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HUA MEDICINE

華領醫藥

(Incorporated in the Cayman Islands with limited liability)

(stock code: 2552)

VOLUNTARY ANNOUNCEMENT

(1) ACQUISITION OF 100% EQUITY INTERESTS IN THE TARGET COMPANY

AND

(2) ENTERING INTO OF THE PROJECT COOPERATIVE DEVELOPMENT FRAMEWORK AGREEMENT

The announcement is made by Hua Medicine (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to inform the shareholders and potential investors of the Company about the latest business updates of the Group.

ACQUISITION OF 100% EQUITY INTERESTS IN THE TARGET COMPANY

The board (the “**Board**”) of directors of the Company (the “**Directors**”) is pleased to announce that, on 18 November 2022, Hua Shanghai* (華領醫藥技術(上海)有限公司) (“**Hua Shanghai**”) (an indirectly wholly-owned subsidiary of the Company), entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Dr. Li Changhong and Mr. Li Yankui* (李延奎) (as the nominee of Dr. Li Changhong) (collectively, the “**Transferors**”), pursuant to which, the Transferors conditionally agreed to sell, and Hua Shanghai conditionally agreed to purchase, 100% equity interests in Nanjing AscendRare Pharmaceutical Technology Co., Ltd* (南京盛德瑞爾醫藥科技有限公司) (the “**Target Company**”), at a consideration (the “**Consideration**”) of RMB1,025,000 (the “**Acquisition**”). The Consideration shall be settled in cash on the 30th day from the completion of the Acquisition (the “**Completion**”). Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company, and its financial information will be consolidated into the consolidated financial statements of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Transferors are third parties independent of and not connected with the Company and its connected persons.

As the applicable percentage (as defined under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Acquisition does not exceed 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment or waiver of the conditions precedent set out in the Equity Transfer Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

COOPERATIVE PROJECT WITH TARGET COMPANY

The Board is also pleased to announce that, on 17 October 2022, Hua Shanghai and the Target Company had entered into a project cooperative development framework agreement (the “**Framework Agreement**”) to establish a commissioned development relationship to develop Orphan Drugs in the field of innovative targets and innovative compounds.

INFORMATION OF THE GROUP

Hua Shanghai is a company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company.

The Group is a China-based drug development company currently focusing on the commercialization of HuaTangNing (華堂寧®), dorzaglatin, a first-in-class oral drug for the treatment of Type 2 diabetes (T2D).

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. It is principally engaged in conducting pancreatic islet research-based development of new drugs for diabetes. As at the date of this announcement, the Target Company is wholly owned by Mr. Li Yankui* (李延奎) (as the nominee of Dr. Li Changhong).

REASONS AND BENEFITS OF THE ACQUISITION AND THE PROPOSED COOPERATION

The Company believes that the Acquisition is a great and unique opportunity to expand into the metabolic rare disease field by leveraging the Group and the Target Company’s combined leading expertise in glucokinase technology. Dr. Li Changhong received his M.D. and Ph.D. degrees from Peking University School of Medicine (formerly known as Beijing Medical University), and spent over 18 years working at the Children’s Hospital of Pennsylvania and the Perelman School of Medicine at the University of Pennsylvania. During this time, Dr. Li served as research assistant professor at the University of Pennsylvania, and worked extensively with the renowned pediatric endocrinologist Dr. Charles Stanley and the “godfather of glucokinase”, the renowned islet biologist Dr. Franz Matschinsky. The focus of Dr. Li’s research during this period was on insulin secretion regulation and islet-related diseases, including congenital hyperinsulinism and diabetes. In 2018, Dr. Li founded the Target Company to further his work in this field. The Company believes that the Acquisition would considerably strengthen the Group’s scientific capabilities and academic network, and expects to realize synergies from the combination which could result in optimized novel glucokinase candidates for the treatment of various diseases, both in rare disease indication as well as for broader metabolic disorders. Accordingly, Dr. Li has been appointed as Chief Scientific Officer of the Group and CEO of the Target Company and will report to the Group CEO, Dr. Chen Li, to further drive glucokinase innovation in the metabolic field. Dr. Chen will retire his CSO title of the Group, effective concurrently.

The Directors consider that the terms of the Equity Transfer Agreement and the Framework Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the shareholders of the Company as a whole.

By Order of the Board

Dr. Li Chen

Chief Executive Officer and Executive Director

Shanghai, 18 November 2022

As at the date of this announcement, the Board comprises Dr. Li Chen and Mr. George Chien Cheng Lin as executive Directors; Mr. Robert Taylor Nelsen and Ms. Wei Zhao as non-executive Directors; and Mr. Walter Teh-ming Kwauk, Mr. William Robert Keller, Mr. Junling Liu and Mr. Yiu Wa Alec Tsui as independent non-executive Directors.