The following table shows our investments in our equity investees as of the dates indicated.

	As of December 31, 2023	As of December 31, 2022
	$'000	
Shanghai Hutchison Pharmaceuticals	48,411	73,461
Other	—	316
Total	48,411	73,777

The following table shows the financial position of Shanghai Hutchison Pharmaceuticals as of the dates indicated.

	As of December 31, 2023	As of December 31, 2022
	$'000	
Current assets	201,025	214,267
Non-current assets	73,939	80,062
Current liabilities	(179,649)	(147,952)
Non-current liabilities	(3,687)	(4,944)
Net assets	91,628	141,433

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amounts and as percentages of our revenue. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. Our operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,					
	2023		2022		2021	
	$'000	%	$'000	%	$'000	%
Revenue	837,999	100.0	426,409	100.0	356,128	100.0
Cost of revenue	(384,447)	(45.9)	(311,103)	(73.1)	(258,234)	(72.5)
Research and development expenses	(302,001)	(36.0)	(386,893)	(90.7)	(299,086)	(84.0)
Selling expenses	(53,392)	(6.4)	(43,933)	(10.3)	(37,827)	(10.6)
Administrative expenses	(79,784)	(9.5)	(92,173)	(21.6)	(89,298)	(25.1)
Gain on divestment of an equity investee	—	—	—	—	121,310	34.1
Other income/(expense)	39,933	4.8	(2,729)	(0.6)	(8,733)	(2.5)
Income tax (expense)/benefit	(4,509)	(0.5)	283	0.1	(11,918)	(3.3)
Equity in earnings of equity investees, net of tax	47,295	5.6	49,753	11.7	60,617	17.0
Net income/(loss)	101,094	12.1	(360,386)	(84.5)	(167,041)	(46.9)
Net income /(loss) attributable to our company	100,780	12.0	(360,835)	(84.6)	(194,648)	(54.7)

Taxation

Cayman Islands

HUTCHMED (China) Limited is incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on profits, income, gains or appreciation earned by individuals or corporations. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands. For more information, see Item 10.E. "Taxation—Overview of Tax Implications of Various Other Jurisdictions—Cayman Islands Taxation."

People’s Republic of China

Our subsidiaries and a joint venture incorporated in the PRC are governed by the EIT Law and regulations. Under the EIT Law, the standard EIT rate is 25% on taxable profits as reduced by available tax losses. Tax losses may be carried forward to offset any taxable profits for the following five years (extended to ten years for those with HNTE status, with effective from January 1, 2018). HUTCHMED Limited and our non-consolidated joint venture, Shanghai Hutchison Pharmaceuticals, have been successful in their respective applications to renew their HNTE status for three years from January 1, 2023 to December 31, 2025. Accordingly, these entities are eligible to a preferential EIT rate of 15% for the years ended/ending December 31, 2023, 2024 and 2025. HUTCHMED (Suzhou) Limited, a wholly owned subsidiary of HUTCHMED Limited, successful renewed its HNTE status for another three years from January 1, 2021 to December 31, 2023. Accordingly, it is eligible for a preferential EIT rate of 15% for the years ended December 31, 2021, 2022 and 2023.

For more information, see Item 10.E. “Taxation—Taxation in the PRC.” Please also see Item. 3 “Key Information—Risk Factors—Other Risks and Risks Relating to Doing Business in China—Our business benefits from certain PRC government tax incentives. The expiration of, changes to, or our PRC subsidiaries/joint venture failing to continuously meet the criteria for these incentives could have a material adverse effect on our operating results by significantly increasing our tax expenses.”

