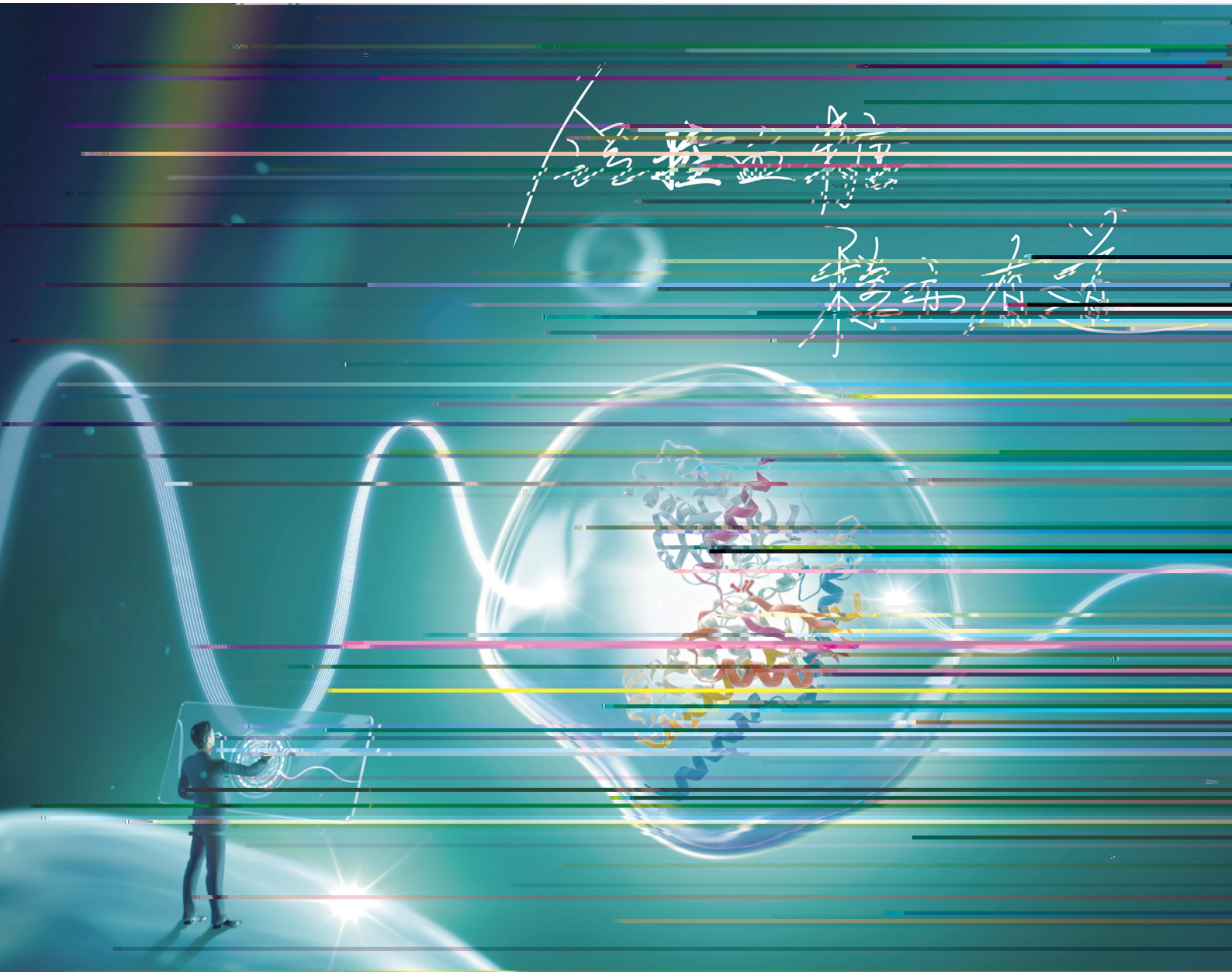


INTERIM REPORT

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CORPORATE INFORMATION

Executive directors

Li CHEN (ǒ dǐ) *(Chief Executive Officer and Chief Scientific Officer)*
George Chien Cheng LIN (Ḡ)
(Executive Vice President and Chief Strategy Officer)

Non-executive directors

Robert Taylor NELSEN *(Chairman)*
Wei ZHAO ( )

Independent non-executive directors

William Robert KELLER
Yiu Wa Alec TSUI (ㄎ)
Yiu Leung Andy CHEUNG (ɳ)

Audit committee

Yiu Leung Andy CHEUNG (ɳ) *(Chairman)*
William Robert KELLER
Yiu Wa Alec TSUI (ㄎ)

Remuneration committee

William Robert KELLER *(Chairman)*
Wei ZHAO ( )
Yiu Wa Alec TSUI (ㄎ)

Nomination committee

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

Strategy committee

Li CHEN (ǒ dǐ) *(Chairman)*
Robert Taylor NELSEN
George Chien Cheng LIN (Ḡ)

Company secretary

Wing Yan Winnie YUEN (ㄧ)

Authorized representatives

George Chien Cheng LIN (Ḡ)
Wing Yan Winnie YUEN (ㄧ)

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Registered office

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

Corporate headquarters

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

Principal place of business in Hong Kong

Suite 2202, Methodist House, 36 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

