荃信生物

江蘇荃信生物醫藥股份有限公司
Qyuns Therapeutics Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code：2509

2023
ANNUAL REPORT

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Qiu Jiwan
(Chairman and Chief Executive Officer)
Mr. Wu Yiliang
Mr. Lin Weidong

Non-executive Directors

Mr. Yu Xi
Mr. Wu Zhiqiang
Dr. Xue Mingyu

Independent Non-Executive Directors

Dr. Zou Zhongmei
Dr. Ling Jianqun
Mr. Fung Che Wai, Anthony

Supervisors

Mr. Ye Xiang
Dr. Ding Chao
Ms. Wang Yujiao

Joint Company Secretaries

Mr. Hu Yanbao
Ms. Tang King Yin

Audit Committee

Mr. Fung Che Wai, Anthony *(Chairman)*
Mr. Wu Zhiqiang
Dr. Ling Jianqun

Remuneration and Appraisal Committee

Dr. Ling Jianqun *(Chairman)*
Dr. Zou Zhongmei
Mr. Qiu Jiwan

Nomination Committee

Mr. Qiu Jiwan *(Chairman)*
Dr. Zou Zhongmei
Dr. Ling Jianqun

Strategy and Development Committee

Mr. Qiu Jiwan *(Chairman)*
Mr. Yu Xi
Dr. Xue Mingyu

Authorised Representatives

Mr. Qiu Jiwan
Ms. Tang King Yin

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Legal Advisors

as to Hong Kong laws

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

as to PRC laws

JC MASTER LAW (TAI ZHOU) OFFICES
16/F, High-tech Office Building
Medical New and High-tech Zone
Taizhou
Jiangsu Province
PRC

Compliance Adviser

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

Headquarters and registered office in the PRC

Room 1310, Building 1
No. 907 Yaocheng Avenue
Taizhou, Jiangsu
PRC

Principal Place of Business in Hong Kong

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348 Kwun Tong Road
Kowloon
Hong Kong

Principal Banks

Shanghai Pudong Development Bank Taizhou Branch
No. 215 North Youth Road
Taizhou, Jiangsu
PRC

Shanghai Pudong Development Bank High-tech Zone Branch
1/F, Data Building
Medical New and High-tech Zone
Taizhou, Jiangsu
PRC

China Merchants Bank Taizhou Branch
No. 293-10 South Gulou Road
Hailing District
Taizhou, Jiangsu
PRC

Hong Kong H Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Stock Name

Qyuns Therapeutics Co., Ltd.

Stock Code

2509

Company's Website

www.qyuns.net

Chairman's Statement

Dear investors,

First of all, I would like to express my sincere gratitude for your ongoing attention and trust in Qyuns. Over the past few years, the Chinese biopharmaceutical industry faced unprecedented competition and challenges arising from complex factors such as the international landscape, economic cycles, and industry dynamics. Despite these adversities, Qyuns responded positively to the challenges, and successfully completed its listing in Hong Kong in March 2024 with the unwavering support of our valued investors.

The sector of autoimmune diseases is experiencing rapid growth within the domestic market, boasting a sizable patient population and extensive market potential. Qyuns is one of the few domestic enterprises that has set its sights on the development of antibody drugs in the autoimmune diseases sector brimming with possibilities and opportunities for our future development. As we embark upon the early months of 2024, I am immensely proud of the significant progress our team achieved throughout 2023. On behalf of the Board of Directors, I am pleased to present the first annual report of Qyuns since its listing, taking this opportunity to introduce to you the many exciting milestones we have achieved since 2023.

In terms of innovation fulfillment, we made steady progress regarding our core products. Over half of the patients have been enrolled in the Phase III clinical trial of QX002N. The Phase II clinical trials for QX005N, targeting moderate to severe atopic dermatitis and prurigo nodularis, have both achieved the primary endpoints. QX005N has also obtained breakthrough therapy designation for treatment of prurigo nodularis. Additionally, we made positive advancements on our key products as well. The Phase III clinical trial of QX001S (HDM3001), developed in collaboration with Huadong Medicine, completed successfully, and the Biologics License Application was accepted in August 2023, marking our Company's entry into commercialization stage. The Phase II clinical trial of QX004N has completed patient enrollment, and QX013N, targeting chronic spontaneous urticaria, has officially submitted an investigational new drug application, further strengthening our clinical pipeline and strategic layout in dermatology.

In terms of production infrastructure, Cellularforce, a manufacturing company under Qyuns, commenced operations in 2021, has a total commercial-scale capacity of 8,000 liters. With well-established CMC capabilities and a robust quality management system, supported by production facilities compliant with cGMP standards, Cellularforce has laid a solid hardware foundation for the future commercialization of our products and drug supply for clinical trials.

We are grateful for the trust, guidance, and support from our shareholders and investors, which have contributed to Qyuns' achievements today. While the economy and industry may go through fluctuations and cycles, pharmaceutical innovation remains an enduring theme. Over the past few years, Qyuns' efficient research and development, pragmatic pipeline strategy, and sound operational principles have garnered widespread recognition in the industry. We remain steadfast in our original intentions, as they pave the way for continued success. Looking ahead, with the support of capital operation, Qyuns will continue to uphold its core value of innovation, broaden our international perspective, and deeply explore the field of autoimmune diseases, aiming to make innovation for the great majority and contributions to China biopharmaceutical industry. We strive to build a substantial and differentiated product portfolio in the field of autoimmune and allergic diseases, aspiring to become an influential player in the biopharmaceutical industry.

Qiu Jiwan
Chairman and Chief Executive Officer

Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last three* financial years, as extracted from the audited financial information and financial statements is set out below:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,		
Operating Results	**2023**	2022	2021
	RMB'000	*RMB'000*	*RMB'000*
Other income	**24,921**	25,726	34,886
Other net (loss)/gain	**(435)**	14,402	(2,817)
Loss before taxation	**(521,333)**	(312,381)	(426,544)
Loss for the year	**(521,260)**	(312,308)	(426,471)
Loss for the year attributable to equity shareholders of the Company	**(507,748)**	(298,191)	(411,039)
Loss per share – Basic and diluted *(in RMB)*	**(2.47)**	(1.68)	(2.57)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,		
Financial Position	**2023**	2022	2021
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	**377,254**	399,152	419,232
Total current assets	**418,329**	635,948	648,261
Total non-current liabilities	**242,857**	251,497	293,654
Total current liabilities	**251,776**	122,190	69,673
Net current assets	**166,553**	513,758	578,588
Total assets less current liabilities	**543,807**	912,910	997,820
Total equity attributable to equity shareholders of the Company	**294,764**	641,715	670,351
Total equity	**300,950**	661,413	704,166

* The H Shares were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on March 20, 2024.

Management Discussion and Analysis

BUSINESS REVIEW

Overview

Founded in 2015, we are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline and an established commercial-scale in-house manufacturing capability. As of the Latest Practicable Date, we have two Core Products, QX002N and QX005N, both of which are self-developed. QX002N is an IL-17A inhibitor and we have initiated a Phase III clinical trial for ankylosing spondylitis (AS) in China. QX005N is a monoclonal antibody (mAb) blocking IL-4Ra. As of the Latest Practicable Date, our plan for Phase III clinical trials of atopic dermatitis (AD) has been published on the Drug Clinical Trial and Information Publication Platform of the CDE of NMPA. In April 2024, the Phase II clinical trial for prurigo nodularis (PN) and the subject enrollment for the Phase II clinical trial of chronic rhinosinusitis with nasal polyps (CRSwNP) in China were completed. We have seven other pipeline drug candidates in addition to our Core Products, four of which are in the clinical stage. Our pipeline covers four major areas in the autoimmune and allergic disease field, namely, skin, rheumatic, respiratory and digestive diseases. The following chart summarizes our portfolio of drug candidates as of the Latest Practicable Date:

Skin Rheumatic Respiratory Digestive

anihC United States

★ Core Product

AD: atopic dermatitis
AS: ankylosing spondylitis
CD: Crohn's disease
COPD: chronic obstructive pulmonary disease

CRSwNP: chronic rhinosinusitis with nasal polyps
CSU: chronic spontaneous urticaria
LN: lupus nephritis
PN: prurigo nodularis

Ps: psoriasis
SLE: systemic lupus erythematosus
UC: ulcerative colitis

IFNAR1: interferon-alpha/beta receptor subunit 1
IL-4Rα: interleukin-4 receptor subunit α
IL-12/IL-23p40: interleukin-12/interleukin-23 subunit p40

IL-17A: interleukin-17A
IL-23p19: interleukin-23 subunit p19
IL-31R: interleukin-31 receptor

IL-33: interleukin-33
TSLP: thymic stromal lymphopoietin

Notes:

(1) We directly commenced a Phase II clinical trial of QX005N for PN and a Phase II clinical trial of QX005N for CRSwNP by leveraging the Phase Ia clinical trial results of QX005N in healthy subjects and the Phase Ib clinical trial results of QX005N for moderate-to-severe AD in adults.

(2) We plan to consult with the NMPA about directly initiating a Phase III clinical trial of QX005N for CSU by leveraging the Phase I clinical trial results of QX005N for moderate-to-severe AD in adults as well as the Phase II clinical trial results of QX005N for moderate-to-severe AD in adults and/or PN.

(3) We plan to consult with the NMPA about directly initiating a Phase III clinical trial of QX005N for asthma by leveraging the Phase I clinical trial results of QX005N for moderate-to-severe AD in adults as well as the Phase II clinical trial results of QX005N for CRSwNP.

(4) Zhongmei Huadong and we directly commenced the Phase III clinical trial of QX001S for Ps after completion of the Phase I clinical trial as Phase II clinical trials are not required for biosimilars.

(5) In August 2020, we entered into a collaboration agreement with Zhongmei Huadong, a subsidiary of Huadong Medicine, with respect to the joint development and exclusive commercialization of QX001S in China. We retain the exclusive development and commercialization rights of QX001S outside China.

(6) As of February 20, 2024, we had completed subject enrollment for both the Phase Ib clinical trial and the Phase II clinical trial of QX004N for Ps. We expect to complete the Phase Ib clinical trial in the second quarter of 2024.

(7) In January 2024, we entered into a technology transfer agreement with Joincare Pharmaceutical Group Industry Co., Ltd. ("**Joincare**"), to grant Joincare an exclusive license to develop, manufacture and commercialize QX008N in mainland China, Hong Kong and Macau. Joincare will be responsible for the BLA application and will be the MAH of QX008N in the licensed territory, once approved. We retain the exclusive rights to develop, manufacture and commercialize QX008N outside the licensed territory.

(8) We obtained an IND approval of QX008N for the treatment of severe asthma from the FDA in September 2022 and intend to formulate a clinical development plan for QX008N in the United States depending on the data from our Phase Ia and Phase Ib clinical trials in China.

Our Core Products

QX002N

QX002N is a high-affinity monoclonal antibody targeting IL-17A, a key player in the pathological mechanism of various autoimmune diseases. IL-17A inhibitors are recommended by prevailing clinical guidelines as second-line standalone treatment (the same designation as TNF inhibitors) for AS patients with high disease activity after receiving first-line traditional treatments. Between the two classes of biologics (*i.e.*, TNF inhibitors and IL-17A inhibitors), IL-17A inhibitors have shown clear clinical benefit in patients who are intolerant to or fail to achieve adequate disease control with TNF-a inhibitors.

We have obtained IND approval for QX002N for AS and LN and plan to prioritize the development of the former indication. QX002N demonstrated promising efficacy in our Phase Ib and Phase II clinical trials for AS. In our Phase Ib clinical trial, 62.5% and 37.5% of subjects receiving QX002N (160 mg) once every 2 weeks achieved Assessment of Spondyloarthritis International Society 20 (ASAS20, defined as 20% improvement from baseline in the ASAS score) and ASAS40 (defined as 40% improvement from baseline in the ASAS score) responses at week 16, respectively. In our Phase II clinical trial, the ASAS20 and ASAS40 response rates of subjects receiving QX002N (160 mg) once every 4 weeks reached 60.0% and 40.0% at week 16, respectively. ASAS score is a widely used measurement of symptom improvement for AS patients. We conducted a pre-Phase III consultation with the NMPA, which raised no material questions and confirmed that it had no objections to the commencement of such trial in its official response in July 2023. We commenced the Phase III clinical trial in September 2023 and expect to complete it in the second half of 2025.

QX005N

QX005N is designed to inhibit IL-4Ra, a validated target investigated for a wide range of indications. Because IL-4Ra controls the signaling of both IL-4 and IL-13, which is critical in the initiation of type 2 inflammation (an overactive immune response driven by certain type 2 immune cells), it has emerged as a key target for new drug development in related indications, to the best knowledge and information of our Company, IL-4Ra inhibitors had been approved or were under development for 20 indications globally as of the Latest Practicable Date. Dupilumab, the first FDA-approved IL-4Ra inhibitor, is one of the best-selling biologic drugs globally for allergic diseases, with annual sales of approximately US$11.7 billion in 2023 (see 2023 Form 20-F of Sanofi dated February 26, 2024).

As of the Latest Practicable Date, we had obtained seven IND approvals for QX005N (namely, AD in adults, AD in adolescents, PN, CRSwNP, CSU, asthma and COPD). QX005N demonstrated favorable safety and efficacy results in our Phase Ia and Phase Ib clinical trials for AD. In the Phase Ib clinical trial in patients with moderate-to-severe AD, in each of the 300 mg and 600 mg groups, 75.0% of subjects achieved Eczema Area and Severity Index-75 responses (defined as > 75% improvement from baseline in the EASI score) and 50.0% of subjects reached Investigator's Global Assessment (IGA) scores (0 or 1) at week 12 without significantly increased safety risks. As of the Latest Practicable Date, our plan for Phase III clinical trials of AD has been published on the Drug Clinical Trial and Information Publication Platform of the CDE of NMPA. In addition, we commenced a Phase II clinical trial for PN in February 2023 and completed in April 2024. QX005N was the first biologic drug candidate developed by a Chinese domestic company to start a clinical trial for PN in China. In January 2024, the CDE granted QX005N the breakthrough therapy designation for the treatment of PN, signifying its superior clinical benefits compared to current treatment methods. The designation is designed to expedite the development and regulatory review of innovative drugs demonstrating substantial potential in addressing serious conditions. We also commenced a Phase II clinical trial of QX005N for CRSwNP in April 2023 and completed subject enrollment of this trial in China in April 2024.

Cautionary Statement required under Rule 18A.08(3) of the Listing Rules

We cannot guarantee that we will ultimately develop or market our Core Product successfully. Shareholders and potential investors of our Company are advised to exercise due care when dealing in the Shares of our Company.

Our Other Key Drug Candidates

QX001S

QX001S is our first expected commercial drug, the first domestically developed ustekinumab biosimilar with BLA submitted in China and potentially one of the first ustekinumab biosimilars to be approved in China. Initially approved by the FDA in 2009, ustekinumab was the first biologic treatment to selectively inhibit the IL-23 and IL-12 pathways and has been widely regarded as one of the major treatments for Ps worldwide. In 2023, it recorded sales of approximately US$10.9 billion globally (see Johnson & Johnson Reports Q4 and Full-Year 2023 Results dated January 23, 2024). In our Phase I clinical trial for Ps, QX001S demonstrated a safety and PK profile comparable to that of ustekinumab. In our Phase III clinical trial for Ps, QX001S demonstrated clinical equivalence to ustekinumab in terms of efficacy, safety, immunogenicity and PK profile. Zhongmei Huadong, a subsidiary of Huadong Medicine and our commercialization partner for QX001S, submitted a BLA in China in July 2023, which was accepted by the NMPA in August 2023 and under review as of the Latest Practicable Date. We and Zhongmei Huadong plan to begin commercializing QX001S upon expected BLA approval in the fourth quarter of 2024. We expect QX001S to be an affordable drug for a broad section of Ps patients. We also plan to develop QX001S for the treatment of UC and CD.

QX004N

We are developing QX004N, an IL-23p19 inhibitor, for Ps and CD. IL-23p19 has emerged as a key target associated with superior efficacy for Ps patients with more severe symptoms or inadequate response to existing treatments. We completed a Phase Ia clinical trial of QX004N in healthy subjects for the Ps indication in China in September 2023 and QX004N showed a good safety profile. As of December 31, 2023, we had also commenced a Phase Ib clinical trial and a Phase II clinical trial in China to evaluate QX004N for this indication and expect to complete them in the second quarter of 2024 and the first half of 2025, respectively. We also commenced a Phase Ia clinical trial of QX004N for CD in China in February 2023.

QX006N

We are developing QX006N, an IFNAR1-targeting mAb, for the treatment of SLE. SLE has been a difficult indication for new drug development. SAPHNELO (anifrolumab), a first-in-class IFNAR1 inhibitor, was approved by the FDA in 2021, making it the only new SLE treatment in more than 10 years. (The previous approved SLE drug, belimumab, was, at its time, the first approved SLE drug in 50 years.) Anifrolumab demonstrated clear clinical benefit in patients with moderate-to-severe SLE in a Phase III study (TULIP-2) and a Phase IIb study (MUSE). As of the Latest Practicable Date, to the best knowledge and information of our Company, our QX006N was one of the only two IFNAR1 inhibitors developed by Chinese domestic companies that had entered the clinical stage for SLE in China. We completed our Phase Ia clinical trial in healthy subjects (individuals in good general health and not having any mental or physical disorder requiring regular or frequent medication) in July 2023, where QX006N showed a good safety profile. We also initiated a Phase Ib clinical trial in SLE patients in March 2023.

QX008N

QX008N is a humanized IgG1 mAb targeting TSLP, designed for the treatment of moderate-to-severe asthma and moderate-to-severe COPD. TSLP-targeting therapy is the only class of biologic drugs globally approved for asthma that can slow disease progression for asthma patients with low-level or no expression of type 2 biomarkers. QX008N demonstrated a potency superior to an internally prepared tezepelumab analog and exhibited a good safety profile in our Phase Ia clinical trial. We commenced a Phase Ib clinical trial in adult patients with moderate-to-severe asthma in August 2023, the remainder of which will be completed by Joincare, our licensing partner, see note (7) on page 9 for arrangement details.

Research and Development

Research and development ("**R&D**") is crucial to our sustainable success. We are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline. We believe research and development is critical to our ability to grow into a biopharmaceutical company and remain competitive in the industry. We have established an integrated R&D platform as the foundation for our continuous innovation. The platform comprises five R&D components, including (i) mAb screening and function verification; (ii) analytical method development; (iii) cell line screening and process development; (iv) drug formulation development; and (v) preclinical and clinical sample analysis and testing. We also have established a commercial-scale in-house manufacturing facility which supports our R&D activities from preclinical and clinical trial drug manufacturing to future commercial manufacturing. As of the Latest Practicable Date, we are able to conduct our R&D with high efficiency, having obtained 19 IND approvals (18 from the NMPA and 1 from the FDA) over the past 9 years. We have developed all of our biologic drug candidates in-house and received a number of awards recognizing our R&D capabilities. We have set up two clinical development centers in Beijing and Shanghai and conduct our R&D activities through an in-house team, as well as engagement of external CROs, as is in line with industry practice. As of the Latest Practicable Date, our in-house R&D team comprised 119 members, approximately 60% of which had a master's degree or above in biology or pharmacy-related field.

For the year ended December 31, 2023, our total research and development costs amounted to approximately RMB364.4 million.

The following table sets forth a breakdown of our R&D costs:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Staff costs	**92,989**	68,664
Depreciation and amortization	**23,851**	24,365
Third party contracting costs	**200,388**	114,822
Raw materials and consumables	**18,647**	30,800
Others	**28,529**	18,563
Total	**364,404**	257,214

In line with industry practice, we also engage reputable CROs to support our preclinical and clinical studies from time to time. On December 20, 2022, we entered into a five-year collaboration framework agreement with Hangzhou Tigermed Consulting Co., Ltd. ("**Tigermed**") for the future development of our drug candidates, including QX002N, QX005N and others, in China. Tigermed is one of the industry-leading CROs in China, whose business covers the development and registration of innovative pharmaceutical candidates. As of the Latest Practicable Date, we had entered into service contracts with Tigermed with respect to the Phase III clinical trial of QX002N for AS, the Phase II clinical trials of QX005N for PN and CRSwNP and the Phase III clinical trials of QX005N for PN and AD.

Manufacturing and Commercialization

Our manufacturing facility was established according to the cGMP standards of China, the United States and the EU (although not GMP-certified due to the termination of the certification mechanism by relevant government agencies in China since 2019). The facility is located at our headquarters in Taizhou, Jiangsu and occupies 57,977 sq.m. of land. Our manufacturing site has one drug substance production line and two formulation production lines. The drug substance production line has four 2,000 L single-use bioreactors and relevant downstream purification production line with an annual manufacturing capacity of approximately 300 kg therapeutic antibodies. The formulation production lines have one vial production line for 2 ml, 10 ml and 30 ml specifications, with a manufacturing capacity of 18,000 vials/hour, and one prefilled syringe fill-finish and packaging production line for 1 ml and 2 ml specifications, with a manufacturing capacity of 9,000 syringes/hour. We have completed the manufacturing of multiple batches of drug substance and drug products (including QX001S and our Core Products, QX002N and QX005N) for various clinical trials, scale-up research and/or BLA-required process validation. For the year ended December 31, 2023, we produced 13 batches of drug substances and 22 batches of drug products, among which 12 batches and 22 batches were released successfully, respectively. We believe that our self-owned cGMP-standard manufacturing capability, coupled with our strong R&D capability, will allow us to achieve reliable cost control and ensure stable clinical and commercial drug supply to weather any supply chain disruptions.

Going forward, we plan to leverage the strong physician resources and networks of established pharmaceutical companies to build connections with participants in the drug sales and distribution chain, to prepare us for future commercial launches of our drug candidates. In the future, we plan to build a relatively small, indication-specialized in-house commercialization team, beginning with indications with relatively limited patient populations treated in a small number of key hospitals, leveraging our deep understanding of these indications and physician resources.

Intellectual Property

As of the Latest Practicable Date, we held 39 patents in China, including 32 invention patents and 7 utility models, as well as 9 patents overseas. As of the same date, we also had 50 patent applications pending in China and overseas. In particular, with respect to our Core Products, we had eight registered patents and two pending patent applications for QX002N and five registered patents and four pending patent applications for QX005N. All of our patents and patent applications are self-owned. As of the Latest Practicable Date, we had registered 83 trademarks in the PRC and Hong Kong and we submitted applications for 15 trademarks in the PRC. As of the same date, we were also the registered owner of 21 domain names in the PRC. During the year ended December 31, 2023, we had not been involved in any material proceeding in respect of, and we had not received notice of any material claim of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent that may have a material adverse impact on us.

Employees and Remuneration

As of December 31, 2023, the Group had 331 employees, all of whom were based in China.

The number of employees of the Group varies from time to time depending on need. The remuneration package of the Group's employees includes salary, bonus and equity incentives, which are generally determined by their qualifications, industry experience, position and performance. Our Company makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

Our Company has conditionally adopted a Employee Share Incentive Scheme to eligible participants for their contribution or potential contribution to the Group. Please refer to the sections headed "Employee Share Incentive Scheme" in this annual report for further details.

The total staff costs (including Directors' emoluments) incurred by the Group for the year ended December 31, 2023 was approximately RMB222.4 million, as compared to approximately RMB117.3 million for the year ended December 31, 2022.

For the year ended December 31, 2023, the Group did not experience any material labor disputes or strikes that may have a material adverse effect on the Group's business, financial condition or results of operations, or any difficulty in recruiting employees.

Future Outlook

Going forward, we plan to pursue the following strategies, which we believe will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

- Build leadership in dermatology, advance other drug candidates and strategically expand our pipeline;

- Continue to optimize CMC quality management system and improve production efficiency and enhance manufacturing capacity utilization;

- Cooperate with established pharmaceutical companies in commercialization;

- Explore international expansion opportunities; and

- Continue to recruit and develop talent.

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2023 and up to the Latest Practicable Date.

FINANCIAL REVIEW

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this annual report.

	2023 *(RMB'000)*	2022 *(RMB'000)*
Other income	**24,921**	25,726
Other net (loss)/gain	**(435)**	14,402
Administrative expenses	**(164,594)**	(76,603)
Research and development expenses	**(364,404)**	(257,214)
Loss from operations	**(504,512)**	(293,689)
Finance costs	**(16,821)**	(18,692)
Loss before taxation	**(521,333)**	(312,381)
Income tax	**73**	73
Loss for the year	**(521,260)**	(312,308)

Analysis of our Key Items of our Results of Operations

Revenue

We did not have any revenue or cost of revenue in 2022 or 2023.

