purchase of equipment, useful right of Roche Royalty and construction of Lingang project, partially offset by the interest received from bank and government grant related to assets.

Net cash from financing activities

Net cash from financing activities was RMB69.1 million for the year ended December 31, 2023, which proceeds from short-term and long-term bank loan and exercise of share options, offset by payments relating to lease liabilities. Net cash from financing activities was RMB21.5 million for the year ended December 31, 2022, which proceeds from short-term bank loan and exercise of share options, offset by payments relating to lease liabilities.

Financial position

Our net current assets increased from RMB751.9 million as of December 31, 2022 to RMB1,320.4 million as of December 31, 2023. Current assets increased from RMB940.3 million as of December 31, 2022 to RMB1,572.5 million as of December 31, 2023, primarily due to the achievement of a certain milestone relating to the development of HuaTangNing (华堂宁®), upon which we received the milestone payment of RMB800.0 million from Bayer.

Indebtedness

As of December 31, 2023 and 2022, our lease liabilities and borrowings amounted to RMB167.8 million and RMB97.6 million, respectively. The following table sets forth our lease liabilities and borrowings as of the dates indicated:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current portion	**41,471**	55,413
Non-current portion	**126,283**	42,169
Total	**167,754**	97,582

Our lease liabilities as of December 31, 2023 were from leased properties lease contracts with lease terms of one to two years.

Qualitative and quantitative disclosures about market risk

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

Currency risk

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

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

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

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Impact on profit or loss		
US$	**(8,233)**	(9,893)
HK$	**(2,316)**	(2,250)

Interest rate risk

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

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

Liquidity risk

As of December 31, 2023 and 2022, we recorded net current assets of RMB1,320.4 million and RMB751.9 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Key financial ratios

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

	As of December 31,	
	2023	2022
Current ratio[1]	**6.2**	5.0
Quick ratio[2]	**6.1**	5.0
Gearing ratio[3]	**165.8%**	34.9%

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

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

3. Gearing ratio represents liability divided by equity as of the same date. Liability is defined as short term loan, long term loan and lease liabilities (excluding trade and other payables, deferred income and contract liability). Equity includes all capital and reserves of the Group.

The current ratio as of December 31, 2023 increased by 1.2 compared with that as of December 31, 2022, The quick ratio as of December 31, 2023 increased by 1.1 compared with that as of December 31, 2022, which was mainly due to the achievement of a certain milestone relating to the development of HuaTangNing (华堂宁®), upon which we received the milestone payment of RMB800.0 million from Bayer. The gearing ratio as of December 31, 2023 increased by 130.9% compared with that as of December 31, 2022, which was mainly due to the increase of long term loan caused by our financing strategy.

Charge of the Group's assets

As of December 31, 2023, RMB3.6 million of the Group's bank deposits were charged by the bank, which were mainly for the performance guarantees to the Management Committee of Lingang New Area, Shanghai Pilot Free Trade Zone, China to secure completion of the factory construction and launch of production.

Deposits amounting to RMB1,565,000 (2022: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure completion of the factory construction. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion completed within agreed period. The remaining deposits amounting to RMB1,565,000 (2022: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure production of the factory. These deposits will be released within 10 working days upon the launch of production, if such launch completed within agreed period.

Capital commitments

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

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Capital expenditure in respect of construction activities contracted for but not provided in the consolidated financial statements	**3,186**	1,107

Future plans for material investments or capital assets

As of December 31, 2023, we plan to continually invest in Shanghai Huasheng Inc, which was established at Shanghai Lingang Special Area for ensuring adequate dorzagliatin commercial supply and the source of funding is expected to come from internal resources and/or external borrowings, as considered appropriate by the management of the Company.