BUSINESS AND FINANCIAL HIGHLIGHTS

Business Highlights

- Dorzagliatin was launched in China in October 2022 with the trade name ® (HuaTangNing). Hua Medicine has achieved total revenue of RMB87.9 million from the time of commercial launch at the end of October 2022 through the end of June 30, 2023. For the first half of 2023, Hua Medicine achieved revenues of RMB70.3 million, representing approximately a 299.6% increase in revenue compared with the second half of 2022. We work with our partner, Bayer Healthcare Company Limited ("Bayer"), in commercializing ®

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

Financial Highlights

- Bank balances and cash position was approximately RMB881.3 million as of June 30, 2023.
- Total revenue generated by the Company for the six months ended June 30, 2023 was approximately RMB70.3 million, reflecting the sales of approximately 212,000 packs of HuaTangNing (®).
- Total other income generated by the Company for the six months ended June 30, 2023 was approximately RMB38.6 million, of which approximately RMB21.7 million was attributable to the amortization of Bayer milestone income.
- Total expenditures incurred by the Company for the six months ended June 30, 2023 was approximately RMB181.5 million, of which approximately RMB71.0 million was attributable to research and development expenses.
- Research and development expenses decreased by approximately RMB1.3 million or approximately 1.8% to approximately RMB71.0 million for the six months ended June 30, 2023, compared with the six months ended June 30, 2022.
- Loss before tax decreased by approximately RMB14.5 million or approximately 13.9% to approximately RMB90.1 million for the six months ended June 30, 2023, compared with the six months ended June 30, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

Dorzagliatin was launched in China in 2022 with the trade name ® (HuaTangNing). Hua Medicine, working with our commercialization partner, Bayer Healthcare Company Limited, achieved total sales of RMB87.9 million from the time of commercial launch at the end of October 2022 through the end of June 30, 2023. For the first half of 2023, Hua Medicine achieved revenues of RMB70.3 million, representing approximately a 299.6% increase in revenue compared with sales achieved in the second half of 2022. The significant sales achieved after in the first launch in the very competitive hospital-oriented diabetes market is a result of the new government policy of on-line pharmacy sales regulation. Under this regulation, patients with online physician diagnosis and prescription can purchase the medicines for chronic diseases through the on-line drug store channels. This regulation is very helpful for patients, as it expands access to patients who can now secure ® as a new medicine nationally before it enters into the National Reimbursement Drug List (NRDL) and enters hospitals nationwide.

Upon dorzagliatin approval by the China NMPA for two diabetes indications and its successful launch in China, Hua Medicine received a non-refundable milestone payment of RMB400 million from Bayer. With additional government funding, our total cash received from Bayer and government funding in the first half of 2023 is RMB402.6 million. Our cash balance as of June 30, 2023 was RMB881.3 million, representing an increase of approximately 79.6% from our cash balance of RMB490.6 million as of December 31, 2022. Hua Medicine is expecting to receive a certain milestone payment from Bayer relating to the development of HuaTangNing in the second half of 2023. The unique mechanism of action of dorzagliatin has demonstrated its benefit to improve beta cell function and repairs the impaired glucose homeostasis in T2D patients, through its target protein GK in the pancreatic alpha and beta cells, intestine L cells and liver hepatocytes.

Hua Medicine has worked with its manufacturing partners since the drug approval to manage market needs. We have secured adequate dorzagliatin supply for the 2023 calendar year and have initiated investment into dorzagliatin manufacturing capability at Changzhou SynTheAll (STA), Zhejiang Raybow and Shanghai Desano after the successful commercialization launch during the initial out-of-pocket stage. The total investment in 2023-2024 for commercial drug manufacture and capacity expansion is expected in the range of approximately RMB400 million.

Hua Medicine discovered the additional therapeutic advantages of dorzagliatin in medical care. Through its modulation of glucose sensor GK function and repairing the impaired GLP-1 secretion in patients with diabetes and obesity, dorzagliatin is expected to secure a new indication related to endogenous GLP-1 (Nature Comm March 2023). These results have encouraged physicians to investigate the combination of dorzagliatin with GLP-1 receptor agonists for patients with poorly controlled post prandial glucose. It further demonstrates dorzagliatin restores the impaired glucose homeostasis in T2D patients through its action on GK target located in the pancreas, intestine and liver – which is included in dorzagliatin drug label, NMPA 2022. This may offer a more effective way to achieve diabetes remission in obese diabetes patients through a combination of dorzagliatin with GLP-1 receptor agonist. We will engage the real-world study (RWS) to address additional unmet medical needs.

Our team has also reported effects of low dose dorzagliatin in the prevention of diabetes and memory loss in GK rat at the June 2023 American Diabetes Association conference (ADA) in San Diego, USA. We started with low dose dorzagliatin treatment when the rat is in normal glucose tolerance (NGT) stage. Dorzagliatin prevents the animal from developing diabetes and memory defect, while the vehicle controlled GK rats showed increase of fasting plasma glucose and memory deficiency. Reduction of Insulin Receptor A and B, glucose transporter GLUT3 and other important proteins that connects with neurological function in the brain in the vehicle group were prevented in the dorzagliatin treated group. We have filed patents in this area and will continue to expand