Other Income

Our other income decreased by 3.1% from RMB25.7 million in 2022 to RMB24.9 million in 2023. This decrease was primarily attributable to a decrease of RMB6.2 million in net realized and unrealized gains on financial assets measured at FVTPL as we reduced purchasing of wealth management products in 2023, partially offset by an increase of RMB4.4 million in government grants, particularly subsidies for encouragement of research and development activities.

Other Net (Loss)/Gain

We recorded an other net gain of RMB14.4 million in 2022, primarily attributable to foreign exchange gain resulting from the appreciation of U.S. dollars against the Renminbi in 2022, in connection with our cash on hand denominated in U.S. dollars. We recorded an other net loss of RMB0.4 million in 2023, primarily because we incurred loss by converting part of our cash on hand denominated in U.S. dollars in January 2023, which outweighs our foreign exchange gain resulting from the appreciation of U.S. dollars against the Renminbi in 2023, in connection with our cash on hand denominated in U.S. dollars.

Administrative Expenses

Our administrative expenses increased significantly from RMB76.6 million in 2022 to RMB164.6 million in 2023, primarily attributable to (i) an increase of RMB67.4 million in equity-settled share-based payment expenses, as we amortized the additional equity incentives granted in October 2022 throughout 2023; and (ii) an increase of RMB12.1 million in listing expenses.

Research and Development Expenses

Our research and development expenses increased by 41.7% from RMB257.2 million in 2022 to RMB364.4 million in 2023, primarily attributable to (i) an increase of RMB85.6 million in third-party contracting costs as we increased engagement of CROs and trial sites to advance our drug development pipeline; and (ii) an increase of RMB22.3 million in equity-settled share-based payment expenses, mainly due to the amortization of the additional equity incentives granted in October 2022 throughout 2023.

Finance Costs

Our finance costs decreased by 10.0% from RMB18.7 million in 2022 to RMB16.8 million in 2023, primarily attributable to a decrease of RMB1.8 million in our interest on interest-bearing borrowings as we repaid part of our interest-bearing borrowings in June and December 2023.

Income Tax

Our income tax credits remained stable at RMB73,000 in 2022 and 2023.

Loss for the Year

As a pre-revenue biotech company, we were not profitable and incurred operating losses in 2022 and 2023. In 2023, we had net loss of RMB521.3 million, compared to a net loss of RMB312.3 million in 2022. Our operating losses were primarily attributable to research and development expenses and administrative expenses.

Analysis of our Key Items of our Financial Position

Net Current Assets

The decrease in our net current assets from RMB513.8 million as of December 31, 2022 to RMB166.6 million as of December 31, 2023 was primarily attributable to (i) a decrease of RMB240.7 million in our financial assets at fair value through profit or loss as we reduced purchasing of wealth management products in 2023, which outpaced the increase in cash and cash equivalents of only RMB3.2 million, as we spent cash to support our daily operations in 2023; and (ii) an increase of RMB70.0 million in trade and other payables primarily attributable to our increased engagement of CROs and trial sites as we advanced the development of our drug candidates.

Inventories and Other Contract Costs

We recorded inventories and other contract costs of RMB4.9 million as of December 31, 2023, mainly representing our inventories of QX001S for the purpose of regulatory filings.

Prepayments and Other Receivables

Our prepayments and other receivables increased by 44.0% from RMB18.4 million as of December 31, 2022 to RMB26.5 million as of December 31, 2023, primarily attributable to an increase of RMB6.8 million in prepaid expenses primarily due to our increased engagement of CROs and trial sites as we advanced the development of our drug candidates.

Trade and Other Payables

Our trade and other payables increased significantly from RMB59.9 million as of December 31, 2022 to RMB129.9 million as of December 31, 2023, primarily attributable to an increase of RMB53.8 million in trade payables mainly related to our increased engagement of CROs and trial sites as we advanced the development of our drug candidates.

Contract Liabilities

We had contract liabilities of RMB0.9 million as of December 31, 2023, related to the prepayment received under our CDMO service contracts with Zhongmei Huadong and third parties. The prepayment was recorded as contract liabilities and is expected to be recognized as income upon achievement of certain milestones under the respective contract.

Contingent Liabilities

The Group had no material contingent liabilities as of December 31, 2023 (2022: Nil).

Liquidity and Capital Resources

We mainly relied on capital contributions by our shareholders, equity financing as the major sources of liquidity as well as bank and other borrowings. As part of our treasury policy, our management monitors and maintains a level of cash and bank balances deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more cash from profit sharing and product supply of QX001S as well as debt financing.

Indebtedness

We had interest-bearing borrowings of approximately RMB293.0 million and RMB344.1 million as of December 31, 2022 and 2023, respectively, which primarily consist of a secured bank loan used to support the construction of our manufacturing facility and unsecured bank loans to support our operation. The total amount of loans with a fixed interest rate was RMB59.6 million as of December 31, 2023 (2022: RMB15.9 million). The fixed interest rate ranged from 3.3% to 4.2% per annum as of December 31, 2023 (2022: 4.3% per annum). The interest expenses as of December 31, 2022 and 2023 are approximately RMB18.6 million and RMB16.8 million, respectively.

Key Financial Ratios

Our current ratio decreased from 5.2 as of December 31, 2022 to 1.7 as of December 31, 2023, mainly attributable (i) a decrease of RMB240.7 million in our financial assets at fair value through profit or loss as we reduced purchasing of wealth management products in 2023, which outpaced the increase in cash and cash equivalents of only RMB3.2 million, as we spent cash to support our daily operations in 2023; and (ii) an increase of RMB70.0 million in trade and other payables primarily attributable to our increased engagement of CROs and trial sites as we advanced the development of our drug candidates.

Gearing Ratio

The gearing ratio is calculated using interest-bearing bank borrowings less cash and bank balances, divided by total equity and multiplied by 100%. Our gearing ratio was approximately 42.5% as of December 31, 2023.

Charges on Assets

The Group obtained real estate title certificate for the manufacturing facility on January 17, 2023, which was pledged as collateral in August 2023 under the Group's borrowing arrangements. The details of the pledged asset of the Group are set out in Note 11 to the Consolidated Financial Statements.

MARKET RISKS

The Group is exposed to various types of market risks and other financial risks, including cash flow and fair value interest rate risk, credit risk, liquidity risk and currency risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to other receivables. Our exposure to credit risk arising from cash and cash equivalents and wealth management products is limited because the counterparties are reputable banks or financial institution, for which we consider to have low credit risks.

Our management has assessed that, during the year ended December 31, 2023, other receivables had not had a significant increase in credit risk since initial recognition. Thus, our management adopts a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date. Our management expects the occurrence of losses from non-performance by the counterparties of other receivables to be remote and loss allowance provision for other receivables to be immaterial. The expected credit loss rate is insignificant and close to zero.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by our Shareholders when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in the light of the prevailing market condition.

The Group had not used any interest rate swaps to hedge its exposure to interest rate risk during the year ended December 31, 2023.

Foreign currency risk

We are exposed to currency risk primarily through deposits with bank which give rises to cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currency primarily relevant to this risk is the U.S. dollars. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency.

CAPITAL STRUCTURE

The shares of our Company were listed on Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of our Company since that date.

SIGNIFICANT INVESTMENTS HELD

In order to effectively utilize the Group's idle funds and generate better returns, during the Reporting Period, the Group subscribed for and held various wealth management products (primarily principal-protected floating return wealth management products) managed by local branches of national commercial banks or regional commercial banks in Jiangsu province. We believe that investment in low-risk financial products, such as wealth management products, helps us make better use of our cash while ensuring sufficient cash flow for business operations or capital expenditures. Considering that these wealth management products are short-term and principal-protected, we believe our credit risk exposure is limited.

During the Reporting Period, the Group held 2 wealth management products with the value exceeding 5% of the Group's total assets as of December 31, 2023, details of which are as follows:

Name of the wealth management product	Purchased amount	Name of the issuing bank	Annualized rate of return	Holding period
Industrial and Commercial Bank of China ("**ICBC**") Accumulative Corporate RMB Structured Deposit Product with a Variable Interest Rate Range – Special Account Type 2023, 398 th Series, B Tranche* (中國工商銀行股溝利率區間累積型法人人民幣結構性存款產品-專戶型2023年第398期B款)	RMB80,000,000	ICBC Taizhou Taizhou New Area Branch* (中國工商銀行泰州泰州新區支行)	1.2% – 2.79%	November 3, 2023 – February 5, 2024
Liduoduo Company Stable Profit 23JG6932 Series (Three-layer Bullish) RMB Corporate Structured Deposit* (利多多公司穩贏23JG6932期(三層看漲)人民幣對公結構性存款)	RMB60,000,000	Shanghai Pudong Development Bank Co., Ltd. Taizhou Branch* (上海浦東發展銀行股份有限公司泰州支行)	1.3% – 2.5%	December 20, 2023 – March 20, 2024

Our investment strategy is relatively prudent. We have implemented a series of treasury policies and internal control policies and rules setting forth overall principles, focusing on the appreciation of capital and supporting our liquidity needs in a manner that is consistent with our overall financial goals and risk considerations. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures after purchasing such wealth management products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as duration of the investment and the expected returns. We generally limit our investments to wealth management products described as having low level risks and offered by major and reputable commercial banks, and we do not permit investment in stock for trading or speculative purposes. In addition, all investments in wealth management products should comply with applicable laws and regulations. Under our investment policy, our finance department personnel should prepare wealth management products purchase plan, based on anticipated expenditures, operational expenses, our cash and bank balances and information of the relevant wealth management products, for the head of finance department and general manager to review. Details of significant investment held of our Company during the year ended December 31, 2023 are set out in Note 18 to the Consolidated Financial Statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in the section headed "Future Plans and Use of Proceeds" in this report, the Group did not have plan for material investments and capital assets as of the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended December 31, 2023.

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Qiu Jiwan (裘霽宛), aged 52, is the founder of our Group. He was appointed as our Director on June 5, 2015 and was re-designated as our executive Director on March 23, 2023. Mr. Qiu has been serving as our chief executive officer since June 2015, the general manager since September 2021 and the chairman of our Board since February 2022. Mr. Qiu is also the chairman of the Nomination Committee and Strategy and Development Committee and a member of the Remuneration and Appraisal Committee. He is primarily responsible for the strategic planning, business direction and operational management of our Group.

Mr. Qiu also holds various directorships and management positions in our Group companies, including (i) the executive director of Saifu Juli since July 2018, where he has been primarily responsible for the overall management of Saifu Juli; and (ii) the general manager of Cellularforce, from August 2018 to March 2023, where he was primarily responsible for the overall management of Cellularforce.

As an industry veteran, Mr. Qiu has nearly 30 years of experience in the biotechnology and pharmaceutical industries, where he started as a biotechnology specialist, gradually extended his role as a leader supervising the discovery, technology and manufacturing platform and accumulated management experience in the R&D and manufacturing of biotech companies, and eventually became a serial entrepreneur with various entrepreneurial achievements. From July 1993 to January 2004, Mr. Qiu served at Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程有限公司) ("**Hangzhou Jiuyuan**"), a biotech company primarily engaged in the production of injections and active pharmaceutical ingredients (APIs), with his last position being a director of research institute. During his tenure at Hangzhou Jiuyuan, he was primarily responsible for: (i) leading the development of Human Interleukin-11 for Injection (hIL-11) (formerly known as Recombinant Human Interleukin-11 for Injection (Yeast)); and (ii) leading the research on the recombinant human serum albumin production method and the stabilizing agents containing ciliary neurotrophic factor analogs, and obtained the relevant invention patents. From February 2004 to June 2005, Mr. Qiu served as a deputy general manager at Epitomics (Hangzhou) Biotechnology Co., Ltd. (宜康(杭州)生物技術有限公司) ("**Hangzhou Epitomics**"), a biotech company primarily engaged in the R&D and manufacturing of antibody reagents. During his tenure at Hangzhou Epitomics, he was primarily responsible for: (i) the establishment of a technology platform for mass production of high affinity rabbit monoclonal antibodies; and (ii) the production of hundreds of high quality rabbit monoclonal antibodies which are currently on sale in the European and American markets. From December 2005 to January 2015, Mr. Qiu founded Jiangsu T-mab BioPharma Co., Ltd. (江蘇泰康生物醫藥有限公司) ("**Jiangsu T-mab**") and its two subsidiaries, Hangzhou Genewave Biotechnology Co., Ltd. (杭州基偉生物技術有限公司) ("**Hangzhou Genewave**") and Taizhou Beijin Biotechnology Co., Ltd. (泰州貝今生物技術有限公司) ("**Taizhou Beijin**"), all being companies principally engaged in the R&D and production of genetically engineered drugs, where Mr. Qiu served as (i) the general manager at Hangzhou Genewave beginning from July 2005 to January 2015; (ii) the general manager at Taizhou Beijin beginning from August 2007 to January 2015; and (iii) the general manager at Jiangsu T-mab from July 2008 to January 2015. During his tenure at Jiangsu T-mab, he was primarily responsible for: (i) the establishment of long-lasting protein technology platform and the development of two innovative recombinant protein drugs for the treatment of white blood cell hypoplasia after tumor radiotherapy and type 2 diabetes; (ii) the introduction of rabbit monoclonal antibody platform technology and the development of one innovative monoclonal antibody drug for the treatment of ophthalmic wet age-related macular degeneration; (iii) the development of one biological drug targeted receptor activator of nuclear factor-KB ligand (RANKL) for the treatment of tumor bone metastasis and osteoporosis; and (iv) leading the co-establishment of China Pharmaceutical City Large Molecule Drug Public Service Platform (中國醫藥城大分子藥物公共服務平台) with Torch High Technology Industry Development Center, Ministry of Science and Technology (科技部火炬高技術產業開發中心) and Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳), both being government institutions. In June 2009, he was appointed as a non-executive director nominated by Hangzhou Genewave at Jiangsu Stanford Biotechnology Co., Ltd. (江蘇斯坦福生物技術有限公司) ("**Jiangsu Stanford**"), a company established in the PRC with limited liability principally engaged in R&D of reagents and consumables required in the process of stem cell, where he was primarily responsible for providing strategic guidance and was not involved in its day-to-day management and operations.

Mr. Qiu graduated from Fudan University (復旦大學) in the PRC in July 1993 with a bachelor's degree in genetics and genetic engineering. He also obtained a master's degree in business administration (MBA) from Zhejiang University (浙江大學) in the PRC in June 2005. Mr. Qiu was awarded the Third Prize of Zhejiang Province Science and Technology Award (浙江省科學技術三等獎) by the People's Government of Zhejiang Province (浙江省人民政府) in 2005 and the Second Prize of Hangzhou Science and Technology Progress Award (杭州市科技進步二等獎) by Hangzhou Municipal People's Government (杭州市人民政府) in February 2006.

Mr. Wu Yiliang (吳亦亮), aged 42, was appointed as our Director on April 10, 2019 and was re-designated as our executive Director on March 23, 2023. Mr. Wu joined our Group in June 2015 and has been serving as the executive deputy general manager of Cellularforce since March 2023. He is primarily responsible for the process development and production of our Group.

Mr. Wu has over 15 years of experience in biopharmaceutical industry, specialized in process development, quality control and commercial manufacturing of recombinant protein drugs. Mr. Wu joined our Group in June 2015 and served as the director of our department of process research and development from June 2015 to January 2019, where he led the establishment of platforms for antibody drug process development, quality research and pilot production, and was mainly responsible for the preclinical research of our biosimilar antibody drug candidate QX001S. From February 2019 to February 2023, Mr. Wu served as the chief operating officer of our Company and was primarily responsible for assisting the president with the overall operational management of our Company. During his tenure, we successfully completed pharmacology, preclinical pharmacology and toxicology studies for QX002N, QX005N, QX004N, QX006N and QX008N, which are currently in Phase I or II clinical research. Mr. Wu also served as the vice president of production at Cellularforce from March 2019 to February 2023, where he was primarily responsible for the design, construction, testing and confirmation of manufacturing facilities, and assisted in the establishment of quality management system.

Prior to joining our Group, from July 2007 to March 2015, Mr. Wu worked at Hangzhou Genewave which is a subsidiary of Jiangsu T-mab. Mr. Wu successively served various positions at Jiangsu T-mab, including as: (i) a purification researcher in protein drug department from July 2008 to May 2010, where he was primarily responsible for the purification process development of two long-acting recombinant cytokine-based drugs; and (ii) a deputy manager of the antibody drugs department from May 2010 to May 2015, where he was involved in establishing the antibody drugs department and was responsible for its process research and pilot scale-up (500 L scale) production system for antibody drugs.

Mr. Wu graduated from Xiamen University (廈門大學) in the PRC in July 2003 with a bachelor's degree in biotechnology. He also obtained a master's degree in cytobiology from Xiamen University in September 2006. He was certified as a senior engineer (高級工程師) by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in December 2013.

Mr. Lin Weidong (林偉棟), aged 41, was appointed as our Director on March 16, 2022 and was re-designated as our executive Director on March 23, 2023. Mr. Lin joined our Group in August 2021 and served as the vice president of finance of our Company from August 2021 to September 2021. He has been serving as the deputy general manager of our Company since September 2021. He is primarily responsible for the financial management, financing and capital market affairs of our Group.

Mr Lin has over 13 years of experience in auditing and corporate financial management. Prior to joining our Group, Mr. Lin served as an auditor at Shanghai De'An Certified Public Accountants (上海德安會計師事務所有限公司) from October 2004 to June 2005 and worked at KPMG Huazhen LLP (Shanghai Branch) (畢馬威華振會計師事務所上海分所) from November 2005 to December 2009 with his last position being an assistant audit manager. Since 2010, Mr. Lin has accumulated extensive experience in corporate financial management by serving as the senior management at various enterprises, including as: (i) a financial manager of Shanghai Arkema Gaoyuan Chemical Co., Ltd. (上海阿科瑪高遠化工有限公司), a company primarily engaged in production of high quality engineering polyamides and a subsidiary of Arkema S.A., a specialty chemicals and advanced materials company whose shares are listed on Euronext Paris (stock code: AKE), from May 2010 to May 2012, where he was primarily responsible for the overall financial management; (ii) a regional financial manager for Asia Pacific operation at Imerys (Shanghai) Investment Management Co., Ltd. (益瑞石(上海)投資管理有限公司) and Imerys (Shanghai) Filtering Minerals Trading Co., Ltd. (益瑞石(上海)過濾礦物貿易有限公司), both of which are primarily engaged in non-metallic minerals processing and trading and are subsidiaries of Imerys S.A., a specialty minerals company whose shares are listed on Euronext Paris (stock code: NK), from December 2013 to June 2015, where he was primarily responsible for the financial reporting, analysis and management; (iii) a vice president of finance at Shanghai Muhe Network Technology Co., Ltd. (上海慕和網絡科技有限公司), a company primarily engaged in mobile games development and operation, from February 2016 to October 2016, where he was mainly responsible for the overall financial management; (iv) the co-founder and chief financial officer at Ifenqu Network Technology Shanghai Co., Ltd. (愛分趣網絡技術(上海)有限公司), a company primarily engaged in online insurance business, from November 2016 to March 2018, where he was primarily responsible for financial management and financing; (v) worked at Shanghai Yiguo E-commerce Co., Ltd. (上海易果電子商務有限公司), an e-commerce platform primarily engaged in online sales of fresh agricultural products, from September 2018 to March 2019; and (vi) a financial director at Harbour BioMed (Shanghai) Co., Ltd. (和鉑醫藥(上海)有限責任公司) ("**HBM Shanghai**"), a company mainly engaged in the R&D of biomedical product and an indirect wholly owned subsidiary of HBM Holdings Limited, a biopharmaceutical company whose shares are listed on the Stock Exchange (stock code: 02142), from June 2019 to December 2020, where he was primarily responsible for financial management.

Mr. Lin received a bachelor's degree in English from Tongji University (同濟大學) in the PRC in July 2004 and a master's degree in business administration (MBA) from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2016. He was qualified as a Certified Public Accountant non-practicing member (中國註冊會計師協會非執業會員) by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in February 2013.

Non-executive Directors

Mr. Yu Xi (余熹), aged 50, was appointed as our Director on August 14, 2020 and was re-designated as our non-executive Director on March 23, 2023. Mr. Yu Xi is also a member of the Strategy and Development Committee. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Mr. Yu Xi has extensive professional experience in business development, consulting and investment in the biopharmaceutical industry. Mr. Yu Xi once served as an alliance management director of business strategy and development department at Xi'an Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司), a pharmaceutical company which is the subsidiary of Johnson & Johnson whose shares are listed on the NASDAQ (stock code: JNJ), and served as a director of business development at Sanofi-Aventis China Investment Co., Ltd. (賽諾菲(中國)投資有限公司) ("**Sanofi China**"), a company mainly engaged in investments in the pharmaceutical and biological sectors and a subsidiary of Sanofi S.A. whose shares are listed on Euronext Paris (stock code: SAN) and NASDAQ (stock code: SYN). From September 2018 to December 2019, Mr. Yu Xi served as a vice president of business development and strategy at HBM Shanghai, where he was primarily responsible for product licensing and mergers and acquisitions. Since January 1, 2020, Mr. Yu Xi has been serving as the general manager of investment department at Huadong Medicine, a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963) and the parent company of Zhongmei Huadong which is our substantial shareholder, where he is primarily responsible for department affairs.

Mr. Yu Xi graduated from East China University of Science and Technology (華東理工大學) in the PRC in July 1997 with a bachelor's degree in English for Science and Technology.

Our Directors are of the view that there is no actual conflict of interest among Mr. Yu Xi, Zhongmei Huadong and our Group for the following reasons:

(i) the negotiations for the Series B+ Financing and the QX001S Framework Agreement between Zhongmei Huadong and our Group were conducted between May to August 2020, when Mr. Yu Xi had not yet been appointed as our Director and Zhongmei Huadong had not yet become our Shareholder. Mr. Yu Xi has been serving as the general manager of investment department at Huadong Medicine since January 1, 2020, where he is primarily responsible for sourcing suitable biotech companies with R&D potential to invest in and promising drug products with market prospects for marketing and commercialization collaboration. He was involved in the business matchmaking and negotiation for the Series B+ Financing and the QX001S Framework Agreement;

(ii) each of our Directors (including Mr. Yu Xi) is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she does not allow any conflict between his/her duties as a Director and his/her personal interests. Since Mr. Yu Xi became our Director, he has declared his potential conflict of interest at the relevant Board meetings in respect of the transactions between Zhongmei Huadong and our Group and abstained from voting on such matters;

(iii) since Zhongmei Huadong became our Shareholder, it has abstained from voting at the relevant Shareholders' meetings in respect of the transactions between Zhongmei Huadong and our Group; and

(iv) Mr. Yu Xi was nominated by Zhongmei Huadong as our non-executive Director. He has not and will not be involved in the daily management and operation of our Group and does not enjoy any special rights as one of our non-executive Directors.

Mr. Wu Zhiqiang (吳志強), aged 42, was appointed as our Director on September 17, 2021 and was re-designated as our non-executive Director on March 23, 2023. Mr. Wu is also a member of the Audit Committee. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Mr. Wu has over 13 years of experience in the investment and financing industry. From December 2007 to June 2010, Mr. Wu worked at Industrial Securities Co., Ltd. (興業證券股份有限公司), a state-controlled securities company whose shares are listed on the Shanghai Stock Exchange (stock code: 601377). From May 2011 to November 2017, Mr. Wu successively served as a financial manager of financing and investment department, an assistant to the director, a deputy director of investment department, a deputy director of office, an assistant to general manager at Taizhou Oriental, a state-owned company primarily engaged in pharmaceutical promotion and financial services and a substantial shareholder of Taizhou Medical New and High-tech Industrial Development Zone Huayin Finance Investment Co., Ltd. (泰州醫藥高新區華銀金融投資有限公司) ("**Taizhou Huayin**"), where he was primarily responsible for its administrative management, investment and financing strategy management. Mr. Wu also served various positions at certain subsidiaries of Taizhou Huayin, including (i) an assistant to general manager primarily responsible for the financing guarantee business from January 2012 to May 2012 and a deputy general manager primarily responsible for the operation and management from November 2015 to December 2016 at Taizhou Medical City Hongtai Financing Guarantee Co., Ltd. (泰州醫藥城鴻泰融資擔保有限公司), a state-owned company primarily engaged in financing guarantee business; (ii) a deputy general manager at Taizhou Huajian Venture Capital Co., Ltd. (泰州華健創業投資有限公司) ("**Taizhou Huajian**"), a state-owned venture capital company, from May 2013 to July 2018, primarily responsible for the investment management; and (iii) a general manager at Jiangsu Huatairong Supply Chain Management Co., Ltd. (江蘇華泰融供應鏈管理有限公司), a state-owned investment company, from November 2015 to December 2016, primarily responsible for the operation and management. Since September 2019, Mr. Wu has been serving as the general manager at Taizhou Huayin, where he is mainly responsible for the overall operations and management. In August 2014, he was appointed as a non-executive director nominated by Taizhou Huajian at Jiangsu Stanford, a company established in the PRC with limited liability principally engaged in R&D of reagents and consumables required in the process of stem cell, where he was primarily responsible for providing strategic guidance and was not involved in its day-to-day management and operations.