Contingent liabilities

Save as disclosed in this announcement, the Group had no material contingent liabilities as at 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended December 31, 2023 RMB'000 (audited)	2022 RMB'000 (audited)
Revenue	3	**76,610**	17,599
Cost of sales		**(39,236)**	(9,910)
Gross profit		**37,374**	7,689
Other income	4	**130,602**	41,511
Other gains and losses	5	**4,137**	26,026
Administrative expenses		**(124,148)**	(129,931)
Finance costs	6	**(7,907)**	(3,667)
Selling expenses		**(79,755)**	(15,348)
Other expenses		**–**	(259)
Research and development expenses		**(171,537)**	(129,528)
Loss before tax	7	**(211,234)**	(203,507)
Income tax expense	8	**–**	–
Loss for the year		**(211,234)**	(203,507)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(293)**	94
Total comprehensive expense for the year		**(211,527)**	(203,413)
LOSS PER SHARE	10	***RMB***	*RMB*
Basic and diluted		**(0.22)**	(0.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As of December 31, 2023 RMB'000 (audited)	As of December 31, 2022 RMB'000 (audited)
Non-current assets			
Plant and equipment		**45,348**	53,855
Right-of-use assets	*11*	**69,190**	85,853
Intangible assets		**28,572**	31,952
Pledged bank deposits	*14*	**3,130**	3,130
Trade and other receivables	*13*	**6,656**	6,450
		152,896	181,240
Current assets			
Inventories	*12*	**44,635**	1,915
Trade and other receivables	*13*	**66,200**	441,192
Amounts due from related parties		**342**	1,822
Pledged bank deposits	*14*	**476**	4,696
Bank balances and cash	*14*	**1,460,824**	490,632
		1,572,477	940,257
Current liabilities			
Trade and other payables	*15*	**112,182**	79,111
Borrowings	*16*	**17,192**	33,923
Lease liabilities		**24,279**	21,490
Contract liabilities	*17*	**95,654**	43,303
Deferred income		**2,727**	10,559
		252,034	188,386
Net Current Assets		**1,320,443**	751,871
Total Assets Less Current Liabilities		**1,473,339**	933,111
Non-current liabilities			
Borrowings	*16*	**106,844**	–
Lease liabilities		**19,439**	42,169
Contract liabilities	*17*	**1,243,499**	606,248
Deferred income		**2,406**	5,114
		1,372,188	653,531
Net Assets		**101,151**	279,580

	NOTES	**As of December 31, 2023** ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Capital and reserves			
Share capital		**7,214**	7,214
Treasury shares held in trust		**(513)**	(584)
Reserves		**94,450**	272,950
Equity attributable to owners of the Company		**101,151**	279,580
Total Equity		**101,151**	279,580

1. General information

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

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

2. Basis of preparation of the consolidated financial statements

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

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

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

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

3. Revenue

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

(i) Disaggregation of revenue from contracts with customers

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	**76,610**	17,599

(ii) Performance obligations for contracts with customers

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

4. Other income

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Bank interest income	**16,512**	4,240
Government grants and subsidies *(Note a)*	**48,974**	26,445
Amortization of payments received for exclusive promotion rights granted *(Note b)*	**65,116**	10,826
	130,602	41,511

Note a: The amount mainly represents 1) government grant related to income received as compensation for future research and development costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income were recorded in deferred income when received and recognized in profit or loss when related costs were subsequently incurred and the Group received government acknowledge of compliance; and 2) amortisation of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's leasehold improvement, furniture, fixture and equipment.

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

5. Other gains and losses

Other gains and losses mainly represent the foreign exchange gains and losses during the years ended December 31, 2023 and 2022.

6. Finance costs

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Interest on lease liabilities	**2,736**	3,547
Interest on borrowings	**5,171**	120
	7,907	3,667

7. Loss before tax

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

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Depreciation of plant and equipment	**12,919**	11,592
Depreciation of right-of-use assets	**19,838**	19,808
Amortization of intangible assets	**3,481**	1,183
Total depreciation and amortization	**36,238**	32,583
Capitalized in construction in progress	**–**	(806)
	36,238	31,777
Other expenses *(Note a)*	**–**	259
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**139,327**	133,964
– Retirement benefit scheme contributions	**15,716**	11,466
– Share-based payment	**23,911**	21,276
	178,954	166,706
Auditors' remuneration		
– Audit services	**2,015**	1,672
– Non-audit services	**756**	756
	2,771	2,428
Expenses relating to short-term leases	**1,071**	767

Note a: In 2022, the amount mainly represents the acquisition-related costs.

8. 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 periods presented in the consolidated financial statements.