Product pipeline

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

Product Name	Indication	Development phase	Pre-clinical	IND	Phase I	Phase II	Phase III	NDA	Launched
HuaTangNing (g ®)	T2D – Drug Naive	Launched (China)							
	T2D – Metformin Tolerated	Launched (China)							
HuaTangNing (g ®) No dose adjustment in	DKD	Launched (China) – Allowances							
	Combination therapy with DPP4i	Launched (China) – Allowances							
	Combination therapy with SGLT2i	Launched (China) – Allowances							
Fixed dose combinations – dorzagliatin and OADs	T2D	Phase I ready							
2nd Generation GKA	Metabolic Diseases	Pre-clinical							
Glucokinase regulator	Congenital Hyperinsulinism	Pre-clinical							
Fructose Kinase Inhibitor	Metabolic Disease	Pre-clinical							
mGLUR5 NAM - CNS	PD-LID	Pre-clinical							
Clinical Fructose detection	IVD	Pre-clinical							

Hua Medicine has a stable product pipeline with dorzagliatin and its lifecycle management plan. These include commercialization of dorzagliatin in China in two indications, which can potentially treat approximately 40% of the diabetes patients. Based on regulatory approval, additional clinical use of dorzagliatin without dose adjustment in diabetes kidney disease (DKD) patients offers a unique opportunity to those at late to end stage chronic kidney disease (CKD) patients to manage their blood glucose fluctuation. Dorzagliatin is also improving glycaemic control and beta cell function in diabetes patients with obesity when combined with sitagliptin and empagliflozin with no need for dose adjustment. Combination with DPP-4 inhibitors and SGLT-2 inhibitors will

We are at the forefront of diabetes prevention and remission. Our effort in understanding of the connection between glucose homeostasis and neurological defects has led to the discovery of dorzagliatin-based therapies to prevent diabetes and memory defects in GK rats (2023 ADA presentation). Reports showed that with increased age, or disease conditions like IGT, MODY2 and Type 2 diabetes, GK expression and function were significantly reduced. Dorzagliatin can restore the GK function and expression in the disease conditions, including MODY-2 (SENSITIZE I study, Diabetes 2023) and Type 2 diabetes (J Diabetes Res 2017). We reasoned that neurodegenerative diseases are a part of diabetes complications and our recent results suggested that the neuroprotective effect of dorzagliatin is an outcome of a sustained glucose homeostasis management effect in GK rats.

Except for the fixed dose combination programs, which we would endeavour to secure external funding prior to advancement to NDA approval and commercialization, the other pipeline programs are in relatively early-stage research and development, and the expenses associated with such early-stage studies are expected to be less than later stage, large scale clinical trials needed for approval. We believe all our programs have global development potential.

Cautionary Statement: We may not be able to ultimately develop and market our dorzagliatin successfully.

Business outlook

We will continue our responsibility as market authorization holder (MAH) of dorzagliatin to commercialize dorzagliatin in China with our partner, Bayer, to expand market share in diabetes care, especially among Type 2 diabetes patients with uncontrolled post prandial glucose (PPG) who will benefit from the improvement of beta cell function and time in range (TIR). We will continue to invest into our dorzagliatin manufacturing capability and the tier-1 distributor network to drive a three-pronged approach in China commercialization: hospital, pharmacy, and on-line drug stores. We are seeking entry into the National Reimbursement Drug List (NRDL), to facilitate the entry into hospital and increase accessibility by physicians in order to demonstrate dorzagliatin as a potential cornerstone treatment for Type 2 diabetes as monotherapy or in combination with other approved antidiabetic drugs. Additional benefits of dorzagliatin in disease prevention will be further explored in endocrinology and neurodegeneration. We are also advancing development of our second generation glucokinase activator for potential future international expansion including DKD and diseases associated with impaired glucose homeostasis. Currently, we are actively looking for business partners to advance our R&D programs and commercialization to help more patients globally.

Important events after the Reporting Period

On August 17, 2023, the Group and Bayer have confirmed the achievement of a certain milestone relating to the development of HuaTangNing (dorzagliatin tablets,HMS5552). Pursuant to the terms of the commercialization agreement entered into between the Group and Bayer, the Group has achieved the milestone event and the Group is entitled to receive a milestone payment of RMB800 million from Bayer. Further details are set out in the announcement of the Company dated August 18, 2023.

Save as disclosed above, there are no important events that have occurred since June 30, 2023 and up to the date of this report.

Financial review

Revenue

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

For the six months ended June 30, 2023, approximately 212,000 packs of HuaTangNing (®) were sold, generating sales of approximately RMB70.3 million. From first commercial launch through June 30, 2023, approximately 265,000 packs of

Research and development expenses decreased by RMB1.3 million to RMB71.0 million for the six months ended June 30, 2023

Cash operating cost

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Research and development costs	72,213	70,599
Manufacturing costs	61,568	-
Administrative costs		
– Workforce employment	35,810	38,276
– Others	32,108	33,448
Selling costs	18,725	-
	220,424	142,323

Cash flows

The following table provides information regarding our cash flows for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Net cash from (used in) operating activities	258,769	(116,659)
Net cash from investing activities	691	17,024
Net cash from (used in) financing activities	122,736	(4,293)
Effect of exchange rate changes	8,461	14,997
Net increase (decrease) in cash and cash equivalents	390,657	(88,931)

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. No sensitivity analysis has been disclosed for the Taiwan dollar denominated assets as the impact on profit is immaterial. 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, 2023 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, 2023 RMB'000	As of December 31, 2022 RMB'000
Impact on profit or loss		
US$	(9,342)	(9,893)
HK$	(2,499)	(2,250)

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, 2023 and December 31, 2022, we recorded net current assets of RMB717.5 million and RMB751.9 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Key financial ratios

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

	As of June 30, 2023	As of December 31, 2022
Current ratio[(1)]	3.8	5.0
Quick ratio[(2)]	3.7	5.0
Gearing ratio[(3)]	104.2%	34.9%

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

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

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

The current ratio as of June 30, 2023 decreased by 1.2 compared with that as of December 31, 2022, quick ratio as of June 30, 2023 decreased by 1.3 compared with that as of December 31, 2022, which was mainly due to the increase of short-term loan. The gearing ratio as of June 30, 2023 increased by 69.3% compared with that as of December 31, 2022, which was mainly due to the increase of short term and long term loan caused by our financing strategy.