According to the EIT Law and its implementation regulations, dividends declared after January 1, 2008 and paid by PRC foreign-invested enterprises to their non-PRC parent companies will be subject to PRC withholding tax at 10% unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is a tax resident and which specifically exempts or reduces such withholding tax, and such tax exemption or reduction is approved by the relevant PRC tax authorities. Pursuant to the tax arrangement between PRC and Hong Kong, if a shareholder of the PRC enterprise is a Hong Kong tax resident and directly holds a 25% or more equity interest in the PRC enterprise and is considered to be the beneficial owner of dividends paid by the PRC enterprise, such withholding tax rate may be lowered to 5%, subject to approval by the relevant PRC tax authorities. For more information, see Item 10.E. “Taxation—Taxation in the PRC” and “Taxation—Overview of Tax Implications of Various Other Jurisdictions— Hong Kong Taxation.”

Hong Kong

Our company and certain of its subsidiaries are subject to Hong Kong Profits Tax laws and regulations. Hong Kong has a two-tiered Profits Tax rates regime under which the first HK$2.0 million ($0.3 million) of assessable profits of qualifying corporations will be taxed at 8.25%, with the remaining assessable profits taxed at 16.5%. Hong Kong Profits Tax has been provided for at the relevant rates on the estimated assessable profits less estimated available tax losses, if any, of these entities as applicable.

Period-to-Period Comparison of Results of Operations

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 96.5% from $426.4 million for the year ended December 31, 2022 to $838.0 million for the year ended December 31, 2023, which resulted from increased revenue primarily in the Oncology/Immunology operations.

Revenue from Oncology/Immunology increased by 222.6% from $163.8 million for the year ended December 31, 2022 to $528.6 million for the year ended December 31, 2023, primarily due to revenue from Takeda of $353.1 million for the year ended December 31, 2023 (of which $280.0 million was the revenue recognized from the $400 million upfront payment received, $33.9 million was revenue related to research and development services, $32.0 million was the revenue recognized from the $35 million milestone payment received which was triggered by FDA approval of Fruzaqla in November 2023, $5.1 million was revenue from invoiced sales of goods to Takeda and $2.1 million was royalty revenue). The increase was also attributable to the sales of Elunate from $69.9 million for the year ended December 31, 2022 (of which $14.7 million was revenue from sales of goods primarily to Eli Lilly, $13.9 million was royalty revenue and $41.3 million was revenue from promotion and marketing services to Eli Lilly) to $83.2 million for the year ended December 31, 2023 (of which $18.0 million was revenue from sales of goods primarily to Eli Lilly, $16.6 million was royalty revenue and $48.6 million was revenue from promotion and marketing services to Eli Lilly). Sales of Sulanda have also contributed to the increase in revenue from $32.3 million for the year ended December 31, 2022 to $43.9 million for the year ended December 31, 2023. The increase was also attributable to the sales of Orpathys from $22.3 million for the year ended December 31, 2022 (of which $9.9 million was revenue from sales of goods and $12.4 million was royalty revenue) to $28.9 million for the year ended December 31, 2023 (of which $15.1 million was revenue from sales of goods and $13.8 million was royalty revenue). The increase has been netted off by reduction in revenue related to other (non-Takeda) research and development services which have decreased from $38.7 million for the year ended December 31, 2022 to $18.0 million for the year ended December 31, 2023, primarily attributable to receipt of a $15.0 million milestone payment upon initiating start-up activities for a Global Phase III study of Orpathys in Lung Cancer in March 2022 as well as less cost reimbursement from Eli Lilly for the year ended December 31, 2023.

Revenue from our Other Ventures increased by 17.8% from $262.6 million for the year ended December 31, 2022 to $309.4 million for the year ended December 31, 2023, primarily due to an increase in sales of prescription drugs products. Revenue from sales of prescription drugs increased by 24.5% from $237.3 million for the year ended December 31, 2022 to $295.4 million for the year ended December 31, 2023, primarily due to increased sales by our consolidated joint venture Hutchison Sinopharm. Revenue from sales of our consumer health products on the other hand has decreased by 44.7% from $25.3 million for the year ended December 31, 2022 to $14.0 million for the year ended December 31, 2023, primarily due to decreased sales by our consolidated joint venture Hutchison Hain Organic (which was divested in December 2023).

Cost of Revenue

Our cost of revenue increased by 23.6% from $311.1 million for the year ended December 31, 2022 to $384.4 million for the year ended December 31, 2023. This increase was due to increased sales by the Oncology/Immunology and Other Ventures operations.

