



KPMG
8th Floor, Prince's Building
Central, Hong Kong
G P O Box, Hong Kong
Telephone +852 2522 6022
Fax +852 2845 2588
Internet kpmg.com/cn

毕马威会计师事务所
香港中环遮打道10号
太子大厦8楼
香港邮政总局信箱50号
电话 +852 2522 6022
传真 +852 2845 2588
网址 kpmg.com/cn

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QYUNS THERAPEUTICS CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Qyuns Therapeutics Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-67, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 30 September 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 (the “Relevant Periods”), and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 March 2024 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.



Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2021, 2022 and 30 September 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes



us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 27(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

A handwritten signature in black ink, appearing to be 'KPMG' in a stylized, cursive script.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong 12

12 March 2024



HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shanghai Branch (畢馬威華振會計師事務所(特殊普通合夥)上海分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand yuan (RMB'000) except when otherwise indicated.



CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in Renminbi)

		Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	Note	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income	5(a)	34,886	25,726	13,799	13,279
Other net (loss)/gain	5(b)	(2,817)	14,402	17,194	(75)
Administrative expenses		(48,804)	(76,603)	(33,237)	(123,247)
Research and development expenses		(151,887)	(257,214)	(189,749)	(263,270)
Loss from operations		(168,622)	(293,689)	(191,993)	(373,313)
Finance costs	6(a)	(17,842)	(18,692)	(13,987)	(12,246)
Changes in the carrying amount of financial instruments issued to investors	25	(240,080)	—	—	—
Loss before taxation	6	(426,544)	(312,381)	(205,980)	(385,559)
Income tax	7(a)	73	73	55	55
Loss for the year/period		(426,471)	(312,308)	(205,925)	(385,504)
Attributable to:					
Equity shareholders of the Company		(411,039)	(298,191)	(196,649)	(373,978)
Non-controlling interests		(15,432)	(14,117)	(9,276)	(11,526)
Loss for the year/period		(426,471)	(312,308)	(205,925)	(385,504)
Other comprehensive income for the year (after tax)		—	—	—	—
Total comprehensive income for the year/period		(426,471)	(312,308)	(205,925)	(385,504)
Attributable to:					
Equity shareholders of the Company		(411,039)	(298,191)	(196,649)	(373,978)
Non-controlling interests		(15,432)	(14,117)	(9,276)	(11,526)
Total comprehensive income for the year/period		(426,471)	(312,308)	(205,925)	(385,504)
Loss per share					
Basic and diluted (RMB)	10	(2.57)	(1.68)	(1.11)	(1.83)

The accompanying notes form part of the Historical Financial Information.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 30 September 2023 RMB'000
Non-current assets				
Property, plant and equipment	11	378,335	363,125	346,154
Right-of-use assets	12	22,497	23,039	21,417
Intangible assets		376	3,052	2,522
Other non-current assets	14	18,024	9,936	11,924
		<u>419,232</u>	<u>399,152</u>	<u>382,017</u>
Current assets				
Inventories and other contract costs	15	—	—	7,216
Prepayments and other receivables	16	19,526	18,384	36,055
Other current assets	17	8,298	3,377	7,877
Financial assets at fair value through profit or loss ("FVPL")	18	402,382	401,097	150,397
Cash and cash equivalents	19	218,055	213,090	257,635
		<u>648,261</u>	<u>635,948</u>	<u>459,180</u>
Current liabilities				
Trade and other payables	20	53,848	59,930	91,692
Contract liabilities	21	—	—	3,810
Interest-bearing borrowings	22	14,869	60,508	82,323
Lease liabilities	24	956	1,752	917
		<u>69,673</u>	<u>122,190</u>	<u>178,742</u>
Net current assets		<u>578,588</u>	<u>513,758</u>	<u>280,438</u>
Total assets less current liabilities		<u>997,820</u>	<u>912,910</u>	<u>662,455</u>
Non-current liabilities				
Non-current interest-bearing borrowings	22	274,045	232,521	239,591
Deferred income	23	18,659	18,018	17,536
Lease liabilities	24	391	472	—
Deferred tax liabilities	7(c)	559	486	431
		<u>293,654</u>	<u>251,497</u>	<u>257,558</u>
NET ASSETS		<u>704,166</u>	<u>661,413</u>	<u>404,897</u>
CAPITAL AND RESERVES	27			
Share capital		166,480	180,525	210,025
Reserves		503,871	461,190	186,700
Total equity attributable to equity shareholders of the Company		<u>670,351</u>	<u>641,715</u>	<u>396,725</u>
Non-controlling interests		<u>33,815</u>	<u>19,698</u>	<u>8,172</u>
TOTAL EQUITY		<u>704,166</u>	<u>661,413</u>	<u>404,897</u>

The accompanying notes form part of the Historical Financial Information.



STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

		As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	Note	RMB '000	RMB '000	RMB '000
Non-current assets				
Property, plant and equipment		3,190	2,408	1,987
Right-of-use assets		1,535	2,521	1,232
Intangible assets		89	98	69
Interests in a subsidiary	13	90,000	116,470	116,470
Financial assets measured at amortised cost		—	—	26,000
Other non-current assets		7,782	7,148	10,520
		<u>102,596</u>	<u>128,645</u>	<u>156,278</u>
Current assets				
Prepayments and other receivables	16	46,674	45,461	57,396
Other current assets		3,995	3,377	7,627
Financial assets at fair value through profit or loss	18	402,382	401,097	150,397
Cash and cash equivalents	19	199,879	188,782	237,524
		<u>652,930</u>	<u>638,717</u>	<u>452,944</u>
Current liabilities				
Trade and other payables	20	23,757	31,960	63,646
Lease liabilities		956	1,752	917
Interest-bearing borrowings		—	—	450
		<u>24,713</u>	<u>33,712</u>	<u>65,013</u>
Net current assets		<u>628,217</u>	<u>605,005</u>	<u>387,931</u>
Total assets less current liabilities		<u>730,813</u>	<u>733,650</u>	<u>544,209</u>
Non-current liabilities				
Non-current interest-bearing borrowings		—	—	35,550
Lease liabilities		391	472	—
		<u>391</u>	<u>472</u>	<u>35,550</u>
NET ASSETS		<u>730,422</u>	<u>733,178</u>	<u>508,659</u>
CAPITAL AND RESERVES	27			
Share capital		166,480	180,525	210,025
Reserves		563,942	552,653	298,634
TOTAL EQUITY		<u>730,422</u>	<u>733,178</u>	<u>508,659</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Renminbi)

Attributable to equity shareholders of the Company										
Note	Share-based					Non-controlling interests	Total	Total (deficit)/ equity		
	Paid-in capital	Share capital	Capital reserve	Share premium	Share-based payment reserve				Other reserve	Accumulated losses
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance at 1 January 2021	144,650	—	629,350	—	25,829	(600,000)	(337,160)	(137,331)	49,247	(88,084)
Changes in equity for 2021:										
Total comprehensive income	—	—	—	—	—	—	(411,039)	(411,039)	(15,432)	(426,471)
Capital contributions by investors	21,830	—	278,244	—	—	—	—	300,074	—	300,074
Recognition of financial instruments issued with preferred rights	—	—	—	—	—	(300,074)	—	(300,074)	—	(300,074)
Termination of financial instruments with preferred rights	—	—	—	—	—	1,206,991	—	1,206,991	—	1,206,991
Conversion into a joint stock company	(166,480)	166,480	(907,594)	616,229	(34,499)	(306,917)	632,781	—	—	—
Equity-settled share-based transactions	—	—	—	—	11,730	—	—	11,730	—	11,730
Balance at 31 December 2021	—	166,480	—	616,229	3,060	—	(115,418)	670,351	33,815	704,166

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Expressed in Renminbi)

Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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	13,545	213,954	—	—	227,499	—	227,499
Shares issued under share option scheme	500	—	—	—	500	—	500
Equity-settled share-based transactions	—	—	41,556	—	41,556	—	41,556
Balance at 31 December 2022	180,525	830,183	44,616	(413,609)	641,715	19,698	661,413

- 1-10 -

[illegible]

The accompanying notes form part of the Historical Financial Information.



CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

		Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022		2023
	Note	RMB '000	RMB '000	RMB '000	RMB '000	
				(Unaudited)		
Operating activities						
Cash used in operations	19(b)	(122,576)	(225,212)	(158,030)	(252,157)	
Income tax paid		—	—	—	—	
Net cash used in operating activities		<u>(122,576)</u>	<u>(225,212)</u>	<u>(158,030)</u>	<u>(252,157)</u>	
Investing activities						
Payment for the purchase of property, plant and equipment		(57,975)	(20,114)	(15,178)	(6,387)	
Payment for the termination of leases		—	(42)	(42)	—	
Payment for the purchase of intangible assets		(964)	(2,653)	(688)	—	
Payment for purchase of financial assets measured at FVPL		(800,000)	(2,100,000)	(1,700,000)	(630,000)	
Proceeds from sale of financial assets measured at FVPL		604,465	2,113,182	1,609,597	885,305	
Interest received from bank deposits		3,458	3,923	2,382	3,787	
Interest received from loans to a related party		3,600	—	—	—	
Loans lent to a related party		(100,000)	—	—	—	
Loans prepaid by a related party		<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Net cash (used in)/ generated from investing activities		<u>(247,416)</u>	<u>(5,704)</u>	<u>(103,929)</u>	<u>252,705</u>	



CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Expressed in Renminbi)

		Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	
	Note	RMB '000	RMB '000	RMB '000	RMB '000
				(Unaudited)	
Financing activities					
Proceeds from interest-bearing borrowings	19(c)	—	15,900	15,900	69,700
Repayment of interest-bearing borrowings	19(c)	—	(15,000)	(7,500)	(42,400)
Proceeds from the issuance of financial instruments to investors	19(c)	300,074	—	—	—
Capital injection received from shareholders	27(c)	—	227,499	227,499	—
Proceeds from shares issued under share option scheme and restricted share scheme	27(c)	—	500	—	29,500
Interest paid for interest-bearing borrowings	19(c)	(15,251)	(15,390)	(11,554)	(10,634)
Payment for capital element of lease liabilities	19(c)	(3,007)	(1,553)	(1,144)	(1,307)
Payment for interest element of lease liabilities	19(c)	(76)	(99)	(74)	(53)
Listing expenses paid		(258)	(363)	(157)	(743)
Net cash generated from financing activities		281,482	211,494	222,970	44,063



CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Expressed in Renminbi)

		Year ended	Year ended	Nine months ended	
		31 December	31 December	30 September	
<i>Note</i>		2021	2022	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net (decrease)/					
increase in cash					
and cash					
equivalents		(88,510)	(19,422)	(38,989)	44,611
Cash and cash					
equivalents at the					
beginning of the					
year/period		309,287	218,055	218,055	213,090
Effect of foreign					
exchange rate					
changes		(2,722)	14,457	17,249	(66)
Cash and cash					
equivalents at the					
end of the					
year/period	<i>19(a)</i>	<u>218,055</u>	<u>213,090</u>	<u>196,315</u>	<u>257,635</u>

The accompanying notes form part of the Historical Financial Information.



NOTES TO THE HISTORICAL FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Qyuns Therapeutics Co., Ltd. (the “Company”)* (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 (the “PRC”) on 16 June 2015 as a company with limited liability. Upon approval by the Company’s board meeting held on 2 September 2021, the Company was converted from a company with limited liability into a joint stock company with limited liability.

During the Relevant Periods, the Company and its subsidiaries (together, “the Group”) are principally engaged in research and development of biologic therapies for autoimmune and allergic diseases.

The financial statements of the Company and the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The statutory financial statements of the Company for the year ended 31 December 2021 and 2022 were prepared in accordance with the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Jiangsu Jingwei Certified Public Accountants Co., Ltd.* (江蘇經緯會計師事務所有限公司).

During the Relevant Periods, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies with limited liabilities:

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

Notes:

(i) The financial statements of Saifu Juli for the years ended 31 December 2021 and 2022 have not been prepared as of the date of this report.

(ii) The statutory financial statements of Cellularforce for the years ended 31 December 2021 and 2022 were audited by Jiangsu Jingwei Certified Public Accountants Co., Ltd.* (江蘇經緯會計師事務所有限公司).

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has 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 and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2.



The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods. The accounting policies set out in Note 2 have been applied consistently throughout the Relevant Periods and the Group has not adopted any new standards or interpretations that are effective for the accounting year beginning on or after 1 January 2024. The revised and new accounting standards and interpretations issued which effective for the accounting years beginning on or after 1 January 2024 and not yet adopted by the Group are set out in Note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information. The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

As the Group’s operation are primarily located in the PRC and most of the Group’s transactions are conducted and denominated in Renminbi (“RMB”), which is the functional currency of the Group, the Historical Financial Information is presented in RMB, rounded to the nearest thousand, unless otherwise stated.

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).

(b) Use of estimates and judgements

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.

(c) 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ 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, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

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 the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(d) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(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 fair value through profit or loss ("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 28(e). These investments are subsequently accounted for as follows, depending on their classification.



(i) Investments other than equity investments

Non-equity investments held by the Group 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(s)(i)).
- 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 other comprehensive income is recycled from equity to profit or loss.
- fair value through 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.

(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 of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. 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 at FVPL or FVOCI, are recognised in profit or loss as other income.

(f) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties, plant and equipment (see Note 2(h)), are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the direct costs of construction, capitalised borrowing costs (see Note 2(u)), and any other costs directly attributable to bringing the asset to working condition for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group or the Company. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.



Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— software	5 years
------------	---------

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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 short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense 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.

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, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, 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)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that 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.

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 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. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting 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.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.



ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower 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 (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.



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 past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

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 or the Company 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

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).



— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or 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)).

Incremental costs of obtaining a contract are capitalised if the costs relate to income which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

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.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

(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 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 ECLs in accordance with the policy set out in Note 2(i)(i).

(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 cost.

(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) Financial instruments issued to investors with preferred rights

A contract that contains an obligation to purchase the Company's equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising a right to redeem. The financial instruments issued to investors with preferred rights are recognised as financial liabilities initially at the present value of the redemption amount, and are reclassified from equity. Subsequently, changes in the carrying amount of the financial liabilities are recognised in profit or loss.

The Group derecognises the financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. Upon a termination of the redemption obligation, the carrying amount of the financial instruments derecognised was credited into the equity.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(u)).

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred and treated as an adjustment to the loan's effective interest rate and recognised as an expense over the period of the loan facility to which it relates.

(p) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of equity-settled share-based payments awards granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the valuation techniques, taking into account the terms and conditions upon which the



equity-settled share-based payments awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payments awards, the total estimated fair value of the equity-settled share-based payments awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payments awards will vest.

During the vesting period, the number of equity-settled share-based payments awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payments awards that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the equity-settled share-based payments award is exercised (when it is included in the amount recognised in share capital for the shares issued) or the equity-settled share-based payments award expires (when it is released directly to retained profits).

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 it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

(s) Other income

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

(i) Interest income

Interest income is recognised as it accrues under the effective interest method using 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. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(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 recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(u) 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) 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.
- (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.

(w) 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 judgement:

(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 during the Relevant Periods.

(b) Sources of estimation uncertainty

Notes 25 and 26 contains information about the assumptions and risk factors relating to fair value of financial instruments and equity settled share-based transactions. Other key 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 during the Relevant Periods. 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.

(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.

(iv) 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.

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 during the Relevant Periods.

(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 during the Relevant Periods.



5 OTHER INCOME AND OTHER NET (LOSS)/GAIN

(a) Other income

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants (including amortisation of deferred income, see Note 23) (i)	19,978	9,194	1,847	4,340
Interest income from bank deposits	3,458	4,167	2,541	3,639
Interest income from loans to a related party	3,600	—	—	—
Net realised and unrealised gains on financial assets measured at FVPL	6,479	11,897	9,203	4,605
Others	1,371	468	208	695
	<u>34,886</u>	<u>25,726</u>	<u>13,799</u>	<u>13,279</u>

- (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 recognised in profit or loss when amortised over the estimated useful lives of the relevant assets (see Note 23).