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

Hua Shanghai has been certified as a "High and New Technology Enterprise" by the Science and Technology Committee of Shanghai and relevant authorities on December 14, 2022 for a term of three years from 2022 to 2024, and registered with the PRC tax authorities for enjoying a reduced 15% EIT rate. Accordingly, the profits derived by Hua Shanghai is subject to 15% EIT rate for the year 2023. The qualification as a High and New Technology Enterprise will be subject to review by the PRC tax authorities every three years.

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

9. 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.

10. Loss per share

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

Loss figures are calculated as follows:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(211,234)**	(203,507)

Number of shares:

	For the year ended December 31,	
	2023	2022
	(audited)	(audited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**977,054,886**	966,730,201

The computation of diluted loss per share for the year ended December 31, 2023 did not assume the exercise of share options since their assumed exercise would result in a decrease in loss per share. The computation of diluted loss per share for the year ended December 31, 2022 did not assume the exercise of share options and vesting of restricted stock units since their assumed exercise would result in a decrease in loss per share.

11. Right-of-use assets

The Group entered into several lease modifications agreements for the use of leased properties for one to two years, and the net book value of right-of-use assets as of December 31, 2023 and 2022 is RMB69,190,000 and RMB85,853,000.

12. Inventories

	As of December 31, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Raw materials and consumables	**32,984**	1,470
Work in progress	**846**	368
Finished goods	**10,805**	77
	44,635	1,915

13. Trade and other receivables

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Trade receivables	**637**	11,121
Prepayments for research and development services	**25,866**	3,969
Prepayment for raw materials and manufacture services	**23,230**	16,542
Utility and rental deposits		
– current	**656**	603
– non-current	**4,891**	4,887
Value add tax ("**VAT**") recoverable		
– current	**9,527**	505
– non-current	**1,669**	1,133
Interest receivables	**335**	871
Other receivables for considerations of options exercised	**45**	744
Others		
– current	**5,904**	6,837
– non-current	**96**	430
Receivables from exclusive promotion rights *(Note 17)*	**–**	400,000
	72,856	447,642
Analysis as		
– current	**66,200**	441,192
– non-current	**6,656**	6,450
	72,856	447,642

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

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
0-60 days	**637**	10,982
61-90 days	**–**	139
	637	11,121

As at December 31, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB nil (2022: RMB139,000) which are past due, out of which nil (2022: nil) is past due over 90 days as at reporting date. The Group maintains adequate credit policy to access the credit quality of the customers and closely monitored to minimize any credit risk associated with the trade debtors. The Group's customers have strong financial capacity.

14. Bank balances and cash/Pledged bank deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of six months or less. The short term bank deposits carry interests at market rates which ranged from 0.00% to 4.66% as of December 31, 2023 (2022: 0.001% to 4.03%) per annum.

Pledged bank deposits are mainly for the performance guarantees to the Management Committee of Lingang New Area, Shanghai Pilot Free Trade Zone, China to secure commencement and completion of the factory construction and launch of production.

Deposits amounting to RMB1,565,000 (2022: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure completion of the factory construction. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion completed within agreed period. The remaining deposits amounting to RMB1,565,000 (2022: RMB1,565,000) carry fixed interest rate of 2.75% and have been pledged to secure production of the factory. These deposits will be released within 10 working days upon the launch of production, if such launch completed within agreed period.

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

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
US$	**163,741**	196,872
HK$	**45,952**	43,944
Taiwan Dollars ("TWD")	**–**	3

15. Trade and other payables

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Trade payables	**51,633**	20,982
Other payables	**11,268**	2,553
Accrued leasehold improvement expenditure	**107**	1,468
Construction expenditure payables	**5,896**	9,828
Payroll and bonus payables	**37,048**	38,342
Interest Payable	**124**	32
Others	**6,106**	5,906
	112,182	79,111

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

15. Trade and other payables – continued

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

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Uninvoiced or within 30 days	**13,939**	20,792
31 to 60 days	**37,694**	190
	51,633	20,982

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

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
US$	**308**	45

16. Borrowings

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Unsecured bank loans	**124,036**	33,923
The carrying amounts of the above borrowings are repayable:		
Within one year	**17,192**	33,923
Within a period of more than one year but not exceeding two years	**93,251**	–
Within a period of more than two years but not exceeding five years	**13,593**	–
Less: Amounts due within one year shown under current liabilities	**17,192**	33,923
Amounts shown under non-current liabilities	**106,844**	–

16. Borrowings – continued

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

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Fixed-rate borrowings	**104,616**	33,923
Variable-rate borrowings	**19,420**	–
	124,036	33,923

The Group's variable-rate borrowings carry interest at LPR. Interest is reset every year.