Cost of revenue from Oncology/Immunology increased by 32.6% from $69.2 million for the year ended December 31, 2022 to $91.7 million for the year ended December 31, 2023, primarily due to an increase in sales of Elunate (including the provision of promotion and marketing services to Eli Lilly), Sulanda, Orpathys and Fruzaqla.

Cost of revenue from our Other Ventures increased by 21.0% from $241.9 million for the year ended December 31, 2022 to $292.7 million for the year ended December 31, 2023, which was primarily due to increased sales.

Cost of revenue as a percentage of our revenue decreased from 73.0% to 45.9% across these periods, primarily due to the new revenue from Takeda.

Research and Development Expenses

Our research and development expenses incurred by Oncology/Immunology decreased by 21.9% from $386.9 million for the year ended December 31, 2022 to $302.0 million for the year ended December 31, 2023, which was primarily due to a $58.6 million decrease in CROs and other clinical trial related costs and a $26.3 million decrease in personnel compensation and related costs. These decreased costs were primarily due to completion of major registration-enabling trials and strategic prioritization of our pipelines. Research and development expenses as a percentage of our revenue decreased from 90.7% to 36.0% across these periods, primarily due to the new revenue from Takeda and the aforementioned decrease in spending.

Selling Expenses

Our selling expenses increased by 21.5% from $43.9 million for the year ended December 31, 2022 to $53.4 million for the year ended December 31, 2023, primarily due to the expansion of our China oncology commercial team and increased marketing activities. Selling expenses as a percentage of our revenue decreased from 10.3% to 6.4% across these periods, primarily due to the new revenue from Takeda.

Administrative Expenses

Our administrative expenses decreased by 13.4% from $92.2 million for the year ended December 31, 2022 to $79.8 million for the year ended December 31, 2023. This was primarily due to a $10.4 million decrease in administrative expenses incurred by Oncology/Immunology, which was mainly due to the restructuring of our U.S. Oncology/Immunology commercial operations in 2022. Administrative expenses as a percentage of our revenue decreased from 21.6% to 9.5% across these periods, primarily due to the new revenue from Takeda and the aforementioned decrease in spending.

Other Income/(Expense)

We had net other expenses of $2.7 million for the year ended December 31, 2022 compared to net other income of $39.9 million for the year ended December 31, 2023. The change was primarily due to higher interest income of $26.5 million primarily from the interest earned on the $400 million Takeda upfront received. The change was also contributed by the net foreign exchange loss of $5.7 million for the year ended December 31, 2022 as compared to the net foreign exchange gain of $8.7 million for the year ended December 31, 2023 on USD denominated bank balances in China.

Income Tax (Expense)/Benefit

We had income tax benefit of $0.3 million for the year ended December 31, 2022 compared to income tax expense of $4.5 million for the year ended December 31, 2023, primarily due to an increase in taxable profit in Oncology/Immunology which was mainly due to the restructuring of our U.S. Oncology/Immunology commercial operations at the end of 2022.

Equity in Earnings of Equity Investees

Our equity in earnings of equity investees, net of tax, decreased by 4.9% from $49.8 million for the year ended December 31, 2022 to $47.3 million for the year ended December 31, 2023, primarily due to a decrease in gross profit margin by Shanghai Hutchison Pharmaceuticals for the year ended December 31, 2023.

Shanghai Hutchison Pharmaceuticals

The following table shows a summary of the results of operations of Shanghai Hutchison Pharmaceuticals for the years indicated. The consolidated financial statements of Shanghai Hutchison Pharmaceuticals are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this annual report.