(b) Other net (loss)/gain

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net foreign exchange (loss)/gain	(2,722)	14,457	17,249	(66)
Others	(95)	(55)	(55)	(9)
	<u>(2,817)</u>	<u>14,402</u>	<u>17,194</u>	<u>(75)</u>



6 LOSS BEFORE TAXATION

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

(a) Finance costs

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on lease liabilities (Note 19(c))	76	99	74	53
Interest on interest-bearing borrowings (Note 19(c))	18,457	18,593	13,913	12,193
Total finance costs on financial liabilities not at FVPL	18,533	18,692	13,987	12,246
Less: interest capitalised into properties under construction (Note 19(c))	(691)	—	—	—
	<u>17,842</u>	<u>18,692</u>	<u>13,987</u>	<u>12,246</u>

(b) Staff costs

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and other benefits	55,279	69,164	53,919	65,258
Contributions to defined contribution retirement schemes (i)	4,364	6,563	3,565	4,746
Equity-settled share-based payment expenses (Note 26(c))	11,730	41,556	4,370	99,488
	<u>71,373</u>	<u>117,283</u>	<u>61,854</u>	<u>169,492</u>

- (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

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amortisation cost of intangible assets	78	338	166	530
Depreciation charge of property, plant and equipment (Note 11)	23,618	28,310	21,051	21,934
Depreciation charge of right-of-use assets (Note 12)	1,948	1,892	1,377	1,622
Total amortisation and depreciation	25,644	30,540	22,594	24,086
Auditors' remuneration	1,925	2,001	1,304	1,757
Listing expenses (i)	10,985	10,154	3,901	14,643
Research and development expenses (ii) (iii)	151,887	257,214	189,749	263,270

(i) During the year ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the Group recognised auditors' remuneration in respect of initial public offering of RMB1,762,000, RMB1,931,000, RMB1,234,000 (unaudited) and RMB1,586,000 respectively, which is also included in the listing expenses disclosed separately above.

(ii) During the year ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023, research and development expenses include staff costs and depreciation and amortisation expenses of RMB71,863,000, RMB93,029,000, RMB62,787,000 (unaudited) and RMB87,871,000 respectively, which are also included in the respective total amounts disclosed separately above.

(iii) During the year ended 31 December 2021, research and development expenses has been reduced by RMB18,868,000, which was a reimbursement of research and development ("R&D") expenses incurred for QX001S received from Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司) ("Zhongmei Huadong"), one of the shareholders of the Company.

In August 2020, the Group entered into a collaboration agreement (the "QX001S Agreement") with Zhongmei Huadong with respect to the joint development and commercialization of QX001S in China. Pursuant to the QX001S Agreement, the Group granted Zhongmei Huadong joint clinical development, manufacturing and exclusive commercialization rights of QX001S in mainland China. During the term of the QX001S Agreement, Zhongmei Huadong shall be responsible for any expenses related to the clinical research and registrational matters of QX001S during R&D stage; the Group shall be responsible for expenses related to the sample production and manufacturing process optimisation of QX001S. During commercialisation stage, the Group shall be solely responsible for the commercial production and quality control of QX001S; and Zhongmei Huadong shall be the marketing authorization holder (MAH) of QX001S in mainland China to exclusively conduct marketing activities and commercialization of QX001S. The parties agree that the pre-tax profit generated from sales of QX001S in China (as calculated pursuant to the QX001S Agreement) shall be shared by the two parties on a 50%:50% basis. As such, the Group accounted for the QX001S Agreement as joint operation.

Pursuant to the QX001S Agreement, the Group has received a milestone payment of RMB20 million (including value-added tax) from Zhongmei Huadong in 2021 to compensate the Group for incurred R&D costs and was recognised as a reduction of the Group's research and development expenses.



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:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax—PRC Tax	—	—	—	—
Deferred tax	(73)	(73)	(55)	(55)
	(73)	(73)	(55)	(55)

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

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before taxation	(426,544)	(312,381)	(205,980)	(385,559)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the PRC (i)	(106,636)	(78,095)	(51,495)	(96,390)
Effect of preferential tax rate (ii)	37,993	25,816	17,308	33,897
Effect of additional deduction on research and development expenses (iii)	(11,717)	(24,146)	(16,512)	(28,704)
Tax effect of changes in the carrying amount of financial instruments issued to investors	36,012	—	—	—
Tax effect of other non-deductible expenses	445	493	96	495
Tax effect of deductible temporary differences not recognised	1,024	9,255	5,126	21,364
Tax effect of unused tax losses not recognised	42,806	66,604	45,422	69,283
Actual tax expense	(73)	(73)	(55)	(55)

- (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 1 January 2018 to 30 September 2022, an additional 75% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income.

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 1 October 2022 to 31 December 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
	<i>RMB '000</i>
Deferred tax arising from:	
At 1 January 2021	632
Credited to profit or loss	(73)
	<hr/>
At 31 December 2021 and 1 January 2022	559
Credited to profit or loss	(73)
	<hr/>
31 December 2022 and 1 January 2023	486
Credited to profit or loss	(55)
	<hr/>
30 September 2023	431
	<hr/> <hr/>

(d) Deferred tax assets not recognised

As at 31 December 2021, 2022 and 30 September 2023, the Group has not recognised deferred tax assets in respect of their respective cumulative tax losses of RMB601,407,000 and RMB992,871,000 and RMB1,381,922,000 and temporary differences of RMB75,821,000, RMB122,657,000 and RMB264,968,000 respectively, in accordance with the accounting policy set out in Note 2(q), 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 during the Relevant Periods are as follows:

For the year ended 31 December 2021	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Qiu Jiwan (裘霽宛) (i)	1,874	720	30	2,624	3,610	6,234
Mr. Wu Yiliang (吳亦亮) (ii)	1,095	300	30	1,425	1,203	2,628
Mr. Lin Weidong (林偉棟) (xi)	464	143	25	632	—	632
Non-executive directors						
Dr. Yu Guoliang (余國良) (iii)	—	—	—	—	1,203	1,203
Mr. Yu Xi (余熹) (iv)	—	—	—	—	—	—
Mr. Zhang Chunfeng (張純峰) (v)	—	—	—	—	—	—
Dr. Xue Mingyu (薛明宇) (vi)	—	—	—	—	—	—
Mr. Wu Zhiqiang (吳志強) (vii)	—	—	—	—	—	—
Supervisors						
Ms. Wang Yujiao (王玉姣) (viii)	613	160	30	803	361	1,164
Ms. Zhang Jie (張潔) (ix)	—	—	—	—	—	—
Mr. Ye Xiang (葉翔) (x)	—	—	—	—	—	—
	4,046	1,323	115	5,484	6,377	11,861

For the year ended 31 December 2022	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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) (xi)	1,281	400	63	1,744	2,010	3,754
Non-executive directors						
Dr. 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) (vii)	—	—	—	—	—	—
Supervisors						
Ms. Wang Yujiao (王玉姣) (viii)	621	160	32	813	1,426	2,239
Ms. Zhang Jie (張潔) (ix)	—	—	—	—	—	—
Mr. Ye Xiang (葉翔) (x)	—	—	—	—	—	—
Dr. Ding Chao (丁超) (xii)	—	—	—	—	—	—
	4,881	1,580	159	6,620	26,038	32,658