Mr. Wu received a bachelor's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004.

Dr. Xue Mingyu (薛明宇), aged 37, was appointed as our Director on March 29, 2021 and was re-designated as our non-executive Director on March 23, 2023. Dr. Xue is also a member of the Strategy and Development Committee. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Dr. Xue has extensive professional experience in the management consulting, business development and venture fund investment in healthcare industry. From October 2016 to July 2018, Dr. Xue worked at Bain & Company China, Inc. (貝恩創效管理諮詢(上海)有限公司), a global management consulting firm, with his last position as a senior consultant. From July 2018 to September 2020, he served as an associate director of global business development and licensing at Sanofi China. Since September 2020, Dr. Xue has been serving as a vice president at Matrix Partners China, where he is primarily responsible for the investment in healthcare sector.

Dr. Xue graduated from the University of Hong Kong with his bachelor's degree of science in November 2008. He further obtained a doctoral degree in chemistry and chemical biology from Harvard University in the United States. Dr. Xue conducted post-doctorate research at Weill Cornell Medicine biochemistry department in the United States until January 2016.

Independent non-executive Directors

Dr. Zou Zhongmei (鄒忠梅), aged 59, was appointed as our independent non-executive Director on January 4, 2024. Dr. Zou is also the members of the Remuneration and Appraisal Committee and Nomination Committee. Dr. Zou is responsible for providing independent advice to our Board.

Dr. Zou has over 32 years of experience in natural products chemistry and R&D of new drugs. Dr. Zou worked at the teaching and research laboratory of Chinese medicine chemistry of Hubei College of Chinese Medicine (湖北中醫學院中藥化學教研室) from July 1984 to September 1987 and also served as its teaching assistant from August 1990 to July 1992. From July 1992 to September 1995, she served as an assistant professor at the Chinese medicine research institute of Hubei College of Chinese Medicine (湖北中醫學院中藥研究所). From July 1998 to February 2005, she successively served as an assistant professor and an associate professor at the Institute of Medicinal Plant Development of Chinese Academy of Medical Sciences (中國醫學科學院藥用植物研究所) ("**IMPLAD**"), a national research institution of public service specializing in protection, development and utilization of medicinal plant resources. Dr. Zou successively served as a deputy director and associate professor of the research center of natural medicine chemistry of IMPLAD from February 2005 to November 2021 and has been serving as its professor since September 2005 and its director since November 2021.

Dr. Zou graduated from Hubei University of Chinese Medicine (湖北中醫藥大學) (formerly known as Hubei College of Chinese Medicine (湖北中醫學院)) in the PRC with a bachelor's degree in Chinese medicine in July 1984. Dr. Zou graduated from Peking Union Medical College (北京協和醫學院) (formerly known as Peking Union Medical College (中國協和醫科大學)) in the PRC with a master's degree in biopharmacology in August 1990 and a doctoral degree (Ph.D.) in pharmaceutical chemistry in July 1998, respectively. She was awarded as the National Candidate of New Century Hundred Million Talents Project (新世紀百千萬人才工程國家級人選) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in 2009. She was granted the Government Special Allowance of the State Council (國務院政府特殊津貼) by the State Council in February 2013.

Dr. Ling Jianqun (凌建群), aged 55, was appointed as our independent non-executive Director on January 4, 2024. Dr. Ling is also the chairman of the Remuneration and Appraisal Committee and members of the Audit Committee and Nomination Committee. Dr. Ling is responsible for providing independent advice to our Board.

Dr. Ling has over 23 years of experience in the biopharmaceuticals industry. From August 1994 to September 1999, he served as a lecturer at Zhejiang University Biotechnology Institute (浙江大學生物技術研究所) in the PRC, where he was primarily responsible for teaching courses of biology and genetic engineering. From 2004 to 2011, Dr. Ling successively served as a post-doctoral fellow, a research scientist and a senior research scientist at Stanford University Department of Medicine in the United States. From April 2011 to January 2023, Dr. Ling served as the chairman of the board of directors and the general manager of Genloci Biotechnologies Inc. (江蘇吉鋭生物技術有限公司), a high-tech biological enterprise, where he has been primarily responsible for its strategic planning and operational management.

Dr. Ling obtained a college diploma in biology from Zhejiang Normal University (浙江師範大學) in the PRC in July 1988. Dr. Ling graduated from Peking University (北京大學) in the PRC in July 1994 with a master's degree in botany. He also obtained a doctoral degree (Ph.D.) in biochemistry from Tokyo University of Agriculture and Technology in Japan in March 2004. Dr. Ling was awarded the Second Prize of Army Science and Technology Progress Award (軍隊科學技術進步獎二等獎) by the Science and Technology Commission of Central Military Commission (中央軍委科學技術委員會) in December 2020.

Mr. Fung Che Wai, Anthony (馮志偉), aged 55, was appointed as our independent non-executive Director on January 4, 2024. Mr. Fung is also the chairman of the Audit Committee. Mr. Fung is responsible for providing independent advice to our Board.

Mr. Fung has over 30 years of experience in accounting and financial management. From August 1992 to September 1999, he successively served as a staff accountant, a semi senior accountant, a senior accountant and a manager at Deloitte Touche Tohmatsu, an accounting firm, where he was primarily responsible for audit planning and control. From October 1999 to August 2007, he served as a director at Winsmart Consultants Limited (弘陞投資顧問有限公司), where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, he served as a vice president of investor relations department at NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator in Cambodia whose shares are listed on the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to December 2022, Mr. Fung served as the chief financial officer and the company secretary at various listed companies, where he was primarily responsible for the overall financial operations, company secretarial matters, investor relations and compliance matters, including at: (i) Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 2098), from January 2011 to July 2014; (ii) Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator whose shares are listed on the Main Board of the Stock Exchange (stock code: 0295), from July 2014 to April 2017; and (iii) Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider whose shares are listed on the Main Board of the Stock Exchange (stock code: 3718), from May 2017 to December 2022.

Since April 2017, Mr. Fung has been serving as an independent non-executive director primarily responsible for supervising and providing independent advice to the board of directors at various listed companies, including at: (i) FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), a financial services provider whose shares are listed on the GEM Board of Stock Exchange (stock code: 8452), from April 2017 to August 2023; (ii) S&P International Holding Limited (椰豐集團有限公司), a Malaysian coconut food manufacturer and seller whose shares are listed on the Main Board of the Stock Exchange (stock code: 1695), from June 2017 to October 2021; (iii) KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a comprehensive property management service provider whose shares are listed on the Main Board of the Stock Exchange (stock code: 3913), since October 2020; (iv) Zhong An Group Limited (眾安集團有限公司), a real estate development company whose shares are listed on the Main Board of the Stock Exchange (stock code: 0672), since November 2021; (v) XXF Group Holdings Limited (喜相逢集團控股有限公司), an automobile retailer providing automobile finance lease service whose shares are listed on the Main Board of the Stock Exchange (stock code: 2473), since October 2023; and (vi) Dekon Food and Agriculture Group (四川德康農牧食品集團股份有限公司), a livestock and poultry breeding and farming enterprise whose shares are listed on the Main Board of the Stock Exchange (stock code: 2419), since December 2023.

Mr. Fung obtained his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants (ACCA) in October 2001 and as a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) in September 2005, respectively.

SUPERVISORS

Mr. Ye Xiang (葉翔), aged 51, was appointed as our Supervisor and the president of the Supervisory Committee on September 17, 2021. He is primarily responsible for presiding the work of the Supervisory Committee, supervising and providing independent advice to our Board.

Mr. Ye has extensive professional experience in the investment management industry. From December 2014 to January 2020, Mr. Ye successively served as the deputy general manager and general manager at Taizhou China Medical City Rongjianda Venture Capital Co., Ltd. (泰州中國醫藥城融健達創業投資有限公司) ("**Rongjianda**"), which is one of our Pre-IPO Investors, where he was primarily responsible for its investment matters and overall management. Since January 2020, Mr. Ye has been serving as a director of risk management at Suzhou Rongshi Private Equity Management Co., Ltd. (蘇州融實私募基金管理有限公司) (formerly known as Suzhou Guanya Investment Management Co., Ltd (蘇州冠亞投資管理有限公司)) ("**Suzhou Rongshi**"), an investment management company and the general partner of Suzhou Guanhong Venture Capital Center (Limited Partnership) (蘇州冠鴻創業投資中心(有限合夥)) ("**Suzhou Guanhong**"), where he is mainly responsible for its risk control.

Mr. Ye graduated from Xiamen University (廈門大學) in the PRC with a bachelor's degree in biochemistry in July 1995 and a master's degree in management in June 2002. He obtained the Bar Admission Certificate (律師資格證書) issued by Bar Admissions Committee of the Ministry of Justice of the PRC (中華人民共和國司法部律師資格審查委員會) in May 1999.

Dr. Ding Chao (丁超), aged 36, was appointed as our Supervisor on September 15, 2022. He is primarily responsible for supervising and providing independent advice to our Board.

Dr. Ding has extensive professional experience in the investment in biopharmaceuticals. From February 2017 to March 2019, Dr. Ding served as an investment manager at Beijing 3E Investment Management Co., Ltd. (北京三益投資管理有限公司), a company mainly engaged in the investment in new drug development, medical devices, clinical diagnostics and medical services, where he was primarily responsible for equity investments in biopharmaceuticals. Since April 2019, he has been successively serving as the vice president of investment, the senior vice president of investment and the executive director at Beijing Hongtai Tongchuang Investment Management Co., Ltd. (北京洪泰同創投資管理有限公司) ("**Hongtai Aplus**"), an investment fund company focusing on private equity investment in consumption, healthcare, finance, TMT (technology, media, telecommunications) and education industries and the general partner of Taizhou Hongtai Health Investment Management Center (Limited Partnership) (泰州洪泰健康投資管理中心(有限合夥)) ("**Hongtai Health**") which is one of our Pre-IPO Investors, where he was mainly responsible for the equity investment and post-investment management in the biopharmaceutical sector. Since September 2022, he has been serving as a director of Jiangsu Zechen Biotech Co., Ltd. (江蘇澤成生物技術有限公司), a company mainly engaged in R&D, production and sales of medical devices and in vitro diagnostic reagents and instruments, where he was nominated by Hongtai Aplus and has primarily been responsible for the post-investment management.

Dr. Ding graduated from China University of Geosciences (中國地質大學) in the PRC in July 2009 with a bachelor's degree in material chemistry. He also obtained a doctoral degree (Ph.D.) of science from Tsinghua University (清華大學) in the PRC in January 2017.

Ms. Wang Yujiao (王玉姣), aged 42, was appointed as our Supervisor on September 17, 2021. She served as our director of human resources and management from April 2018 to April 2021 and has been serving as the assistant to general manager since April 2021. She is primarily responsible for supervising and providing independent advice to our Board.

Ms. Wang joined our Group in June 2015 and has successively served various positions within our Group, including as: (i) our Supervisor from June 2015 to August 2020, where she was mainly responsible for supervising and providing independent advice to our Company; (ii) a deputy director of our integrated affairs department from June 2015 to April 2018 and a director of human resources and management from April 2018 to April 2021 and she has been mainly responsible for the management of human resources and administrative affairs; and (iii) an assistant to general manager since April 2021 and has been mainly responsible for the daily affairs management of the board of directors and shareholders' meeting, and the management of human resources and administrative affairs.

Prior to joining our Group, from July 2006 to March 2015, Ms. Wang worked at Hangzhou Genewave which is a subsidiary of Jiangsu T-mab. From July 2008 to March 2015, Ms. Wang served as the registration manager at Jiangsu T-mab, where she was primarily responsible for drug registration, preclinical animal testing project management, regulatory filing and survey research.

Ms. Wang graduated from Zhejiang University of Technology (浙江工業大學) in the PRC with a bachelor's degree in biopharmaceutical science in June 2003 and a master's degree in biochemical engineering in June 2006. She was qualified as a senior engineer (高級工程師) by Human Resources and Social Security Department of Jiangsu Province (江蘇省人力資源和社會保障廳) in September 2015.

SENIOR MANAGEMENT

Dr. Li Jianwei (李建偉), aged 63, joined our Group on October 14, 2020 and served as our chief technology officer and the chief operating officer of Cellularforce from October 2020 to February 2023. He has been serving as the chief operating officer and deputy general manager of our Company and general manager of Cellularforce since March 2023. He is mainly responsible for the R&D, GMP manufacturing, quality management and general operation of our Group.

Dr. Li has over 14 years of experience in biotechnology and pharmaceutical industries, leading the R&D and GMP manufacturing of therapeutic recombinant proteins. Prior to joining our Group, he once worked at Symyx Technologies Inc., a company mainly engaged in developing high-throughput technologies for screening catalysts and API leads whose shares are listed on NASDAQ (stock code: SMMX). He once worked at Syagen Technology Inc., a subsidiary of Smiths Group plc, a company mainly engaged in developing portable mass spectrometers for fast field detection of bio-organic weapons and drugs whose shares are listed on the London Stock Exchange (stock code: SMIN), where he was primarily responsible for the research and development of methods based on photoionization mass spectrometry to rapidly screen water samples for the presence of chemical weapons. From August 2007 to November 2014, Dr. Li served as the principal scientist at Allergan, Inc. (currently known as AbbVie Inc.), a global pharmaceutical company whose shares are listed on NASDAQ (stock code: ABBV), where he was primarily responsible for the research and development of biologics. From April 2016 to August 2020, Dr. Li served as a vice president of process development and manufacturing department at Sorrento Therapeutics Inc., a clinical-stage antibody-centric biopharmaceutical company whose shares are listed on NASDAQ (stock code: SRNE), where he was primarily responsible for the overall management of process development and manufacturing department.

Dr. Li graduated from Shanghai University of Technology (上海工業大學) (currently known as Shanghai University (上海大學)) in the PRC with a bachelor's degree in metallurgical engineering in October 1982 and a master's degree in applied chemistry in May 1988. He further received his doctoral degree (PH.D.) of Philosophy from University of Berne in Switzerland in December 1993.

Mr. Wu Shenglong (吳生龍), aged 50, joined our Group as the chief business officer and deputy general manager of our Company on February 13, 2023. He is primarily responsible for the business development, equity investment and financing of our Group.

Mr. Wu has extensive experience in business development, investment and financing, M&A and consulting in pharmaceutical industry. Prior to joining our Group, beginning from January 2013, he served as a business development manager at Pfizer Investment Co., Ltd. (輝瑞投資有限公司), a subsidiary of Pfizer Inc., a pharmaceutical and biotechnology company mainly engaged in R&D, production and distribution of innovative drugs, healthcare products and vaccines, whose shares are listed on NASDAQ (stock code: PFE). Beginning from December 2014, he served as an associate director of intelligence and portfolio management department at Beijing Fresenius-Kabi Pharmaceutical Co., Ltd. (北京費森尤斯卡比醫藥有限公司), a company mainly engaged in R&D and production in the fields of infusion, blood transfusion, clinical nutrition, pharmaceuticals and medical devices. From January 2017 to September 2018, he served as a director of corporate M&A at SPH KDL Health (Shanghai) Pharmaceutical Co., Ltd. (上藥康德樂(上海)醫藥有限公司), a medical supply chain service provider mainly engaged in the import, distribution and delivery of drugs, medical devices, specialty products and health products, where he was primarily responsible for its investment and M&A. He once worked at Roland Berger Enterprise Management (Shanghai) Co., Ltd. (羅蘭貝格企業管理(上海)有限公司), a consulting firm. From June 2020 to August 2022, he worked at KPC Pharmaceuticals, Inc. (昆藥集團股份有限公司), a pharmaceutical company whose shares are listed on the Shanghai Stock Exchange (stock code: 600422).

Mr. Wu graduated from Nanjing University (南京大學) in the PRC in July 1995 with a bachelor's degree in biology. He further obtained a master's degree in business administration from Simon Fraser University in Canada in September 2007.

Ms. Fang Min (房敏), aged 48, joined our Group as a senior director to set up our clinical medicine department on December 24, 2017 and served as a vice president of clinical medicine from April 2021 to February 2023. Since March 2023, she has been serving as the deputy general manager of our Company. She is mainly responsible for the management of clinical strategy and operations of our Group.

Ms. Fang has extensive experience in clinical drug R&D, clinical trials and related management. Prior to joining our Group, she once worked at Schering-Plough China Co., Ltd. (先靈葆雅(中國)有限公司), a subsidiary of Schering-Plough Corporation (currently known as Merck & Co., Inc.), a global pharmaceutical company engaged in the production, sales and wholesale of anti-allergy and skin care drugs whose shares are listed on NASDAQ (stock code: MRK). From November 2012 to June 2014, she served as a senior clinical research associate manager at GlaxoSmithKline (China) R&D Company Limited (葛蘭素史克(上海)醫藥研發有限公司), a wholly owned subsidiary of GSK plc, a company engaged in the R&D and production of prescription drugs, vaccines and healthcare products whose shares are listed on the London Stock Exchange (stock code: GSK), where she was primarily responsible for the establishment and management of clinical research team and the overall management of clinical key programs. From January 2015 to September 2015, Ms. Fang served as the director of global clinical operations and project management at BeiGene (Beijing) Co., Ltd. (百濟神州(北京)生物科技有限公司), a subsidiary of BeiGene, Ltd. (百濟神州有限公司), a global biotechnology company focused on developing and commercializing innovative and affordable oncology medicines whose shares are listed on the Stock Exchange (stock code: 6160), where she was mainly responsible for the management of clinical program team and various international multicenter clinical trials. From October 2015 to April 2017, Ms. Fang served as a director of Product Development Service and Partnership (PDSP) at WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company mainly engaged in the R&D of new drugs and drug intermediates and is a wholly owned subsidiary of WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司) whose shares are listed on both the Stock Exchange (stock code: 02359) and the Shanghai Stock Exchange (stock code: 603259), where she was primarily responsible for the planning, coordination, and management of crossfunctional product development projects throughout the corresponding development process to ensure seamless execution according to the defined timeline, budget and deliverables. From April 2017 to October 2017, Ms. Fang served as a clinical medicine director at Centaurus BioPharma Co., Ltd. (北京賽林泰醫藥技術有限公司), a company primarily engaged in oncology and diabetes drug development, where she was primarily responsible for the overall management of medicine team, clinical operations team and the clinical trials of drug candidates.

Ms. Fang graduated from Xi'an Jiaotong University (西安交通大學) in the PRC in July 2000 with a bachelor's degree in clinical medicine. She further obtained a master's degree in educational and training systems design from University of Twente in the Netherlands in August 2003.

Mr. Hu Yanbao (胡衍保), aged 36, joined our Group as a senior manager of business development department in November 2020 and was appointed as our Board secretary and joint company secretary in August 2022 and March 22, 2023, respectively. He is primarily responsible for business development, financing, corporate governance and company secretarial matters of our Group.

Prior to joining our Group, from August 2012 to September 2018, Mr. Hu served as the a member and bureau chief of investment promotion bureau at China Medical City, a government institution that focus on promoting the pharmaceutical industry, where he was responsible for investment promotion and business expansion. From October 2018 to October 2020, Mr. Hu served as a deputy general manager at Taizhou China Medical City Rongjianda Venture Capital Management Co., Ltd. (泰州中國醫藥城融健達創業投資管理有限公司) ("**Rongjianda VC**"), a state-owned investment company, where he was mainly responsible for equity investment and post-investment services.

Mr. Hu graduated from Beijing University of Chinese Medicine (北京中醫藥大學) in the PRC in June 2009 with a bachelor's degree in pharmaceutical engineering. He also obtained a master's degree of pharmacognosy from Peking Union Medical College (北京協和醫學院) in the PRC in July 2012.

JOINT COMPANY SECRETARIES

Mr. Hu Yanbao (胡衍保), aged 36, our Board secretary and joint company secretary. For his biography, see " – Senior Management – Mr. Hu Yanbao" in this section.

Ms. Tang King Yin (鄧景賢), was appointed as our joint company secretary on March 22, 2023.

Ms. Tang is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Tang has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Tang is currently serving as the company secretary or joint company secretary of three companies listed on the Main Board of the Stock Exchange, namely, Tuya Inc. (塗鴉智能) (stock code: 2391), Yum China Holdings, Inc. (百勝中國控股有限公司) (stock code: 9987) and Changjiu Holdings Limited (長久股份有限公司) (stock code: 6959).

Ms. Tang obtained a bachelor's degree in business administration from Hong Kong Shue Yan University in July 2011 and a master's degree in corporate governance and compliance from the Hong Kong Baptist University in November 2021. Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

Report of the Board of Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023 (the "**Consolidated Financial Statements**") since the Listing Date.

BOARD OF DIRECTORS

There are currently three executive Directors, three non-executive Directors and three independent non-executive Directors on the Board.

During the year ended December 31, 2023 and as of the Latest Practicable Date, the Directors were:

Executive Directors

Mr. Qiu Jiwan *(Chairman and Chief Executive Officer)*
Mr. Wu Yiliang
Mr. Lin Weidong

Non-executive Directors

Mr. Yu Xi
Mr. Wu Zhiqiang
Dr. Xue Mingyu

Independent non-executive Directors

Dr. Zou Zhongmei
Dr. Ling Jianqun
Mr. Fung Che Wai, Anthony

GENERAL INFORMATION

Our Company was incorporated in the PRC as a limited liability company on June 16, 2015 and was converted into a joint stock company with limited liability on September 30, 2021. The H Shares of our Company have been listed on the Main Board of the Stock Exchange since March 20, 2024.

PRINCIPAL ACTIVITIES

We are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline and an established commercial-scale in-house manufacturing capability. To address significant unmet medical needs in the autoimmune and allergic disease drug market in China, we have built a broad pipeline that covers the four major disease areas in the field, including skin, rheumatic, respiratory and digestive diseases. Our mission is to pursue scientific innovation and deliver affordable and quality therapeutics.

For further details of our Company's principal activities, please see "Business Review" under "Management Discussion and Analysis" of this annual report.

SUBSIDIARIES OF OUR COMPANY

The details of the subsidiaries of our Company are set out in Note 13 to the Consolidated Financial Statements in this annual report.

BUSINESS REVIEW AND RESULTS

A review of the business and future prospects of the Group during the Reporting Period are provided in the section headed "Business Review" under "Management Discussion and Analysis" of this annual report. An analysis of the Group's financial performance during the Reporting Period is provided in the section headed "Financial Review" under "Management Discussion and Analysis" of this annual report.

The results of the Group for the Reporting Period are set out in the Consolidated Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES

We face a variety of risks relating to our financial position and prospects, R&D, clinical trials and regulatory approval of our drug candidates, our manufacturing and commercialization of our drug candidates. Some of the major risks that we face include:

- our drug candidates will be subject to intense competition with biologic drugs and other drugs for autoimmune and allergic diseases after commercialization and may fail to compete effectively against their competitors;

- we depend substantially on the success of our drug candidates, all of which are undergoing preclinical or clinical development and if we are unable to successfully complete clinical development of our drug candidates, or experience significant delays in doing so, our business prospects will be significantly impacted;

- we have incurred significant operating losses since our inception and anticipate that we will continue to incur operating losses for the foreseeable future and may never become profitable. As a result, you may lose all/or part of your investment in us;

- we have no track record in commercializing our drug candidates. Our collaboration with pharmaceutical companies to market our drug candidate and our plan to establish an indication-specialized in-house commercialization team may not materialize as we expected; and

- if we are unable to obtain and maintain patent protection for our drug candidates, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and the commercial prospects of our drug candidates would be materially and adversely affected.

We also cannot guarantee that we will ultimately develop or market our Core Products or any of our other key drug candidates successfully.

The above is not an exhaustive list of the risks that we and our business face. Shareholders and potential investors of our Company are advised to make their own judgment and/or consult their own investment advisors before making any investment in the Shares and when dealing in the Shares of our Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our corporate vision and mission are intricately linked with social responsibility in promoting sustainability and protecting the environment.