Charge of the Group's assets

As of June 30, 2023, RMB7.8 million of the Group's bank deposits were charged by the bank for the performance guarantees to the Management Committee of Lingang New Area, Shanghai Pilot Free Trade Zone, China to secure commencement and completion of the factory construction and launch of production.

Deposits amounting to RMB4,696,000 (unaudited) (December 31, 2022: RMB4,696,000 (audited)) carrying a fixed interest rate of 1.50% have been pledged to secure commencement of the factory construction. Deposits amounting to RMB1,565,000 (unaudited) (December 31, 2022: RMB1,565,000 (audited)) carrying a fixed interest rate of 2.75% have been pledged to secure completion of the factory construction. These deposits will be released within 10 working days upon the completion of the factory construction, if such completion is before May 13, 2024. The remaining deposits amounting to RMB1,565,000 (unaudited) (December 31, 2022: RMB1,565,000 (audited)) carrying a fixed interest rate of 2.75% have been pledged to secure production of the factory. These deposits will be released within 10 working days upon the launch of production, if such launch is before November 12, 2024.

Capital commitments

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

	As of June 30, 2023 RMB'000	As of December 31, 2022 RMB'000
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	24	1,107

Future plans for material investments or capital assets

As of June 30, 2023, we planned to continue to invest in Shanghai Huasheng Inc, which was established at Shanghai Lingang Special Area for ensuring adequate dorzagliatin commercial supply and the source of funding is expected to come from internal resources and/or external borrowings, as considered appropriate by the management of the Company.

Contingent liabilities

Save as disclosed in this report, the Group had no material contingent liabilities as of June 30,2023 (as of June 30, 2022: 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 and 13.22 of the Listing Rules.

Employees and remuneration policy

As of June 30, 2023, we had 170 employees, as compared to a total of 144 employees as of December 31, 2022. The following table shows a breakdown of our employees by function as of June 30, 2023:

	Number of employees	Approximate percentage
Research and development	61	36%
General and administration	54	32%
Commercial and marketing	26	15%
Manufacturing	19	11%
Management	10	6%
Total	170	100%

The majority of the employees are employed in mainland China. For the six months ended June 30, 2023, the staff costs (including Directors' emoluments but excluding any contributions to pension scheme) were approximately RMB81.9 million as compared to RMB80.4 million for the six months ended June 30, 2022.

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.

Name or category of grantee	Date of grant	Exercise price	Vesting Period[1]	Exercise period	Number of Shares underlying options outstanding as at 1 January 2023	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of Shares underlying options outstanding as at 30 June 2023	Fair value of the options at the date of grant[4]	Closing price of the Shares immediately before the date of grant	Weighted average price of Shares immediately before the date(s) of exercise
Directors													
Dr. Li Chen	March 8, 2019 ~ March 31, 2023	HK$3.400 ~ 8.866	4 years	10 years from date of grant	20,079,000	4,000,000	–	–	–	24,079,000	HK$2.46	HK$3.52	

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Notes	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	70,331	–
Cost of sales		(26,284)	–
Gross profit		44,047	–
Other income	5	38,594	21,352
Other gains and losses	6	8,728	16,656
Administrative expenses		(54,017)	(68,536)
Finance cost	7	(3,529)	(1,805)
Research and development expenses		(70,998)	(72,286)
Selling expenses		(52,921)	–
Loss before tax	8	(90,096)	(104,619)
Income tax expense	9	–	–
Loss for the period		(90,096)	(104,619)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of Foreign operations		(451)	72
Other comprehensive (expense) income for the period, net of income tax		(451)	72
Total comprehensive expense for the period		(90,547)	(104,547)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(90,547)	(104,547)
		RMB	RMB
LOSS PER SHARE	12		
Basic and diluted		(0.09)	(0.11)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2023

	Notes	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Non-current assets			
Plant and equipment	13	49,479	53,855
Right-of-use assets	13	77,968	85,853
Intangible assets		30,311	31,952
Pledged bank deposits	15	3,130	3,130
Trade and other receivables	14	6,935	6,450
		167,823	181,240
Current assets			
Inventories		16,883	1,915
Trade and other receivables	14	70,912	441,192
Amounts due from a related party	22	230	1,822
Pledged bank deposits	15	4,696	4,696
Bank balances and cash	15	881,289	490,632
		974,010	940,257
Current liabilities			
Trade and other payables	16	79,008	79,111
Borrowings	17	105,000	33,923
Lease liabilities		23,717	21,490
Contract liabilities		43,303	43,303
Deferred income	18	5,518	10,559
		256,546	188,386
Net Current Assets		717,464	751,871
Total Assets Less Current Liabilities		885,287	933,111
Non-current liabilities			
Borrowings	17	57,684	–
Lease liabilities		30,831	42,169
Contract liabilities		584,596	606,248
Deferred income	18	3,750	5,114
		676,861	653,531
Net Assets		208,426	279,580
Capital and reserves			
Share capital	19	7,214	7,214
Treasury shares held in trust	19	(525)	(584)
Reserves		201,737	272,950
Total Equity		208,426	279,580