	Year Ended December 31,			
	2023		2022	
	($'000)	%	($'000)	%
Revenue	385,483	100.0	370,600	100.0
Cost of sales	(101,122)	(26.2)	(89,487)	(24.1)
Selling expenses	(150,717)	(39.1)	(144,979)	(39.1)
Administrative expenses	(26,107)	(6.8)	(21,727)	(5.9)
Other net operating income	5,027	1.3	2,126	0.5
Taxation charge	(17,022)	(4.4)	(16,738)	(4.5)
Profit for the year	95,463	24.8	99,683	26.9
Equity in earnings of equity investee attributable to our company(1)	47,295	12.3	49,748	13.4

(1) Equity in earnings of equity investee attributable to our company is presented under U.S. GAAP. The amount for the year ended December 31, 2023 includes elimination of unrealized profits on transactions with the Group of $131,000 and GAAP difference of $306,000. The amount for the year ended December 31, 2022 includes elimination of unrealized profits on transactions with the Group of $110,000 and GAAP difference of $16,000.

Shanghai Hutchison Pharmaceuticals’ revenue increased by 4.0% from $370.6 million for the year ended December 31, 2022 to $385.5 million for the year ended December 31, 2023, primarily due to an increase in sales of She Xiang Bao Xin pills, a vasodilator used in the treatment of heart conditions. Sales of She Xiang Bao Xin pills increased by 2.1% from $341.6 million for the year ended December 31, 2022 to $348.6 million for the year ended December 31, 2023. The increase in revenue was also due to an $8.6 million increase in sales Zhi Ling Tong infant nutrition products manufactured by Hutchison Healthcare and distributed by Shanghai Hutchison Pharmaceuticals starting from October 1, 2022.

Cost of sales increased by 13.0% from $89.5 million for the year December 31, 2022 to $101.1 million for the year ended December 31, 2023, primarily due to higher sales of She Xiang Bao Xin pills. Shanghai Hutchison Pharmaceuticals’ revenue increased at a lower rate than the cost of sales mainly due to the impact of gradual price adjustment from volume-based procurement.

Selling expenses increased by 4.0% from $145.0 million for the year ended December 31, 2022 to $150.7 million for the year ended December 31, 2023, as a result of increased spending on marketing activities to support the increase in sales.

Administrative expenses increased by 20.2% from $21.7 million for the year ended December 31, 2022 to $26.1 million for the year ended December 31, 2023, primarily due to an increase in staff costs and other office expenses to support commercial activities.

Other net operating income increased by 136.5% from $2.1 million for the year ended December 31, 2022 to $5.0 million for the year ended December 31, 2023, primarily due to an increase in government grants.

Taxation charge increased by 1.7% from $16.7 million for the year ended December 31, 2022 to $17.0 million for the year ended December 31, 2023, primarily due to the reversal of certain deferred tax assets.

As a result of the foregoing, profit decreased by 4.2% from $99.7 million for the year ended December 31, 2022 to $95.5 million for the year ended December 31, 2023. Our equity in earnings of equity investees contributed by this joint venture was $49.7 million and $47.3 million for the years ended December 31, 2022 and 2023, respectively.

For more information on the financial results of our non-consolidated joint ventures, see “—Key Components of Results of Operations— Equity in Earnings of Equity Investees.”

Net Income/(Loss)

As a result of the foregoing, our net loss of 360.4 million for the year ended December 31, 2022 turned into net income of $101.1 million for the year ended December 31, 2023. Net loss attributable to our company of $360.8 million for the year ended December 31, 2022 turned into net income attributable to our Company of $100.8 million for the year ended December 31, 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

For a discussion of our results of operations for the year ended December 31, 2022 compared to the year ended December 31, 2021, see Item 5.A. “Operating Results” of our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on February 28, 2023.

B. Liquidity and Capital Resources

To date, we have taken a multi-source approach to fund our operations, including through cash flows generated and dividend payments from our Oncology/Immunology and Other Ventures operations, service and milestone and upfront payments from our collaboration partners, bank borrowings, investments from other third parties, proceeds from our listings on various stock exchanges and follow-on offerings.