We are subject to and comply with the environmental protection and occupational health and safety laws and regulations in China. We have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting procedures.

During the Reporting Period, we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations. Regardless of the scale of our operations, we make every effort to ensure that we are compliant with all local laws and regulations in the jurisdictions where we operate.

For further details of our Company's environmental performance and relationship with its employees and suppliers, please refer to the Environmental, Social and Governance Report of our Company. The Environmental, Social and Governance Report of the Company for 2023 will be published at the same time as the publication of this annual report on the websites of the Company and the Stock Exchange.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended December 31, 2023, to the best knowledge of the Directors, there was no material breach of or non-compliance with applicable laws and regulations that have a significant impact on the business and operations of the Group.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability by cultivating strong relationships with them.

Employees

As of the Latest Practicable Date, we had 325 employees, all of whom were based in China. The number of employees employed by the Group varies from time to time depending on need. The Group endeavors to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. The Group conducts new employee training, as well as professional and compliance training programs for employees. It enters into employment contracts with its employees to cover matters such as contract terms, job description and grounds for termination. The remuneration package of its employees usually includes salary, bonus and equity incentives, which are generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes that communication with the Shareholders is a two-way process and strives to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

Suppliers

The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards. The Group has maintained strict control over the quality of services offered by its suppliers. The Group understands the importance of maintaining a good relationship with its suppliers to meet its immediate and long-term goals. It strives to cultivate a mutually beneficial and trusting relationship with its suppliers so that they are able to deliver services of the highest standard in an efficient manner.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period and up to the Latest Practicable Date, we had no commercialized drug products and therefore had no customers of our drug products.

The aggregate purchases attributable to the Group's five largest suppliers for the year ended December 31, 2023 amounted to RMB79.5 million (2022: RMB55.0 million), accounting for approximately 28.4% (2022: 27.4%) of the Group's total purchases. The aggregate purchases attributable to the Group's largest suppliers for the year ended December 31, 2023 amounted to RMB33.5 million (2022: RMB24.3 million), accounting for approximately 11.9% (2022: 12.1%) of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors or their associates or any Shareholders who owned more than 5% of our Company's issued share capital, had any beneficial interest in any of the Group's five largest suppliers and subcontractors during the year ended December 31, 2023.

FINANCIAL SUMMARY

A summary of the consolidated operating results and the assets and liabilities of the Group for the last three financial years, as extracted from the published audited Consolidated Financial Statements, is set out in the section headed "Financial Highlight" in this annual report. This summary does not form part of the audited Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association or the PRC laws, which would oblige our Company to offer new shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%.

Our Company did not declare or pay any dividend for the year ended December 31, 2023. Accordingly, the Shareholders of our Company (including the holders of H Shares) are not subject to income tax on dividend distribution. If any of the H Shareholders is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the H Shares, he/she is advised to consult an expert.

PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2023, the Group's total capital expenditure amounted to approximately RMB7.9 million (2022: approximately RMB22.8 million) which is primarily attributable to equipment for production and R&D. The details of the properties, plant and equipment of the Group and their movements during the year ended December 31, 2023 are set out in Note 11 to the Consolidated Financial Statements.

Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has valued our property interests as of January 31, 2024 and is of the opinion that the aggregate market value of the property in which we had an interest as of such date was RMB269.7 million, and the value attributable to our Group was RMB178.0 million. The relevant property valuation report is set out in Appendix IV to the Prospectus. Revaluation surplus has not been recorded in our historical financial information and will not be recorded in our consolidated financial statements in the year ended December 31, 2023 as our property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

DONATION

No charitable or other donations were made by the Group during the year ended December 31, 2023.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

From the Listing Date up to the date of this annual report, there was no purchase, sale or redemption of any listed securities of our Company by our Company or any of its subsidiaries.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended December 31, 2023.

SHARE CAPITAL

Details of movements in share capital of our Company during the year ended December 31, 2023 are set out in Note 26 to the Consolidated Financial Statements.

DEBENTURE AND CONVERTIBLE BOND ISSUED

The Group did not issue any debenture or any convertible bond for the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, our Company has not entered into any equity-linked agreement during the year ended December 31, 2023.

PERMITTED INDEMNITY PROVISION

Our Company has arranged for appropriate insurance in respect of legal actions arising out of corporate activities against the current Directors and senior management of our Company and its associated companies and the Directors and senior management of our Company and its associated companies who resigned during the Year. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity of this annual report. As of December 31, 2023, our Company's reserves available for distribution amounted to RMB nil (as of December 31, 2022: RMB nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as of December 31, 2023 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the Consolidated Financial Statements.

Save as disclosed in this report, during the year ended December 31, 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of our Company, the Controlling Shareholders or their respective connected persons.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Our Company has entered into a service agreement with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Pursuant to Articles 101 and 144 of the Articles of Association, the term for Directors and Supervisors is three years commencing from the date of their respective appointment or re-appointment, subject to re-appointment at a general meeting. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and do not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

The biographical details of the Directors, Supervisors and the senior management of the Group are disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" on pages 27 to 43 of this annual report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which our Company or any of its subsidiaries was a party and in which a Director or a Supervisor or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under December 31, 2023 or at any time during the year ended December 31, 2023.

INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, Mr. Yu Xi, our non-executive Director, is the general manager of investment and business development at Huadong Medicine, a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963) and the parent company of Zhongmei Huadong. Mr. Wu Zhiqiang, our non-executive Director, is currently serving as a director of Jiangsu Durui Pharmaceutical Co., Ltd. (江蘇杜瑞製藥有限公司) ("**Jiangsu Durui**"), a company principally engaged in the R&D and production of small-molecule chemical generics. Our Directors are of the view that there is no material competition between each of Huadong Medicine and Jiangsu Durui and our Group arising from Mr. Yu Xi or Mr. Wu's management role or directorship for the following reasons:

(a) we are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases. In comparison, (i) Huadong Medicine is a pharmaceutical company deeply engaged in the R&D, manufacturing and sales of specialty medication, chronic disease medication and special medication, and has formed a core product line focusing on chronic kidney disease, transplant immunity, endocrine, digestive system and anti-tumor fields; and (ii) Jiangsu Durui is principally engaged in the R&D and production of small-molecule chemical generics;

(b) the management and operational decisions of our Group are made by our executive Directors and senior management. As our non-executive Directors, Mr. Yu Xi and Mr. Wu are not and will not be involved in the daily management and operation of our Company;

(c) our independent non-executive Directors constitute one third of our Board and none of them has any relationship with Mr. Yu Xi, Mr. Wu or their respective associates. We believe that our independent non-executive Directors will bring independent judgment to the decision-making process of our Board and possess relevant experience to allow the proper functioning of our Board; and

(d) in case of conflict of interest between our Group and each of Huadong Medicine and Jiangsu Durui, Mr. Yu Xi and Mr. Wu will exercise their duties in accordance with relevant constitutional documents, applicable laws and regulations and corporate governance measures adopted by our Group.

Save as disclosed above and save for their respective interests in the Group, none of the Directors or Supervisors was interested in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2023.

From time to time our non-executive Directors and independent non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors and independent non-executive Directors are neither our controlling shareholders nor members of our executive management team, we believe that their interests in such companies as directors would not render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

COMPETITION AND CONFLICT OF INTERESTS

As of the Latest Practicable Date, apart from our business, Mr. Yu Guo'an ("**Mr. Yu**"), our Controlling Shareholder, had invested as a minority shareholder in other businesses which mainly include health monitoring, sales of health food, medical testing, in vitro diagnostics, medical devices, clothing design and sales and investment management ("**Mr. Yu's Other Businesses**"). Given the differences between the business of our Group and Mr. Yu's Other Businesses, there is clear delineation between our business and Mr. Yu's Other Businesses. In addition, Mr. Yu is also serving as a director of Triastek, Inc. (南京三迭紀醫藥科技有限公司) ("**Triastek**"), a biotech company principally engaged in the R&D of small-molecule drugs using 3D printing technology. Mr. Yu's role in Triastek is non-executive in nature where he has never been involved in its daily management and operations. Mr. Yu has no control and is unable to exert substantial influence over Triastek. Given the difference on product characteristics and R&D technology between our Group and Triastek and Mr. Yu's non-executive role in Triastek, our Directors are of the view that there is no material competition between Triastek and our Group arising from Mr. Yu's directorship in Triastek.

During the year ended December 31, 2023, save as disclosed above, none of the Directors or Controlling Shareholders or any of their respective associates has any interests in any business that competes or may compete, directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year or subsisted at the end of the year ended December 31, 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, our Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As our Company was not listed on the Stock Exchange as of December 31, 2023, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders and other persons of our Company as of December 31, 2023.

As of the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors, Supervisors or chief executive of our Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by our Company under the SFO were as follows:

Long Positions in Shares of our Company

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
Hangzhou Quanyi[3]	Beneficial owner	H Shares	40,000,000 (L)	19.54%	18.01%
Xinfu Tongxin[4]	Beneficial owner	H Shares	15,550,000 (L)	7.59%	7.00%
Mr. Qiu[3][4][5][6]	Beneficial owner	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
	Interest in controlled corporations	H Shares	60,550,000 (L)	29.57%	
Ms. Xu Qiu (許秋)[7]	Interest of spouse	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
		H Shares	60,550,000 (L)	29.57%	
Mr. Yu Guo'an (余國安)[3]	Interest in a controlled corporation	H Shares	40,000,000 (L)	19.54%	18.01%
Ms. Zhu Jing(朱靜)[8]	Interest of spouse	H Shares	40,000,000 (L)	19.54%	18.01%
Zhongmei Huadong[9]	Beneficial owner	H Shares	35,900,000 (L)	17.53%	16.17%
Huadong Medicine[9]	Beneficial owner	H Shares	37,876,800 (L)	18.50%	17.05%

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
China Grand Enterprises Incorporation (中國遠大集團有限責任公司) ("**China Grand**")[9]	Interest in controlled corporations	H Shares	37,876,800 (L)	18.50%	17.05%
Beijing Grand Huachuang Investment Co., Ltd. (北京遠大華創投資有限公司) ("**Beijing Grand**")[9]	Interest in controlled corporations	H Shares	37,876,800 (L)	18.50%	17.05%
Mr. Hu Kaijun (胡凱軍)[9]	Interest in controlled corporations	H Shares	37,876,800 (L)	18.50%	17.05%
Hongtai Health[10]	Beneficial owner	H Shares	18,750,000 (L)	9.16%	8.44%
Hongtai Aplus[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Qingdao Xinchen Sci-Tech Innovation Industrial Co., Ltd (青島鑫宸科創實業有限公司) ("**Qingdao Xinchen**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Mr. Sheng Xitai (盛希泰)[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Zijin Trust Co., Ltd. (紫金信託有限責任公司) ("**Zijin Trust**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Nanjing Zijin Investment Group Co., Ltd. (南京紫金投資集團有限責任公司) ("**Nanjing Zijin**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Nanjing State owned Assets Investment & Management Holding (Group) Co., Ltd. (南京市國有資產投資管理控股(集團)有限責任公司) ("**Nanjing Assets**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Taizhou Huacheng Medical Investment Group Co., Ltd. (泰州華誠醫學投資集團有限公司) ("**Taizhou Huacheng**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Taizhou Jianxin Venture Capital Co., Ltd. (泰州健鑫創業投資有限公司) ("**Taizhou Jianxin**")[11]	Beneficial owner	Unlisted Shares	3,750,000 (L)	21.65%	6.02%
	Interest in controlled corporations	H Shares	9,680,400 (L)	4.73%	
Taizhou Huayin[11][12]	Interest in controlled corporations	Unlisted Shares	3,750,000 (L)	21.65%	9.40%
		H Shares	17,180,400 (L)	8.39%	

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
Taizhou Medical High-tech Industry Investment Development Co., Ltd. (泰州醫藥高新技術產業投資發展有限公司) ("**Taizhou Medical High-tech**")[11][12]	Interest in controlled corporations	Unlisted Shares	3,750,000 (L)	21.65%	9.40%
		H Shares	17,180,400 (L)	8.39%	
Taizhou Medicine City Holding Group Co., Ltd. (泰州醫藥城控股集團有限公司) ("**Taizhou Medicine**"),[10][11][12]	Interest in controlled corporations	Unlisted Shares	3,750,000 (L)	21.65%	17.84%
		H Shares	35,930,400 (L)	17.55%	
Matrix China Management VI, L.P.[13]	Interest in controlled corporations	H Shares	10,920,000 (L)	5.33%	4.92%
Matrix China VI GP GP, Ltd.[13]	Interest in controlled corporations	H Shares	10,920,000 (L)	5.33%	4.92%
Jiaxing Jiquan Equity Investment Partnership (Limited Partnership) (嘉興集荃股權投資合夥企業(有限合夥)) ("**Jiaxing Jiquan**")[14]	Beneficial owner	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Shanghai Jincheng Equity Investment Fund Management Co., Ltd (上海晉成股權投資基金管理有限公司) ("**Shanghai Jincheng**")[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Mr. Xiong Yongxiang (熊永祥)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Ms. Zheng Qing'ai (鄭青愛)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Shanghai Jincheng Enterprise Development Group Co., Ltd (上海晉成企業發展集團有限公司) ("**Shanghai Jincheng Group**")[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Jincheng (Shanghai) Industrial Co., Ltd (晉成(上海)實業有限公司) ("**Jincheng Industrial**")[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Mr. Gu Dongchen (顧棟臣)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400(L)	20.62%	1.61%
Mr. Gu Zhiqiang (顧志強)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%

Notes:

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

(2) Unlisted Shares and H Shares are regarded as two different types of Shares. For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(3) Hangzhou Quanyi is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both being its general partners acting in concert pursuant to the supplemental partnership agreement of Hangzhou Quanyi. By virtue of the SFO, each of Mr. Qiu and Mr. Yu Guo'an is deemed to be interested in the Shares held by Hangzhou Quanyi.

(4) Mr. Qiu is the general partner who holds approximately 7.20% interest in Xinfu Tongxin. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Xinfu Tongxin.

(5) Mr. Qiu is the general partner who holds approximately 45.71% interest in Shanghai Quanyou. Shanghai Quanyou holds 5,000,000 Shares, representing approximately 2.38% and 2.25% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Shanghai Quanyou.

(6) Mr. Qiu directly holds 10,000,000 Shares, representing approximately 4.76% and 4.50% of our Shares in issue immediately prior to and following the completion of the Global Offering.

(7) Ms. Xu Qiu is the spouse of Mr. Qiu. By virtue of the SFO, Ms. Xu Qiu is deemed to be interested in the Shares held by Mr. Qiu.

(8) Ms. Zhu Jing is the spouse of Mr. Yu Guo'an. By virtue of the SFO, Ms. Zhu Jing is deemed to be interested in the Shares held by Mr. Yu Guo'an.

(9) Zhongmei Huadong is wholly owned by Huadong Medicine. Huadong Medicine is owned as to approximately 41.66% by China Grand as its controlling shareholder. China Grand is owned as to approximately 92.97% by Beijing Grand, which is wholly owned by Mr. Hu Kaijun. By virtue of the SFO, each of Huadong Medicine, China Grand, Beijing Grand and Mr. Hu Kaijun is deemed to be interested in the Shares held by Zhongmei Huadong.

(10) Hongtai Health is owned as to approximately 0.88% by Hongtai Aplus as its general partner, 55.07% by Taizhou Huacheng and 44.05% by Zijin Trust, both being its limited partners. Hongtai Aplus is wholly owned by Qingdao Xinchen, a company controlled by Mr. Sheng Xitai. Taizhou Huacheng is owned as to approximately 94.30% by Taizhou Medicine. Zijin Trust is owned as to approximately 50.67% by Nanjing Zijin, a company wholly owned by Nanjing Assets. By virtue of the SFO, each of Hongtai Aplus, Qingdao Xinchen, Mr. Sheng Xitai, Taizhou Huacheng, Taizhou Medicine, Zijin Trust, Nanjing Zijin and Nanjing Assets is deemed to be interested in the Shares held by Hongtai Health.

(11) Taizhou Jianxin is an investment fund company managed by Taizhou Huaxin, a company owned as to approximately 91.25% by Taizhou Huayin. Taizhou Huayin is owned as to approximately 41.76% by Taizhou Medical High-tech, 31.50% by Taizhou Oriental (a company owned as to 90% by Taizhou Medicine), and 10.50% by Taizhou Huacheng (a company owned as to approximately 94.30% by Taizhou Medicine). Taizhou Jianxin holds 7,500,000 Shares, representing approximately 3.57% and 3.38% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, each of Taizhou Huaxin, Taizhou Huayin, Taizhou Medical High-tech and Taizhou Medicine is deemed to be interested in the Shares held by Taizhou Jianxin.

(12) Rongjianda is an investment fund company managed by Rongjianda VC, which is owned as to 81% by Taizhou Huayin. Rongjianda is owned as to approximately 33.33% by Taizhou High-tech Industry Investment Development Co., Ltd. (泰州市高新產業投資有限公司) ("**Taizhou High-tech**"), 33.33% by Taizhou Huayin and 32.33% by Taizhou Huajian, a company wholly owned by Taizhou Huayin. Taizhou High-tech is a wholly owned subsidiary of Taizhou Financial Holding Group Co., Ltd. (泰州市金融控股集團有限公司) ("**Taizhou Financial**"), a company owned as to approximately 60.13% by Taizhou People's Municipal Government State-owned Assets Supervision and Administration Commission (泰州市人民政府國有資產監督管理委員會). Taizhou Huayin is owned as to approximately 41.76% by Taizhou Medical High-tech, 31.50% by Taizhou Oriental (a company owned as to 90% by Taizhou Medicine), and 10.50% by Taizhou Huacheng (a company owned as to approximately 94.30% by Taizhou Medicine). Rongjianda holds 7,500,000 Shares, representing approximately 3.57% and 3.38% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, each of Rongjianda VC, Taizhou High-tech, Taizhou Financial, Taizhou Huayin, Taizhou Medical High-tech and Taizhou Medicine is deemed to be interested in the Shares held by Rongjianda.

(13) The general partner of Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. is Matrix China Management VI, L.P.. The general partner of Matrix China Management VI, L.P. is Matrix China VI GP GP, Ltd.. Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. in aggregate hold 10,920,000 Shares, representing approximately 5.20% and 4.92% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, each of Matrix China Management VI, L.P. and Matrix China VI GP GP, Ltd. is deemed to be interested in the Shares held by Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P..

(14) Jiaxing Jiquan is a limited partnership owned as to approximately 1.67% by Shanghai Jincheng as its general partner, 45% by Mr. Xiong Yongxiang and approximately 33.33% by Ms. Zheng Qing'ai, being two of its limited partners. Shanghai Jincheng is owned as to 90% by Shanghai Jincheng Group. Shanghai Jincheng Group is owned as to 99% by Jincheng Industrial, a company owned as to 50% by Mr. Gu Dongchen and 50% Mr. Gu Zhiqiang.

(15) As of the Latest Practicable Date, our Company has 222,071,600 total issued Shares.

Long positions in equity interest of members of our group

Name of Shareholder	Member of our Group	Nature of interest	Equity interest held immediately following the completion of the Global Offering *(approx.)*
Taizhou Huacheng[(1)]	Cellularforce	Beneficial owner	34.00%
Taizhou Medicine[(1)]	Cellularforce	Interest in controlled corporation	34.00%

Note:

(1) Taizhou Huacheng is owned as to approximately 94.30% by Taizhou Medicine. By virtue of the SFO, Taizhou Medicine is deemed to be interested in the equity interest held by Taizhou Huacheng.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors, Supervisors and chief executive of our Company) who had interests or short positions in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by our Company under the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS

As our Company was not listed on the Stock Exchange as of December 31, 2023, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors, Supervisors or chief executive of our Company as of December 31, 2023.

As of the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and the chief executives of our Company in the Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in Appendix C3 of the Listing Rules, to be notified to our Company and the Stock Exchange were as follows:

Interest in Shares of our Company

Name	Capacity	Nature of interest	Type of Shares	Number of Shares[1]	Approximate percentage of shareholding in the relevant type of Shares	Approximate percentage of shareholding in the total issued share capital[6]
Mr. Qiu [2][3][4][5]	Executive Director, Chairman and Chief Executive Officer	Beneficial owner	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
		Interest in controlled corporations	H Shares	60,550,000 (L)	29.57%	

Notes:

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

(2) Hangzhou Quanyi is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both being its general partners acting in concert pursuant to the supplemental partnership agreement of Hangzhou Quanyi. By virtue of the SFO, each of Mr. Qiu and Mr. Yu Guo'an is deemed to be interested in the Shares held by Hangzhou Quanyi.

(3) Mr. Qiu is the general partner who holds approximately 7.20% interest in Xinfu Tongxin. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Xinfu Tongxin.

(4) Mr. Qiu is the general partner who holds approximately 45.71% interest in Shanghai Quanyou. Shanghai Quanyou holds 5,000,000 Shares, representing approximately 2.38% and 2.25% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Shanghai Quanyou.

(5) Mr. Qiu directly holds 10,000,000 Shares, representing approximately 4.76% and 4.50% of our Shares in issue immediately prior to and following the completion of the Global Offering.

(6) As of the Latest Practicable Date, our Company has 222,071,600 total issued Shares.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors, Supervisors or chief executives of our Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

PENSION SCHEME/RETIREMENT BENEFIT PLAN

The Group participates in defined contribution retirement benefit plan managed by the PRC local government authorities for the Group's eligible employees in the PRC. The eligible employees in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. Particulars of these retirement plans are set out in Note 6 to the Consolidated Financial Statements.

There were no forfeited contributions in respect of the Group's defined contribution plan as mentioned above.

EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Group are determined by the Board with reference to the respective responsibilities and duties, experience, individual performance, and time devoted to the Group and may be adjusted upon the recommendation of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee was set up for reviewing our Company's emolument policy and structure of all remuneration of the Directors and senior management of our Company.

EMPLOYEE SHARE INCENTIVE SCHEME

The Employee Share Incentive Scheme (the "**Scheme**") had been approved and adopted by the resolutions of our Shareholders at the extraordinary general meeting of our Company held on September 15, 2022, to establish and improve the long-term incentive mechanism of our Group, better retain and motivate the employees and consultants of our Group and share the growth in earnings of our Group with the eligible participants (the "**Participants**"), including principally core management members and core personnel of our Group, which shall be determined by the management of our Company from time to time on factors such as the contribution, position and years of service of the Participants and taking into account the business objectives and performance of our Company.

The Scheme comprised two parts: (i) certain participants shall have the right to invest in our Company by way of becoming limited partners of Xinfu Tongxin or Xinfu Quanxin, our employee share incentive platforms, and making capital contribution to our Company through Xinfu Tongxin; and (ii) Mr. Qiu, Dr. Li Jianwei and Dr. Yu Guoliang shall have the right to make capital contribution to our Company directly and become our Shareholders. Details of the Scheme are set out in the paragraph headed "Statutory and General Information – D. Employee Share Incentive Scheme" in Appendix VIII to the Prospectus. The terms of the Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Scheme does not involve the grant of share awards by our Company after the Listing. Before the Listing Date, all of the incentive Shares under the Scheme have already been granted.

As of the Latest Practicable Date, 27,500,000 incentive Shares had been granted to 69 Participants, of which 15,550,000 incentive Shares were indirectly held by 67 Participants through our employee share incentive platforms and the remaining 11,950,000 incentive Shares were directly held by Mr. Qiu, Dr. Li Jianwei and Dr. Yu Guoliang at consideration of RMB1 per Share pursuant to the Scheme. As of the Latest Practicable Date, all the incentive Shares under the Scheme were granted. The incentive Shares granted under the Scheme are subject to vesting period and vesting conditions which are described in the paragraph headed "Statutory and General Information – D. Employee Share Incentive Scheme – (e) Lock-up Period and releasing restrictions on the incentive Shares" and the notes as set out in "Details of the incentive Shares granted under the Scheme" in the same section of the Prospectus.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals of the Group are set out in Notes 8 and 9 to the Consolidated Financial Statements of this annual report.

For the year ended December 31, 2023, except for wages and salaries payable for employment within the Group, no emoluments were paid by the Group to any Director, any Supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or the Supervisors has waived any emoluments for the year ended December 31, 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, by the Group to or on behalf of any of the Directors or the Supervisors.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

We have in the past conducted certain transactions with entities that become our connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing. Such transactions continue after Listing and therefore constitute our continuing connected transactions under the Listing Rules. Zhongmei Huadong is one of our substantial shareholders and became a connected person of our Company upon Listing.