For the nine months ended 30 September 2022 (Unaudited)	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Executive directors						
Mr. Qiu Jiwan (裘霽宛) (i)	1,406	540	27	1,973	1,169	3,142
Mr. Wu Yiliang (吳亦亮) (iii)	825	225	27	1,077	390	1,467
Mr. Lin Weidong (林偉棟) (xi)	970	300	43	1,313	—	1,313
Non-executive directors						
Dr. Yu Guoliang (余國良) (iii)	—	—	—	—	1,451	1,451
Mr. Yu Xi (余熹) (iv)	—	—	—	—	—	—
Dr. Xue Mingyu (薛明宇) (vi)	—	—	—	—	—	—
Mr. Wu Zhiqiang (吳志強) (vii)	—	—	—	—	—	—
Supervisors						
Ms. Wang Yujiao (王玉姣) (viii)	464	122	26	612	117	729
Ms. Zhang Jie (張潔) (ix)	—	—	—	—	—	—
Mr. Ye Xiang (葉翔) (x)	—	—	—	—	—	—
	3,665	1,187	123	4,975	3,127	8,102

For the nine months ended 30 September 2023	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Executive directors						
Mr. Qiu Jiwan (裘霽宛) (i)	1,400	540	34	1,974	43,592	45,566
Mr. Wu Yiliang (吳亦亮) (ii)	802	225	35	1,062	3,763	4,825
Mr. Lin Weidong (林偉棟) (xi)	950	300	50	1,300	5,448	6,748
Non-executive directors						
Mr. Yu Xi (余熹) (iv)	—	—	—	—	—	—
Dr. Xue Mingyu (薛明宇) (vi)	—	—	—	—	—	—
Mr. Wu Zhiqiang (吳志強) (vii)	—	—	—	—	—	—
Supervisors						
Ms. Wang Yujiao (王玉姣) (viii)	455	120	34	609	3,277	3,886
Mr. Ye Xiang (葉翔) (x)	—	—	—	—	—	—
Dr. Ding Chao (丁超) (xii)	—	—	—	—	—	—
	3,607	1,185	153	4,945	56,080	61,025

Notes:

- (i) Mr. Qiu Jiwan (裘霽宛) was appointed as an executive director of the Company on 16 June 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 10 April 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 16 June 2015 and resigned on 16 February 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 14 August 2020.
- (v) Mr. Zhang Chunfeng (張純峰) was appointed as a non-executive director of the Company on 10 April 2019 which was nominated by two of the shareholders of the Company and resigned on 17 September 2021 due to his departure from the relevant shareholders.
- (vi) Dr. Xue Mingyu (薛明宇) was appointed as a non-executive director of the Company on 29 March 2021.
- (vii) Mr. Wu Zhiqiang (吳志強) was appointed as a non-executive director of the Company on 17 September 2021.
- (viii) Ms. Wang Yujiao (王玉姣) was appointed as a supervisor of the Company on 17 September 2021. She was also an employee of the Group during the Relevant Periods 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.
- (ix) Ms. Zhang Jie (張潔) was appointed as a supervisor of the Company on 14 August 2020 which was nominated by one of the shareholders of the Company and resigned on 15 September 2022 due to her departure from the relevant shareholder.
- (x) Mr. Ye Xiang (葉翔) was appointed as a supervisor of the Company on 17 September 2021.
- (xi) Mr. Lin Weidong (林偉棟) was appointed as an executive director of the Company on 16 March 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.
- (xii) Dr. Ding Chao (丁超) was appointed as a supervisor of the Company on 15 September 2022.
- (xiii) During the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023, there were 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

During the Relevant Periods, of the five individuals with the highest emoluments of the Group, two, three, three and three are directors for the year ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals during the Relevant Periods are as follows:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September	
			2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	3,268	2,612	1,958	2,038
Discretionary bonuses	1,076	900	675	782
Retirement scheme contributions	92	58	42	31
Equity-settled share-based payments	1,310	4,630	428	11,632
	<u>5,746</u>	<u>8,200</u>	<u>3,103</u>	<u>14,483</u>



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

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	Number of individuals	Number of individuals	Number of individuals (Unaudited)	Number of individuals
Hong Kong Dollar ("HK\$")				
1,500,001 – HK\$2,000,000	1	—	2	—
HK\$2,000,001 – HK\$2,500,000	1	—	—	—
HK\$2,500,001 – HK\$3,000,000	1	—	—	—
HK\$3,000,001 – HK\$4,000,000	—	1	—	—
HK\$4,000,001 – HK\$6,000,000	—	1	—	1
HK\$6,000,001 – HK\$15,000,000	—	—	—	1

10 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022 2023	
			(Unaudited)	
Loss for the year/period attributable to ordinary equity shareholders of the Company (in RMB'000) (a)	(298,273)	(298,191)	(196,649)	(373,978)
Weighted average number of ordinary shares in issue (in thousands) (b)	116,250	177,804	177,048	204,200
Basic loss per share (in RMB)	(2.57)	(1.68)	(1.11)	(1.83)

(a) Loss for the year attributable to ordinary equity shareholders of the Company

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022 2023	
	RMB'000	RMB'000	RMB'000 (Unaudited)	
Loss for the year/period attributable to ordinary equity shareholders of the Company	(411,039)	(298,191)	(196,649)	(373,978)
Allocation of loss for the year/period attributable to financial instruments with preferred rights (Note 25)	112,766	—	—	—
Loss for the year/period attributable to ordinary equity shareholders of the Company	(298,273)	(298,191)	(196,649)	(373,978)



(b) Weighted average number of ordinary shares in issue

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	'000	'000	'000 (Unaudited)	'000
Ordinary shares at 1 January in issue or deemed to be in issue (i)	144,650	166,480	166,480	180,525
Effect of ordinary shares in issue or deemed to be in issue	15,550	11,324	10,568	23,675
Effect of financial instruments with preferred rights (Note 25)	(43,950)	—	—	—
Weighted average number of ordinary shares at the end of the year	116,250	177,804	177,048	204,200

(i) As set out in Note 27(c), the Company was converted into a joint stock company with limited liability in September 2021. For the purpose of calculating basic loss per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2021, at the exchange ratio established in the conversion in September 2021.

(c) Ordinary shares with redemption rights issued to investors (Note 25) and share options granted by the Company 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 31 December 2021 and 2022 and the nine months ended 30 September 2022 (unaudited) and 2023 were the same as basic loss per share of the respective years/periods.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment and Machinery	Other equipment, furniture and fixtures	Construction in progress	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Cost:					
At 1 January 2021	1,649	122,925	3,225	252,520	380,319
Additions	—	9,920	3,537	15,290	28,747
Transfers in/(out) from construction in progress	237,082	23,678	5,040	(265,800)	—
Disposals	—	(94)	(146)	—	(240)
At 31 December 2021 and 1 January 2022	238,731	156,429	11,656	2,010	408,826
Additions	—	7,462	682	4,956	13,100
Transfers in/(out) from construction in progress	—	2,010	—	(2,010)	—
At 31 December 2022 and 1 January 2023	238,731	165,901	12,338	4,956	421,926
Additions	—	3,226	382	1,363	4,971
Transfers in/(out) from construction in progress	—	4,956	—	(4,956)	—
Disposals	—	—	(155)	—	(155)
At 30 September 2023	238,731	174,083	12,565	1,363	426,742



	Buildings	Equipment and Machinery	Other equipment, furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:					
At 1 January 2021	(351)	(5,294)	(1,455)	—	(7,100)
Charge for the year	(7,033)	(14,920)	(1,665)	—	(23,618)
Written back on disposals	—	89	138	—	227
At 31 December 2021 and 1 January 2022	(7,384)	(20,125)	(2,982)	—	(30,491)
Charge for the year	(7,751)	(18,063)	(2,496)	—	(28,310)
At 31 December 2022 and 1 January 2023	(15,135)	(38,188)	(5,478)	—	(58,801)
Charge for the period	(5,813)	(14,266)	(1,855)	—	(21,934)
Written back on disposals	—	—	147	—	147
At 30 September 2023	(20,948)	(52,454)	(7,186)	—	(80,588)
Net book value:					
At 31 December 2021	231,347	136,304	8,674	2,010	378,335
At 31 December 2022	223,596	127,713	6,860	4,956	363,125
At 30 September 2023	217,783	121,629	5,379	1,363	346,154

The Group obtained real estate title certificate for the manufacturing facility on 17 January 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	Other properties	Total
	RMB'000	RMB'000	RMB'000
	(i)	(ii)	
At 1 January 2021	21,406	3,319	24,725
Additions	—	2,158	2,158
Effects of termination of leases	—	(2,438)	(2,438)
Charge for the year	(444)	(1,504)	(1,948)
At 31 December 2021 and 1 January 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)



	Land use rights	Other properties	Total
	RMB'000	RMB'000	RMB'000
	(i)	(ii)	
At 31 December 2022 and 1 January 2023	20,518	2,521	23,039
Charge for the period	(333)	(1,289)	(1,622)
At 30 September 2023	20,185	1,232	21,417

- (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 RMB20,962,000 and RMB20,518,000 and RMB20,185,000 at 31 December 2021, 2022 and 30 September 2023.
- (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.

