



Hua Medicine 華領醫藥

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

2025

INTERIM REPORT



TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	2
BUSINESS AND FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	7
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	27
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	28
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	29
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	32
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	34
OTHER INFORMATION	51
DEFINITIONS	57

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*)

Non-executive director

Robert Taylor NELSEN (*Chairman*)

Independent non-executive directors

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

Audit committee

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

Remuneration committee

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

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

A transformative first half marked by a rapid acceleration in HuaTangNing (华堂宁®) sales, which more than doubled year-on-year, and a clear turn towards profitability driven by strong commercial execution and improved operational efficiency.

- We sold approximately 1,764,000 packs of HuaTangNing (华堂宁®) in the first half of 2025, up 108% from 846,000 packs sold during the same period in 2024. In the first half of 2025, we bore sole commercial responsibility, whereas commercial sales were conducted by a third party in 2024. The unit price remained the same for both periods.
- Revenue rose 112% year-on-year to RMB217.4 million, reflecting our smooth transition to full self-commercialization upon the termination of an exclusive promotion service agreement with Bayer, along with broader hospital coverage nationwide.
- Following inclusion in China's National Reimbursement Drug List (NRDL) in 2024, HuaTangNing (华堂宁®) continued to benefit from wide reimbursement coverage in 2025. Prescription volumes expanded significantly across Tier 2 and Tier 3 hospitals during the period, supporting greater patient access and long-term adoption.
- Increased production scale and efficiency led to significantly improved gross profit margins of 54.2% for the period, which was significantly higher than the 46.5% margin reported in the prior-year period.
- Despite a 112% year-on-year increase in revenue, selling expenses for the first half of 2025 grew only 5% to RMB64.2 million, reflecting our business strategy to optimize profitability by controlling selling expenses in direct relation to our commercialization efforts of HuaTangNing (华堂宁®) and maximizing efficiencies in the manufacturing of our drug.
- The Company recognized an other income for the period of RMB1,243.5 million upon the termination of the exclusive promotion service agreement with Bayer (the "**Agreement**") on January 1, 2025. This recognition primarily reflected the one-time release of previously deferred income following the end of the promotional partnership with Bayer and highlighted the Company's transition to self-driven growth.
- Cash balances were RMB1,022.8 million as of June 30, 2025, which provides a strong foundation for our future R&D and commercialization initiatives.
- We filed an application for registration of dorzagliatin 75 mg in Hong Kong as MYHOMISIS® (華領片™), aiming to extend its presence across Greater China and Southeast Asia.

- We are advancing multiple post-marketing studies to evaluate the long-term safety and effectiveness of dorzagliatin across diverse patient populations, both in monotherapy as well as in combination with other popular approved anti-diabetic drugs, such as GLP-1 receptor agonists, insulin, DPP-IV inhibitors and SGLT-2 inhibitors. These studies are generating new clinical insights into glucose control, cognitive outcomes, and potential for diabetes remission.
- A real-world study (BLOOM) is being conducted in 2,000 patients with Type 2 diabetes across 80 centers in China. BLOOM has already completed one-year follow-up in over 1,000 participants. In the real-world setting, BLOOM further demonstrates the broad applicability and safety of dorzagliatin. Patients receiving dorzagliatin in routine clinical practice present with a heterogeneous mix of comorbidities, including various cardiovascular and renal disorders and are managed with multiple concomitant medications. In addition to metformin, more than 60% of patients concurrently used SGLT-2 inhibitors, insulin, GLP-1 receptor agonists, or DPP-IV inhibitors and other anti-diabetic drugs with dorzagliatin. In monotherapy or in combination with the popular above-mentioned anti-diabetic drugs, dorzagliatin was generally well tolerated, and its safety profile remained consistent with previously established data.
- Hua Medicine presented new data at the 2025 American Diabetes Association (ADA) conference, reinforcing dorzagliatin's potential as a disease-modifying therapy. Insights into the novel mechanism of action (MOA) of dorzagliatin as a therapeutic GKA were published in *Diabetes*.

Financial Highlights

- Bank balances and cash position were approximately RMB1,022.8 million as of June 30, 2025.
- Revenue generated by the Company for the six months ended June 30, 2025 was approximately RMB217.4 million, reflecting sales of approximately 1,764,000 packs of HuaTangNing (华堂宁®). Sales revenue and sales volume increased by approximately 112% and 108% respectively, as compared with the six months ended June 30, 2024.
- Gross profit generated by the Company for the six months ended June 30, 2025 was approximately RMB117.8 million, an increase of approximately RMB70.1 million, or approximately 147%, as compared with the six months ended June 30, 2024.
- Gross margin generated by the Company for the six months ended June 30, 2025 was approximately 54.2%, increased by approximately 7.7 percentage points, as compared with the six months ended June 30, 2024, reflecting increased manufacturing scale and improved cost efficiency.
- Selling expenses increased only by RMB3.0 million to RMB64.2 million for the six months ended June 30, 2025 from RMB61.1 million for the six months ended June 30, 2024. The composition of our selling expenses for the six months ended June 30, 2025 changed significantly from the same period in 2024 due to the Company incurring selling expenses directly as a result of assuming sole commercialization responsibilities for HuaTangNing (华堂宁®) in China, while no longer owing promotion expenses to the former commercialization partner. These figures also reflect a significant positive trend towards profitability where our selling expenses in the first half of 2025 represent approximately 29.5% of revenue whereas in the first half of 2024, our selling expenses represented approximately 59.5% of revenue.
- Other income generated by the Company for the six months ended June 30, 2025 was approximately RMB1,254.6 million, increased by approximately RMB1,199.5 million, or approximately 2,178%, as compared with the six months ended June 30, 2024. For the six months ended June 30, 2025, other income was mainly attributable to the realization of the Bayer milestone income of approximately RMB1,243.5 million, increased by approximately RMB1,195.7 million, or approximately 2,500% as compared with the six months ended June 30, 2024.
- Expenditures incurred by the Company for the six months ended June 30, 2025 were approximately RMB187.1 million, of which approximately RMB65.8 million was attributable to research and development expenses. For the six months ended June 30, 2025, research and development expenses decreased by approximately RMB54.0 million, or approximately 45%, as compared with the six months ended June 30, 2024.
- Profit before tax increased by approximately RMB1,326.2 million or approximately 932% to approximately RMB1,183.9 million for the six months ended June 30, 2025, compared with the six months ended June 30, 2024.
- Total comprehensive income for the period increased by approximately RMB1,326.1 million or approximately 934% to approximately RMB1,184.1 million for the six months ended June 30, 2025, compared with the six months ended June 30, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

The first half of 2025 marked a pivotal period for us as the Company assumed full responsibility for the commercialization of HuaTangNing (华堂宁®), its first-in-class glucokinase activator for the treatment of Type 2 diabetes. This transition followed the termination of the Agreement with Bayer effective January 1, 2025, and allowed Hua Medicine to consolidate both operational and strategic control over market execution.