Since our Company has not been listed for the year ended December 31, 2023, annual review and reporting requirements under Chapter 14A of the Listing Rules are not applicable to our Company for the year ended December 31, 2023. Below set out the non-exempt continuing connected transactions entered by our Company:

CDMO Services Framework Agreement

Principal terms

On January 16, 2024, Cellularforce, our CMC-focused subsidiary, entered into a CDMO services framework agreement (the "**CDMO Services Framework Agreement**") with Zhongmei Huadong, pursuant to which Zhongmei Huadong and/or its subsidiaries ("**Zhongmei Huadong Group**") may from time to time commission Cellularforce to provide CDMO services for their drug substance and drug products and in return Zhongmei Huadong Group shall agree to pay service fees to Cellularforce for such CDMO services. The CDMO Services Framework Agreement has a term commencing from the Listing Date to December 31, 2025, which may be renewed for a further term not exceeding three years from time to time, as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate CDMO services agreements setting out the specific terms and conditions based on the principles provided in the CDMO Services Framework Agreement.

The service fees chargeable by Cellularforce will be determined after arm's length negotiations between Cellularforce and Zhongmei Huadong Group on a cost-plus basis, with the cost-plus margin ranging from approximately 5% to 30% of our cost depending on the nature, scope and complexity of services to be provided, the expected cost and expenses for provision of the required services.

Cellularforce commenced the provision of CDMO services to Zhongmei Huadong Group in February 2023. The historical amounts of transaction contemplated under the CDMO Services Framework Agreement for the year ended December 31, 2023 was RMB9,577,000 (excluding tax).

Our Directors estimate that the maximum amount of service fees payable by Zhongmei Huadong Group to Cellularforce under the CDMO Services Framework Agreement for each of the two years ending December 31, 2025 will not exceed RMB10.0 million and RMB12.0 million, respectively.

Listing Rules implications

As each of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps under the CDMO Services Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the CDMO Services Framework Agreement constitute continuing connected transactions for our Company which will, upon Listing, be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, during the Reporting Period, there was no connected transaction or other continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions and other connected transactions set out in this section, and are of the view that the transactions have been entered into under the following circumstances:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favorable to the Group than terms offered to/by independent third parties; and

(3) in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interest of the Shareholders of our Company as a whole.

Save as disclosed in this annual report, for the year ended December 31, 2023 and up to the Latest Practicable Date, our Company had no other connected transactions or continuing connected transactions which were required to be disclosed pursuant to the provisions of Chapter 14A of the Listing Rules relating to the disclosure of connected transactions and continuing connected transactions.

Details of material related party transactions entered into by Our Group during the Reporting Period are disclosed in Note 29 to the Consolidated Financial Statements. Save as disclosed above in this annual report, the other related party transactions disclosed in Note 29 are fully exempted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in Note 29 to the Consolidated Financial Statements, no contract of significance (including contract of significance for the provision of services) was entered into between our Company or its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2023 or subsisted as of December 31, 2023.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of our Company were listed on the Main Board of the Stock Exchange on March 20, 2024. The net proceeds received from the Global Offering, after deducting the underwriting fees and commissions and expenses payable by our Company in connection with the Global Offering, amounted to approximately HK$163.3 million. The net price per H Shares offered under the Global Offering was approximately HK$13.56. As of the Latest Practicable Date, our Company did not change its plan on the use of proceeds as stated in the Prospectus and did not utilize any of the proceeds from the Global Offering. Our Company intends to use the net proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The breakdown of our expected uses of proceeds from the Global Offering is as follows:

(i) approximately 30.1%, or HK$49.2 million, will be allocated for the development and registration of our Core Product, QX002N, of which:

  (a) approximately 28.5%, or HK$46.6 million, will be allocated to fund the Phase III clinical trials (including costs for trial sites, CROs and subject enrollment) of QX002N in China for the treatment of AS. We commenced a Phase III clinical trial in China in September 2023 to evaluate safety and efficacy of QX002N in adult patients with active AS. We expect to complete such trial in the second half of 2025;

  (b) approximately 1.6%, or HK$2.6 million, will be allocated for the CMC costs and the preparation of requisite registration filings of QX002N;

(ii) approximately 54.6%, or HK$89.1 million, will be allocated for the development and registration of our other Core Product, QX005N, of which:

  (a) approximately 27.0%, or HK$44.1 million, will be allocated to fund the clinical trials (including costs for trial sites, CROs and subject enrollment) of QX005N in China for the treatment of AD in adults. We commenced a Phase II clinical trial for AD in adults in China in September 2022 to evaluate the efficacy, safety, PK and PD profile of QX005N in adult patients with moderate-to-severe AD. We expect to complete such trial in April 2024. As of the Latest Practicable Date, our plan for Phase III clinical trials has been published on the Drug Clinical Trial and Information Publication Platform of the Drug Evaluation Center of the State Drug Administration;

    (1) approximately 0.5%, or HK$0.9 million, will be allocated to the Phase II clinical trial; and

    (2) approximately 26.5%, or HK$43.2 million, will be allocated to the Phase III clinical trial;

(b) approximately 21.5%, or HK$35.0 million, will be allocated to fund the clinical trials (including costs for trial sites, CROs and subject enrollment) of QX005N in China for the treatment of PN. We commenced a Phase II clinical trial for PN in China in February 2023 to evaluate the efficacy, safety, PK and PD profile of QX005N in adult patients with PN. We have completed the Phase II clinical trial in April 2024. As of the Latest Practicable Date, we had applied to consult with the NMPA for the commencement of the Phase III clinical trial;

(1) approximately 1.9%, or HK$3.1 million, will be allocated to the Phase II clinical trial; and

(2) approximately 19.6%, or HK$31.9 million, will be allocated to the Phase III clinical trial;

(c) approximately 1.3%, or HK$2.1 million, will be allocated for the Phase II clinical trials (including costs for trial sites, CROs and subject enrollment) of QX005N in China for the treatment of CRSwNP. We commenced a Phase II clinical trial of QX005N in China for the treatment of CRSwNP in April 2023 to evaluate the safety, efficacy, PK and PD of QX005N in adult patients with CRSwNP and plan to complete such trial in the fourth quarter of 2024; and

(d) approximately 4.8%, or HK$7.9 million, will be allocated for the CMC costs and the preparation of requisite registration filings of QX005N;

(iii) approximately 8.7%, or HK$14.2 million, will be allocated for the development and registration of QX004N, including costs for trial sites, CROs and subject enrollment for the Phase Ib and Phase II clinical trials of QX004N for the treatment of Ps and the Phase Ib and Phase II clinical trials of QX004N for the treatment of CD, and CMC costs of QX004N. We commenced a Phase Ib clinical trial in China in February 2023 to evaluate the safety, tolerability, efficacy and PK profile of QX004N in adult patients with moderate-to-severe plaque Ps. We expect to complete such trial in the second quarter of 2024. We also commenced a Phase II clinical trial in China in September 2023 to evaluate the efficacy, safety and PK and PD profile of QX004N in adult patients with moderate-to-severe plaque Ps. We expect to complete such trial in the first half of 2025. We also plan to initiate a Phase Ib clinical trial in China depending on the data from the Phase Ia clinical trial for CD to evaluate the safety, efficacy, PK and tolerability of multiple intravenous injections of QX004N in adult patients with CD;

(iv) approximately 1.9%, or HK$3.1 million, will be allocated for clinical development of QX006N, including the clinical trials (including costs for trial sites, CROs and subject enrollment), preparation of registration filings and CMC costs of QX006N; and

(v) approximately 4.7%, or HK$7.7 million, will be allocated for the research and development of certain of our other assets, including QX007N, QX010N and QX013N, and drug discovery.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of our Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong. We expect to complete the use of net proceeds from the Global Offering by the end of 2025. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

MATERIAL LITIGATION

The Group was not involved in any material legal proceeding during the year ended December 31, 2023.

PUBLIC FLOAT

Based on information that is publicly available to our Company and within the knowledge of the Directors, our Company has maintained the prescribed public float under the Main Board Listing Rules since its listing on March 20, 2024 up to the date of this annual report.

AUDITOR

The Consolidated Financial Statements of the Group have been audited by KPMG, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance. Our Company engaged KPMG in March 2024 and did not engage any other auditors before.

EVENTS AFTER THE FINANCIAL PERIOD

On March 20, 2024, the H Shares of our Company were listed on the Main Board of the Stock Exchange.

Save as disclosed in this annual report and Note 31 to the consolidated financial statements in this annual report, we are not aware of any material subsequent events from the end of the Reporting Period to the date of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend and vote at the AGM to be held on May 31, 2024 the register of members will be closed from Thursday, May 16, 2024 to Friday, May 31, 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong H Share Registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, May 14, 2024.

On behalf of the Board

Mr. Qiu Jiwan
Chairman

Hong Kong, April 29, 2024

Report of the Board of Supervisors

In 2023, the Board of Supervisors comprehensively fulfilled its supervision duties over members of the Board and senior management of our Company as authorized at the general meetings in accordance with the PRC Company Law and and other laws and regulations as well as the Articles of Association.

MEETINGS OF THE BOARD OF SUPERVISORS

In 2023, two supervisory committee meetings were held by the Board of Supervisors. The notice, convening and voting procedures for the meetings were in compliance with the requirements of the Company Law and other laws and regulations as well as the Articles of Association and the Rules of Procedures for the Board of Supervisors. The work of the Board of Supervisors mainly included:

1. Attending general Shareholders' meetings of our Company to understand the operation of the Shareholders' meetings;

2. Attending the meetings of the Board of Directors of our Company to understand the operation of the Board of Directors; and

3. Reviewing our Company's financial reports and work plan for the next year.

INDEPENDENT OPINIONS OF BOARD OF SUPERVISORS ON RELEVANT MATTERS OF OUR COMPANY

Legality of Company's operation

In the opinion of the Board of Supervisors, our Company operated in compliance with relevant laws and regulations, including the Company Law, and the Articles of Association. The procedures for making decisions on operation were in accordance with relevant laws and regulations, and up to standard, thus making satisfactory results. The Directors and senior management of our Company were able to perform their duties in accordance with relevant laws and regulations and the Articles of Association and exercise their powers in a proper and diligent manner without any act in violation of laws, regulations or the Articles of Association or contrary to the interest of our Company or the Shareholders.

Implementation of resolutions

The Board of Supervisors had no objection to the contents of resolutions submitted to the general meetings. The Board of Supervisors considered that the resolutions of the shareholders' general meetings and the Board meetings were implemented effectively.

Company's financial position

Our Company strictly observed the accounting principles. During the Reporting Period, our Company's financial structure was reasonable and complete, and the annual financial report was able to give a true and accurate reflection of our Company's financial position and operating results. The information stated in the reports did not contain any material false record, misleading statement or material omission. Our Company's 2023 annual financial report was audited by KPMG and a standard unqualified opinion were issued.

Review of Board of Supervisors on internal control evaluation report

The Board of Supervisors has conducted a review on our Company, and considered that our Company has established an appropriate internal control system in all material aspects and the internal control management system has operated effectively, thus ensuring its consistent implementation and normal production and operation.

Work plan of the Board of Supervisors for 2024

In 2024, the Board of Supervisors will continue to fulfill and comply with its supervision duties conferred by the PRC Company law and other relevant laws and regulations and the Articles of Association over members of the Board and senior management of our Company and strengthen its supervision function to improve the corporate governance structure of our Company. The Board of Supervisors will hold regular meetings of the Board of Supervisors in accordance with relevant regulations, and will convene ad hoc meetings in a timely manner in the event of special circumstances, in order to fulfill the duties of the Board of Supervisors. The Board of Supervisors will pay more attention to the legality of the decision-making procedures and material decisions made by our Company, and is determined to implement the pre-set strategies and policies of our Company, including attending the shareholders' general meeting of our Company and the Board meetings, keeping informed of the operation of the shareholders' general meeting and our Company's business decisions, and ensuring the compliant operation of our Company. Furthermore, by increasing supervision and strengthening the supervision and inspection of our Company's financial position, the Board of Supervisors aims to prevent operational and financial risks, so as to further reinforced internal control system and safeguard the interests of our Company and its Shareholders.

Best regards,

Corporate Governance Report

The Board of our Company is pleased to report to the Shareholders of our Company the corporate governance of our Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE CULTURE AND VALUE

Our Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, our Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with our Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for our Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and improve its transparency and accountability.

Our Company has adopted the principles and code provisions of the CG Code contained in Appendix C1 to the Listing Rules as the basis for the corporate governance practices of the Company.

As our Company's shares were not listed on the Stock Exchange as of December 31, 2023, the CG Code set out in Appendix C1 to the Listing Rules were not applicable to our Company during the year ended December 31, 2023.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. The Chairman and Chief Executive Officer of our Company are held by Mr. Qiu Jiwan who is the founder of our Company and has extensive experience in the industry. Having served in our Company as the general manager since the very early stage of our Company, Mr. Qiu is in charge of overall management of our Company. Despite the fact that the roles of our chairman of the Board and our chief executive officer are both performed by Mr. Qiu which constitutes a deviation from code provision C.2.1 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Qiu has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Company. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. The Board currently comprises three non-executive Directors and three independent non-executive Directors as compared to three executive Directors. Therefore, the Board possesses a strong independent element in its composition. The Board will continue to review and monitor the practices of our Company with an aim of maintaining a high standard of corporate governance.

Our Company is committed to enhancing its corporate governance practices used to regulate conduct and promote growth of its business and to reviewing such practices from time to time to ensure that we comply with the CG Code and align with the latest developments of our Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of our Company by the Directors and Supervisors.

As our Company's shares were not listed on the Stock Exchange as of December 31, 2023, the relevant rules of the Model Code, to which the Directors and Supervisors were subject, were not applicable to our Company during the year ended December 31, 2023.

Specific enquiry has been made of all the Directors and Supervisors, all the Directors and Supervisors have confirmed that they have complied with the Model Code since the Listing Date.

BOARD OF DIRECTORS

Our Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting our Company's success by directing and supervising our Company's affairs. Directors take decisions objectively in the best interests of our Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of our Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to our Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises the following Directors:

Executive Directors
Mr. Qiu Jiwan *(Chairman and Chief Executive Officer)*
Mr. Wu Yiliang
Mr. Lin Weidong

Non-executive Directors
Mr. Yu Xi
Mr. Wu Zhiqiang
Dr. Xue Mingyu

Independent non-executive Directors
Dr. Zou Zhongmei
Dr. Ling Jianqun
Mr. Fung Che Wai, Anthony

Each of our Directors has confirmed that he/she obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on March 22, 2023, and he/she has confirmed he/she understood his/her obligations as a director of a listed issuer.

The biographical details of the Directors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report. Save as disclosed above, there were no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors and supervisors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings, reasonable notice has to be given generally. For other committee meetings, a notice shall be given 3 days prior to the meeting. Minutes of meetings are kept by the company secretary of our Company with copies circulated to all Directors for information and records.

During the Reporting Period, the Board held five meetings and the attendance of the individual Directors at Board meetings and the general meetings of our Company during the year ended December 31, 2023 is set out below:

Name of Directors	Number of attendance/meetings held during the term of office of the Director	
	Board Meetings	**General Meetings**
Executive Directors		
Mr. Qiu Jiwan *(Chairman and Chief Executive Officer)*	5/5	3/3
Mr. Wu Yiliang	5/5	3/3
Mr. Lin Weidong	5/5	3/3
Non-executive Directors		
Mr. Yu Xi	5/5	3/3
Mr. Wu Zhiqiang	5/5	3/3
Dr. Xue Mingyu	5/5	3/3
Independent non-executive Directors		
Dr. Zou Zhongmei	N/A	N/A
Dr. Ling Jianqun	N/A	N/A
Mr. Fung Che Wai, Anthony	N/A	N/A

Note: All independent non-executive Directors were appointed on January 4, 2024.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of our Company; and is collectively responsible for directing and supervising our Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of our Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of our Company and may, upon request, seek independent professional advice in appropriate circumstances, at our Company's expenses for discharging their duties to our Company.

The Directors shall disclose to our Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of our Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of our Company are delegated to the management.

Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer of our Company are held by Mr. Qiu Jiwan who is our founder and has been assuming the responsibilities in the overall management, R&D and business strategy of our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Qiu Jiwan taking up both roles for effective management and operations. Therefore, our Directors consider that the deviation from such code provision is appropriate.

Notwithstanding such deviation, our Directors are of the view that our Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with members of our Board and the relevant Board committees, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board.

Our Board shall nevertheless review the structure and composition of our Board and senior management from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of our Company.

Independent non-executive Directors

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing no less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Our Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Our Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

Our Company recognizes that the independence of the Board of Directors is key to sound corporate governance. Our Company has established effective mechanisms to support the independence of the Board of Directors and its independent advice. The board would review the implementation and effectiveness of such mechanisms on an annual basis.

The nomination, election and appointment of Directors to the Board of Directors are carried out in strict compliance with relevant regulations and policies and our Company's rules and regulations, following the principles of impartiality, fairness and openness to ensure the diversity of the Board members without conflict of interest.

Currently, the independent non-executive Directors of the Board of Directors account for one-third of the total number of Board members, and the Audit Committee consists of two independent non-executive Directors and one non-executive Director, all of which are in compliance with the independence requirements under the Listing Rules.

The independent non-executive Directors have extensive industry experience and professional knowledge, and have the ability to devote sufficient time to fulfill the duties of the Board of Directors to provide strong support and supervision for the development of our Company, and are able to maintain objectivity and independence in decision making to safeguard the interests of our Company and its shareholders. Our Company will assess the independence of the independent non-executive Directors on an annual basis.

Our Company has established effective channels for communication of views, and the Directors can express their views openly, as well as confidentially if necessary. All Directors (including independent non-executive Directors) may obtain external independent professional advice as deemed necessary at our Company's expense. All Directors will recuse themselves from voting on resolutions in which they have a direct or indirect interest.

Appointment and Re-election of Directors

Under the Articles of Association of our Company, Directors shall be elected at Shareholders' general meetings with a term of office of three years from the date on which the election takes effect. Upon the expiration of the term of office, Directors shall be eligible to offer themselves for re-election.

Accordingly, the executive Directors had each enter into a separate service agreement and our Company had issued a separate letter of appointment to each of the non-executive Directors and independent non-executive Directors.

Save as disclosed above, our Company did not sign any relevant unexpired service contract which is not determinable within a year without payment of any compensation, other than statutory compensation.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of our Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to our Company's key plant sites and meetings with senior management of our Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. During the year ended December 31, 2023 and prior to the Listing, all Directors have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and Development Committee, for overseeing particular aspects of our Company's affairs. All Board committees of our Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on our Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three, namely Mr. Fung Che Wai, Anthony, Mr. Wu Zhiqiang and Dr. Ling Jianqun. Mr. Fung Che Wai, Anthony is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of our Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of our Company.

As our Company's shares were listed on the Stock Exchange on March 20, 2024, no meetings of the Audit Committee were held during the year ended December 31, 2023.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three members, namely Dr. Ling Jianqun, Dr. Zou Zhongmei and Mr. Qiu Jiwan. Dr. Ling Jianqun is the chairman of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration and Appraisal Committee include determining and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors, supervisors and senior management; evaluating the performance of executive Directors; reviewing the terms of service agreements or appointment letters for the Directors and Supervisors; reviewing and/or approve matters relating to share schemes; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

As our Company's shares were listed on the Stock Exchange on March 20, 2024, no meetings of the Remuneration and Appraisal Committee were held during the year ended December 31, 2023.

Our Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in our Company's affairs. The remuneration packages of Directors and Supervisors are also determined with reference to our Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director and Supervisor. The remuneration for Directors and Supervisors comprises basic salary, allowances, discretionary bonuses, retirement scheme contributions and share-based payments.

Details of the emoluments of the Directors, Supervisors and five highest paid individuals of the Group are set out in Notes 8 and 9 to the Consolidated Financial Statements of this annual report. The remuneration payable to members of senior management by band for the year ended December 31, 2023 is set out below:

Remuneration level *(RMB)*	**Number of persons**
500,000-1,000,000	1
1,000,001-3,000,000	6

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Qiu Jiwan, Dr. Zou Zhongmei and Dr. Ling Jianqun. Mr. Qiu Jiwan is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and our Company is in fully compliance with the board diversity requirements under Rule 13.92 of the Listing Rules.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in our Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As our Company's shares were listed on the Stock Exchange on March 20, 2024, no meetings of the Nomination Committee were held during the year ended December 31, 2023.

Strategy and Development Committee

The Strategy and Development Committee consists of three members, namely Mr. Qiu Jiwan, Mr. Yu Xi and Dr. Xue Mingyu. Mr. Qiu Jiwan is the chairman of the Strategy and Development Committee.

The primary duties of the Strategy and Development Committee are to study and advise on the long term strategy and major development and financing plans of our Group.

As our Company's shares were listed on the Stock Exchange on March 20, 2024, no meetings of the Strategy and Development Committee were held during the year ended December 31, 2023.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining the corporate governance policy of our Company performing the functions set out in code provision A.2.1 of Part 2 of the CG Code. Such duties have been delegated to the Audit Committee.

The Board reviewed our Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, our Company's policies and practices on compliance with legal and regulatory requirements, our Company's compliance with the CG Code, our Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of our Company may from time to time and as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD DIVERSITY POLICY

Our Company has adopted the Board Diversity Policy and stipulated the means to achieve Board diversity. Our Company recognises and embraces the benefits of having a diverse Board and sees enhanced diversity at the Board level as an essential element in maintaining our Company's competitive advantages.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement our Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, length of service, knowledge and regional and industry experience.

With regards to gender diversity on the Board, the Board currently comprises one female Director and eight male Directors. The Board considers that our Company has achieved gender diversity at the Board level and targets to maintain at least the current level of female representation. Our Company will ensure that gender diversity is taken into account when recruiting staff members of mid to senior level and ensure that sufficient resources are available for providing appropriate trainings and career development to develop a pipeline of potential successors to the Board and maintain gender diversity.

Our Company strives to maintain an appropriate balance of diverse perspectives that are relevant to our Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, setting and reviewing measurable objectives to implement the policy and ascertain the progress made towards achieving those objectives.

The current Board composition is analysed as follows based on the measurable objectives:

Gender
Male: 8 Directors
Female: 1 Director

Age group
31–40: 1 Director
41–50: 4 Directors
51–60: 4 Directors

Position
Executive Directors: 3 Directors
Non-executive Directors: 3 Directors
Independent non-executive Directors: 3 Directors

Educational background
Business administration: 2 Directors
Accounting and finance: 2 Directors
Other: 5 Directors

Nationality
PRC: 8 Directors
HK: 1 Director

Business experience
Accounting and finance: 3 Directors
Experience relevant to our Company's business: 6 Directors

The Nomination Committee and the Board consider that the current Board composition has reached the objectives set out in the Board Diversity Policy.

The Nomination Committee will review at least on a yearly basis the Board Diversity Policy and measurable objectives to ensure the sustained function and effectiveness of the Board.

GENDER DIVERSITY

Our Company values gender diversity at all levels of the Group. Among the 331 employees of our Group as of December 31, 2023, 165 are males (49.85%) and 166 are females (50.15%). The Board believes that our Company has achieved gender diversity among its employees and considers such gender diversity is satisfactory at the current stage. In order to continue to achieve gender diversity among our employees, we are committed to creating favourable conditions in our working environment to continuously attract employees of different genders to the Group, thereby maintaining our position as a gender-balanced company. In this process, we may face challenges in matching the availability of gender-specific personnel in the human resources market with the education, experience and skills required for positions of the Group. Despite these challenges, we are committed to maintaining a gender-balanced workforce.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving our Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control mechanisms.

Our Company has adopted a comprehensive set of risk management policies to identify, assess, analyze and monitor material risks on an ongoing basis. The management of our Company is responsible for overseeing the implementation of the risk management policies. Risks identified by the management are analyzed according to their likelihood and scope of impact, and are properly followed up, mitigated and rectified by our Company and reported to the Board of Directors. A risk management and internal control system has been developed and updated from time to time with the objective of enabling our Company to maintain a high standard of corporate governance and to identify and mitigate any potential risks.

For any material internal control deficiencies, management will identify internal control deficiencies, review control activities and procedures and, if necessary, revise the necessary internal policies and procedures. This will be reported to the Board of Directors and the Audit Committee at least annually.

Our Company has adopted or will continue to adopt, among others, the following risk management and internal control measures with the following main features:

- Our Company has established the Audit Committee to assist the Board of Directors in overseeing the design, implementation and monitoring of the risk management and internal control system.

- Our Company has also established an internal audit function to assist the Board of Directors and the Audit Committee in the implementation and monitoring of internal control policies, procedures and risk management mechanisms.