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Attributable to owners of the Company							
	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, 2023 (audited)	7,214	(584)	5,921,640	(9,498)	260,358	95	(5,899,645)	279,580
Loss for the period (unaudited)	–	–	–	–	–	–	(90,096)	(90,096)
Other comprehensive expense for the period (unaudited)	–	–	–	–	–	(451)	–	(451)
Total comprehensive expense for the period (unaudited)	–	–	–	–	–	(451)	(90,096)	(90,547)
Exercise of share options (Note 19 (b)) (unaudited)	–	59	7,767	(59)	–	–	–	7,767
Recognition of equity-settled share-based payment (unaudited)	–	–	–	–	11,626	–	–	11,626
At June 30, 2023 (unaudited)	7,214	(525)	5,929,407	(9,557)	271,984	(356)	(5,989,741)	208,426
At January 1, 2022 (audited)	7,211	(626)	5,910,257	(9,456)	239,082	1	(5,696,138)	450,331
Loss for the period (unaudited)	–	–	–	–	–	–	(104,619)	(104,619)
Other comprehensive income for the period (unaudited)	–	–	–	–	–	72	–	72
Total comprehensive income (expense) for the period (unaudited)	–	–	–	–	–	72	(104,619)	(104,547)
Exercise of share options (Note 19 (b)) (unaudited)	1	13	4,632	(13)	–	–	–	4,633
Restricted stock units vested under the trust (unaudited)	–	6	–	(6)	–	–	–	–
Recognition of equity-settled share-based payment (unaudited)	–	–	–	–	16,810	–	–	16,810
At June 30, 2022 (unaudited)	7,212	(607)	5,914,889	(9,475)	255,892	73	(5,800,757)	367,227

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(90,096)	(104,619)
Adjustments for:		
Bank interest income	(7,944)	(1,698)
Income from government grants	(6,405)	(19,110)
Depreciation of plant and equipment	6,154	5,894
Depreciation of right-of-use assets	9,890	9,468
Amortization of intangible assets	1,742	224
Finance cost	3,529	1,805
Share-based payment expense	11,626	16,810
Gain on disposal of equipment	(38)	–
Net unrealized foreign exchange gains	(8,911)	(14,925)
Operating cash flows before movements in working capital	(80,453)	(106,151)
Decrease (increase) in trade and other receivables	367,924	(3,184)
Decrease in amount due from a related party	1,592	–
Increase in inventories	(14,968)	–
Increase (decrease) in trade and other payables	5,030	(30,348)
Decrease in value added tax recoverable	1,296	23,024
Decrease in contract liabilities	(21,652)	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	258,769	(116,659)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(7,058)	(4,264)
Purchase of intangible assets	(101)	(304)
Payment on disposal of plant and equipment	(7)	–
Payments for rental deposits	–	(28)
Assets-related government grants received	–	20,000
Proceeds from disposal of plant and equipment	71	–
Proceeds from repayment of a loan to an employee	800	–
Interest received from bank	6,986	1,620
NET CASH FROM INVESTING ACTIVITIES	691	17,024

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Proceeds from borrowings	130,761	–
Proceeds from exercise of share options	8,500	1,816
Payments for bank interests	(1,923)	–
Repayment of borrowings	(2,000)	–
Repayments of leases liabilities	(12,602)	(6,109)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	122,736	(4,293)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	382,196	(103,928)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	490,632	675,238
Effects of exchange rate changes	8,461	14,997
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	881,289	586,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

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

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the nts have been 9tiStandas Bondaro aweleen 9tio aw wity th( )]TJ01003 Tc 0.092

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board (the "IASB"), for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment		
Timing of revenue recognition		
At a point in time		
Sales of pharmaceutical products	70,331	–

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 present.

Revenue by geographical location:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	70,331	–

5. OTHER INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	7,944	1,698
Government grants (Note a)	8,998	19,654
– R&D activities related grants	4,500	16,687
– Assets-related grants	4,155	2,423
– Others	343	544
Amortization of payments received for exclusive promotion rights granted (Note b)	21,652	–
	38,594	21,352

Note a:

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

5. OTHER INCOME (Continued)

8. LOSS BEFORE TAX

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of plant and equipment	6,154	5,894
Depreciation of right-of-use assets	9,890	9,871
Amortization of intangible assets	1,742	224
Total depreciation and amortization	17,786	15,989
Capitalized in construction in progress	–	(403)
	17,786	15,586
Staff cost (including directors' emoluments):		
– Salaries and other benefits	70,298	63,561
– Retirement benefit scheme contributions	3,884	5,725
– Share-based payment	11,626	16,810
	85,808	86,096
Auditors' remuneration	720	647
Expenses relating to short-term leases and leases of low-value assets	511	355

9. INCOME TAX EXPENSE

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

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

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

Hua Shanghai has been certified as a "High and New Technology Enterprise" by the Science and Technology Committee of Shanghai and rel2e G56 -ry 0i270,0 TDecembome14, 0.0le

9. INCOME TAX EXPENSE (Continued)

The subsidiary incorporated in the United States are subject to Federal and State Income taxes, the effective combined income tax rate is 21% for the current interim period.