Sales performance exceeded expectations, with 1.76 million packs of HuaTangNing (华堂宁®) sold during the reporting period, representing a 108% increase over the same period in 2024. This growth was achieved at the same price for both periods, underscoring strong demand and successful execution of Hua's commercial strategy. Revenue reached RMB217.4 million, a 112% increase year-on-year, and gross profit more than doubled to RMB117.8 million. Gross margin improved to 54.2%, reflecting increased manufacturing scale and greater cost efficiency.

The strong financial performance was further supported by the one-time release of RMB1.24 billion in previously deferred income associated with the Agreement. This resulted in the Company's first reported half-year profit of RMB1.18 billion – a key milestone in Hua's turn towards sustainable profitability.

HuaTangNing (华堂宁®) continued to benefit from its inclusion in China's National Reimbursement Drug List (NRDL), which took effect in January 2024. Reimbursement coverage under the NRDL has significantly increased accessibility, especially in Tier 2 and Tier 3 hospitals, and played a critical role in accelerating patient adoption.

In parallel with commercial progress, Hua continued to invest in clinical innovation and scientific validation. The Company advanced multiple post-marketing studies to generate real-world evidence of dorzagliatin's long-term safety and effectiveness, including its potential impact on cognitive function and diabetes remission.

We also filed regulatory applications for HuaTangNing (华堂宁®) in Hong Kong, reflecting a commitment to expanding access across Greater China. Hua's scientific leadership was further recognized at the 2025 American Diabetes Association (ADA) Annual Meeting, where new data on dorzagliatin's mechanism of action and therapeutic potential were presented.

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

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

We continue to enhance our collaborations with leading international research institutions. A Phase I investigator-initiated trial supported by the Group and conducted at the University of Pennsylvania — designed to evaluate the efficacy and safety of dorzagliatin in patients with cystic fibrosis-related diabetes (CFRD) — has received clearance from the U.S. FDA.

We will continue our engagement in diabetes prevention, opportunities in metabolic disorder related neurodegeneration disease and eventually find a new way to increase healthy life span and longevity in humans.

Business outlook

There is a great opportunity for dorzagliatin and 2nd generation GKA in China and the global oral anti-diabetic drug market. We will continue to strengthen our own commercialization efforts through hub and spoke development with a focus on building up a strong Hua internal sales and medical marketing organization to drive business growth in 2025. This allows us to rebuild our strong connections directly to the medical community and better promotion of HuaTangNing (华堂宁®) in China and surrounding areas. As reflected in this report for the first half of 2025, we are seeing significant progress in our strategy.

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

As illustrated in our product pipeline chart, we will continue to advance our R&D efforts for both dorzagliatin and our 2nd generation GKA on our own as well as in collaboration with academic and strategic partners. We are working on the registration of dorzagliatin in Hong Kong and continue to seek partnerships in Southeast Asia and Belt and Road nations. In addition, we will continue our business development efforts on our 2nd generation GKA for the global markets based on the initial success of the Phase 1 single-ascending dose study in the United States and the initiation of our Phase 1 multiple ascending dose study planned for late 2025 or early 2026.

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, 2025 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.

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

For the six months ended June 30, 2025, approximately 1,764,000 packs of HuaTangNing (华堂宁®) were sold, generating sales of approximately RMB217.4 million. 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. The difference represents a 112% increase in sales over a period during which the price per pack remained the same, which demonstrates that the transition of commercialization responsibility for HuaTangNing (华堂宁®) in China from Bayer to Hua Medicine has been smooth and been reinvigorated.

Gross profit

For the six months ended June 30, 2025, we recorded a gross profit of approximately RMB117.8 million and a gross margin of 54.2%. Our gross margin increased by 7.7 percentage points as compared to 46.5% for the six months ended June 30, 2024, which was primarily due to increase in manufacturing efficiency and production volume that led to a corresponding reduction in unit production costs. As our commercialization scale increases, the unit production cost is expected to continue to decrease.

Other income

Other income consisted primarily of 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. Other income increased by RMB1,199.5 million to RMB1,254.6 million for the six months ended June 30, 2025 from RMB55.1 million for the six months ended June 30, 2024, which was mainly attributable to an increase of RMB1,195.7 million in Bayer milestone income for the six months ended June 30, 2025. Upon the termination of the exclusive promotion service agreement with Bayer on January 1, 2025, the unamortized contract liabilities amounting to RMB1,243.5 million were released to profit or loss, and recognized as other income.

Other gains and losses

Other gains and losses consisted primarily of losses due to fluctuations in the exchange rates between the Renminbi and the U.S. dollar and between Renminbi and the HK dollar. Other gains and losses decreased by RMB2.2 million, which was mainly attributable to foreign exchange losses in connection with bank balances and cash denominated in U.S. dollar and HK dollar and the depreciation of the U.S. dollar and HK dollar against the Renminbi for the six months ended June 30, 2025, compared to the appreciation of the U.S. dollar and HK dollar against the Renminbi for the six months ended June 30, 2024.

Our business mainly operates in the PRC, and most of our transactions are settled in Renminbi. Since inception, we have financed our business principally through equity financings, with related proceeds denominated in U.S. 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.

Selling expenses

Selling expenses consisted primarily of expenses related to selling and marketing activities. Selling expenses increased by RMB3.0 million to RMB64.2 million for the six months ended June 30, 2025 from RMB61.1 million for the six months ended June 30, 2024, which was mainly attributable to i) an increase of RMB27.0 million in labor cost, which was primarily attributable to additional labor resources from the establishment and strengthening of our sales and marketing team during the six months ended June 30, 2025; ii) an increase of RMB10.3 million in consulting and meeting expenses due to our marketing strategy; and iii) a decrease of RMB34.9 million in promotion expenses, which was mainly due to termination of the Exclusive Promotion Service Agreement with Bayer on January 1, 2025.