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

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**3.40% – 3.60%**	3.60% – 4.35%
Variable-rate borrowings	**3.30%**	N/A

17. Contract liabilities

	As of December 31, 2023 ***RMB'000*** **(audited)**	As of December 31, 2022 *RMB'000* (audited)
Advance from a customer for exclusive promotion rights	**1,339,153**	649,551
Analysis as		
– current	**95,654**	43,303
– non-current	**1,243,499**	606,248
	1,339,153	649,551

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

18. Dividends

No dividend was paid or declared by the Company during the years ended December 31, 2023 and 2022.

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 during the year ended December 31, 2023.

Employees and remuneration policy

As at December 31, 2023, the Group employed a total of 177 employees, as compared to a total of 144 employees as at December 31, 2022. The majority of the employees are employed in mainland China. For the year ended December 31, 2023, staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB163.3 million as compared to RMB155.2 million for the year ended December 31, 2022.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve their working efficiency. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the year ended December 31, 2023.

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

Use of net proceeds from the Global Offering

The Shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on September 14, 2018. The net proceeds from the Global Offering have been, 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.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of December 31, 2023:

		% of use of proceeds	Net proceeds from the Global Offering *RMB million*	Unutilized net proceeds as of January 1, 2023 *RMB million*	Utilization during the year ended December 31, 2023 *RMB million*	Actual usage up to December 31, 2023 *RMB million*	Unutilized net proceeds as of December 31, 2023 *RMB million*	Expected time frame for unutilized amount
(a)	Dorzagliatin research and development	39%	291.4	–	–	291.4	–	N/A
(b)	Dorzagliatin lifecycle management and additional indications	9%	67.2	12.3	12.3	67.2	–	N/A
(c)	Dorzagliatin launch and commercialization	27%	201.8	98.6	98.6	201.8	–	N/A
(d)	New product and diabetes care technology development	11%	82.2	58.8	22.4	45.8	36.4	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**	**169.7**	**133.3**	**710.8**	**36.4**	**By the end of year 2024**

Final dividend

The Board has resolved not to declare any final dividend for the year ended December 31, 2023 (December 31, 2022: NIL).

Securities transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as the guidelines for regulating the directors' dealings in the securities of the Company. Specific enquiry has been made to each Director and all Directors have confirmed that they have complied with the applicable standards set out in the Model Code throughout the year ended December 31, 2023.

Corporate governance

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

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

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code throughout the year ended December 31, 2023. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

Changes to information in respect of the Directors

Mr. Yiu Leung Andy Cheung had been appointed as independent non-executive director and chairman of the audit committee of CanSino Biologics Inc., a company listed on the Main Board of the Stock Exchange (Stock code: 6185) and on the Shanghai Stock Exchange STAR Market (stock code: 688185) since February 2024.

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

Review of annual results

The consolidated financial results of the Group for the year ended December 31, 2023 has been audited by the Company's auditor, Deloitte Touche Tohmatsu, and reviewed by the audit committee of the Company, which consists of Mr. Yiu Leung Andy Cheung, Mr. William Robert Keller and Mr. Yiu Wa Alec Tsui.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

Annual general meeting and closure of register of shareholders

The annual general meeting ("**AGM**") of the Company is scheduled to be held on June 27, 2024. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

For determining the entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from June 24, 2024 to June 27, 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 pm on June 21, 2024.

Publication of the annual results and 2023 annual report on the websites of the Stock Exchange and the Company

This annual results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huamedicine.com). The Company's annual report for the year ended December 31, 2023 containing all the information required under the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company in due course.

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

Hong Kong, March 28, 2024

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