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

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:				
Land use rights	444	444	333	333
Properties leased for own use	1,504	1,448	1,044	1,289
	1,948	1,892	1,377	1,622
Interest on lease liabilities (Note 6(a))	76	99	74	53
Expense relating to short-term leases	287	386	285	373

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.

13 INVESTMENTS IN A SUBSIDIARY

- (a) The carrying amount of interest in a subsidiary is listed below:

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB'000	RMB'000	RMB'000
Unlisted, at cost			
Taizhou Saifu Juli Biomedical Co., Ltd.	90,000	116,470	116,470



On 27 October 2022, the registered capital of Saifu Juli was increased to RMB116,470,000, which was fully subscribed by the Company and paid up in cash. As at 30 September 2023, Saifu Juli was an investment holding company and a wholly owned subsidiary of the Group.

Details of the information of the subsidiary is set forth in Note 1.

(b) Material non-controlling interest (the “NCI”)

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.

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September	
	RMB'000	RMB'000	2022	2023
			RMB'000	RMB'000
			(Unaudited)	
NCI percentage	34%	34%	34%	34%
Current assets	32,975	39,028	30,253	40,763
Non-current assets	406,637	386,977	391,198	368,209
Current liabilities	(73,365)	(117,045)	(103,026)	(136,927)
Non-current liabilities	(293,263)	(251,025)	(272,722)	(248,008)
Net assets	72,984	57,935	45,703	24,037
Carrying amount of NCI	33,815	19,698	24,539	8,172
Revenue	54,478	84,956	73,837	58,424
Loss for the year	(45,392)	(41,519)	(27,280)	(33,899)
Total comprehensive income	(45,392)	(41,519)	(27,280)	(33,899)
Loss allocated to NCI	(15,432)	(14,117)	(9,276)	(11,526)
Cash flows generated from/(used in)				
operating activities	65,904	16,572	16,938	(4,383)
Cash flows used in investing				
activities	(59,018)	(22,417)	(15,469)	(6,261)
Cash flows (used in)/generated from				
financing activities	(15,321)	11,980	(3,154)	6,448

14 OTHER NON-CURRENT ASSETS

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB'000	RMB'000	RMB'000
Value-added tax (“VAT”) recoverable (i)	10,202	6,790	9,623
Deposits	2,150	—	—
Prepayments for property, plant and equipment	5,091	2,787	1,404
Prepayments for an R&D Contract	—	—	688
Others	581	359	209
	18,024	9,936	11,924

- (i) As at 31 December 2021 and 2022 and 30 September 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:

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB '000	RMB '000	RMB '000
Costs to fulfil contracts	—	—	7,216

16 PREPAYMENTS AND OTHER RECEIVABLES

The Group	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB '000	RMB '000	RMB '000
Prepaid expenses	18,450	16,232	32,852
Listing expenses	437	944	1,965
Deposits	285	546	571
Interest receivables	—	244	96
Other debtors	354	418	571
	19,526	18,384	36,055

The Company	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB '000	RMB '000	RMB '000
Prepaid expenses	45,423	43,532	54,621
Listing expenses	437	944	1,965
Deposits	264	532	557
Interest receivables	—	244	96
Other debtors	550	209	157
	46,674	45,461	57,396

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

17 OTHER CURRENT ASSETS

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB '000	RMB '000	RMB '000
VAT recoverable	8,298	3,377	7,877



18 FINANCIAL ASSETS AT FVPL

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
The Group and the Company	RMB'000	RMB'000	RMB'000
Wealth management products	402,382	401,097	150,397

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

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB'000	RMB'000	RMB'000
Cash at bank	218,055	171,302	257,635
Time deposits with banks	—	41,788	—
Cash and cash equivalents	218,055	213,090	257,635

The Company	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	RMB'000	RMB'000	RMB'000
Cash at bank	199,879	146,994	237,524
Time deposits with banks	—	41,788	—
Cash and cash equivalents	199,879	188,782	237,524

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

Note	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	Nine months ended 30 September 2023
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Loss before taxation	(426,544)	(312,381)	(205,980)	(385,559)
Adjustments for:				
Depreciation of property, plant and equipment	6(c) 23,618	28,310	21,051	21,934
Depreciation of right-of-use assets	6(c) 1,948	1,892	1,377	1,622
Amortisation of intangible assets	6(c) 78	338	166	530
Net (gain)/loss on termination of leases	(88)	38	38	—
Net loss on disposal of property, plant and equipment	13	—	—	8



		Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	
	Note	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Changes in the carrying amount of financial instruments issued to investors	25	240,080	—	—	—
Finance costs	6(a)	17,842	18,692	13,987	12,246
Interest income	5(a)	(7,058)	(4,167)	(2,541)	(3,639)
Net foreign exchange loss/(gain)	5(b)	2,722	(14,457)	(17,249)	66
Net realised and unrealised gains on financial assets measured at FVPL	5(a)	(6,479)	(11,897)	(9,203)	(4,605)
Equity-settled share-based payment expenses	6(b)	11,730	41,556	4,370	99,488
Changes in working capital:					
(Increase)/decrease in prepayments and other receivables		(10,907)	1,893	4,112	(16,799)
Increase in trade and other payables		17,377	12,811	26,398	33,665
Increase in contract liabilities		—	—	—	3,810
Decrease in deferred income		(588)	(641)	(482)	(482)
Increase in other current assets and other non-current assets		13,680	12,801	5,926	(7,226)
Increase in inventories and other contract cost		—	—	—	(7,216)
Cash used in operations		(122,576)	(225,212)	(158,030)	(252,157)

(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	Financial instruments issued to investors	Total
	RMB'000 (Note 20,22)	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000
At 1 January 2021	286,174	4,722	666,837	957,733
Changes from financing cash flows:				
Proceeds from the issuance of financial instruments to investors	—	—	300,074	300,074
Capital element of lease liabilities	—	(3,007)	—	(3,007)
Interest element of lease liabilities	—	(76)	—	(76)
Interest paid for interest-bearing borrowings	(15,251)	—	—	(15,251)
Total changes from financing cash flows	(15,251)	(3,083)	300,074	281,740



	Interest-bearing borrowings and interest payables	Leases liabilities	Financial instruments issued to investors	Total
	RMB '000 (Note 20/22)	RMB '000 (Note 24)	RMB '000 (Note 25)	RMB '000
Other changes:				
Interest expenses	17,766	76	—	17,842
Capitalised borrowing costs	691	—	—	691
Changes in the carrying amount of financial instruments issued to investors	—	—	240,080	240,080
Reclassification of financial instruments issued to investors as equity	—	—	(1,206,991)	(1,206,991)
Termination of leases	—	(2,526)	—	(2,526)
Increase in lease liabilities from entering into new leases during the year	—	2,158	—	2,158
Total other changes	18,457	(292)	(966,911)	(948,746)
At 31 December 2021 and 1 January 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
At 31 December 2022 and 1 January 2023	293,483	2,224	—	295,707
Changes from financing cash flows:				
Repayment of interest-bearing borrowings	(42,400)	—	—	(42,400)
Proceeds from interest-bearing borrowings	69,700	—	—	69,700
Capital element of lease liabilities	—	(1,307)	—	(1,307)
Interest element of lease liabilities	—	(53)	—	(53)
Interest paid for interest-bearing borrowings	(10,634)	—	—	(10,634)
Total changes from financing cash flows	16,666	(1,360)	—	15,306



	Interest-bearing borrowings and interest payables	Leases liabilities	Financial instruments issued to investors	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 20/22)</i>	<i>(Note 24)</i>	<i>(Note 25)</i>	
Other changes:				
Interest expense	12,193	53	—	12,246
Total other changes	12,193	53	—	12,246
At 30 September 2023	322,342	917	—	323,259

(d) Total cash outflow for leases

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

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2022	As at 30 September 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Unaudited)</i>	
Within operating cash flows	233	420	401	440
Within financing cash flows	3,083	1,652	1,218	1,360
	3,316	2,072	1,619	1,800

All these amounts related to the rental payments.