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

10. LICENSE AGREEMENT

In December 2011, the Group entered into a research, development and commercialization agreement ("GKA Agreement") with Hoffman-La Roche Inc., and F. Hoffman-La Roche AG (collectively referenced as "Roche") under which Roche granted the Group an exclusive license of patent rights, know-how and regulatory filings with respect to a compound which is a glucokinase activator to research, develop and commercialize products ("Licensed Product") in the field of diabetes in the licensed territory (

12. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share	(90,096)	(104,619)

Number of Shares:

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	974,001,822	958,398,351

The computation of basic loss per share for the six months ended June 30, 2022 excluded the unvested restricted stock units of the Company.

The computation of diluted loss per share for the six months ended June 30, 2023 and 2022 respectively did not assume the exercise of share options and vesting of restricted stock units since their assumed exercise would result in a decrease in loss per share.

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

During the current interim period, the Group acquired RMB1,805,000 (unaudited) (six months ended June 30, 2022: RMB4,319,000 (unaudited)) of plant and equipment. In addition, during the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of RMB26,000 (unaudited) (six months ended June 30, 2022: nil (unaudited)) for cash proceeds of RMB64,000 (unaudited) (six months ended June 30, 2022: nil (unaudited)), resulting in a gain on disposal of RMB38,000 (unaudited) (six months ended June 30, 2022: nil (unaudited)). The net book value of plant and equipment at June 30, 2023 is RMB49,479,000 (unaudited) (December 31, 2022: RMB53,855,000 (audited)).

During the current interim period, the Group extended the lease terms of several existing lease agreements for one year. The Group is required to make fixed monthly or quarterly payments. On date of lease modification, the Group recognized right-of-use assets of RMB2,005,000 (unaudited) (six months ended June 30, 2022: RMB6,068,000 (unaudited)) and lease liabilities of RMB2,005,000 (unaudited) (six months ended June 30, 2022: RMB6,068,000 (unaudited)). The carrying amounts of right-of-use assets and lease liabilities at June 30, 2023 is RMB77,968,000 (unaudited) (December 31, 2022: RMB85,853,000 (audited)) and RMB54,548,000 (unaudited) (December 31, 2022: RMB63,659,000 (audited)), respectively.

14. TRADE AND OTHER RECEIVABLES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Trade receivables	16,100	11,121
Prepayments for research and development services	4,822	3,969
Prepayment for raw materials and manufacture services	40,133	16,542
Utility and rental deposits	5,517	5,490
– current	620	603
– non-current	4,897	4,887
Value added tax recoverable	2,934	1,638
– current	1,596	505
– non-current	1,338	1,133
Interest receivables	1,829	871
Other receivables for considerations of options exercised	11	744
Others	6,501	7,267
– current	5,801	6,837
– non-current	700	430
Receivables arising from exclusive promotion rights	–	400,000
	77,847	447,642
Analyzed as		
– current	70,912	441,192
– non-current	6,935	6,450
	77,847	447,642

14. TRADE AND OTHER RECEIVABLES (Continued)

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, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0-60 days	16,100	10,982
61-90 days	–	139
	16,100	11,121

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

16. TRADE AND OTHER PAYABLES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Trade payables	46,821	20,982
Payroll and bonus payables	19,218	38,342
Other payables	3,203	2,553
Accrued leasehold improvement expenditure	287	1,468
Construction expenditure	5,756	9,828
Others	3,571	5,906
Interest payable	152	32
	79,008	79,111

The average credit period on purchases of goods/services ranges up to 30 days.

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, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Uninvoiced or within 30 days	46,821	20,792
31 to 60 days	–	190
	46,821	20,982

17. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB130,761,000 (six months ended June 30, 2022: nil (unaudited)). The loans carry interest at fixed market rates of 3.50%-3.65% and are repayable in instalments over a period of 1-2 years. The proceeds were used for daily operations.

18. DEFERRED INCOME

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Government grants received		
R&D activities related grants (Note i)	–	2,250
Assets-related grants (Note ii)	9,268	13,423
	9,268	15,673
Less: current liabilities	(5,518)	(10,559)
Non-current liabilities	3,750	5,114

Notes:

i: The deferred income represents the government grants received from the local government to support the research and development activities of the Group. The grants will be recognized in profit or loss as other income upon the Group complying with the conditions attached to the grants and the government acknowledged acceptance.

ii: The asset-related grants amounting to RMB20,000,000 are the subsidies received from the government in 2022. The amount is for the purpose of compensation for leasehold improvement, furniture, fixture and equipment purchased by the Group in prior years. Amortization of RMB4,155,000 was recognized in profit or loss during the current interim period and the remaining balance will be recognized in profit or loss over the remaining useful lives of the corresponding assets.