- Our Company has adopted various policies to ensure that our Company complies with the Listing Rules, including but not limited to disclosure of information, connected transactions and securities trading.

- Our Company has developed and adopted various internal control procedures and guidelines with defined authority for implementation by key business processes and office functions, including but not limited to research and development, procurement management, financial reporting, human resources and information technology.

- Our Company has arranged Directors and senior management to attend training sessions on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

- Our Company has Whistleblowing Policy in place for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

- Our Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management, and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

- Our Company has engaged legal advisors to periodically review the Company's compliance status with all relevant laws and regulations.

- Prior to the Listing Date, our Company had appointed an internal control consultant to review the effectiveness of internal control measures relating to major business processes, to identify deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. Our Company has adopted the recommendations made by the internal control consultant and has taken corresponding measures to improve such internal control deficiencies.

The Board of Directors, with the support of the Audit Committee as well as the management, conducted an annual review of the effectiveness of the risk management and internal control systems during the Reporting Period and considered the systems to be effective and adequate.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements with the support from the accounting and finance team.

The Directors have prepared the financial statements in accordance with the IFRS issued by the IASB. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Company's ability to continue as a going concern. Our Company's financial statements have been prepared on a going concern basis, and the Directors believe that the financial statements give a true and fair view of the financial condition, results and cash flows of the Group for the year ended December 31, 2023, and that the disclosure and reporting of other financial information have complied with relevant laws.

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimization of the debt and equity balance.

There are no material uncertainties relating to events or conditions that cast significant doubt upon our Company's liability to continue as a going concern.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

Our Company appointed KPMG, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance, as the external auditor for the year ended December 31, 2023. A statement by KPMG about their reporting responsibilities for the financial statements is included in the "Independent Auditor's Report" of this annual report.

The remuneration paid and payable to the external auditor of our Company in respect of audit services and non-audit services for the year ended December 31, 2023 are set forth below.

Type of services	Remuneration paid/payable *RMB'000*
Audit services	2,286
Non-audit services *(Note)*	45
Total	2,331

Note: Non-audit services include internal control consulting services.

COMPANY SECRETARIES

Mr. Hu Yanbao and Ms. Tang King Yin are the joint company secretaries of our Company. Mr. Hu serves a the Board secretary of the Group. Another joint company secretary is Ms. Tang King Yin, who is a member of Tricor Services Limited, an external service provider. Ms. Tang's major contact person in our Company is Mr. Hu.

Our Company was not listed on the Stock Exchange for the year ended December 31, 2023. The joint company secretaries of our Company will receive no less than 15 hours of relevant professional training annually pursuant to the requirements of Rule 3.29 of the Listing Rules.

All Directors may have access to the advice and services of the joint company secretaries on corporate governance and routine Board matters.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

In accordance with article 52 of the articles of association of our Company, Shareholder(s) severally or jointly holding 10% or above shares of our Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations and provisions of the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receipt of the written proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution of the Board is made. In the event of any change to the original proposal set forth in the notice, the consent of Shareholder(s) who put forward the proposal shall be obtained. If the Board does not agree to hold the extraordinary general meeting, or fails to give a reply within 10 days after receipt of the proposal, Shareholder(s) severally or jointly holding 10% or above shares of our Company shall be entitled to propose to the board of supervisors to convene an extraordinary general meeting, and shall put forward such request to the board of supervisors in writing. If the board of supervisors agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of Shareholder(s) who put forward the proposal shall be obtained. In the case of failure to issue the notice for the general meeting within the term stipulated, the board of supervisors shall be deemed as failing to convene and preside over the general meeting. The shareholder(s) severally or jointly holding 10% or above shares of our Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

Submitting Proposal at a General Meeting

Shareholders, who individually or jointly hold more than three percent of the shares of our Company, shall be entitled to submit ad hoc proposals in writing to the convener. The convener shall issue a supplemental notice of the shareholders' general meeting after the receipt of the proposals. Our Company shall include matters as proposed in the proposals that are within the scope of authority of the shareholders' general meeting in the agenda of such meeting, and announce the content of the ad hoc proposals.

Making Enquiries to the Board

Shareholders may send written enquires to our Company for any enquiries put forward by the Board. Our Company will normally not deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
(For the attention of the joint company secretaries)

Email: IR@qyuns.net

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Our Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. Our Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard the interests and rights of the Shareholders, a separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of our Company and of the Stock Exchange after each general meeting.

Our Company has established a range of channels for maintaining its ongoing dialogue with the Shareholders, the details of which are set out below:

(a) Shareholders' Enquiries

- Shareholders may at any time make a request for our Company's information to the extent such information is publicly available.

- Shareholders may have access to the contact persons, email addresses and enquiry lines designated by our Company in order to enable them to make any query in respect of our Company.

(b) Corporate Communications

- "Corporate communications" refers to any documents issued or to be issued by our Company for information or action of Shareholders, which includes but are not limited to copies of the report of Directors and annual accounts and the auditor's report, interim reports, meeting notices, circulars and proxy forms. Corporate communications will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders are entitled to choose the language (either English or Chinese).

- Shareholders are encouraged to provide, among others, their email addresses to our Company to facilitate timely and effective communication.

(c) Company Website

- Our Company has set a special column headed "Investor Relations" on our website (www.qyuns.net). Information on our Company's website will be updated regularly.

- Information posted on the Stock Exchange by our Company will also be immediately published on the website of our Company. Such information includes, among others, financial statements, results announcements, circulars, notices of general meetings and relevant statements.

- All presentation materials provided together with the annual general meeting and results announcement of our Company for each year will be available on the website of our Company.

- All press releases and Shareholders' communications will be available on the website of our Company.

(d) Shareholders' Meetings

- Shareholders are encouraged to attend general meetings, failure which, proxies may be appointed to attend and vote at the meetings on their behalf.
- Appropriate arrangements will be made to the annual general meetings to encourage Shareholders' participation in such meetings.
- Procedures of the general meetings of our Company will be monitored and reviewed on a regular basis, and amended if necessary to ensure Shareholders' needs are satisfied to the maximum extent.
- Board members, in particular chairman of each committee under the Board/Chairman or its proxy, appropriate senior management and external auditor will attend annual general meetings to answer Shareholders' questions.
- Shareholders are encouraged to participate in Shareholder activities organised by our Company to convey information concerning our Company, including latest strategic planning, products and services.

Our Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors in order for them to better understand the Group's business performance and strategies. The Board has considered the Shareholders' communication policy of our Company as described above and is satisfied that there are effective channels by which the Shareholders can communicate and raise concern with our Company.

AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS

Our Company did not make any amendments to its Articles of Association since the Listing Date. The latest version of the Articles of Association of our Company is also posted on the website of our Company and the website of the Stock Exchange.

DIVIDEND POLICY

Our Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends. Our Company does not have any predetermined dividend payout ratio. Under the PRC law and the Articles of Association, the statutory common reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. If the company's statutory common reserve is insufficient to make up for the losses of previous years, the company shall use the current year's profit to make up for the losses before drawing down the statutory reserve. After the company has withdrawn the statutory common reserve from the after-tax profit, it may also withdraw other common reserve from the after-tax profit by resolution of the shareholders' general meeting. The after-tax profit remaining after the company has made up for its losses and withdrawn its provident fund shall be distributed in proportion to the shares held by the shareholders. If the shareholders' meeting violates the foregoing provisions by distributing profits to shareholders before our Company has made up for its losses and withdrawn its statutory common reserve, the shareholders must return to our Company the profits distributed in violation of the provisions. Shares of our Company held by our Company do not participate in the distribution of profits. Depending on the financial conditions of our Company and the Group, current economic environment and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year, and any final dividend for a financial year will be subject to the Shareholders' approval.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

Our Company has anti-corruption and anti-bribery policies in place to eliminate any corruption within our Company. Our Company maintains an internal whistleblowing channel for our employees to report any suspected acts of bribery and corruption. During the Reporting Period, there was no non-compliance related to bribery and corruption.

Independent Auditor's Report

To the shareholders of Qyuns Therapeutics Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Qyuns Therapeutics Co., Ltd. and its subsidiaries set out on pages 100 to 181 which comprises the consolidated statements of financial position as at December 31, 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by the IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><td colspan="2">Recognition and Measurements of Research and Development Costs</td></tr>
<tr><td colspan="2">Refer to the accounting policies on page 112</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group is principally engaged in research and development of biologic therapies for autoimmune and allergic diseases.

The Group incurred research and development ("R&D") costs of RMB364,404,000 for the year ended December 31, 2023, mainly consisting of staff costs, third-party contracting costs and cost of materials and consumables.

We identified the recognition and measurement of R&D costs as a key audit matter due to its significance and risk of R&D-related staff costs, third-party contracting costs not accurately recognised.</td><td>Our audit procedures to assess the recognition and measurement of research and development cost included the following:

• Obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls related to the Group's R&D costs recognition and measurement process;

• Evaluating the accrual for and allocation of R&D-related staff costs by checking to the working time records maintained by the R&D project management department;

• Evaluating the R&D-related costs of materials and consumables by inspecting, on a sample basis, materials and consumables purchase orders, payment slips and invoices;

• Evaluating the R&D-related third-party contracting costs, on a sample basis, by inspecting the key terms set out in the relevant contracts;

• Evaluating the completion status of R&D projects based on inquiry with project managers and the inspection of invoices and payment slips;</td></tr>
</table>

Key audit matters (Continued)

Recognition and Measurements of Research and Development Costs	
Refer to the accounting policies on page 112	
The Key Audit Matter	**How the matter was addressed in our audit**
	• Obtaining external confirmations from the third-party contractors, on a sample basis, to confirm the completion status of R&D projects; and • Evaluating whether R&D costs were recorded in the appropriate financial reporting period by comparing, R&D costs, on a sample basis, that took place before and after the year end date to payment slips, invoices and completion status reports.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the ISBA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

April 23, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023
(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
Other income	5(a)	**24,921**	25,726
Other net (loss)/gain	5(b)	**(435)**	14,402
Administrative expenses		**(164,594)**	(76,603)
Research and development expenses		**(364,404)**	(257,214)
Loss from operations		**(504,512)**	(293,689)
Finance costs	6(a)	**(16,821)**	(18,692)
Loss before taxation	6	**(521,333)**	(312,381)
Income tax	7(a)	**73**	73
Loss for the year		**(521,260)**	(312,308)
Attributable to:			
Equity shareholders of the Company		**(507,748)**	(298,191)
Non-controlling interests		**(13,512)**	(14,117)
Loss for the year		**(521,260)**	(312,308)
Other comprehensive income for the year (after tax)		**–**	–
Total comprehensive income for the year		**(521,260)**	(312,308)
Attributable to:			
Equity shareholders of the Company		**(507,748)**	(298,191)
Non-controlling interests		**(13,512)**	(14,117)
Total comprehensive income for the year		**(521,260)**	(312,308)
Loss per share			
Basic and diluted *(RMB)*	10	**(2.47)**	(1.68)

The notes on pages 106 to 181 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi Yuan)

	Note	December 31, 2023 RMB'000	December 31, 2022 RMB'000
Non-current assets			
Property, plant and equipment	11	339,106	363,125
Right-of-use assets	12	22,329	23,039
Intangible assets		2,347	3,052
Other non-current assets	14	13,472	9,936
		377,254	399,152
Current assets			
Inventories and other contract costs	15	4,937	–
Prepayments and other receivables	16	26,468	18,384
Other current assets	17	10,210	3,377
Financial assets at fair value through profit or loss ("FVPL")	18	160,414	401,097
Cash and cash equivalents	19	216,300	213,090
		418,329	635,948
Current liabilities			
Trade and other payables	20	129,914	59,930
Contract liabilities	21	870	–
Interest-bearing borrowings	22	119,702	60,508
Lease liabilities	24	1,290	1,752
		251,776	122,190
Net current assets		166,553	513,758
Total assets less current liabilities		543,807	912,910

The notes on pages 106 to 181 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi Yuan)

	Note	December 31, 2023 *RMB'000*	December 31, 2022 *RMB'000*
Non-current liabilities			
Non-current interest-bearing borrowings	22	224,433	232,521
Deferred income	23	17,377	18,018
Lease liabilities	24	634	472
Deferred tax liabilities	7(c)	413	486
		242,857	251,497
NET ASSETS		300,950	661,413
CAPITAL AND RESERVES	26		
Share capital		210,025	180,525
Reserves		84,739	461,190
Total equity attributable to equity shareholders of the Company		294,764	641,715
Non-controlling interests		6,186	19,698
TOTAL EQUITY		300,950	661,413

Approved and authorised for issue by the board of directors on April 23, 2024.

Qiu Jiwan
Director

Lin Weidong
Director

The notes on pages 106 to 181 form part of these financial statements.

Consolidated Statement of Changes in Equity

(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company						
		Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2022		166,480	616,229	3,060	(115,418)	670,351	33,815	704,166
Changes in equity for 2022:								
Total comprehensive income		–	–	–	(298,191)	(298,191)	(14,117)	(312,308)
Issuance of ordinary shares	26(b)	13,545	213,954	–	–	227,499	–	227,499
Shares issued under share option scheme and restricted share scheme	26(b)	500	–	–	–	500	–	500
Equity-settled share-based transactions	25	–	–	41,556	–	41,556	–	41,556
Balance at December 31, 2022 and January 1, 2023		**180,525**	**830,183**	**44,616**	**(413,609)**	**641,715**	**19,698**	**661,413**
Changes in equity for 2023:								
Total comprehensive income		–	–	–	(507,748)	(507,748)	(13,512)	(521,260)
Shares issued under share option scheme and restricted share scheme	26(b)	29,500	–	–	–	29,500	–	29,500
Equity-settled share-based transactions	25	–	–	131,297	–	131,297	–	131,297
Balance at December 31, 2023		**210,025**	**830,183**	**175,913**	**(921,357)**	**294,764**	**6,186**	**300,950**

The notes on pages 106 to 181 form part of these financial statements.

Consolidated Cash Flow Statement

(Expressed in Renminbi Yuan)

	Note	2023 *RMB'000*	2022 *RMB'000*
Operating activities			
Cash used in operations	19(b)	**(300,682)**	(225,212)
Income tax paid		**–**	–
Net cash used in operating activities		**(300,682)**	(225,212)
Investing activities			
Payment for the purchase of property, plant and equipment		**(7,874)**	(20,114)
Payment for the termination of leases		**–**	(42)
Payment for the purchase of intangible assets		**(73)**	(2,653)
Payment for purchase of financial assets measured at FVPL		**(790,000)**	(2,100,000)
Proceeds from sale of financial assets measured at FVPL		**1,036,387**	2,113,182
Interest received from bank deposits		**4,670**	3,923
Net cash generated from/(used in) investing activities		**243,110**	(5,704)
Financing activities			
Proceeds from interest-bearing borrowings	19(c)	**113,600**	15,900
Repayment of interest-bearing borrowings	19(c)	**(64,900)**	(15,000)
Capital injection received from shareholders	26(b)	**–**	227,499
Proceeds from share issued under share option scheme and restricted share scheme	26(b)	**29,500**	500
Interest paid for interest-bearing borrowings	19(c)	**(14,359)**	(15,390)
Payment for capital element of lease liabilities	19(c)	**(1,748)**	(1,553)
Payment for interest element of lease liabilities	19(c)	**(65)**	(99)
Listing expenses paid		**(820)**	(363)
Net cash generated from financing activities		**61,208**	211,494

The notes on pages 106 to 181 form part of these financial statements.

	Note	2023 *RMB'000*	2022 *RMB'000*
Net increase/(decrease) in cash and cash equivalents		**3,636**	(19,422)
Cash and cash equivalents at the beginning of the year		**213,090**	218,055
Effect of foreign exchange rate changes		**(426)**	14,457
Cash and cash equivalents at the end of the year	19(a)	**216,300**	213,090

The notes on pages 106 to 181 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

1 General information

Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司), formerly known as Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥有限公司) was established in Taizhou, Jiangsu Province, People's Republic of China on June 16, 2015 as a company with limited liability. Upon approval by the Company's board meeting held on September 2, 2021, the Company was converted from a company with limited liability into a joint stock company with limited liability. The Company's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on March 20, 2024.

The Company and its subsidiaries are principally engaged in research and development of biologic therapies for autoimmune and allergic diseases. The information of the principal subsidiaries is set out in Note 13.

2 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

2 Material accounting policies (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2023 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets are stated at their fair value as explained in the accounting policies as set out in Note 2(e).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 Material accounting policies (Continued)

(c) Changes in accounting policies

The IASB has issued a number of new and amended IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Material accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2 Material accounting policies (Continued)

(e) Other investments

The Group's policies for other investments, other than investments in subsidiaries, are set out below.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(r)(i)). Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Material accounting policies (Continued)

(e) Other investments (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as of FVPL or FVOCI, are recognised in profit or loss as other income

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2 (i)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(h)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

2 Material accounting policies (Continued)

(f) Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 – 30 years
Equipment and Machinery	3 – 10 years
Other equipment, furniture and fixtures	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(i)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– software	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2 Material accounting policies (Continued)

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 Material accounting policies (Continued)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(i)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e)(i) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

2 Material accounting policies (Continued)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including cash and cash equivalents and prepayments and other receivables).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

2 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

2 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for other receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position (see Note 2(i)).

2 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

2 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(j)(i)), property, plant and equipment (see Note 2(f)) or intangible assets (see Note 2(g)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

2 Material accounting policies (Continued)

(j) Inventories and other contract costs (Continued)

(ii) Other contract costs (Continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

(k) Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses. (see Note 2(i)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(i)(i)).

2 Material accounting policies (Continued)

(m) Trade and other payables and contract liabilities

(i) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related income. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related income. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(t).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

2 Material accounting policies (Continued)

(o) Employee benefits (Continued)

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

Modifications of an equity settled share-based payment arrangement are accounted for only if they are beneficial to the employee. If the Group modifies the terms and conditions of the equity instruments granted in a manner that reduces the fair value of the equity instruments granted, or is not otherwise beneficial to the employee, the Group continues to recognize the services received measured as the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises cost for a restructuring.

2 Material accounting policies (Continued)

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

2 Material accounting policies (Continued)

(p) Income tax (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 Material accounting policies (Continued)

(r) Other income

Further details of the Group's other income recognition policy are as follows:

(i) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(ii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Material accounting policies (Continued)

(s) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 Material accounting policies (Continued)

(u) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Material accounting policies (Continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Research and development expenses

Development expenses incurred on the Group's pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. All development expenses were expensed when incurred.

3 Accounting judgement and estimates (Continued)

(a) Critical accounting judgements in applying the Group's accounting policies (Continued)

(ii) Determining the lease term

As explained in Note 2(h), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(b) Sources of estimation uncertainty

Notes 25 and 27 contains information about equity settled share-based transactions and the assumptions and their risk factors relating to valuation of equity settled share-based transactions and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

3 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and cumulative tax losses.

As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(iii) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(i)(ii). The carrying amounts of the Group's non-current assets, including property, plant and equipment, right-of-use assets, and intangible assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's non-current assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

4 Segment reporting

(a) Segment reporting

For the purpose of resource 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 which is engaged in the research and development of biologic therapies for autoimmune and allergic diseases and no further analysis of this single segment is presented.

(b) Geographic information

All of the non-current assets of the Group are physically located in the PRC. The geographical location of customers is based on the location at which the customers operate is all derived from operations in the PRC.

5 Other income and other net (loss)/gain

(a) Other income

	2023 *RMB'000*	2022 *RMB'000*
Government grants (including amortisation of deferred income, see Note 23)*(i)*	13,596	9,194
Interest income from bank deposits	4,466	4,167
Net realised and unrealised gains on financial assets measured at FVPL	5,704	11,897
Others	1,155	468
	24,921	25,726

(i) Government grants mainly represent (i) government subsidies for encouragement of research and development activities and compensation on the incurred interest expenses of bank loans, which were recognised in profit or loss when received; (ii) government subsidies for compensation on certain capital expenditure incurred for the construction of manufacturing facilities, which were amortised in profit or loss over the estimated useful lives of the relevant assets (see Note 23).

5 Other income and other net (loss)/gain (Continued)

(b) Other net (loss)/gain

	2023 *RMB'000*	2022 *RMB'000*
Net foreign exchange (loss)/gain	(426)	14,457
Others	(9)	(55)
	(435)	14,402

6 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2023 *RMB'000*	2022 *RMB'000*
Interest on lease liabilities *(Note 19(c))*	65	99
Interest on interest-bearing borrowings *(Note 19(c))*	16,756	18,593
Total finance costs on financial liabilities not at FVPL	16,821	18,692

(b) Staff costs

	2023 *RMB'000*	2022 *RMB'000*
Salaries, wages and other benefits	84,078	69,164
Contributions to defined contribution retirement schemes *(i)*	7,026	6,563
Equity-settled share-based payment expenses	131,297	41,556
	222,401	117,283

6 Loss before taxation (Continued)

(b) Staff costs (Continued)

(i) Pursuant to the relevant labor rules and regulations in the PRC, the Company and its subsidiaries in the PRC to participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	2023 *RMB'000*	2022 *RMB'000*
Amortisation cost of intangible assets	705	338
Depreciation charge of property, plant and equipment *(Note 11)*	29,422	28,310
Depreciation charge of right-of-use assets *(Note 12)*	2,158	1,892
Total amortisation and depreciation	32,285	30,540
Auditors' remuneration	2,457	2,001
Listing expenses	22,258	10,154
Research and development expenses	364,404	257,214

During the year ended December 31, 2023, research and development expenses include staff costs and depreciation and amortisation expenses of RMB116,840,000 (2022: RMB93,029,000), which are also included in the respective total amounts disclosed separately above.

7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss represents:

	2023 RMB'000	2022 RMB'000
Current tax – PRC Tax	–	–
Deferred tax	(73)	(73)
	(73)	(73)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Loss before taxation	(521,333)	(312,381)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the PRC *(i)*	(130,334)	(78,095)
Effect of preferential tax rate *(ii)*	45,941	25,816
Effect of additional deduction on research and development expenses *(iii)*	(40,002)	(24,146)
Tax effect of other non-deductible expenses	839	493
Tax effect of deductible temporary differences not recognised	27,754	9,255
Tax effect of unused tax losses not recognised	95,729	66,604
Actual tax expense	(73)	(73)

(i) Pursuant to the Enterprise Income Tax (the "EIT") Law of the PRC (the "EIT Law"), the Company and its PRC subsidiaries are liable to EIT at a rate of 25% unless otherwise specified.

(ii) According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32) issued by Ministry of Finance of the People's Republic of China, Ministry of Science and Technology of the People's Republic of China and National Taxation Bureau of the People's Republic of China, the Company obtained the qualification as high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2021 to 2023.

(iii) According to the tax incentive policies promulgated by the State Tax Bureau of the PRC, which were effective from January 1, 2018 to September 30, 2022, an additional 75% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income.

7 Income tax in the consolidated statements of profit or loss and other comprehensive income (Continued)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates: (Continued)

According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2022, an additional 100% of qualified expenses incurred from October 1, 2022 to December 31, 2023 is allowed to be deducted from the taxable income.