20 TRADE AND OTHER PAYABLES

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
The Group	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (i)	12,507	19,137	45,156
Payroll payables	18,569	24,185	28,620
Interest payables	466	454	428
Payables for purchases of property, plant and equipment	14,466	7,823	5,669
Accrued listing expenses	3,706	4,500	8,488
Other payables and accruals	4,044	3,831	3,331
	53,848	59,930	91,692



The Company	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (i)	10,535	15,426	40,313
Payroll payables	7,849	11,163	13,870
Accrued listing expenses	3,706	4,500	8,488
Other payables and accruals	1,667	871	975
	<u>23,757</u>	<u>31,960</u>	<u>63,646</u>

- (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	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	<u>12,597</u>	<u>19,137</u>	<u>45,156</u>

The Company	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	<u>10,535</u>	<u>15,426</u>	<u>40,313</u>

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

21 CONTRACT LIABILITIES

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	—	—	—
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	—	—	—
Increase in contract liabilities as a result of receiving advance payments during the period	—	—	3,810
Balance at the end of the year/period	<u>—</u>	<u>—</u>	<u>3,810</u>

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:

	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 September 2023 <i>RMB'000</i>
Unsecured short-term bank loans (i)	—	15,900	29,700
Current proportion of unsecured long-term bank loans (i)	—	—	450
Current proportion of secured long-term bank loans (ii)	14,869	44,608	52,173
Within 1 year or on demand	14,869	60,508	82,323
Unsecured long-term bank loans (i)	—	—	35,550
Secured long-term bank loans (ii)	274,045	232,521	204,041
Non-current	274,045	232,521	239,591
	288,914	293,029	321,914

- (i) As at 31 December 2022 and 30 September 2023, the unsecured short-term bank loans represent the utilised banking facilities amounting to RMB15,900,000 and RMB65,700,000 respectively, which carry interest rate from 3.30% to 4.30%. Such interest rate is determined based on the Loan Prime Rate (“LPR”) announced by the People’s Bank of China (“PBOC”).
- (ii) As at 31 December 2021 and 2022 and 30 September 2023, the secured long-term bank loans obtained from a bank consortium were secured by the Group’s land use right with the carrying amount of RMB20,962,000 and RMB20,518,000 and RMB20,185,000, and guaranteed by Taizhou Huacheng Medical Investment Group Co., Ltd. (“Taizhou Huacheng”). The loan is additionally secured by the Cellularforce’s manufacturing facilities in Taizhou in August 2023 after the Cellularforce obtained the relevant real estate title certificate. Saifu Juli also pledged its equity interest in Cellularforce to Taizhou Huangcheng as a counter-security. Mr. Qiu Jiwan (裘霏苑) also provided a personal guarantee to one of the banks in the amount of RMB30,000,000. During the relevant periods, the secured long-term bank loan born interest rates from 4.5% to 5.0% per annum. The guarantee provided by the Group’s related parties—Taizhou Huacheng and Mr. Qiu Jiwan—was replaced by a guarantee provided by the Company in December 2023. Taizhou Huacheng also subsequently released the counter-security provided by Saifu Juli in December 2023.



- (b) As at 31 December 2021 and 2022 and 30 September 2023, the analysis of the repayment schedule of bank loans is as follows:

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	15,000	60,900	82,650
After 1 year but within 2 years	45,000	60,000	72,450
After 2 years but within 5 years	240,000	180,000	173,100
	<u>285,000</u>	<u>240,000</u>	<u>245,550</u>
	<u>300,000</u>	<u>300,900</u>	<u>328,200</u>

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 at 31 December 2021 and 2022 and 30 September 2023, the carrying amount of the secured bank loans was RMB288,914,000 and RMB277,129,000 and RMB256,214,000 respectively, which represented the net present value of all future cash repayments discounted at effective interest rates from 6.02% to 6.77% per annum.

23 DEFERRED INCOME

	Government grants
	<i>RMB'000</i>
At 1 January 2021	19,247
Released to other income	<u>(588)</u>
At 31 December 2021 and 1 January 2022	18,659
Released to other income	<u>(641)</u>
At 31 December 2022 and 1 January 2023	18,018
Released to other income	<u>(482)</u>
At 30 September 2023	<u>17,536</u>

As at 31 December 2021, 2022 and 30 September 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.

	31 December 2021		31 December 2022		30 September 2023	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	956	996	1,752	1,813	917	930
After 1 year but within 2 years	391	396	472	477	—	—
	391	396	472	477	—	—
	1,347	1,392	2,224	2,290	917	930
Less: total future interest expenses		(45)		(66)		(13)
Present value of lease liabilities		1,347		2,224		917

25 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

In 2015, the Company entered into agreements with several investors (the "Series Pre-A Investors"), pursuant to which the Series Pre-A Investors agreed to inject a total of RMB14,000,000 into the Company as a consideration for the subscription of the Company's newly issued paid-in capital of RMB10,000,000.

In 2016, the Company entered into agreements with several investors (the "Series A Investors"), pursuant to which the Series A Investors agreed to inject a total of RMB120,000,000 into the Company as a consideration for the subscription of the Company's newly issued paid-in capital of RMB30,000,000.

In April 2019, November 2019 and April 2020, the Company entered into agreements with several investors (the "Series B Investors"), pursuant to which the Series B Investors agreed to inject a total of RMB230,000,000 into the Company as a consideration for the subscription of the Company's newly issued paid-in capital of RMB28,750,000.

In August 2020, the Company entered into agreements with an investor (the "Series B+ Investor"), pursuant to which the Series B+ Investor agreed to inject RMB370,000,000 into the Company as a consideration for the subscription of the Company's newly issued paid-in capital of RMB35,900,000.

In April 2021, the Company entered into agreements with investors (the "Series B++ Investors"), pursuant to which the Series B++ Investors agreed to inject a total of RMB300,074,000 into the Company as a consideration for the subscription of the Company's newly issued paid-in capital of RMB21,830,000.



In accordance with the respective agreements, the Series B Investors, the Series B+ Investor and the Series B++ Investors (collectively, the “Investors with Preferred Rights”) were granted certain preferred rights, including the redemption rights upon specified contingent events and the anti-dilution right. The key terms of these preferred rights that impacted the financial statements of the Group and the Company are outlined below:

Investors’ redemption rights upon occurrence of contingent events

The Investors with Preferred Rights had the right to require the Company to redeem their paid-in capital for cash upon certain events, including (i) a non-completion of a qualified Initial Public Offering (“IPO”) of the Company by 1 March 2024; or (ii) a change of control of the Company resulting from the exercise of pledges of the Company’s equity interests; or (iii) a change in the Company’s controlling shareholder such that it has an adverse impact on the progress of a qualified IPO or mergers and acquisitions of the Company; or (iv) the Company receives the redemption requests from any other investors with Preferred Rights.

The redemption amount was the higher of: (i) the original investment amount plus an annual simple rate of 6.5% for the period commencing from the investment amount payment date to the redemption settlement date and any declared but unpaid dividends if any; and (ii) a pro-rata share of the value of the audited net assets of the Company on the redemption date.

Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by the Investors with Preferred Rights on a per paid-in capital basis, the Investors with Preferred Rights have a right to require the Company to issue additional paid-in capital for nil (or nominal) consideration to the investors, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

Presentation and classification

The Company did not have an unconditional right to avoid redeeming its paid-in capital for cash, since not all specified contingent events were within its control. The Company recognised financial liabilities that were initially measured at the highest present value of those redemption amounts in accordance with the accounting policies set out in Note 2(n). These financial liabilities were subsequently measured at an amount expected to be paid to the investors upon redemption that could be payable upon occurrence of these events at the end of each reporting period with changes in the carrying amount of the liabilities recognised in “changes in the carrying amount of financial instruments issued to investors”.

The movements of the Financial Instruments Issued to Investors are set out below:

	As at 31 December 2021
The Group and the Company	RMB’000
At the beginning of the year	666,837
Recognition of financial instruments issued to investors	300,074
Changes in the carrying amount	240,080
Termination of preferred rights (i)	(1,206,991)
At the end of the year	<u> </u>

- (i) In July 2021, pursuant to the supplementary agreement signed by the Company and the investors, the Company’s redemption obligations were terminated. Accordingly, the directors of the Company considered that the financial liabilities recognised for the redemption obligations shall be reclassified from financial liabilities to equity thereafter.



The Financial Instruments Issued to Investors were measured by the directors of the Company with reference to valuation reports prepared by an independent qualified professional valuer. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and allocate corresponding value to each share on a pro-rata basis to determine the carrying amount of the Financial Instruments Issued to Investors as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the carrying amount of the Financial Instruments Issued to Investors are as follows:

	As at 31 July 2021
	<i>RMB '000</i>
Discount rate	21%
Risk-free interest rate	3.29%
Implied lack of marketability discount	11%
Volatility	30.00%
Dividend yield	0.00%

26 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.

On 15 September 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(p)(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:

	31 December 2021		31 December 2022		30 September 2023	
	Weighted average exercise price	Number of equity instruments	Weighted average exercise price	Number of equity instruments	Weighted average exercise price	Number of equity instruments
	<i>RMB</i>	<i>'000</i>	<i>RMB</i>	<i>'000</i>	<i>RMB</i>	<i>'000</i>
Outstanding at the beginning of the year/period	1.00	6,955	1.00	5,530	1.00	5,000
Exercised during the year/period	1.00	(1,425)	1.00	(530)	1.00	(5,000)
Forfeited during the year/period	—	—	—	—	—	—
Outstanding at the end of the year/period	1.00	<u>5,530</u>	1.00	<u>5,000</u>	—	<u>—</u>
Exercisable at the end of the year/period	1.00	<u>5,530</u>				



As at 31 December 2021 and 31 December 2022 and 30 September 2023, the weighted average remaining contractual life for the equity instruments granted was 0.13 years and 1.84 years and nil respectively.

(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.

(b) **Restricted share scheme**

On 15 September 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:

	<u>Number of RS</u>	<u>Granted prices</u>	<u>Vesting condition</u>
	’000		
RSs granted to directors:			
— on 15 October 2022	1,100	RMB1.00	Service period of 3 years and non-market performance conditions
— on 15 October 2022	1,000	RMB1.00	Service period of less than 3 years and non-market performance conditions
— on 15 October 2022	7,570	RMB1.00	Non-market performance conditions
RSs granted to employees:			
— on 15 October 2022	4,230	RMB1.00	Service period of 3 years and non-market performance conditions
— on 15 October 2022	2,060	RMB1.00	Service period of less than 3 years and non-market performance conditions
— on 15 October 2022	3,100	RMB1.00	Non-market performance conditions



	Number of RS	Granted prices	Vesting condition
	'000		
— on 13 February 2023	1,000	RMB1.00	Service period of 3 years and non-market performance conditions
— on 1 March 2023	540	RMB1.00	Service period of 3 years and non-market performance conditions
RSs granted to a consultant:			
— on 15 October 2022	500	RMB1.00	Non-market performance conditions
Total RSs granted	21,100		

(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 during the Relevant Periods**

For the year ended 31 December 2021 and 2022 and the nine months ended 30 September 2023, expenses arising from share-based payment transactions are as follows:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Research and development expenses	5,820	11,200	1,375	24,039
Administrative expenses	5,910	30,356	2,995	75,449
	11,730	41,556	4,370	99,488

27 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	Paid-in capital	Share capital	Capital reserve	Share premium	Share-based payment reserve	Other reserve	Accumulated losses	Total
		RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Balance at 1 January 2021		144,650	—	629,350	—	25,829	(600,000)	(308,199)	(108,370)
Changes in equity for 2021:									
Total comprehensive income for the year		—	—	—	—	—	—	(379,929)	(379,929)
Capital contributions by investors		21,830	—	278,244	—	—	—	—	300,074
Recognition of financial instruments issued with preferred rights		—	—	—	—	—	(300,074)	—	(300,074)
Termination of financial instruments with preferred rights		—	—	—	—	—	1,206,991	—	1,206,991
Conversion into a joint stock company		(166,480)	166,480	(907,594)	616,229	(34,499)	(306,917)	632,781	—
Equity settled share-based transactions	26(c)	—	—	—	—	11,730	—	—	11,730
Balance at 31 December 2021		—	166,480	—	616,229	3,060	—	(55,347)	730,422

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 1 January 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		13,545	213,954	—	—	227,499
Shares issued under share option scheme		500	—	—	—	500
Equity settled share-based transactions	26(c)	—	—	41,556	—	41,556
Balance at 31 December 2022		180,525	830,183	44,616	(322,146)	733,178

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 1 January 2023		180,525	830,183	44,616	(322,146)	733,178
Changes in equity for the nine months ended 30 September 2023:						
Total comprehensive income for the period		—	—	—	(353,507)	(353,507)
Shares issued under share option scheme and restricted share scheme		29,500	—	—	—	29,500
Equity settled share-based transactions	26(c)	—	—	99,488	—	99,488
Balance at 30 September 2023		210,025	830,183	144,104	(675,653)	508,659



(b) Paid-in capital

	Total
	<u>RMB'000</u>
At 1 January 2021	144,650
Capital contribution by investors (i)	21,830
Conversion into a joint stock company (Note 27(c))	<u>(166,480)</u>
At 31 December 2021 and 31 December 2022 and 30 September 2023	<u><u>—</u></u>

- (i) For the year ended 31 December 2021, the Series B++ Investors completed the injections totaling RMB300,074,000 in the Company for the subscription of the Company's newly issued paid-in capital of RMB21,830,000 (see Note 25).

(c) Share capital and share premium

	Numbers of shares	RMB'000
	<u></u>	<u></u>
Authorised shares:		
At 1 January 2021	—	—
Issue of ordinary shares upon conversion into a joint stock company (i)	<u>166,480,000</u>	<u>166,480</u>
At 31 December 2021 and 1 January 2022	166,480,000	166,480
Issue of ordinary shares (ii)	13,545,200	13,545
Share issued under share option scheme and restricted share scheme (iii)	<u>30,000,000</u>	<u>30,000</u>
At 31 December 2022, 1 January 2023 and 30 September 2023	<u><u>210,025,200</u></u>	<u><u>210,025</u></u>

	Numbers of ordinary shares	Share capital	Share premium	Total
	<u></u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Issued and fully paid				
At 1 January 2021	—	—	—	—
Issue of ordinary shares upon conversion into a joint stock company (i)	<u>166,480,000</u>	<u>166,480</u>	<u>616,229</u>	<u>782,709</u>
At 31 December 2021 and 1 January 2022	166,480,000	166,480	616,229	782,709
Issue of ordinary shares (ii)	13,545,200	13,545	213,954	227,499
Share issued under share option scheme (iii)	<u>500,000</u>	<u>500</u>	<u>—</u>	<u>500</u>



	Numbers of ordinary shares	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2022 and 1 January 2023	180,525,200	180,525	830,183	1,010,708
Share issued under share option scheme and restricted share scheme (iii)	29,500,000	29,500	—	29,500
At 30 September 2023	210,025,200	210,025	830,183	1,040,208

- (i) The Company was converted into a joint stock limited company under the Company Law of the PRC in September 2021. The net assets of the Company under the PRC GAAP as of the conversion base date were converted into 166,480,000 share capital at RMB1.00 each (the “Share”). The excess of the net assets of the Company converted over the nominal value of the shares was credited to the Company’s share premium account.
- (ii) 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.
- (iii) Pursuant to a written resolution passed on 15 September 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 at 31 December 2022 and 30 September 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.

