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HUA MEDICINE
華領醫藥

(Incorporated in the Cayman Islands with limited liability)

(stock code: 2552)

CONTINUING CONNECTED TRANSACTION
SALES AND DISTRIBUTION FRAMEWORK AGREEMENT

SALES AND DISTRIBUTION FRAMEWORK AGREEMENT

The Board is pleased to announce that on April 7, 2023, the Company entered into the Sales and Distribution Framework Agreement (as defined below) with 111, Inc., pursuant to which, 111, Inc., as a non-exclusive distributor of the Group, would purchase the Products from the Group and then sell the same to end users through their online platform for a period from April 7, 2023 to December 31, 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Junling Liu, an ex-independent non-executive Director of the Company who resigned on March 31, 2023, holds approximately 46.0% voting power in 111, Inc. As such, 111, Inc. is an associate of a connected person of the Company. Therefore, the transactions contemplated under the Sales and Distribution Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Sales and Distribution Framework Agreement with reference to the proposed annual cap is more than 0.1% but below 5%, the agreement is subject to the reporting, announcement and annual review requirements, but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Consideration and pricing policies

The Products shall be supplied to 111, Inc. for distribution in the PRC on principally arm's length commercial terms (specifically with reference to unit price) and on terms no more favorable than those offered by the Group to other independent tier-1 distributors. The transaction amount shall be billed and settled pursuant to the underlying transaction agreements.

To ensure that the terms and relevant price the Group charges 111, Inc. under the Sales and Distribution Framework Agreement are on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole, the Group will regularly examine the pricing of the Products under the Sales and Distribution Framework Agreement to ensure that such transactions are conducted in accordance with the pricing terms thereof, including reviewing the historical transaction records of the Group for similar sales and arrangements with other independent third party for similar services.

Historical amounts

The unaudited historical transaction amounts received by the Group with respect to the Products supplied to 111, Inc. for resale on its online platform for the three months ended March 31, 2023 based on the Company's management accounts was approximately RMB7.3 million.

Annual cap

In respect of the Sales and Distribution Framework Agreement, the transaction amounts to be received by the Group for the year ending December 31, 2023 shall not exceed the proposed RMB40.0 million.

Basis for annual cap

The above proposed annual cap for the transaction amount to be paid by 111, Inc. in respect of the Sales and Distribution Framework Agreement is determined based on:

(i) the estimated unit prices of the Products set out in the Sales and Distribution Framework Agreement;

(ii) the unaudited historical transaction amount with respect to the Products supplied to 111, Inc. for resale on its online platform for the three months ended March 31, 2023;

(iii) the expected increase in demand for the Products and the estimated total transaction amount with respect to the supply of Products to 111, Inc. for the year ended December 31, 2023. Given the demand for the Products in the three months ended March 31, 2023, the Group anticipates that the sales will continue to grow due to the expected increased sales ramp during the first couple years of commercialization, and specifically due to the novel and differentiated benefits HuaTangNing (华堂宁®) potentially offers to T2D patients, as demonstrated in its clinical trials and stated in its NMPA-approved label; and

(iv) the resale and distribution capacity of 111, Inc.'s platform.

INTERNAL CONTROLS FOR THE CONTINUING CONNECTED TRANSACTION

The Company will adopt adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the annual cap of the transaction contemplated under the Sales and Distribution Framework Agreement.

The legal department and financial management department of the Group will summarize the transaction amounts incurred under the Sales and Distribution Framework Agreement regularly on a monthly basis and report to the senior management of the Group. The senior management and the relevant departments of the Group will be informed of the status of such transactions in a timely manner such that the transaction amounts can be conducted within the annual cap. In addition, the independent non-executive Directors of the Group will review the transactions in relation to the Sales and Distribution Framework Agreement on an annual basis, and confirm whether such continuing connected transaction has been conducted in the ordinary and usual course of business of the Group, on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transaction is conducted in accordance with the policies set forth herein. The Company will also engage its external auditors to conduct annual review of the continuing connected transactions in accordance with the requirements under the Listing Rules.

INFORMATION ON THE PARTIES

The Group

Hua Medicine is an innovative drug development and commercialization company based in Shanghai, China, focused on developing novel therapies for patients worldwide with unmet medical needs. Based on global resources, Hua Medicine teams up with global high-caliber people to develop breakthrough technologies and products, which contribute a global innovation in diabetes care. As Hua Medicine's cornerstone product, HuaTangNing (华堂宁®), targets the glucose sensor, glucokinase, restores glucose sensitivity in T2D patients and stabilizes the imbalance of blood glucose levels in patients. HuaTangNing (华堂宁®) was approved by NMPA of China on September 30, 2022, and we were notified of its approval on October 8, 2022. It can be used alone or in combination with metformin hydrochloride-tolerated T2D patients. For those patients with chronic kidney disease (CKD) and Type 2 diabetes (i.e., diabetes kidney disease), no dose adjustment is required. Hua Medicine has partnered with Bayer, a leading global pharmaceutical company, to commercialize HuaTangNing (华堂宁®) in China, benefiting diabetic patients and their families. HuaTangNing (华堂宁®) has also demonstrated its potential of achieving diabetes remission in clinical studies to help millions of diabetic patients around the world.

111, Inc.

111, Inc., an exempted company limited by shares incorporated under the laws of the Cayman Islands, is a leading digital healthcare platform dedicating to digitally connecting patients with drugs and healthcare services in China with its shares listed on the NASDAQ Global Market under the symbol "YI".

As of the date of this announcement, Mr. Liu is interested in 36,000,000 Class B ordinary shares and 1,076,988 Class A ordinary shares in 111, Inc., representing approximately 46.0% of the voting rights in 111, Inc. through shares capable of being exercised on resolutions in general meetings.

LISTING RULES IMPLICATIONS

"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries and consolidated affiliated entities from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Liu"	Mr. Junling Liu, an ex-independent non-executive Director of the Company who resigned on March 31, 2023
"Products"	HuaTangNing (华堂宁®)
"RMB"	Renminbi, the lawful currency of China
"Sales and Distribution Framework Agreement"	the agreement dated April 7, 2023 entered into between the Company and 111, Inc. pursuant to which, 111, Inc., as a non-exclusive distributor of the Group, would purchase the Products from the Group and then sell the same to end users through their online platform for a period from April 7, 2023 to December 31, 2023.
"Share(s)"	ordinary share(s) with nominal value of US$0.001 each in the share capital of the Company
"Shareholders"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

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

Hong Kong, April 10, 2023

As at the date of this announcement, the Board of Directors 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. William Robert Keller, Mr. Yiu Wa Alec Tsui and Mr. Yiu Leung Andy Cheung as independent non-executive Directors.