Research and development expenses

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

	Six months ended June 30,			
	2025		2024	
	RMB'000	%	RMB'000	%
Clinical Trials and Research	14,755	22.4%	21,428	17.9%
Non-clinical Studies	1,761	2.7%	6,118	5.1%
Chemical, Manufacturing and Control	7,083	10.8%	47,761	39.9%
Labor Cost	29,312	44.5%	28,854	24.1%
Licensing and Patent Fee	3,036	4.6%	2,532	2.1%
Others	9,874	15.0%	13,083	10.9%
Total	<u>65,821</u>	<u>100%</u>	<u>119,776</u>	<u>100%</u>

Research and development expenses decreased by RMB54.0 million to RMB65.8 million for the six months ended June 30, 2025 from RMB119.8 million for the six months ended June 30, 2024. The decrease in research and development expenses mainly included:

- a decrease of RMB6.7 million for clinical trials and research from RMB21.4 million for the six months ended June 30, 2024 to RMB14.8 million for the six months ended June 30, 2025, which was primarily attributable to the advancement of the clinical study related to 2nd generation GKA. We developed the clinical dosage form for advancement of 2nd generation GKA in a clinical proof-of-mechanism study in year 2024 and the following clinical research is strategically scheduled to start in the second half of year 2025;
- a decrease of RMB40.7 million in chemical, manufacturing, and control expenses from RMB47.8 million for the six months ended June 30, 2024 to RMB7.1 million for the six months ended June 30, 2025, which was primarily attributable to the completion of major validation projects related to capacity expansion. During the first half of year 2024, we advanced new production line validation and process validation efforts, with most key projects nearing completion by the year-end. Closure procedures for these key projects were finalized in the first half of year 2025, while subsequent validation projects were strategically scheduled for advancement in the second half of year 2025;
- an increase of RMB0.5 million in labor cost from RMB28.9 million for the six months ended June 30, 2024 to RMB29.3 million for the six months ended June 30, 2025, which was primarily attributable to the labor resource reallocation; and
- a decrease of RMB3.2 million in other expenses from RMB13.1 million for the six months ended June 30, 2024 to RMB9.9 million for the six months ended June 30, 2025, which was primarily attributable to decreased utility expenses, rental expenses and telecom expenses due to the expense reallocation.

Administrative expenses

Administrative expenses consisted primarily of employee compensation and related costs. Administrative expenses decreased by RMB8.0 million to RMB53.1 million for the six months ended June 30, 2025 from RMB61.1 million for the six months ended June 30, 2024, which was mainly attributable to i) a decrease of RMB4.1 million in labor cost, which was primarily attributable to the decrease of share-based payment under the accelerated amortization method; and ii) a decrease of RMB2.7 million in operating and meeting expenses, which was mainly due to the reduction in company events and meetings during the six months ended June 30, 2025 as compared with the same period of year 2024.

Finance cost

Finance cost consisted of expenses associated with the interest on lease liabilities and bank loan. Finance cost was RMB4.0 million for the six months ended June 30, 2025 as compared to RMB3.9 million for the six months ended June 30, 2024, which was mainly attributable to an increase in average bank loan balances in the six months ended June 30, 2025.

Income tax expense

We recognized no income tax expenses for the six months ended June 30, 2025 and the six months ended June 30, 2024.

Liquidity and capital resources

For the period ended June 30, 2025, we have been in a net profit position and negative cash flows from operations. Our primary use of cash is to fund manufacturing expenses and research and development expenses. Our operating activities used RMB84.4 million for the six months ended June 30, 2025. As of June 30, 2025, we had cash and cash equivalents of RMB1,022.8 million.

As of June 30, 2025, there were no significant investments held by the Company (including any investment in an investee company with a value of 5% or more of the Company's total assets as of June 30, 2025), nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended June 30, 2025.

Cash flows

The following table provides information regarding our cash flows for the six months ended June 30, 2025 and 2024:

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
Net cash used in operating activities	(84,414)	(226,774)
Net cash from investing activities	1,259	4,368
Net cash (used in) from financing activities	(32,633)	99,125
Effect of exchange rate changes	(1,177)	1,266
	<u>(116,965)</u>	<u>(122,015)</u>
Net decrease in cash and cash equivalents	<u>(116,965)</u>	<u>(122,015)</u>

Net cash used in operating activities

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

During the six months ended June 30, 2025, our operating activities used RMB84.4 million of cash, which resulted principally from our profit before tax of RMB1,183.9 million, adjusted for net non-cash income and net non-operating income of RMB1,224.9 million and cash used in the movement of our working capital of RMB43.4 million. Our net non-cash income and net non-operating income during the six months ended June 30, 2025 primarily consisted of other income resulted from the realization 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, 2025 primarily consisted of the increase in trade and other receivables, the decrease in trade and other payables, the decrease in value added tax recoverable and the decrease in restricted deposits.

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.

Net cash from investing activities

Net cash from investing activities was RMB1.3 million for the six months ended June 30, 2025, which resulted primarily from the interest received from bank for short-term deposit, adjusted for the purchase of equipment. 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 (used in) from financing activities

Net cash used in financing activities was RMB32.6 million for the six months ended June 30, 2025, which primarily due to the payments relating to bank loan and lease liabilities, offset by newly obtained bank loans and exercise of share options. 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.

Financial position

Our net current assets increased from RMB1,006.2 million as of December 31, 2024 to RMB1,082.6 million as of June 30, 2025. Current assets decreased from RMB1,336.5 million as of December 31, 2024 to RMB1,242.1 million as of June 30, 2025, primarily due to the net cash expenditure for the six months ended June 30, 2025.