(d) Other reserves

The other reserve primarily comprises the recognition of financial instruments issued to investors as stipulated in Note 25.

(e) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the Relevant Periods.

(f) 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.

(g) Capital management

The Group’s objectives in the aspect of managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 as at the end of each of the Relevant Periods.

28 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 the Relevant Periods, 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.

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 at the end of each of the reporting period) and the earliest date the Group can be required to pay:

As at 31 December 2021 contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Lease liabilities	996	396	—	—	1,392
Trade and other payables	53,848	—	—	—	53,848
Interest-bearing borrowings	30,002	58,861	263,088	—	351,951
	84,846	59,257	263,088	—	344,109



As at 31 December 2022 contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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
	<u>136,381</u>	<u>71,797</u>	<u>191,562</u>	<u>—</u>	<u>399,740</u>	<u>355,183</u>

As at 30 September 2023 contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	930	—	—	—	930	917
Trade and other payables	91,692	—	—	—	91,692	91,692
Interest-bearing borrowings	95,157	82,013	179,021	—	356,191	321,914
	<u>187,779</u>	<u>82,013</u>	<u>179,021</u>	<u>—</u>	<u>448,813</u>	<u>414,523</u>

(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 at 31 December 2021	Effective interest rate	As at 31 December 2022	Effective interest rate	As at 30 September 2023
	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate instruments:						
Lease liabilities	4.35%	(1,347)	4.07%-4.35%	(2,224)	4.07%-4.35%	(917)
		<u>(1,347)</u>		<u>(2,224)</u>		<u>(917)</u>



	Effective interest rate	As at 31 December 2021	Effective interest rate	As at 31 December 2022	Effective interest rate	As at 30 September 2023
	%	RMB '000	%	RMB '000	%	RMB '000
Variable rate instruments:						
Cash at bank	0.30%-0.35%	218,055	0.25%-0.35%	171,302	0.05%-0.25%	257,635
Time deposits with banks	—	—	4.46%-4.59%	41,788	—	—
Financial assets at FVPL	3.15%-3.20%	402,382	2.85%-3.64%	401,097	2.55%-3.24%	150,397
Interest-bearing borrowings	6.18%-6.77%	(288,914)	4.30%-6.75%	(293,029)	3.30%-6.75%	(321,914)
Net exposure		331,523		321,158		86,118

(iii) *Sensitivity analysis*

The following table details the effect on the Group's loss after tax for each year of the Relevant Periods and accumulated losses as at the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2021			As at 31 December 2022			As at 30 September 2023		
	Increase/ (decrease) of basis point	Effect on loss after tax	Effect on accumulated losses	Increase/ (decrease) of basis point	Effect on loss after tax	Effect on accumulated losses	Increase/ (decrease) of basis point	Effect on loss after tax	Effect on accumulated losses
		RMB '000	RMB '000		RMB '000	RMB '000		RMB '000	RMB '000
Interest rates	100	(4,629)	(4,629)	100	(4,104)	(4,104)	100	(1,756)	(1,756)
	(100)	4,629	4,629	(100)	4,104	4,104	(100)	1,756	1,756

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses 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.

(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 as at the end of each of the Relevant Periods 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.

	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
	US\$ RMB '000	US\$ RMB '000	US\$ RMB '000
Cash and cash equivalents	133,532	142,026	26,475
Prepayments and other receivables	—	49	—
	133,532	142,075	26,475

(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.

	As at 31 December 2021		As at 31 December 2022		As at 30 September 2023	
	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	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
US\$	10%	(13,353)	10%	(14,208)	10%	(2,648)
	(10%)	13,353	(10%)	14,208	(10%)	2,648

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.

(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 31 December 2021	Fair value at 31 December 2022	Fair value at 30 September 2023
	RMB'000	RMB'000	RMB'000
Level 3—Wealth management products	402,382	401,097	150,397

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:

31 December 2021

	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	3.15% to 3.20%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB372,000.

31 December 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.



30 September 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	2.55% to 3.24%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB64,000.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	As at 31 December 2021 <i>RMB '000</i>	As at 31 December 2022 <i>RMB '000</i>	As at 30 September 2023 <i>RMB '000</i>
Wealth management products			
At the beginning of the year/period	200,368	402,382	401,097
Payment for purchases	800,000	2,100,000	630,000
Changes in fair value recognised in profit or loss during the year/period	6,479	11,897	4,605
Redemption of investment	(604,465)	(2,113,182)	(885,305)
At the end of the year/period	402,382	401,097	150,397

During the year ended 31 December 2021 and 2022 and the nine months ended 30 September 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 at 31 December 2021 and 2022 and 30 September 2023.

29 COMMITMENTS

Capital commitments outstanding at 31 December 2021 and 2022 and 30 September 2023 not provided for in the financial statements were as follows.

	As at 31 December 2021 <i>RMB '000</i>	As at 31 December 2022 <i>RMB '000</i>	As at 30 September 2023 <i>RMB '000</i>
Contracted for	6,694	3,325	1,771



30 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:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other benefits	6,039	7,055	6,276	7,244
Discretionary bonuses	2,059	2,368	1,996	2,081
Retirement scheme contributions	139	200	196	266
Share-based payments	6,590	28,607	3,117	70,661
	14,827	38,230	11,585	80,252

(b) Related party transactions

During the Relevant Periods, 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 member of Mr. Yu Guo'an
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. ("Zhongmei Huadong") 杭州中美華東製藥有限公司 (i)	Shareholder of the Company
Taizhou Huacheng Medical Investment Group Co., Ltd. ("Taizhou Huacheng") 泰州華誠醫學投資集團有限公司 (i)	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 Investment Management Partnership (General Partnership) ("Hangzhou Quanyi") 杭州荃毅投資管理合夥企業 (普通合夥) (i)	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 reference only. The official names of the entities established in the PRC are in Chinese.

(ii) Dr. Yu Guoliang was appointed as a non-executive director of the Company on 16 June 2015 and resigned on 16 February 2022 due to his plan to devote to his personal business.



During the Relevant Periods, the Group entered into the following material related party transactions:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB '000	RMB '000	RMB '000 (Unaudited)	RMB '000
Reimbursement received from collaborative agreements	18,868	—	—	—
Loans repaid by a related party	100,000	—	—	—
Loans to a related party	100,000	—	—	—
Interest income from loans to a related party	3,600	—	—	—
Payment on behalf of the Group	69	51	51	—
Rendering of services	—	283	151	2,084
Procurement of services	—	598	—	1,350

During the Relevant Periods, Taizhou Huacheng had provided the Group with banking facilities guarantees and Mr. Qiu Jiwan (裘霁宛) had provided a personal guarantee to one of the banks for loan amount of RMB30,000,000, 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:

	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2023
	RMB '000	RMB '000	RMB '000
Amounts due from related parties			
<i>Trade related:</i>			
<i>Prepayments and other receivables:</i>			
Zhongmei Huadong	—	180	—
Amounts due to related parties			
<i>Trade related:</i>			
<i>Contract liabilities:</i>			
Zhongmei Huadong	—	—	(3,324)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this report, the IASB has issued a number of amendments, and a new standards and interpretations which are effective for the accounting year beginning from January 1, 2024 and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to IAS 7 and IFRS 7, <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024



	Effective for accounting periods beginning on or after
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 21, <i>Lack of Exchangeability</i>	1 January 2025
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	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.

32 SUBSEQUENT EVENTS

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.

Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2023.