Primarily due to an increase in total revenue driven by Oncology/Immunology partnering, its strong commercial progress in China, and growth in third-party distribution sale, net income attributable to the Company amounted to $100.8 million for the year ended December 31, 2023, while for the years ended December 31, 2022 and 2021 the net loss attributable to the Company was $360.8 million and $194.6 million, respectively. Our Oncology/Immunology operations have historically not generated significant profits or have operated at a net loss, as creating potential global first-in-class or best-in-class drug candidates requires a significant investment of resources over a prolonged period of time. As a result, we anticipate that we may need additional financing for our Oncology/Immunology operations in future periods. See Item 3.D. “Risk Factors—Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates—Our Oncology/Immunology operations have not generated significant profits and have operated at a net loss historically until recently, and our future profitability is dependent on the successful commercialization of our drug candidates.”

As of December 31, 2023, we had cash and cash equivalents of $283.6 million and short-term investments of $602.7 million and unutilized bank facilities of $68.1 million. Substantially all of our bank deposits are at major financial institutions, which we believe are of high credit quality. As of December 31, 2023, we had $79.3 million in bank loans, of which $48.2 million was related to a fixed asset loan and $31.1 million was related to a working capital loan. The total weighted average cost of bank borrowings for the year ended December 31, 2023 was 3.41% per annum. For additional information, see “—Loan Facilities.”

Certain of our subsidiaries and joint ventures, including those registered as wholly foreign-owned enterprises in China, are required to set aside at least 10.0% of their after-tax profits to their general reserves until such reserves reach 50.0% of their registered capital. In addition, certain of our joint ventures are required to allocate certain of their after-tax profits as determined in accordance with related regulations and their respective articles of association to the reserve funds upon their board approval. Profit appropriated to the reserve funds for our subsidiaries and joint ventures incorporated in the PRC was approximately $89,000, $318,000 and $168,000 for the years ended December 31, 2021, 2022 and 2023, respectively.

In addition, as a result of PRC regulations restricting dividend distributions from such reserve funds and from a company’s registered capital, our PRC subsidiaries are restricted in their ability to transfer a certain amount of their net assets to us as cash dividends, loans or advances. This restricted portion amounted to $1.0 million as of December 31, 2023. Although we do not currently require any such dividends, loans or advances from our PRC subsidiaries to fund our operations, should we require additional sources of liquidity in the future, such restrictions may have a material adverse effect on our liquidity and capital resources. For more information, see Item 4.B. “Business Overview—Regulation—PRC Regulation of Foreign Currency Exchange, Offshore Investment and State-Owned Assets—Regulation on Investment in Foreign invested Enterprises—Regulation on Dividend Distribution.”

In addition, our non-consolidated joint venture Shanghai Hutchison Pharmaceuticals held $19.1 million in cash and cash equivalents and no bank borrowings as of December 31, 2023. Such cash and cash equivalents are only accessible by us through dividend payments from the joint venture. The level of dividends declared by the joint venture is subject to agreement each year between us and our joint venture partner based on the profitability and working capital needs of the joint venture. As a result, we cannot guarantee that the joint venture will continue to pay dividends to us in the future at the same rate we have enjoyed in the past, or at all, which may have a material adverse effect on our liquidity and capital resources. For more information, see Item 3.D. “Risk Factors—Risks Relating to Sales of our Internally Developed Drugs and Other Drugs—As a significant portion of the operations of our Other Ventures is conducted through joint ventures, we are dependent on the success of our joint ventures, our receipt of dividends or other payments from our joint ventures for cash to fund our operations, and our investments in our joint ventures are subject to liquidity risk.”

We believe that our current levels of cash and cash equivalents, short-term investments, along with cash flows from operations, dividend payments and unutilized bank borrowings, will be sufficient to meet our anticipated cash needs for at least the next 12 months. In the long term, we believe that we can meet our need for cash through revenue generated from marketed products, public and private sales of our securities and the potential disposals of our remaining non-core businesses. However, we may require additional financing in order to fund all of the clinical development efforts that we plan to undertake to accelerate the development of our clinical-stage drug candidates. For more information, see Item 3.D. “Risk Factors—Risks Relating to Our Financial Position and Need for Capital.”