Indebtedness

As of June 30, 2025, our lease liabilities and borrowings amounted to RMB58.2 million and RMB212.9 million. The following table sets forth our lease liabilities and borrowings as of the dates indicated:

	As of June 30, 2025 RMB'000	As of December 31, 2024 RMB'000
Current portion	69,718	115,537
Non-current portion	<u>201,334</u>	<u>184,642</u>
Total	<u><u>271,052</u></u>	<u><u>300,179</u></u>

Our lease liabilities as of June 30, 2025 were from leased properties lease contracts with lease terms of one to four years. As of June 30, 2025, 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, 2025 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, 2025 RMB'000	As of December 31, 2024 RMB'000
Impact on profit or loss		
US\$	(5,596)	(6,441)
HK\$	(2,362)	(2,191)

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, 2025 and December 31, 2024, we recorded net current assets of RMB1,082.6 million and RMB1,006.2 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Key financial ratios

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

	As of June 30, 2025	As of December 31, 2024
Current ratio ⁽¹⁾	7.8	4.0
Quick ratio ⁽²⁾	7.0	3.7
Gearing ratio ⁽³⁾	25.6%	NM

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

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

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

The current ratio as of June 30, 2025 increased by 3.8 compared with that as of December 31, 2024, and the quick ratio as of June 30, 2025 increased by 3.3 compared with that as of December 31, 2024, which were mainly due to the realization of contract liabilities upon the termination of the Exclusive Promotion Service Agreement with Bayer on January 1, 2025.

Charge of the Group's assets

Save as disclosed in this report, the Group had no material assets were charged as of June 30, 2025.

Capital commitments

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

	As of June 30, 2025 RMB'000	As of December 31, 2024 RMB'000
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	2,141	2,117

Future plans for material investments or capital assets

As of June 30, 2025, 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, 2025 (as of June 30, 2024: 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, 2025, we had 285 employees, as compared to a total of 168 employees as of December 31, 2024. The following table shows a breakdown of our employees by function as of June 30, 2025:

	Number of employees	Approximate percentage
Research and development	63	22%
General and administration	50	18%
Selling and marketing	148	52%
Manufacturing	12	4%
Management	12	4%
Total	<u>285</u>	<u>100%</u>

The majority of the employees are employed in mainland China. For the six months ended June 30, 2025, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB97.0 million as compared to RMB81.4 million for the six months ended June 30, 2024.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve their working efficiency. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the six months ended June 30, 2025.

The Company has also adopted a Pre-IPO Share Incentive Scheme and a Post-IPO Share Option Scheme. Please refer to the section headed "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 on January 1, 2023. The Company has complied, and will continue to comply, with the new Chapter 17 to the extent required by the transitional arrangements for existing share schemes.

9,700,000 Shares, representing approximately 0.9% 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, 2025 and June 30, 2025, 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, 2024 and details of the movements in the outstanding share options granted under the Pre-IPO Share Incentive Scheme (to be satisfied by existing Shares) will be set out in the annual report of the Company for the year ending December 31, 2025.

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 1 January 2025	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2025	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 Closing dates on which the options were exercised during the Reporting Period
													Weighted average closing price of the Shares immediately before the Closing dates on which the options were exercised during the Reporting Period
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	HKD6.69	NA
	March 22, 2021 ⁽²⁾	HKD4.984	4 years	10 years from date of grant	3,000,000	-	-	-	-	3,000,000	NA	HKD4.83	NA
	March 17, 2022 ⁽³⁾	HKD3.40	4 years	10 years from date of grant	5,000,000	-	-	-	-	5,000,000	NA	HKD3.40	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	4,000,000	-	-	-	-	4,000,000	NA	HKD3.52	NA
	March 28, 2025 ⁽¹⁹⁾	HKD2.48	4 years	10 years from date of grant	-	3,000,000	-	-	-	3,000,000	HKD1.77 ⁽²⁰⁾	HKD2.58	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	HKD7.01	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	1,200,000	-	-	-	-	1,200,000	NA	HKD3.52	NA
	March 28, 2025 ⁽¹⁹⁾	HKD2.48	4 years	10 years from date of grant	-	200,000	-	-	-	200,000	HKD1.77 ⁽²⁰⁾	HKD2.58	NA

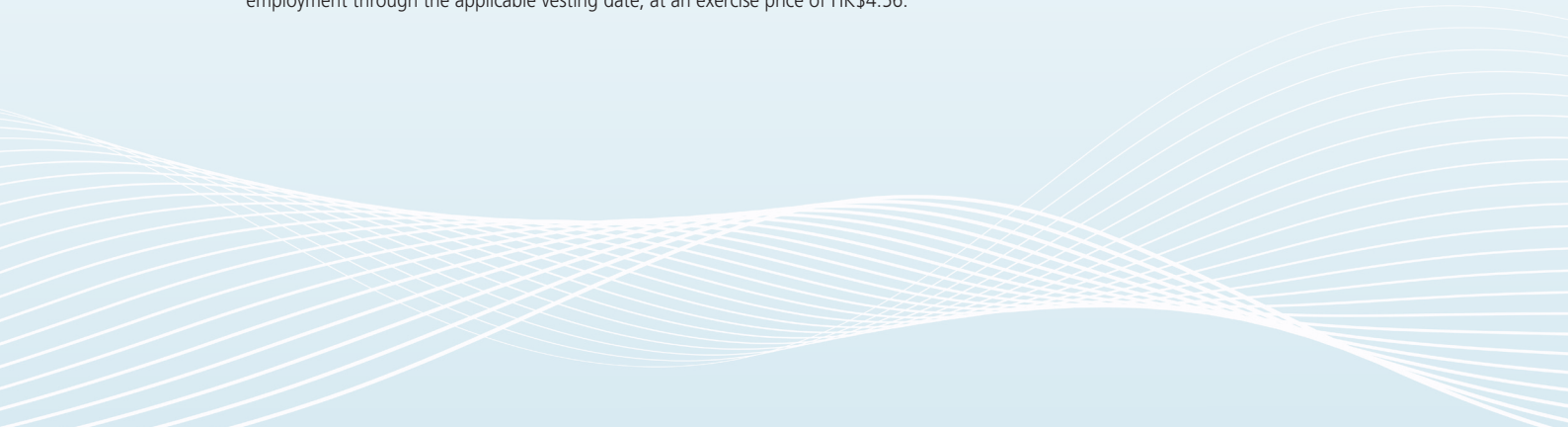
Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2025	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2025	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period
Dr. Zhang Yi	June 25, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD6.69	NA
	March 17, 2020 ⁽⁷⁾	HKD3.616	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD3.18	NA
	March 22, 2021 ⁽²⁾	HKD4.984	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	HKD4.83	NA
	March 17, 2022 ⁽³⁾	HKD3.40	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	HKD3.40	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	HKD3.52	NA
	March 28, 2025 ⁽¹⁸⁾	HKD2.48	4 years	10 years from date of grant	-	210,000	-	-	-	210,000	HKD1.77 ⁽²⁰⁾	HKD2.58	NA
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	HKD6.68	NA
	May 15, 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	3,650,300	-	-	-	-	3,650,300	NA	HKD7.01	NA
	Accepted: January 3, 2020 ⁽⁶⁾	HKD6.64	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD4.98	NA
	March 17, 2020 ⁽⁷⁾	HKD3.616	4 years	10 years from date of grant	5,330,845	-	-	-	-	5,330,845	NA	HKD3.18	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2025	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2025	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period
	April 3, 2020 ⁽⁸⁾	HKD3.00	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD3.00	NA
	April 7, 2020 ⁽⁹⁾	HKD3.018	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD2.86	NA
	August 18, 2020 ⁽¹⁰⁾	HKD7.184	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	HKD7.08	NA
	January 7, 2021 ⁽¹¹⁾	HKD5.584	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	HKD5.22	NA
	March 22, 2021 ⁽¹²⁾	HKD4.984	4 years	10 years from date of grant	3,826,591	-	-	-	-	3,826,591	NA	HKD4.83	NA
	August 30, 2021 ⁽¹³⁾	HKD4.56	4 years	10 years from date of grant	-	-	-	-	-	-	NA	HKD4.56	NA
	September 23, 2021 ⁽¹⁴⁾	HKD5.05	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD5.05	NA
	March 17, 2022 ⁽¹⁵⁾	HKD3.40	4 years	10 years from date of grant	2,325,012	-	-	(45,825)	-	2,279,187	NA	HKD3.40	NA
	June 24, 2022 ⁽¹⁶⁾	HKD3.95	4 years	10 years from date of grant	1,000,000	-	-	-	-	1,000,000	NA	HKD3.95	NA