(c) Movement of deferred tax liabilities

The components of deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the years are as follows:

	Depreciation charge of property, plant and equipment *RMB'000*
Deferred tax arising from:	
At January 1, 2022	559
Credited to profit or loss	(73)
December 31, 2022 and January 1, 2023	486
Credited to profit or loss	(73)
December 31, 2023	**413**

(d) Deferred tax assets not recognised

As of December 31, 2023, the Group has not recognised deferred tax assets in respect of their respective cumulative tax losses of RMB1,464,757,000 (2022: RMB992,871,000) and temporary differences of and RMB310,527,000 (2022: RMB122,657,000), in accordance with the accounting policy set out in Note 2(p), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

8 Directors' emoluments

Details of the emoluments of the directors and supervisors of the Company are as follows:

	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	2023 Total RMB'000
Executive directors						
Mr. Qiu Jiwan (裘霽宛) *(i)*	1,858	720	43	2,621	55,490	58,111
Mr. Wu Yiliang (吳亦亮) *(ii)*	1,073	300	43	1,416	4,843	6,259
Mr. Lin Weidong (林偉棟) *(x)*	1,297	400	68	1,765	6,963	8,728
Non-executive directors						
Mr. Yu Xi (余熹) *(iv)*	–	–	–	–	–	–
Dr. Xue Mingyu (薛明宇) *(v)*	–	–	–	–	–	–
Mr. Wu Zhiqiang (吳志強) *(vi)*	–	–	–	–	–	–
Supervisors						
Ms. Wang Yujiao (王玉姣) *(vii)*	598	160	43	801	4,155	4,956
Mr. Ye Xiang (葉翔) *(ix)*	–	–	–	–	–	–
Dr. Ding Chao (丁超) *(xi)*	–	–	–	–	–	–
	4,826	1,580	197	6,603	71,451	78,054

8 Directors' emoluments (Continued)

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub-total *RMB'000*	Share-based payments *RMB'000*	2022 Total *RMB'000*
Executive directors						
Mr. Qiu Jiwan (裘霽宛) *(i)*	1,877	720	32	2,629	18,470	21,099
Mr. Wu Yiliang (吳亦亮) *(ii)*	1,102	300	32	1,434	1,916	3,350
Mr. Lin Weidong (林偉棟) *(x)*	1,281	400	63	1,744	2,010	3,754
Non-executive directors						
Mr. Yu Guoliang (余國良) *(iii)*	–	–	–	–	2,216	2,216
Mr. Yu Xi (余熹) *(iv)*	–	–	–	–	–	–
Dr. Xue Mingyu (薛明宇) *(v)*	–	–	–	–	–	–
Mr. Wu Zhiqiang (吳志強) *(vi)*	–	–	–	–	–	–
Supervisors						
Ms. Wang Yujiao (王玉姣) *(vii)*	621	160	32	813	1,426	2,239
Ms. Zhang Jie (張潔) *(viii)*	–	–	–	–	–	–
Mr. Ye Xiang (葉翔) *(ix)*	–	–	–	–	–	–
Dr. Ding Chao (丁超) *(xi)*	–	–	–	–	–	–
	4,881	1,580	159	6,620	26,038	32,658

8 Directors' emoluments (Continued)

Notes:

(i) Mr. Qiu Jiwan (裘霽宛) was appointed as an executive director of the Company on June 16, 2015. He was key management personnel of the Group and his remuneration disclosed above included those for services rendered by him as key management personnel.

(ii) Mr. Wu Yiliang (吳亦亮) was appointed as an executive director of the Company on April 10, 2019. He was key management personnel of the Group and his remuneration disclosed above included those for services rendered by him as key management personnel.

(iii) Dr. Yu Guoliang (余國良) was appointed as a non-executive director of the Company on June 16, 2015 and resigned on February 16, 2022 due to his plan to devote to his personal business. He was appointed as a consultant of the Group after his resignation as a non-executive director.

(iv) Mr. Yu Xi (余熹) was appointed as a non-executive director of the Company on August 14, 2020.

(v) Dr. Xue Mingyu (薛明宇) was appointed as a non-executive director of the Company on March 29, 2021.

(vi) Mr. Wu Zhiqiang (吳志強) was appointed as a non-executive director of the Company on September 17, 2021.

(vii) Ms. Wang Yujiao (王玉姣) was appointed as a supervisor of the Company on September 17, 2021. She was also an employee of the Group and the Group paid emoluments to her in her capacity as the employee of the Group before her appointment as a supervisor of the Company.

(viii) Ms. Zhang Jie (張潔) was appointed as a supervisor of the Company on August 14, 2020 which was nominated by one of the shareholders of the Company and resigned on September 15, 2022 due to her departure from the relevant shareholder.

(ix) Mr. Ye Xiang (葉翔) was appointed as a supervisor of the Company on September 17, 2021.

(x) Mr. Lin Weidong (林偉棟) was appointed as an executive director of the Company on March 16, 2022. He was key management personnel of the Group and his remuneration disclosed above included those for services rendered by him as key management personnel.

(xi) Dr. Ding Chao (丁超) was appointed as a supervisor of the Company on September 15, 2022.

(xii) During the year ended December 31, 2023, there was no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments of the Group, three are directors for the year ended December 31, 2023 (2022: three), whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2022: two) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,770	2,612
Discretionary bonuses	1,069	900
Retirement scheme contributions	39	58
Equity-settled share-based payments	15,021	4,630
	18,899	8,200

The emoluments of the individuals who are not director or supervisor and with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK$3,500,001 – HK$4,000,000	–	1
HK$5,500,001 – HK$6,000,000	–	1
HK$7,500,001 – HK$8,000,000	1	–
HK$13,000,001 – HK$13,500,000	1	–

10 Loss per share

The calculation of basic loss per share for the year ended December 31, 2023 is based on the loss attributable to ordinary equity shareholders of the Company of RMB507,748,000 (2022: RMB298,191,000) and the weighted average of 205,668,000 ordinary shares (2022: 177,804,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023 *'000*	2022 *'000*
Ordinary shares at January 1, in issue	180,525	166,480
Effect of ordinary shares issued in February 2022 *(Note 26(b)(i))*	–	11,324
Effect of share options exercised and restricted shares vested *(Note 26(b)(ii))*	25,143	–
Weighted average number of ordinary shares at the end of the year	205,668	177,804

Share options and restricted shares granted by the Company (Note 25) were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2022 and 2023 were the same as basic loss per share of the respective years.

11 Property, plant and equipment

	Buildings RMB'000	Equipment and Machinery RMB'000	Other equipment, furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At January 1, 2022	238,731	156,429	11,656	2,010	408,826
Additions	–	7,462	682	4,956	13,100
Transfers from construction in progress	–	2,010	–	(2,010)	–
At December 31, 2022 and January 1, 2023	238,731	165,901	12,338	4,956	421,926
Additions	–	2,315	494	2,602	5,411
Transfers from construction in progress	–	7,345	–	(7,345)	–
Disposals	–	–	(155)	–	(155)
At December 31, 2023	**238,731**	**175,561**	**12,677**	**213**	**427,182**
Accumulated depreciation:					
At January 1, 2022	(7,384)	(20,125)	(2,982)	–	(30,491)
Charge for the year	(7,751)	(18,063)	(2,496)	–	(28,310)
At December 31, 2022 and January 1, 2023	(15,135)	(38,188)	(5,478)	–	(58,801)
Charge for the year	(7,751)	(19,231)	(2,440)	–	(29,422)
Written back on disposals	–	–	147	–	147
At December 31, 2023	**(22,886)**	**(57,419)**	**(7,771)**	**–**	**(88,076)**
Net book value:					
At December 31, 2022	223,596	127,713	6,860	4,956	363,125
At December 31, 2023	**215,845**	**118,142**	**4,906**	**213**	**339,106**

The Group obtained real estate title certificate for the manufacturing facility on January 17, 2023, which was pledged as collateral in August 2023 under the Group's borrowing arrangements.

12 Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Land use rights *RMB'000* *(i)*	Other properties *RMB'000* *(ii)*	Total *RMB'000*
At January 1, 2022	20,962	1,535	22,497
Additions	–	1,651	1,651
Effects of termination of leases	–	(198)	(198)
Lease modification	–	981	981
Charge for the year	(444)	(1,448)	(1,892)
At December 31, 2022	20,518	2,521	23,039
Lease modification	–	1,448	1,448
Charge for the year	(444)	(1,714)	(2,158)
At December 31, 2023	**20,074**	**2,255**	**22,329**

(i) The Group has obtained land use rights in the PRC where the operation and manufacturing facility are located. The land use rights are granted for 50 years, on the expiry of which the land reverts to the government. The payment for leasing the land is made in full at the start of the land use rights period. The land use rights of the Group have been pledged as collateral under the Group's borrowing arrangements with the carrying amount of RMB20,074,000 at December 31, 2023 (2022: RMB20,518,000).

(ii) The Group has leased other properties as its manufacturing facilities and office buildings through tenancy agreements. The leases typically run for an initial period of two years. None of the leases includes variable lease payments.

12 Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	444	444
Properties leased for own use	1,714	1,448
	2,158	1,892
Interest on lease liabilities *(Note 6(a))*	65	99
Expense relating to short-term leases	517	386

Details of total cash outflow for leases and the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 19(d) and 24, respectively.

(Expressed in Renminbi unless otherwise indicated)

13 Investments in subsidiaries

The following list contains subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

				Proportion of ownership interest		
Company name	Date of incorporation/ establishment	Place of incorporation and business	Particulars of registered and paid-up capital	As of December 31, 2023	As of December 31, 2022	Principal activities
Taizhou Saifu Juli Biomedical Co., Ltd. ("Saifu Juli")* ("泰州市賽孚聚力生物醫藥有限公司") *(i)(ii)*	July 6, 2018	The PRC	RMB116,470,000/ RMB116,470,000	100%	100%	Investment holding
Jiangsu Cellularforce Biotechnology Co., Ltd. ("Celluarforce")* ("江蘇賽孚士生物技術有限公司") *(i)(ii)*	August 2, 2018	The PRC	RMB176,470,000/ RMB176,470,000	66%	66%	Research, development and production of pharmaceutical products, provision of technical consultation services

Notes:

(i) The English translation of these entities is for identification only. The official names of the entities established in the PRC are in Chinese.

(ii) These entities are limited liability companies established in the PRC.

13 Investments in subsidiaries (Continued)

The following table lists out the information relating to Cellularforce, the only subsidiary of the Group which has a non-controlling interest ("NCI").

The summarised financial information of Cellularforce presented below represents the amounts before any inter-company elimination.

	2023 *RMB'000*	2022 *RMB'000*
NCI percentage	34%	34%
Current assets	43,513	39,028
Non-current assets	361,277	386,977
Current liabilities	(143,749)	(117,045)
Non-current liabilities	(242,847)	(251,025)
Net assets	18,194	57,935
Carrying amount of NCI	6,186	19,698
Revenue	78,821	84,956
Loss for the year	(39,741)	(41,519)
Total comprehensive income	(39,741)	(41,519)
Loss allocated to NCI	(13,512)	(14,117)
Cash flows generated from operating activities	7,238	16,572
Cash flows used in investing activities	(7,642)	(22,417)
Cash flows generated from financing activities	4,462	11,980

14 Other non-current assets

	2023 *RMB'000*	2022 *RMB'000*
Value-added tax ("VAT") recoverable *(i)*	11,007	6,790
Prepayments for property, plant and equipment	1,740	2,787
Prepayments for a research and development contract	566	–
Others	159	359
	13,472	9,936

(i) As of December 31, 2023, VAT recoverable was classified as other non-current assets to the extent that they are not expected to be recovered or deducted from future value-added tax payables arising on the Group's revenue within the next 12 months from the end of each of the reporting period.

15 Inventories and other contract costs

Inventories and other contract costs in the consolidated statement of financial position comprise:

	2023 *RMB'000*	2022 *RMB'000*
Inventories		
Work in progress	3,774	–
Other contract costs		
Costs to fulfill contracts	1,163	–
	4,937	–

16 Prepayments and other receivables

The Group

	2023 *RMB'000*	2022 *RMB'000*
Prepaid expenses	23,029	16,232
Listing expenses	2,534	944
Deposits	541	546
Interest receivables	40	244
Other debtors	324	418
	26,468	18,384

16 Prepayments and other receivables (Continued)

The Company

	2023 *RMB'000*	2022 *RMB'000*
Prepaid expenses	41,017	43,532
Listing expenses	2,534	944
Deposits	527	532
Interest receivables	40	244
Other debtors	112	209
	44,230	45,461

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

17 Other current assets

The Group

	2023 *RMB'000*	2022 *RMB'000*
VAT recoverable	10,210	3,377

18 Financial assets at FVPL

The Group and the Company

	2023 *RMB'000*	2022 *RMB'000*
Wealth management products	160,414	401,097

Financial assets measured at FVPL comprise the investments in wealth management products purchased from banks in the PRC.

19 Cash and cash equivalents and other cash flow

(a) Cash and cash equivalents comprise:

The Group

	2023 *RMB'000*	2022 *RMB'000*
Cash at bank	216,300	171,302
Time deposits with banks	–	41,788
Cash and cash equivalents	216,300	213,090

The Company

	2023 *RMB'000*	2022 *RMB'000*
Cash at bank	187,934	146,994
Time deposits with banks	–	41,788
Cash and cash equivalents	187,934	188,782

19 Cash and cash equivalents and other cash flow (Continued)

(b) Reconciliation of loss before taxation to cash used in operations:

	Note	2023 RMB'000	2022 RMB'000
Loss before taxation		(521,333)	(312,381)
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	29,422	28,310
Depreciation of right-of-use assets	6(c)	2,158	1,892
Amortisation of intangible assets	6(c)	705	338
Net loss on termination of leases		–	38
Net loss on disposal of property, plant and equipment		8	–
Finance costs	6(a)	16,821	18,692
Interest income	5(a)	(4,466)	(4,167)
Net foreign exchange loss/(gain)	5(b)	426	(14,457)
Net realised and unrealised gains on financial assets measured at FVPL	5(a)	(5,704)	(11,897)
Equity-settled share-based payment expenses	6(b)	131,297	41,556
Changes in working capital:			
(Increase)/decrease in prepayments and other receivables		(6,698)	1,893
Increase in trade and other payables		72,103	12,811
Increase in contract liabilities		870	–
Decrease in deferred income		(641)	(641)
Increase in other current assets and other non-current assets		(10,713)	12,801
Increase in inventories and other contract assets		(4,937)	–
Cash used in operations		(300,682)	(225,212)

19 Cash and cash equivalents and other cash flow (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings and interest payables	**Leases liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note 20/22)	*(Note 24)*	
At January 1, 2022	289,380	1,347	290,727
Changes from financing cash flows:			
Repayment of interest-bearing borrowings	(15,000)	–	(15,000)
Proceeds from interest-bearing borrowings	15,900	–	15,900
Capital element of lease liabilities	–	(1,553)	(1,553)
Interest element of lease liabilities	–	(99)	(99)
Interest paid for interest-bearing borrowings	(15,390)	–	(15,390)
Total changes from financing cash flows	(14,490)	(1,652)	(16,142)
Other changes:			
Interest expense	18,593	99	18,692
Termination of leases	–	(202)	(202)
Lease modification	–	981	981
Increase in lease liabilities from entering into new leases during the year	–	1,651	1,651
Total other changes	18,593	2,529	21,122

19 Cash and cash equivalents and other cash flow (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing borrowings and interest payables *RMB'000* *(Note 20/22)*	Leases liabilities *RMB'000* *(Note 24)*	Total *RMB'000*
At December 31, 2022 and January 1, 2023	293,483	2,224	295,707
Changes from financing cash flows:			
Repayment of interest-bearing borrowings	(64,900)	–	(64,900)
Proceeds from interest-bearing borrowings	113,600	–	113,600
Capital element of lease liabilities	–	(1,748)	(1,748)
Interest element of lease liabilities	–	(65)	(65)
Interest paid for interest-bearing borrowings	(14,359)	–	(14,359)
Total changes from financing cash flows	34,341	(1,813)	32,528
Other changes:			
Interest expense	16,756	65	16,821
Lease modification	–	1,448	1,448
Total other changes	16,756	1,513	18,269
At December 31, 2023	344,580	1,924	346,504

19 Cash and cash equivalents and other cash flow (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 *RMB'000*	2022 *RMB'000*
Within operating cash flows	530	420
Within financing cash flows	1,813	1,652
	2,343	2,072

All these amounts related to the rental payments.

20 Trade and other payables

The Group

	2023 *RMB'000*	2022 *RMB'000*
Trade payables *(i)*	72,958	19,137
Payroll payables	31,007	24,185
Interest payables	445	454
Payables for purchases of property, plant and equipment	5,016	7,823
Accrued listing expenses	15,333	4,500
Other payables and accruals	5,155	3,831
	129,914	59,930

20 Trade and other payables (Continued)

The Company

	2023 RMB'000	2022 RMB'000
Trade payables *(i)*	63,122	15,426
Payroll payables	15,022	11,163
Accrued listing expenses	15,333	4,500
Other payables and accruals	1,813	871
	95,290	31,960

(i) As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

The Group

	2023 RMB'000	2022 RMB'000
Within 6 months	72,958	19,137

The Company

	2023 RMB'000	2022 RMB'000
Within 6 months	63,122	15,426

All of the above balances classified as current liabilities are expected to be settled within one year.

21 Contract liabilities

	2023 *RMB'000*	2022 *RMB'000*
At the beginning of the year	–	–
Increase in contract liabilities as a result of receiving advance payments during the year	870	–
Receipts in advance from customers	870	–

All the contract liabilities are expected to be recognised as income within one year.

22 Interest-bearing borrowings

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Unsecured short-term bank loans *(i)*	59,600	15,900
Current proportion of unsecured long-term bank loans *(i)*	625	–
Current proportion of secured long-term bank loans *(ii)*	59,477	44,608
Within 1 year or on demand	119,702	60,508
Unsecured long-term bank loans *(i)*	49,375	–
Secured long-term bank loans *(ii)*	175,058	232,521
Non-current	224,433	232,521
	344,135	293,029

(i) As of December 31, 2023, the unsecured short-term bank loans and unsecured long-term bank loans represent the utilised banking facilities amounting to RMB59,600,000 (2022: RMB15,900,000) and RMB50,000,000 (2022: Nil) respectively, which bear interest rate from 3.30% to 4.20% (2022:4.3%). Such interest rate is determined based on the Loan Prime Rate ("LPR") announced by the People's Bank of China ("PBOC").

(ii) The secured long-term bank loans were obtained by Cellularforce, a subsidiary of the Company, from a bank consortium in 2020 to support the construction of its manufacturing facilities, which were secured by the Cellularforce's land use right and guaranteed by Taizhou Huacheng Medical Investment Group Co., Ltd. ("Taizhou Huacheng"), a related party of the Group. Saifu Juli pledged its equity interest in Cellularforce to Taizhou Huangcheng as a counter-security. Mr. Qiu Jiwan (裘霽宛) also provided a personal guarantee to one of the banks in the amount of RMB30,000,000.

In August 2023, the loan was additionally secured by Cellularforce's manufacturing facilities in Taizhou after Cellularforce obtained the relevant real estate title certificate. In December 2023, the guarantee provided by the Group's related parties – Taizhou Huacheng and Mr. Qiu Jiwan – was replaced by a guarantee provided by the Company. Taizhou Huacheng subsequently released the counter-security provided by Saifu Juli in December 2023.

As of December 31, 2023, the secured long-term bank loan born interest rates from 4.5% to 4.6% per annum (2022: 4.8% to 5.0%).

22 Interest-bearing borrowings (Continued)

(b) The analysis of the repayment schedule of bank loans is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within 1 year or on demand	120,225	60,900
After 1 year but within 2 years	84,625	60,000
After 2 years but within 5 years	144,750	180,000
	229,375	240,000
	349,600	300,900

An initial facility fee totalling RMB17,634,000 was paid to compensate the banks for the arrangement of the secured long-term loans, which were deferred and adjusted to the loans' effective interest rate and recognised as an expense over the period of the loan facility. As of December 31, 2023, the carrying amount of the secured bank loans was RMB234,535,000 (2022: RMB277,129,000), which represented the net present value of all future cash repayments discounted at effective interest rates from 6.00% to 6.74% (2022:6.15% to 6.75%) per annum.

23 Deferred income

	Government grants *RMB'000*
At January 1, 2022	18,659
Released to other income	(641)
At December 31, 2022 and January 1, 2023	18,018
Released to other income	(641)
At December 31, 2023	**17,377**

As of December 31, 2023, deferred income of the Group represented unamortised government subsidies for compensation on the Group's capital expenditure incurred for the construction of manufacturing facilities, which were amortised over the estimated useful lives of the relevant assets.

24 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each of the reporting period.

	2023 Present value of the minimum lease payments *RMB'000*	2023 Total minimum lease payments *RMB'000*	2022 Present value of the minimum lease payments *RMB'000*	2022 Total minimum lease payments *RMB'000*
Within 1 year	**1,290**	**1,336**	1,752	1,813
After 1 year but within 2 years	**634**	**644**	472	477
	634	**644**	472	477
	1,924	**1,980**	2,224	2,290
Less: total future interest expenses		**(56)**		(66)
Present value of lease liabilities		**1,924**		2,224

25 Equity settled share-based transactions

(a) Share option scheme

A share option scheme was granted on 31 May 2019 (the "Share Option Scheme") to reward the contributions of eligible employees, directors and individual consultants ("Participants") who render services to the Company or its subsidiaries. Pursuant to the Share Option Scheme, the Participants have right to acquire certain equity interest in certain employee shareholding platforms, which enables the Participants have indirect equity interest in the Company. The Share Option Scheme is subject to certain performance and service conditions that the respective portions of options shall be vested upon the achievement of relevant conditions.

25 Equity settled share-based transactions (Continued)

(a) Share option scheme (Continued)

On September 15, 2022, a resolution was passed to amend the Share Option Scheme. Under which, the options previously granted and had not been cancelled or forfeited were replaced by a restricted share ("RS") scheme (the "Replacement Scheme"), where, non-beneficial modifications of relevant performance and service conditions were made. The Group accounts for these modifications in accordance with the accounting policy set out in Note 2(o)(ii). Accordingly, there was no financial impact as a result of the Replacement Scheme.

(i) The movement and weighted average exercise prices of the share options and the RSs of the Replacement Scheme (together refer to as "equity instruments") is as follows:

	2023		2022	
	Weighted average exercise price RMB	Number of equity instruments '000	Weighted average exercise price RMB	Number of equity instruments '000
Outstanding at the beginning of the year	1.00	5,000	1.00	5,530
Exercised during the year	1.00	(5,000)	1.00	(530)
Forfeited during the year	–	–	–	–
Outstanding at the end of the year		–	1.00	5,000
Exercisable at the end of the year				

As of December 31, 2023, the weighted average remaining contractual life for the equity instruments granted was nil (2022: 1.84 years).

(Expressed in Renminbi unless otherwise indicated)

25 Equity settled share-based transactions (Continued)

(a) Share option scheme (Continued)

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The grant-date fair values of each share options granted are between RMB5.60 to RMB5.66. Back-solve method was used to determine the equity fair value of the ordinary shares of the Company and the estimated fair value of the share options granted is measured based on a binomial tree model.

Key assumptions adopted in determining the fair value are as follows (before the Capitalisation Issue):

Key Assumptions

Fair value at measurement dates	RMB5.60 – RMB5.66
Share price	RMB6.60
Expected exercise price	RMB1.00
Risk-free interest rate	2.70% – 2.92%
Expected volatility	32.03% – 32.88%
Expected dividend yield	0.00%
Option life	2.59 – 3.00 years

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividend. Changes in the subjective input assumptions could materially affect the fair value estimate.

25 Equity settled share-based transactions (Continued)

(b) Restricted share scheme

On September 15, 2022, a restricted share scheme (the "2022 RS Scheme") was authorised to reward the contributions of eligible directors, employees and consultant of the Company or its subsidiaries. The Participants of the 2022 RS Scheme have rights to invest in the Company by way of (i) subscribing for newly issued share capital of the Company; or (ii) acquiring share capital of the Company through certain employee incentive platforms.

(i) The terms and conditions of RSs granted are as follows:

	Number of RS '000	Granted prices	Vesting condition
RSs granted to directors:			
– on October 15, 2022	1,100	RMB1.00	Service period of 3 years and non-market performance conditions
– on October 15, 2022	1,000	RMB1.00	Service period of less than 3 years and non-market performance conditions
– on October 15, 2022	7,570	RMB1.00	Non-market performance conditions
RSs granted to employees:			
– on October 15, 2022	4,230	RMB1.00	Service period of 3 years and non-market performance conditions
– on October 15, 2022	2,060	RMB1.00	Service period of less than 3 years and non-market performance conditions
– on October 15, 2022	3,100	RMB1.00	Non-market performance conditions
– on February 13, 2023	1,000	RMB1.00	Service period of 3 years and non-market performance conditions
– on March 1, 2023	540	RMB1.00	Service period of 3 years and non-market performance conditions
RSs granted to a consultant:			
– on October 15, 2022	500	RMB1.00	Non-market performance conditions
Total RSs granted	21,100		

25 Equity settled share-based transactions (Continued)

(b) Restricted share scheme (Continued)

(ii) Fair value of RSs and assumptions

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. Discounted cash flow method was used to determine the underlying equity fair value of the Company, based on which, the fair value of per underlying share was calculated considering total number of shares.