	Year Ended December 31,		
	2023	2022	2021
		($’000)	
Cash Flow Data:			
Net cash generated from/(used in) operating activities	219,258	(268,599)	(204,223)
Net cash (used in)/generated from investing activities	(291,136)	296,588	(306,320)
Net cash generated from/(used in) financing activities	48,660	(82,763)	650,028
Net (decrease)/increase in cash and cash equivalents	(23,218)	(54,774)	139,485
Effect of exchange rate changes	(6,471)	(9,490)	2,427
Cash and cash equivalents at beginning of the year	313,278	377,542	235,630
Cash and cash equivalents at end of the year	283,589	313,278	377,542

Net Cash generated from/(used in) Operating Activities

Net cash used in operating activities was $268.6 million for the year ended December 31, 2022, compared to net cash generated from operating activities of $219.3 million for the year ended December 31, 2023. The net change of $487.9 million was primarily attributable to a net loss attributable to the Company of $360.8 million for the year ended December 31, 2022 turning into a net income attributable to the Company of $100.8 million for the year ended December 31, 2023 (which included $312.0 million in upfront and milestone income recognized from Takeda).

For a discussion of our net cash used in operating activities for the years ended December 31, 2022 and 2021, see Item 5.B. “Liquidity and Capital Resources” of our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on February 28, 2023.

Net Cash (used in)/generated from Investing Activities

Net cash generated from investing activities was $296.6 million for the year ended December 31, 2022, compared to net cash used in investing activities of $291.1 million for the year ended December 31, 2023. The net change of $587.7 million was primarily attributable to placement of more short-term investments which had net withdrawals of $316.4 million for the year ended December 31, 2022 as compared to net deposits of $285.0 million for the year ended December 31, 2023. The net change was partially offset by a $13.0 million increase in amounts received from the divestment of a former equity investee from $16.5 million during the year ended December 31, 2022 to $29.5 million during the year ended December 31, 2023.

For a discussion of our net cash generated from/(used in) investing activities for the years ended December 31, 2022 and 2021, see Item 5.B. “Liquidity and Capital Resources” of our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on February 28, 2023.

Net Cash generated from/(used in) Financing Activities

Net cash used in financing activities was $82.8 million for the year ended December 31, 2022, compared to net cash generated from financing activities of $48.7 million for the year ended December 31, 2023. The net change of $131.5 million was mainly attributable to bank borrowings which had a net repayment of $9.2 million during the year ended December 31, 2022 as compared to net proceeds of $61.7 million during the year ended December 31, 2023. The net change was also attributable to a $39.0 million decrease in purchases of ADSs by a trustee for the settlement of equity awards of the Company from $48.1 million for the year ended December 31, 2022 to $9.1 million for the year ended December 31, 2023, as well as a $16.5 million decrease in dividends paid to non-controlling shareholders of subsidiaries from $25.6 million for the year ended December 31, 2022 to $9.1 million for the year ended December 31, 2023.

For a discussion of our net cash (used in)/generated from financing activities for the years ended December 31, 2022 and 2021, see Item 5.B. “Liquidity and Capital Resources” of our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on February 28, 2023.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2023. For more information on bank borrowings and interest on bank borrowings, please see “—Loan Facilities.” Our purchase obligations relate to property, plant and equipment that are contracted for but not yet paid. Our lease obligations primarily comprise future aggregate minimum lease payments in respect of various factories, warehouse, offices and other assets under non-cancellable lease agreements. For more information on purchase obligations and lease obligations, please see “—Capital Expenditures.”

	Payment Due by Period				
	Total	Less Than 1 Year	1-2 Years	2-5 Years	More Than 5 Years
			($’000)		
Bank borrowings	79,344	31,155	958	11,490	35,741
Interest on bank borrowings	11,034	2,411	1,638	4,503	2,482
Purchase obligations	1,259	1,259	—	—	—
Lease obligations	7,583	3,919	1,356	2,308	—
Total	99,220	38,744	3,952	18,301	38,223

Shanghai Hutchison Pharmaceuticals

The following table sets forth the contractual obligations of our non-consolidated joint venture Shanghai Hutchison Pharmaceuticals as of December 31, 2023. Shanghai Hutchison Pharmaceuticals’ purchase obligations comprise capital commitments for property, plant and equipment contracted for but not yet paid. Shanghai Hutchison Pharmaceuticals’ lease obligations primarily comprise future aggregate minimum lease payments in respect of various offices under non-cancellable lease agreements.