Name	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding as at 1 January 2025	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited/Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2025	Fair Value of the options at the date of grant	Closing price of the Shares immediately before the date of grant	Weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period
	December 1, 2022 ⁽¹⁷⁾	HKD3.47	4 years	10 years from date of grant	1,500,000	-	-	-	-	1,500,000	NA	HKD3.47	NA
	March 31, 2023 ⁽⁴⁾	HKD3.62	4 years	10 years from date of grant	4,700,000	-	-	(95,829)	-	4,604,171	NA	HKD3.62	NA
	May 8, 2023 ⁽¹⁸⁾	HKD2.968	4 years	10 years from date of grant	500,000	-	-	-	-	500,000	NA	HKD2.83	NA
	March 28, 2025 ⁽¹⁹⁾	HKD2.48	4 years	10 years from date of grant	-	6,140,000	-	(180,000)	-	5,960,000	HKD1.77 ⁽²⁰⁾	HKD2.58	NA
Service Providers	May 15 2019 ⁽¹⁾	HKD8.866	4 years	10 years from date of grant	200,000	-	-	-	-	200,000	NA	HKD7.01	NA
	March 28, 2025 ⁽¹⁹⁾	HKD2.48	4 years	10 years from date of grant	-	150,000	-	-	-	150,000	HKD1.77 ⁽²⁰⁾	HKD2.58	NA
Total					52,386,748	9,700,000	-	(321,654)	-	61,765,094			

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) With grant date of March 28, 2025 and vesting commencement date March 28, 2025 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\$2.48.
- (20) The fair values of the awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The fair value is determined by reference to the fair value of the equity instrument as at the grant date, considering market performance conditions.
- (21) As at January 1, 2025 and June 30, 2025, 43,323,276 Shares and 33,623,276 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 28 to 50, which comprise the condensed consolidated statement of financial position at June 30, 2025 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and 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”) as 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” as 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 28, 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2025

	NOTES	Six months ended June 30,	
		2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Revenue	3	217,432	102,663
Cost of sales		(99,613)	(54,901)
Gross profit		117,819	47,762
Other income	5	1,254,565	55,079
Other gains and losses	6	(1,374)	791
Selling expenses		(64,155)	(61,118)
Research and development expenses		(65,821)	(119,776)
Administrative expenses		(53,120)	(61,099)
Finance cost	7	(3,968)	(3,880)
Profit/(loss) before tax	8	1,183,946	(142,241)
Income tax expense	9	–	–
Profit/(loss) for the period		1,183,946	(142,241)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		154	264
Other comprehensive income for the period, net of income tax		154	264
Total comprehensive income (expense) for the period		1,184,100	(141,977)
		RMB	RMB
EARNINGS/(LOSS) PER SHARE	12		
Basic		1.20	(0.15)
Diluted		1.19	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2025

	NOTES	At June 30, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
Non-current assets			
Plant and equipment	13	33,119	38,195
Right-of-use assets	13	85,012	91,466
Intangible assets		24,327	26,066
Trade and other receivables	14	35,468	35,069
		<u>177,926</u>	<u>190,796</u>
Current assets			
Inventories		126,187	126,672
Trade and other receivables	14	93,100	61,164
Restricted bank deposits		–	8,907
Bank balances and cash	15	1,022,788	1,139,753
		<u>1,242,075</u>	<u>1,336,496</u>
Current liabilities			
Trade and other payables	16	88,747	116,694
Borrowings	17	47,003	98,275
Lease liabilities		22,715	17,262
Contract liabilities		–	95,654
Deferred income	18	1,023	2,386
		<u>159,488</u>	<u>330,271</u>
Net current assets		<u>1,082,587</u>	<u>1,006,225</u>
Total assets less current liabilities		<u>1,260,513</u>	<u>1,197,021</u>

		At June 30, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
	NOTES		
Non-current liabilities			
Borrowings	17	165,861	138,736
Lease liabilities		35,473	45,906
Contract liabilities		—	1,147,845
		<u>201,334</u>	<u>1,332,487</u>
Net assets (liabilities)		<u>1,059,179</u>	<u>(135,466)</u>
Capital and reserves			
Share capital	19	7,214	7,214
Treasury shares held in trust	19	(469)	(492)
Reserves		<u>1,052,434</u>	<u>(142,188)</u>
Total equity (deficit)		<u>1,059,179</u>	<u>(135,466)</u>