19. SHARE CAPITAL

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

	Authorized number of shares	US$
Ordinary shares of US$0.001 each		
At December 31, 2022 (audited) and June 30, 2023 (unaudited)	2,000,000,000	2,000,000

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

19. SHARE CAPITAL (Continued)

The details of the changes of the treasury shares held in trust during the six months ended June 30, 2023 are set out as below:

	Number of treasury shares	US$	Shown in the condensed consolidated statement of financial position as RMB'000
Treasury shares held in trust at December 31, 2022 (audited) (Note (a))	85,478,024	85,477	584
Option exercised to purchase ordinary shares under the trust (Note (b))	(8,611,320)	(8,611)	(59)
Treasury shares held in trust at June 30, 2023 (unaudited) (Note (a))	76,866,704	76,866	525

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, 2023, 76,866,704 shares of the sum of US$76,866 (equivalent to RMB525,000) (December 31, 2022: 85,478,024 shares of the sum of US$85,477 (equivalent to RMB584,000)) are held in trust including 76,866,704 shares (December 31, 2022: 85,478,024 shares)

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

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, 2023	Exercise price per share
Directors:			
Dr. Li Chen	March 8, 2019 ~ March 31, 2023	24,079,000	HK$3.4~8.866
Mr. George Chien Cheng Lin	March 8, 2019 ~ March 31, 2023	1,500,000	HK$3.62~8.866
Employees	September 28, 2018 ~ May 8, 2023	28,837,739	HK$2.968~8.866
Individual consultants	March 8, 2019	200,000	HK$8.866

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

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Incentive Scheme and Post-IPO Share Option Scheme during the six months ended June 30, 2023:

Category	Option type	Outstanding at December 31, 2022	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding at June 30, 2023
Category 1: Directors							
Dr. Li Chen	Pre-IPO Share Incentive Scheme	11,421,725	–	–	–	–	11,421,725
	Post-IPO Share Option Scheme	20,079,000	4,000,000	–	–	–	24,079,000
	Subtotal	31,500,725	4,000,000	–	–	–	35,500,725
Mr. George Chien Cheng Lin	Pre-IPO Share Incentive Scheme	25,592,405	–	–	–	–	25,592,405
	Post-IPO Share Option Scheme	300,000	1,200,000	–	–	–	1,500,000
	Subtotal	25,892,405	1,200,000	–	–	–	27,092,405
	Total Directors	57,393,130	5,200,000	–	–	–	62,593,130
Category 2: Employees							
	Pre-IPO Share Incentive Scheme	38,615,793	–	(8,061,320)	–	(2,412,320)	28,142,153
	Post-IPO Share Option Scheme	23,529,822	6,200,000	–	(234,571)	(657,512)	28,837,739
	Total Employees	62,145,615	6,200,000	(8,061,320)	(234,571)	(3,069,832)	56,979,892
Category 3: Consultants							
	Pre-IPO Share Incentive Scheme	6,147,000	–	(550,000)	–	–	5,597,000
	Post-IPO Share Option Scheme	200,000	–	–	–	–	200,000
	Total Individual consultants	6,347,000	–	(550,000)	–	–	5,797,000
	Total all categories	125,885,745	11,400,000	(8,611,320)	(234,571)	(3,069,832)	125,370,022
	Exercisable at the end of the period	106,031,812					101,390,287
	Weighted average exercise price (HK$)	3.77	3.59	0.84	3.96	2.46	3.99

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

These fair values of the options granted during the six months ended June 30, 2023 were calculated using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	March 2023	May 2023
Grant date option fair value per share	HK$2.46	HK$1.91
Grant date share price	HK$3.62	HK$2.97
Exercise price	HK$3.62	HK$2.97
Expected volatility	75.20%	76.00%
Expected life	6.08 years	6.08 years
Risk-free rate	3.10%	3.01%
Expected dividend yield	0.00%	0.00%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. During six months ended June 30, 2023, the Group recognized RMB11,626,000 (unaudited) of share-based payment expense in relation to the grants of the share options (six months ended June 30, 2022: RMB16,624,000 (unaudited)).

Restricted stock units

In November 2017, Mr. George Chien Cheng Lin entered into an employee agreement including equity incentives of options under the Pre-IPO Share Incentive Scheme as disclosed above and the restricted stock units. Pursuant to the agreement, an aggregate of 7,422,975 shares of the Company were granted to Mr. George Chien Cheng Lin under the Pre-IPO Share Incentive Scheme on April 3, 2018. Such shares were vested after a qualified IPO achieved in 48 monthly instalments, subject to the grantee's continued employment through the applicable vesting date. The fair value of the restricted shares of the Company was US$0.24 per share which was determined by the fair value of ordinary shares on the grant date.

The restricted stock units were fully vested during the year ended December 31, 2022 and nil (unaudited) share-based payments expense recognized for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB186,000 (unaudited)).

21. COMMITMENTS

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Capital expenditure in respect of the acquisition of construction contracted for but not provided in the consolidated financial statements	24	1,107

22. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balance (Continued)

Notes:

(a) Guangdong 111 Pharmaceutical is an entity in which a director of the Company has significant influence.

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

(c) As of June 30, 2023, the aging of amounts due from related parties is within 60 days based on invoice date.

(3) Compensation of key management personnel

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	3,796	3,216
Retirement benefit scheme contributions	87	80
Share-based payment	5,183	6,313
	9,066	9,609

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

There is no Group's financial assets and financial liabilities are measured at fair value at the end of June 30, 2023 and December 31, 2022. The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements, however, approximate their fair values.

24. EVENTS AFTER THE REPORTING PERIOD

On August 17, 2023, the Group and Bayer have confirmed on the achievement of a certain milestone relating to the development of HuaTangNing (dorzagliatin tablets, HMS5552). Pursuant to the terms of the commercialization agreement entered into between the Group and Bayer, the Group has achieved the milestone event and the Group is entitled to receive a milestone payment of RMB800 million from Bayer.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2023.