Key assumptions adopted in determining the fair value are as follows (before the Capitalisation Issue):

Key Assumptions

Fair value at measurement dates	RMB13.13 – RMB13.95
Share price	RMB17.14
Risk-free interest rate	2.97%
Expected volatility	25.00%
Expected dividend yield	0.00%
Implied lack of marketability discount	6%

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

(c) Equity-settled share-based payment expenses recognised in the consolidated statements of profit or loss and other comprehensive income

For the year ended December 31, 2022 and 2023, expenses arising from share-based payment transactions are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Research and development expenses	**33,516**	11,200
Administrative expenses	**97,781**	30,356
	131,297	41,556

26 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	*Note*	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2022		166,480	616,229	3,060	(55,347)	730,422
Changes in equity for 2022:						
Total comprehensive income for the year		–	–	–	(266,799)	(266,799)
Capital contributions by investors	26(b)	13,545	213,954	–	–	227,499
Shares issued under share option scheme	26(b)	500	–	–	–	500
Equity settled share-based transactions	25(c)	–	–	41,556	–	41,556
Balance at December 31, 2022 and January 1, 2023		180,525	830,183	44,616	(322,146)	733,178
Changes in equity for 2023:						
Total comprehensive income for the year		–	–	–	(482,587)	(482,587)
Shares issued under share option scheme and restricted share scheme	26(b)	29,500	–	–	–	29,500
Equity settled share-based transactions	25(c)	–	–	131,297	–	131,297
Balance at December 31, 2023		**210,025**	**830,183**	**175,913**	**(804,733)**	**411,388**

26 Capital, reserves and dividends (Continued)

(b) Share capital and share premium

	Numbers of shares	*RMB'000*
Authorised shares:		
At January 1, 2022	166,480,000	166,480
Issue of ordinary shares *(i)*	13,545,200	13,545
Share issued under share option scheme and restricted share scheme *(ii)*	30,000,000	30,000
At December 31, 2022, January 1, 2023 and December 31, 2023	**210,025,200**	**210,025**

	Numbers of ordinary shares	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid				
At January 1, 2022	166,480,000	166,480	616,229	782,709
Issue of ordinary shares *(i)*	13,545,200	13,545	213,954	227,499
Share issued under share option scheme *(ii)*	500,000	500	–	500
At December 31, 2022 and January 1, 2023	180,525,200	180,525	830,183	1,010,708
Share issued under share option scheme and restricted share scheme *(ii)*	29,500,000	29,500	–	29,500
At December 31, 2023	**210,025,200**	**210,025**	**830,183**	**1,040,208**

26 Capital, reserves and dividends (Continued)

(b) Share capital and share premium (Continued)

(i) In January 2022, the Company entered into investment agreements with certain investors (the "Crossover Investors"). In February 2022, the Crossover Investors made an injection totaling RMB227,499,000 into the Company for the subscription of the Company's newly issued share capital of RMB13,545,200.

(ii) Pursuant to a written resolution passed on September 15, 2022, the number of authorised shares increased from 180,025,200 to 210,025,200. The increased shares were subscribed under the Share Option Scheme and 2022 RS Scheme. As of December 31, 2022 and 2023, the Company received cash consideration of RMB500,000 and RMB29,500,000 respectively under the Share Option Scheme and 2022 RS Scheme from eligible persons who were rewarded for their contribution to the Group, all of which were credited to share capital.

(c) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries.

(d) Capital reserves

The capital reserve primarily represents the excess of the net contributions from the shareholders of the Company over the total paid-in capital/share capital issued.

(e) Capital management

The Group's primary objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during 2023.

27 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and wealth management products is limited because the counterparties are reputable banks or financial institution, for which the Group considers to have low credit risks.

Management has assessed that during 2023, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. Management of the Company expect the occurrence of losses from non-performance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial. The expected credit loss rate is insignificant and close to zero.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's shareholders when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

27 Financial risk management and fair values of financial instruments (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities as of the end of the reporting periods of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as of the end of each of the reporting period) and the earliest date the Group can be required to pay:

	2023 contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	1,336	644	–	–	1,980	1,924
Trade and other payables	129,914	–	–	–	129,914	129,914
Interest-bearing borrowings	132,102	93,325	148,732	–	374,159	344,135
	263,352	93,969	148,732	–	506,053	475,973

	2022 contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Lease liabilities	1,813	477	–	–	2,290	2,224
Trade and other payables	59,930	–	–	–	59,930	59,930
Interest-bearing borrowings	74,638	71,320	191,562	–	337,520	293,029
	136,381	71,797	191,562	–	399,740	355,183

27 Financial risk management and fair values of financial instruments (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	Effective interest rate %	As of December 31, 2023 *RMB'000*	Effective interest rate %	As of December 31, 2022 *RMB'000*
Fixed rate instruments:				
Lease liabilities	3.74% – 4.35%	(1,924)	4.07% – 4.35%	(2,224)
Interest-bearing borrowings	3.30% – 4.20%	(59,600)	4.30%	(15,900)
		(61,524)		(18,124)
Variable rate instruments:				
Cash at bank	0.05% – 0.25%	216,300	0.25% – 0.35%	171,302
Time deposits with banks	–	–	4.46% – 4.59%	41,788
Financial assets at FVPL	2.30% – 2.79%	160,414	2.85% – 3.64%	401,097
Interest-bearing borrowings	3.30% – 6.74%	(284,535)	6.15% – 6.75%	(277,129)
Net exposure		92,179		337,058

27 Financial risk management and fair values of financial instruments (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

The following table details the effect on the Group's loss after tax for 2023 and 2022, and accumulated losses as of the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	2023			2022		
	Increase/ (decrease) of basis point	Effect on loss after tax *RMB'000*	Effect on accumulated losses *RMB'000*	Increase/ (decrease) of basis point	Effect on loss after tax *RMB'000*	Effect on accumulated losses *RMB'000*
Interest rates	100	(1,115)	(1,115)	100	(4,104)	(4,104)
	(100)	1,115	1,115	(100)	4,104	4,104

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting periods and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting periods, the impact on the Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates.

27 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through deposit with bank which give rises to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$").

(i) Exposure to currency risk

The following table details the Group's exposure to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2023 US$ *RMB'000*	2022 US$ *RMB'000*
Cash and cash equivalents	26,173	142,026
Prepayments and other receivables	–	49
	26,173	142,075

(Expressed in Renminbi unless otherwise indicated)

27 Financial risk management and fair values of financial instruments (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
US$	10%	(2,617)	10%	(14,208)
	(10%)	2,617	(10%)	14,208

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

27 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

	Fair value at December 31, 2023 *RMB'000*	Fair value at December 31, 2022 *RMB'000*
Level 3 – Wealth management products	**160,414**	401,097

(Expressed in Renminbi unless otherwise indicated)

27 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The fair values of wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting periods.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at the end of reporting periods:

December 31, 2023

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products, at fair value	Discounted cash flow method	Interest return rate	2.30% to 2.79%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB77,000.

December 31, 2022

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products, at fair value	Discounted cash flow method	Interest return rate	2.85% to 3.64%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB189,000.

27 Financial risk management and fair values of financial instruments (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Wealth management products		
At the beginning of the year	401,097	402,382
Payment for purchases	790,000	2,100,000
Changes in fair value recognised in profit or loss during the year	5,704	11,897
Redemption of investment	(1,036,387)	(2,113,182)
At the end of the year	160,414	401,097

During the year ended December 31, 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as of December 31, 2023.

28 Commitments

Capital commitments outstanding at 31 December 2022 and 2023 not provided for in the financial statements were as follows:

	2023 *RMB'000*	2022 *RMB'000*
Contracted for	1,174	3,325

29 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Salaries and other benefits	8,804	7,055
Discretionary bonuses	2,969	2,368
Retirement scheme contributions	328	200
Share-based payments	93,980	28,607
	106,081	38,230

29 Material related party transactions (Continued)

(b) Related party transactions

During the reporting period, the directors are of the view that the following parties are related parties:

Name of party	Relationship
Mr. Qiu Jiwan (裘霽宛)	Chief executive officer and director of the Company
Mr. Yu Guo'an (余國安)	Joint control of the Company
Dr. Yu Guoliang (余國良) *(ii)*	Close family member of Mr. Yu Guo'an
Ms. Wang Yujiao (王玉姣)	Supervisor of the Company
Zhongmei Huadong	Shareholder of the Company
Taizhou Huacheng	Non-controlling shareholder of Cellularforce
Taizhou Huawei Investment Co., Ltd. ("Huawei Investment") 泰州華威投資有限公司 *(i)*	Subsidiary of Taizhou Huacheng
Hangzhou Quanyi	Shareholder of the Company
Apollomics Inc. ("Apollomics") 浙江冠科美博生物科技有限公司 *(i)*	Associate of Dr. Yu Guoliang

(i) The English translation of these entities is for identification only. The official names of the entities established in the PRC are in Chinese.

(ii) Dr. Yu Guoliang (余國良) was appointed as a non-executive director of the Company on June 16, 2015 and resigned on February 16, 2022 due to his plan to devote to his personal business.

29 Material related party transactions (Continued)

(b) Related party transactions (Continued)

During the reporting period, the Group entered into the following material related party transactions:

	2023 *RMB'000*	2022 *RMB'000*
Payment on behalf of the Group	–	51
Rendering of services	9,577	283
Procurement of services	1,377	598

Taizhou Huacheng and Mr. Qiu Jiwan (裘霽宛) had provided the Group with banking facilities guarantees, which were replaced by a guarantee provided by the Company in December 2023 as detailed in Note 22.

(c) Related party balances

The outstanding balances arising from the above transactions are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Amounts due from related parties		
Prepayments and other receivables:		
Zhongmei Huadong	–	180
Ms. Wang Yujiao	14	–
Amounts due to related parties		
Contract liabilities:		
Zhongmei Huadong	(832)	–

30 Company-level statement of financial position

	Note	2023 *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		1,929	2,408
Right-of-use assets		2,255	2,521
Intangible assets		60	98
Interests in a subsidiary	13	116,470	116,470
Financial assets measured at amortised cost		50,000	–
Other non-current assets		11,733	7,148
		182,447	128,645
Current assets			
Inventories and other contract costs		3,774	–
Prepayments and other receivables	16	44,230	45,461
Other current assets		9,703	3,377
Financial assets at fair value through profit or loss	18	160,414	401,097
Cash and cash equivalents	19	187,934	188,782
		406,055	638,717
Current liabilities			
Trade and other payables	20	95,290	31,960
Lease liabilities		1,290	1,752
Interest-bearing borrowings		30,525	–
		127,105	33,712
Net current assets		278,950	605,005
Total assets less current liabilities		461,397	733,650

30 Company-level statement of financial position (Continued)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings		49,375	–
Lease liabilities		634	472
		50,009	472
NET ASSETS		411,388	733,178
CAPITAL AND RESERVES	26		
Share capital		210,025	180,525
Reserves		201,363	552,653
TOTAL EQUITY		411,388	733,178

31 Non-adjusting events after the reporting period

(i) In January 2024, the Group entered into a technology transfer agreement with a third party pharmaceutical company to grant the third party an exclusive license to develop, manufacture and commercialise QX008N, one of the Group's developing products, in mainland China, Hong Kong and Macau. The Group retains the exclusive rights to develop, manufacture and commercialise QX008N outside the licensed territory.

(ii) On March 20, 2024, the Company's H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited, where 12,046,400 H Shares were issued and subscribed at an offer price of HK$19.80 per H Share by way of initial public offering to Hong Kong and overseas investors. Gross proceeds from these issues amounted to approximately HK$238.5 million.

(Expressed in Renminbi unless otherwise indicated)

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	January 1, 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	January 1, 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	January 1, 2024
Amendments to IAS 21, *Lack of Exchangeability*	January 1, 2025
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Definitions and Glossary of Technical Terms

DEFINITIONS

"Annual General Meeting" or "AGM"	the annual general meeting of our Company proposed to be held on May 31, 2024
"ankylosing spondylitis" or "AS"	a chronic progressive inflammatory disease that is primarily characterized by inflammation of the spinal joints, leading to reduced flexibility of the joints and stiffness in the spine over time
"antibody"	a protein produced in response to and counteracting a specific antigen. Antibodies combine chemically with substances which the body recognizes as alien, such as bacteria, viruses and foreign substances in the blood
"Articles of Association" or "Articles"	the articles of association of our Company adopted on March 23, 2023 which have become effective as of the date on which the H Shares are listed on the Stock Exchange, as amended from time to time
"ASAS20"	Assessment of Spondyloarthritis International Society 20, a widely used measurement of symptom improvement in AS patients, defined as (i) an improvement of no less than 20% from baseline (and absolute improvement from baseline of at least 1 on a 0-to-10 scale) in at least three of the following four domains: patient global assessment of disease, total back pain, function (as assessed by the Bath Ankylosing Spondylitis Functional Index) and inflammation, and (ii) an absence of deterioration from baseline (meaning a worsening of no less than 20% and absolute worsening of at least 1 on a 0-to-10 scale) in the remaining domain
"ASAS40"	Assessment of Spondyloarthritis International Society 40, defined as an improvement of no less than 40% in at least three of the four domains (same as ASAS20) with an absolute improvement of at least 2 on a 0-to-10 scale, and no worsening in the remaining domain
"associate(s)"	has the meaning ascribed to it under the Listing Rules

"atopic dermatitis" or "AD"	an immune-mediated inflammatory skin disease that causes dry, itchy and inflamed skin
"Audit Committee"	the audit committee of our Board
"autoimmune"	with respect to any disorder or disease, an abnormal immune response of the body against substances and tissues normally present in the body
"BLA"	the Biologics License Application
"biologics"	drug products derived from a variety of natural sources-human, animal, or microorganism-that may be produced by biotechnology methods and other cutting-edge technologies (in contrast to small-molecule drugs, which are chemically synthesized). Biologics can be composed of sugars, proteins or nucleic acids or complex combinations of these substances, or may be living entities, such as cells and tissues
"biosimilar"	a follow-on version of innovator biopharmaceuticals which are separately developed after patents protecting the innovator biopharmaceuticals have expired and have similar quality, safety and efficacy as the innovator biopharmaceuticals
"Board" or "Board of Directors"	the board of Directors
"CDMO"	a contract development and manufacturing organization, which provides support to the pharmaceutical industry by providing development and manufacturing services outsourced on a contract basis
"cell line"	a population of cells that descend from a single cell and contain the same genetic makeup, and can be propagated repeatedly
"Cellularforce"	Jiangsu Cellularforce Biotechnology Co., Ltd. (江蘇賽孚士生物技術有限公司), a company established in the PRC with limited liability on August 2, 2018 and an indirect non-wholly owned subsidiary of our Company which is owned as to 66% by Saifu Juli and 34% by Taizhou Huacheng

Definitions and Glossary of Technical Terms

"CG Code" or "Corporate Governance Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"cGMP"	current good manufacturing practice, regulations and procedures that provide for proper design, monitoring, and control of manufacturing processes and facilities
"China" or "PRC"	The People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
"chronic obstructive pulmonary disease" or "COPD"	a chronic inflammatory lung disease that causes obstructed airflow from the lungs, symptoms including breathing difficulty, cough and mucus production
"chronic rhinosinusitis with nasal polyps" or "CRSwNP"	a subgroup of chronic rhinosinusitis characterized by the presence of fleshy swellings (nasal polyps) that develop in the lining of the nose and paranasal sinuses
"chronic spontaneous urticaria" or "CSU"	the occurrence of urticaria for six weeks or longer with identifiable specific triggers
"clinical trial"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"Code Provision(s)"	the principles and code provisions set out in the CG Code
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司) (formerly known as Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥有限公司)), a company established in the PRC with limited liability on June 16, 2015 which was converted into a joint stock company with limited liability on September 30, 2021

"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Qiu, Mr. Yu Guo'an, Hangzhou Quanyi, Shanghai Quanyou and Xinfu Tongxin; and a Controlling Shareholder shall mean each or any of them
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Products refers to QX002N and QX005N
"CRO"	a contract research organization, which provides support to the pharmaceutical industry by providing research and development services outsourced on a contract basis
"Crohn's disease" or "CD"	a chronic, incurable inflammatory bowel disease that affects the lining of the digestive tract and can sometimes cause life-threatening complications. CD symptoms can include abdominal pain, diarrhea, weight loss, anemia and fatigue
"cytokine"	proteins secreted by cells in both innate and adaptive immune responses, which can regulate diverse functions in the immune response
"Director(s)"	the director(s) of our Company
"EASI"	the Eczema Area and Severity Index, a standardized evaluation tool for severity of AD signs in clinical studies that integrates body surface and the intensity of lesional skin into one composite score
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time

Definitions and Glossary of Technical Terms

"Employee Share Incentive Scheme"	the restricted share scheme approved and adopted by our Company on September 15, 2022
"endpoint"	with respect to a clinical study or trial, the outcome that is measured
"Global Offering"	the global offering of 12,046,400 H Shares as described in the Prospectus
"Group", "our Group", "the Group" or "we"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guide"	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time
"H Share(s)"	shares of our Company for which an application has been made for listing and permission to trade on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"Hangzhou Quanyi"	Hangzhou Quanyi Investment Management Partnership (General Partnership) (杭州荃毅投資管理合夥企業(普通合夥)), a general partnership established in the PRC on May 15, 2015 and one of our Controlling Shareholders, which is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both as its general partners acting in concert
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

"Huadong Investment"	Huadong Medicine Investment Holding (Hong Kong) Limited (華東醫藥投資控股(香港)有限公司), a company incorporated in Hong Kong with limited liability, which is a substantial Shareholder of our Company, and a wholly-owned subsidiary of Huadong Medicine, a leading PRC pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963)
"Huadong Medicine"	Huadong Medicine Co., Ltd. (華東醫藥股份有限公司), a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963)
"IGA"	the Investigator's Global Assessment, a five-point scale that provides a global clinical assessment of AD severity ranging from 0 to 4 (clear, mild, moderate and severe disease)
"IgG"	human immunoglobulin G, the most common antibody type found in blood circulation that plays an important role in antibody-based immunity against invading pathogens
"IL"	interleukin, a type of cytokine-signaling molecule in the immune system to provoke an immune response in the body of a human and other animals
"immunogenicity"	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal
"immunoglobulin" or "Ig"	also known as antibody, a glycoprotein molecule produced by plasma cell (white blood cell)
"Independent Third Party(ies)"	individuals or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

"inhibitor"	a substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"in vitro"	a medical study or experiment which is done in the laboratory within the confines of a test tube or laboratory dish
"lupus nephritis" or "LN"	a common complication of SLE, where the immune system mistakenly attacks the kidneys, leading to inflammation and possible organ damage
"Jianxin Medical"	JianXin Medical Technology Limited (健鑫醫藥科技有限公司), a company incorporated in Hong Kong with limited liability which is wholly owned by Taizhou Jianxin, an existing Shareholder of our Company
"Latest Practicable Date"	April 18, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing"	the listing of our H Shares on the Main Board
"Listing Date"	March 20, 2024, on which dealings in our H Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Matrix Partners China"	Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P., both being limited partnerships incorporated under the laws of the Cayman Islands and our Pre-IPO Investors. The general partner of Matrix Partners China VI, L.P. and Matrix Partners China VI-A, L.P. is Matrix China Management VI, L.P.

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"monoclonal antibody" or "mAb"	antibody generated by identical immune cells that are all clones of the same parent cell
"Mr. Qiu"	Mr. Qiu Jiwan (裘霽宛), our founder, executive Director, chairman of our Board, our chief executive officer and general manager, and one of our Controlling Shareholders
"Nomination Committee"	the nomination committee of our Board
"pharmacology"	a branch of medicine and pharmaceutical sciences which is concerned with the study of drug or medication action, where a drug can be broadly or narrowly defined as any man-made, natural or endogenous molecule which exerts a biochemical or physiological effect on the cell, tissue, organ or organism
"Phase I clinical trial"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion and, if possible, an early indication of its effectiveness. Phase I clinical trial can be further divided into the Phase Ia clinical trial, which is often a single ascending dose study, and the Phase Ib clinical trial, which is often a multiple ascending dose study
"Phase II clinical trial"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, preliminarily evaluate the efficacy of the product for specific targeted diseases and determine dosage tolerance and optimal dosage
"Phase III clinical trial"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval and to provide adequate information for the labeling of the product

"Prospectus"	the prospectus issued by our Company on March 12, 2024 in relation to our Global Offering and Listing
"prurigo nodularis" or "PN"	a chronic skin disorder characterized by the presence of hard and extremely itchy bumps known as nodules, which tend to be found in easy-to-scratch areas, such as the arms, legs, the upper back and abdomen
"pruritus"	itchy skin, which is an uncomfortable, irritating sensation that makes the patient want to scratch
"psoriasis" or "Ps"	a skin disease associated with dysregulation of the immune systems that causes a rash with itchy and scaly patches, most commonly on the knees, elbows, trunk and scalp
"receptor"	a region of tissue, or a molecule in a cell membrane, which responds specifically to a particular signal, that is any of a neurotransmitter, hormone, antigen or other substance
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2023
"Saifu Juli"	Taizhou Saifu Juli Biomedical Co., Ltd. (泰州市賽孚聚力生物醫藥有限公司), a company established in the PRC with limited liability on July 6, 2018 and a direct wholly owned subsidiary of our Company
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong

"Shanghai Quanyou"	Shanghai Quanyou Fanyue Investment Management Partnership (Limited Partnership) (上海荃友凡悅投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on November 2, 2015 and one of our Controlling Shareholders, which is owned as to approximately 45.71% by Mr. Qiu as its general partner, 8.57% by Ms. Xu Qiu (許秋), the spouse of Mr. Qiu, as one of its limited partners, and 45.72% by three Independent Third Parties as its other limited partners
"Share(s)"	ordinary share(s) with par value RMB1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of our Share(s)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
"Strategy and Development Committee"	the strategy and development committee of our Board
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	the supervisory committee of our Company
"systemic lupus erythematosus" or "SLE"	an autoimmune disease primarily characterized by widespread inflammation and tissue damage in various organs, such as the skin, brain, lungs, kidneys and blood vessels

"tolerability"	the degree to which overt adverse events of a drug can be tolerated by a patient, as defined by International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use
"TSLP"	thymic stromal lymphopoietin, a protein belonging to the cytokine family, which plays an important role in the maturation of T cell populations through activation of antigen presenting cells (APCs)
"type 2 inflammation"	a specific type of immune response pattern driven by certain type 2 immune cells, which produce the type 2 cytokines (including IL-4, IL-5 and IL-13) and other inflammatory mediators. Diseases that can be caused by dysregulated type 2 inflammation include atopic dermatitis, asthma and chronic rhinosinusitis, etc.
"ulcerative colitis" or "UC"	a chronic, inflammatory bowel disease that causes inflammation in the digestive tract
"Unlisted Share(s)"	ordinary Share(s) issued by our Company with a nominal value of RMB1.00 each which is/are not listed on any stock exchange
"urticaria"	a type of skin disease characterized by itchy swelling on the skin surface
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"we," "us" or "our"	the Company or the Group, as the context requires

"Xinfu Quanxin"	Taizhou Xinfu Quanxin Enterprise Management Partnership (Limited Partnership) (泰州信孚全心企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on February 27, 2023, which is owned as to approximately 0.56% by Mr. Wu Yiliang, our executive Director and executive deputy general manager of Cellularforce as its general partner and approximately 99.44% by 28 employees of our Group as its limited partners, and is one of our employee share incentive platforms
"Xinfu Tongxin"	Taizhou Xinfu Tongxin Enterprise Management Partnership (Limited Partnership) (泰州信孚同心企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 19, 2021, which is owned as to approximately 7.20% by Mr. Qiu as its general partner, approximately 11.38% by Xinfu Quanxin as one of its limited partners and approximately 81.42% by 39 employees of our Group as its limited partners, and is one of our employee share incentive platforms and one of our Controlling Shareholders
"Zhongmei Huadong"	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司), a company established in the PRC with limited liability on December 31, 1992 and one of our Pre-IPO Investors

Definitions and Glossary of Technical Terms

ACRONYMS

"CDE"	Center for Drug Evaluation (國家藥品監督管理局藥品審評中心), a division of the NMPA responsible for acceptance and technical review of applications for drug clinical trials and drug marketing authorization
"cGMP"	current good manufacturing practice, regulations and procedures that provide for proper design, monitoring, and control of manufacturing processes and facilities
"CMC"	the chemistry, manufacturing and controls processes in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products
"FDA"	the United States Food and Drug Administration
"IASB"	International Accounting Standards Board
"IFRS"	the International Financial Reporting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB
"IND"	Investigational New Drug
"MAH"	Marketing Authorization Holder
"NASDAQ"	the Nasdaq Global Select Market in the United States
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"TNF"	tumor necrosis factor, a group of cell signaling proteins (cytokines) that regulate immune cells and mediate the inflammatory responses
"TNF-α"	a prominent member of the TNF family and one of the cytokines that make up the acute phase reaction, a series of physiological process occurring soon after the onset of inflammatory processes