The condensed consolidated financial statements on pages 28 to 50 were approved and authorized for issue by the directors of the Company on August 28, 2025 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, 2025

	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, 2025 (audited)	7,214	(492)	5,932,404	(9,590)	296,110	(89)	(6,361,023)	(135,466)
Profit for the period (unaudited)	-	-	-	-	-	-	1,183,946	1,183,946
Other comprehensive income for the period (unaudited)	-	-	-	-	-	154	-	154
Total comprehensive income for the period (unaudited)	-	-	-	-	-	154	1,183,946	1,184,100
Exercise of share options (Note 19 (b)) (unaudited)	-	23	5,629	(23)	-	-	-	5,629
Recognition of equity-settled share-based payment (unaudited)	-	-	-	-	4,916	-	-	4,916
At June 30, 2025 (unaudited)	<u>7,214</u>	<u>(469)</u>	<u>5,938,033</u>	<u>(9,613)</u>	<u>301,026</u>	<u>65</u>	<u>(5,177,077)</u>	<u>1,059,179</u>
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 (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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2025

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax	1,183,946	(142,241)
Adjustments for:		
Bank interest income	(7,339)	(5,446)
Income from government grants	(1,363)	(1,379)
Depreciation of plant and equipment	5,533	5,775
Depreciation of right-of-use assets	9,749	9,861
Amortization of intangible assets	1,739	1,757
Finance cost	3,968	3,880
Share-based payment expense	4,916	7,356
Net unrealized foreign exchange loss/(gains)	1,331	(1,003)
Amortization of payments received for exclusive promotion rights granted	–	(47,827)
Release of contract liabilities upon termination of service agreement	(1,243,499)	–
Operating cash flows before movements in working capital	(41,019)	(169,267)
Increase in trade and other receivables	(43,880)	(28,516)
Decrease in amounts due from a related party	–	342
Decrease/(Increase) in inventories	485	(28,598)
Decrease/(Increase) in restricted deposits	8,907	(5,297)
(Decrease)/Increase in trade and other payables	(22,354)	8,293
Decrease/(Increase) in value added tax recoverable	13,447	(3,736)
Increase in deferred income	–	5
NET CASH USED IN OPERATING ACTIVITIES	(84,414)	(226,774)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(6,060)	(962)
Purchase of intangible assets	–	(207)
Payments for rental deposits	(29)	–
Refund of rental deposits	52	–
Interest received from bank	7,296	5,537
NET CASH FROM INVESTING ACTIVITIES	1,259	4,368

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Proceeds from borrowings	29,853	122,562
Repayments of borrowings	(54,000)	(7,324)
Proceeds from exercise of share options	3,747	333
Interests paid	(2,973)	(2,858)
Repayments of leases liabilities	(9,260)	(13,588)
	<u>(32,633)</u>	<u>99,125</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
	(32,633)	99,125
NET DECREASE IN CASH AND CASH EQUIVALENTS	(115,788)	(123,281)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,139,753	1,460,824
Effects of exchange rate changes	(1,177)	1,266
	<u>(1,177)</u>	<u>1,266</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u>1,022,788</u>	<u>1,338,809</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2025

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.

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

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 (the “IASB”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

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 IFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2025 (“Reporting Period”) are the same as those presented in the Group’s annual consolidated financial statements for the year ended December 31, 2024.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on or after January 1, 2025 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability
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The application of the amendments to IFRS Accounting Standard 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,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	217,432	102,663

The amount of revenue recognized for the sales of pharmaceutical products represented the gross selling price less the estimated rebates to customers.

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,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
People's Republic of China (the "PRC")	217,432	102,663

5. OTHER INCOME

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	7,339	5,446
Government grants (Note a)	3,727	1,806
– Assets-related grants	1,363	1,364
– Income-related grants	2,364	442
Release of contract liabilities upon termination of service agreement (Note b)	1,243,499	–
Amortization of payments received for exclusive promotion rights granted (Note b)	–	47,827
	<u>1,254,565</u>	<u>55,079</u>

Note a:

The amount mainly represents 1) government grant related to income received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable; and 2) 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 (“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 served a formal notice of termination on the Agreement to Bayer in accordance with the early termination right of the Group agreed in the Agreement with effect from January 1, 2025. As a result, the outstanding contract liabilities upon such termination of RMB1,243,499,000 are recognized as other income immediately.

6. OTHER GAINS AND LOSSES

Other gains and losses mainly represent the foreign exchange gains and losses during the six months ended June 30, 2025 and 2024.

7. FINANCE COST

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on lease liabilities	985	951
Interest on borrowings	2,983	2,929
	<u>3,968</u>	<u>3,880</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of plant and equipment	5,533	5,775
Depreciation of right-of-use assets	9,749	9,861
Amortization of intangible assets	1,739	1,757
	<u>17,021</u>	<u>17,393</u>
Total depreciation and amortization	<u>17,021</u>	<u>17,393</u>
	<u>17,021</u>	<u>17,393</u>
Staff cost (including directors' emoluments):		
– Salaries and other benefits	91,206	70,825
– Retirement benefit scheme contributions	6,469	4,735
– Other social security and housing provident fund	8,296	5,996
– Share-based payment	4,916	7,356
	<u>110,887</u>	<u>88,912</u>
Change in amount capitalised in inventories	1,023	(2,906)
	<u>111,910</u>	<u>86,006</u>
Auditors' remuneration	821	867
Expenses relating to short-term leases	244	536
	<u>244</u>	<u>536</u>

9. INCOME TAX EXPENSE

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

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

9. INCOME TAX EXPENSE (Continued)

Hua Shanghai has been certified as a “High and New Technology Enterprise” by the Science and Technology Committee of Shanghai and relevant authorities on December 14, 2022 for a term of three years from December 14, 2022 to December 14, 2025, 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 2025. 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 current interim period (six months ended June 30, 2024: 21%).

Deferred tax assets have been recognized only to the extent to offset the deferred tax liabilities. No additional deferred tax assets have been recognized on unused tax losses and other 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.