	Payment Due by Period				
	Total	Less Than 1 Year	1-2 Years	2-5 Years	More Than 5 Years
			($’000)		
Purchase obligations	376	376	—	—	—
Lease obligations	1,459	791	651	17	—
Total	1,835	1,167	651	17	—

Loan Facilities

In October 2021, HUTCHMED Limited entered into a 10-year fixed asset loan facility agreement with Bank of China Limited for the provision of a secured credit facility of RMB754.9 million ($105.5 million) with an annual interest rate at the 5-year China Loan Prime Rate less 0.80% (which was supplemented in June 2022). This credit facility is guaranteed by HUTCHMED Limited’s immediate holding company, HUTCHMED Investment (HK) Limited, and secured by the underlying leasehold land and buildings of HUTCHMED Limited, and includes certain financial covenant requirements. As of December 31, 2023, RMB344.8 million ($48.2 million) was utilized from the fixed asset loan facility.

In May 2022, HUTCHMED Group (HK) Limited entered into a 12-month revolving credit facility with HSBC in the amount of HK$390.0 million ($50.0 million) with an interest rate at HIBOR plus 0.5% per annum. This revolving facility is guaranteed by us. The revolving credit facility expired in May 2023.

In November 2023, Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company entered into a short-term working capital loan facility agreement with Bank of China Limited for the provision of a credit facility of RMB300.0 million ($41.9 million) with an annual interest rate at the 1-year China Loan Prime Rate less 0.95%. As of December 31, 2023, RMB222.9 million ($31.1 million) was utilized from the loan facility.

Our non-consolidated joint venture Shanghai Hutchison Pharmaceuticals had no bank borrowings outstanding as of December 31, 2023.

Gearing Ratio

The gearing ratio of our group, which was calculated by dividing total interest-bearing loans by total equity, was 10.7% as of December 31, 2023, an increase from 2.8% as of December 31, 2022. The increase was primarily attributable to the increase in interest-bearing loans.

Capital Expenditures

We had capital expenditures of $16.8 million, $36.7 million and $32.6 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our capital expenditures during these periods were primarily used for the purchases of leasehold land and property, plant and equipment for a new large-scale manufacturing facility for innovative drugs in Shanghai, China and to expand research facilities and our manufacturing facility in Suzhou, China. Our capital expenditures have been primarily funded by cash flows from operations, bank borrowings and proceeds from our initial public and follow-on offerings in Hong Kong and the United States and other equity offerings.

As of December 31, 2023, we had commitments for capital expenditures of approximately $1.3 million, primarily for the construction of the new manufacturing facility in Shanghai. We expect to fund these capital expenditures through cash flows from operations, bank borrowings and existing cash resources.

Our non-consolidated joint venture Shanghai Hutchison Pharmaceuticals had capital expenditures of $3.4 million, $1.9 million and $5.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. These capital expenditures were primarily related to the renovation of new office and improvements to its production facilities in Shanghai. These capital expenditures were primarily funded through cash flows from operations of Shanghai Hutchison Pharmaceuticals.

C. Research and Development, Patents and Licenses, etc.

Full details of our research and development activities and expenditures are given in the “Business” and “Operating and Financial Review and Prospects” sections of this annual report above.

D. Trend Information.

Other than as described elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income, profitability, liquidity or capital resources, or that would cause our reported financial information not necessarily to be indicative of future operation results or financial condition.

E. Critical Accounting Estimates.

For information on our critical accounting estimates, please see “—Operating Results—Critical Accounting Policies and Significant Judgments and Estimates” section of this annual report above.