Interim dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023 (June 30, 2022: Nil).

Use of net proceeds from the Global Offering

The Shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 14, 2018. The net proceeds from the Global Offering have been, and will continue to be, applied according to the intentions set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth the status of the Company's use of proceeds raised in the Global Offering as of June 30, 2023:

		% of use of proceeds	Net proceeds from the Global Offering RMB million	Unutilized net proceeds as of January 1, 2023 RMB million	Utilization during the six months ended June 30, 2023 RMB million	Actual usage up to June 30, 2023 RMB million	Unutilized net proceeds as of June 30, 2023 RMB million	Expected time frame for unutilized amount
(a)	Dorzagliatin research and development	39%	291.4	–	–	291.4	–	N/A
(b)	Dorzagliatin lifecycle management and additional indications	9%	67.2	12.3	1.8	56.7	10.5	By the end of year 2024
(c)	Dorzagliatin launch and commercialization	27%	201.8	98.6	86.8	190.0	11.8	By the end of year 2023
(d)	New product and diabetes care technology development	11%	82.2	58.8	9.5	32.9	49.3	By the end of year 2024
(e)	Product licensing and partnership	4%	29.9	–	–	29.9	–	N/A
(f)	General working capital	10%	74.7	–	–	74.7	–	N/A
	Total	100%	747.2	169.7	98.1	675.6	71.6	By the end of year 2024

Disclosure of interests

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

As at June 30, 2023, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the ordinary Shares:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Li CHEN	Interest of spouse[1]	25,220,690 (L)	2.39%
	Beneficial owner[2]	39,118,725 (L)	3.70%
	Interest in controlled corporation[3]	10,000,000 (L)	0.94%
George Chien Cheng LIN	Founder and beneficiary of a trust[4]	3,633,178 (L)	0.34%
	Beneficial owner[2]	31,958,522 (L)	3.02%
Robert Taylor NELSEN	Interest in controlled corporation[6]	125,088,960 (L)	11.85%
	Beneficial owner[7]	150,000 (L)	0.01%
Yiu Wa Alec TSUI	Beneficial owner[7]	24,000 (L)	0.01%

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) Options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme and 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, 2023.

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

Save as disclosed above, as at June 30, 2023, so far as the Directors are aware, none of the Directors or the chief executive of the Company had registered an interest or short position in any Shares, underlying Shares or debentures of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified.

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

As at June 30, 2023, the interests and short positions of every person (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares, as recorded in the register required to be kept under Section 336 of SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held[6]	Approximate percentage of shareholding in the Company
ARCH Venture Fund VII, L.P.[1]	Beneficial interest	125,088,960(L)	11.85%
ARCH Venture Partners VII, L.P.[1]	Interest in controlled corporation	125,088,960(L)	11.85%
ARCH Venture Partners VII, LLC[1]	Interest in controlled corporation	125,088,960(L)	11.85%
Keith Lawrence CRANDELL[1]	Interest in controlled corporation	125,088,960(L)	11.85%
Clinton Whitewood BYBEE[1]	Interest in controlled corporation	125,088,960(L)	11.85%
Venrock Associates V, L.P.[2]	Beneficial interest	103,475,595(L)	9.80%
Venrock Management V, LLC[2]	Interest in controlled corporation	103,475,595(L)	9.80%
WuXi PharmaTech Healthcare Fund I L.P.[3]	Beneficial interest	74,029,635(L)	7.01%
WuXi PharmaTech Fund I General Partner L.P.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi PharmaTech Investments (Cayman) Inc.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi PharmaTech Investment Holdings (Cayman) Inc.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi AppTec International Holdings Limited[3]	Interest in controlled corporation	73,829,635(L)	6.99%
WuXi AppTec Co., Ltd.[3]	Interest in controlled corporation	73,829,635(L)	6.99%
HLYY Limited[4]	Nominee of a trust	94,953,925(L)	8.99%
TCT (BVI) Limited[4]	Interest in controlled corporation	94,953,925(L)	8.99%
The Core Trust Company Limited[4]	Trustee	94,981,870(L)	8.99%
Jane Xingfang HONG[5]	Beneficial interest	19,220,690(L)	1.82%
	Interest of spouse	39,118,725(L)	3.70%
	Interest in controlled corporation	10,000,000(L)	0.94%
	Founder of Trust	6,000,000(L)	0.57%

Notes:

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

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

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

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 CG Code has been applicable to the Company with effect from the Listing Date.

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, 2023. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

Changes to information of the Directors

Mr. George Chien Cheng Lin had resigned as independent non-executive Director of Shanghai Bio-heart Biological Technology Co., Ltd., a company listed on the Main Board of the Stock Exchange (Stock code: 2185), with effect from June 26, 2023.

Save as disclosed above, there were no other changes to the information required to be disclosed pursuant to Rule 13.51B 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, 2023 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" ("HKSRE 2410") 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, 2023, and confirms that the applicable accounting principles, standard and requirements have been complied with, and that adequate disclosures have been made.

"NDA"	new drug application
"NMPA"	National Medical Products Administration (א ▫ Ỳ ĴÆ), and its predecessor, the China Food and Drug Administration (א ▫ ₲ Ỳ Ỳ ĴÆ)
"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"	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, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSUs"	restricted stock units
"Share(s)"	ordinary share(s) with nominal value of US$0.001 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"T2D"	Type 2 Diabetes
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S."	the United States of America