The payments are recognized as intangible assets. For the period ended June 30, 2025, the Group incurred amortization cost of the license agreement of RMB1,396,000 (unaudited) (For the period ended June 30, 2024: RMB1,396,000 (unaudited)).

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. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss) figures are calculated as follows:

	Six months ended June 30,	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings/(loss) for the period attributable to the owners of the Company for the purpose of basic and diluted earnings/(loss) per share	1,183,946	(142,241)
Number of Shares:		
	Six months ended June 30,	
	2025	2024
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	984,907,922	980,647,436
Effect of dilutive potential ordinary shares:		
Options	7,274,999	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	992,182,921	980,647,436

The computation of diluted earnings/(loss) per share for the six months ended June 30, 2025 is based on weighted average number of shares assumed to be in issue after taking into account the effect of share options issued by the Company (six months ended June 30, 2024: 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 RMB1,023,000 (unaudited) (six months ended June 30, 2024: RMB874,000 (unaudited)) of plant and equipment. During the current interim period, there is no disposal of plant and equipment (six months ended June 30, 2024: there is no disposal of plant and equipment).

During the current interim period, the Group extended the lease terms of several existing lease agreements for one to two years. The Group is required to make fixed monthly or quarterly payments. On date of lease modification, the Group recognized right-of-use assets of RMB3,295,000 (unaudited) (six months ended June 30, 2024: RMB2,058,000 (unaudited)) and lease liabilities of RMB3,295,000 (unaudited) (six months ended June 30, 2024: RMB2,058,000 (unaudited)).

14. TRADE AND OTHER RECEIVABLES

	At June 30, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
Trade receivables	80,046	34,388
Prepayments for research and development services	639	4,056
Prepayment for raw materials and manufacture services	28,144	28,026
– current	144	26
– non-current	28,000	28,000
Prepayments for sales and marketing services	1,045	–
Utility and rental deposits	5,106	5,129
– current	626	515
– non-current	4,480	4,614
Value added tax recoverable	6,602	20,049
– current	3,614	17,594
– non-current	2,988	2,455
Interest receivables	330	287
Other receivables for considerations of options exercised	1,893	11
Others	4,763	4,287
	<u>128,568</u>	<u>96,233</u>
Analyzed as		
– current	93,100	61,164
– non-current	35,468	35,069
	<u>128,568</u>	<u>96,233</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, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
0-60 days	<u>80,046</u>	<u>34,388</u>

15. BANK BALANCES AND CASH

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 1.65% per annum as of June 30, 2025 (December 31, 2024: from 0.00% to 4.62% per annum).

16. TRADE AND OTHER PAYABLES

	At June 30, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
Trade payables	46,889	63,722
Other payables	7,426	4,220
Payroll and bonus payables	29,743	37,571
Construction expenditure	1,827	7,352
Interest payable	340	330
Others	2,522	3,499
	<u>88,747</u>	<u>116,694</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, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
Uninvoiced or within 30 days	43,332	63,722
31 to 60 days	3,557	—
	<u>46,889</u>	<u>63,722</u>

17. BORROWINGS

During the current interim period, the Group obtained unsecured and unguaranteed new bank loans amounting to RMB29,853,000 (unaudited) (six months ended June 30, 2024: RMB122,562,000 (unaudited)). The Group's variable-rate borrowings carry interest at one year Loan Prime Rate (LPR) minus 0.25% or 0.15%, ranged from 2.85% to 2.95%, 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, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
Government grants received		
Assets-related grants	1,023	2,386
	<u>1,023</u>	<u>2,386</u>
Less: current liabilities	(1,023)	(2,386)
	<u>—</u>	<u>—</u>
Non-current liabilities	—	—

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, 2025 are set out as below:

	Authorized number of shares	US\$
Ordinary shares of US\$0.001 each		
At January 1, 2025 (audited) and June 30, 2025 (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	US\$
Ordinary shares of US\$0.001 each		
At January 1, 2025 (audited) and June 30, 2025 (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, 2025 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 January 1, 2025 (audited) (Note (a))	71,926,204	71,925	492
Option exercised to purchase ordinary shares under the trust (Note (b))	<u>(3,327,000)</u>	<u>(3,327)</u>	<u>(23)</u>
Treasury shares held in trust at June 30, 2025 (unaudited) (Note (a))	<u>68,599,204</u>	<u>68,598</u>	<u>469</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, 2025, 68,599,204 shares of the sum of US\$68,598 (equivalent to RMB469,000) (December 31, 2024: 71,926,204 shares of the sum of US\$71,925 (equivalent to RMB492,000)) are held in trust including 68,599,204 shares (December 31, 2024: 71,926,204 shares) for outstanding options are disclosed in treasury shares since the Company has control over the Nominee.
- (b) During six months ended June 30, 2025, several employees and a consultant exercised their right, evidenced by corresponding option agreements under the Company's Pre-IPO Share Incentive Scheme, to subscribe 3,327,000 ordinary shares of the Company at the average exercise price of HK\$1.82 per share for an aggregate consideration equivalent to RMB5,629,000.

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, 2025	Exercise price per share
Directors:			
Dr. Li Chen	December 4, 2014 ~ August 26, 2018	11,221,725	US\$0.07 ~ 0.49
Mr. George Chien Cheng Lin	April 3, 2018	25,592,405	US\$0.47
Dr. Yi Zhang	March 25, 2013 ~ June 6, 2018	6,733,320	US\$0.07 ~ 0.47
Employees	March 25, 2013 ~ August 26, 2018	10,762,693	US\$0.07 ~ 0.47
Individual consultants	September 12, 2013 ~ May 11, 2018	4,147,000	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, 2025	Exercise price per share
Directors:			
Dr. Li Chen	March 8, 2019 ~ March 28, 2025	27,079,000	HK\$2.48~8.866
Mr. George Chien Cheng Lin	March 8, 2019 ~ March 28, 2025	1,700,000	HK\$2.48~8.866
Dr. Yi Zhang	March 8, 2019 ~ March 28, 2025	2,110,000	HK\$2.48~8.866
Employees	March 8, 2019 ~ March 28, 2025	30,526,094	HK\$2.48~8.866
Individual consultants	March 8, 2019 ~ March 28, 2025	350,000	HK\$2.48~8.866

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

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

The following assumptions were used to calculate the fair value of share options:

	At March 28, 2025
Weighted average share price	HK\$2.48
Exercise price	HK\$2.48
Expected life	6.08 years
Expected volatility	68.6%
Expected dividend yield	0%
Risk-free interest rate	3.36%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

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, 2025:

Categories	Option type	Outstanding at January 1, 2025	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding at June 30, 2025
Category 1: Directors							
Dr. Li Chen	Pre-IPO Share Incentive Scheme	11,221,725	-	-	-	-	11,221,725
	Post-IPO Share Option Scheme	24,079,000	3,000,000	-	-	-	27,079,000
	Subtotal	35,300,725	3,000,000	-	-	-	38,300,725
Mr. George Chien Cheng Lin	Pre-IPO Share Incentive Scheme	25,592,405	-	-	-	-	25,592,405
	Post-IPO Share Option Scheme	1,500,000	200,000	-	-	-	1,700,000
	Subtotal	27,092,405	200,000	-	-	-	27,292,405
Dr. Yi Zhang	Pre-IPO Share Incentive Scheme	6,733,320	-	-	-	-	6,733,320
	Post-IPO Share Option Scheme	1,900,000	210,000	-	-	-	2,110,000
	Subtotal	8,633,320	210,000	-	-	-	8,843,320
	Total Directors	71,026,450	3,410,000	-	-	-	74,436,450
Category 2: Employees							
	Pre-IPO Share Incentive Scheme	13,789,693	-	(3,027,000)	-	-	10,762,693
	Post-IPO Share Option Scheme	24,707,748	6,140,000	-	(321,654)	-	30,526,094
	Total Employees	38,497,441	6,140,000	(3,027,000)	(321,654)	-	41,288,787
Category 3: Consultants							
	Pre-IPO Share Incentive Scheme	4,447,000	-	(300,000)	-	-	4,147,000
	Post-IPO Share Option Scheme	200,000	150,000	-	-	-	350,000
	Total Individual consultants	4,647,000	150,000	(300,000)	-	-	4,497,000
	Total all categories	114,170,891	9,700,000	(3,327,000)	(321,654)	-	120,222,237
	Exercisable at the end of the period	104,550,278					103,862,793
	Weighted average exercise price (HK\$)	4.16	2.48	1.82	2.95	-	3.93

During six months ended June 30, 2025, the Group recognized RMB4,916,000 (unaudited) of share-based payment expense in relation to the grants of the share options (six months ended June 30, 2024: RMB7,356,000 (unaudited)).

The weighted average closing price of the Company's shares on the dates when the options were exercised was HK\$2.62.

21. COMMITMENTS

	At June 30, 2025 RMB'000 (unaudited)	At December 31, 2024 RMB'000 (audited)
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the condensed consolidated financial statements	<u>2,141</u>	<u>2,117</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,	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Guangdong 111 Pharmaceutical (Notes a and b)	<u>N/A</u>	<u>530</u>

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.

(2) 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,	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Salaries and other benefits	5,284	5,123
Retirement benefit scheme contributions	73	72
Other social insurance	135	77
Share-based payment	<u>2,321</u>	<u>4,050</u>
	<u>7,813</u>	<u>9,322</u>

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

There are no financial assets and financial liabilities measured at fair value at the end of June 30, 2025 and December 31, 2024. 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 approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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, 2025. As of June 30, 2025, 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, 2025 (June 30, 2024: 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 applied according to the intentions set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

All net proceeds from the Listing had been fully utilised by end of year 2024 in accordance with the business objectives as disclosed in the Prospectus.



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, 2025, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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⁾	42,118,725 (L)	3.99%
	Interest in controlled corporation ⁽³⁾	10,000,000 (L)	0.94%
George Chien Cheng LIN	Founder and beneficiary of a trust ⁽⁴⁾	3,633,178 (L)	0.34%
	Beneficial owner ⁽²⁾	32,158,522 (L)	3.05%
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⁾	11,843,320 (L)	1.12%

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

Save as disclosed above, as at June 30, 2025, so far as the Directors are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares, underlying Shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Stock Exchange.

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

As at June 30, 2025, the interests and short positions of every person (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held ⁽⁶⁾	Approximate percentage of shareholding in the Company ⁽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%
HLYY Limited ⁽³⁾	Nominee of a trust	94,953,925 (L)	8.99%
TCT (BVI) Limited ⁽³⁾	Interest in controlled corporation	94,953,925 (L)	8.99%
The Core Trust Company Limited ⁽³⁾	Trustee	94,981,870 (L)	8.99%
Jane Xingfang HONG ⁽⁴⁾	Beneficial interest	19,220,690 (L)	1.82%
	Interest of spouse	42,118,725 (L)	3.99%
	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. HLYY Limited is 100% owned by TCT (BVI) Limited. TCT (BVI) Limited is 100% owned by The Core Trust Company Limited. HLYY Limited holds the Shares underlying the option and awards granted under the Pre-IPO Share Incentive Scheme.
4. Ms. Jane Xingfang HONG is the spouse of Dr. Li CHEN, who was granted options for 11,221,725 Shares pursuant to the Pre-IPO Share Incentive Scheme and 24,079,000 Share Options granted pursuant to the Share Option Scheme, respectively. Under the SFO, Ms. HONG is deemed to be interested in the same number of Shares in which Dr. CHEN maintains an interest. She also held approximately 2.39% of the voting rights of the Company.

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

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

5. The letter "L" denotes the person's long position in the Shares.
6. The approximate percentage of shareholding is calculated based on the issued share capital of the Company as at June 30, 2025.

Saved as disclosed above, as at June 30, 2025, so far as the Directors are aware, no other persons had registered an interest or short position in any Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified 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, 2025.

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, 2025. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

Changes to information of the Directors

Mr. Robert Taylor Nelsen had resigned as an independent director of Lyell Immunopharma, a company listed on NASDAQ (Stock code: LYEL), with effect from May 15, 2025. He had also resigned as a director of Vir Biotechnology Inc., a company listed on NASDAQ (Stock code: VIR), with effect from May 29, 2025.

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

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, 2025 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, 2025, 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
“Diabetes”	one of the ADA journals, publishes original research about the physiology and pathophysiology of diabetes mellitus (Impact Factor: 7.5)
“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”, “Hua’s” 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, 2025
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), 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 of America
"U.S."	the United States of America