

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

The following is the preliminary financial information of our Group as of and for the year ended December 31, 2023 (the “2023 Preliminary Financial Information”), together with comparative figures as of and for the year ended December 31, 2022 and a discussion and analysis of our Group’s financial condition and results of operations. The 2023 Preliminary Financial Information has not been audited. [REDACTED] should bear in mind that the 2023 Preliminary Financial Information in this Appendix III may be subject to adjustments.

2023 PRELIMINARY FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	<u>2022</u>	<u>2023</u>
		<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
Other income	2	25,726	24,921
Other net gain/(loss)	2	14,402	(435)
Administrative expenses		(76,603)	(164,594)
Research and development expenses		(257,214)	(364,404)
Loss from operations		(293,689)	(504,512)
Finance costs	3	(18,692)	(16,821)
Loss before taxation	3	(312,381)	(521,333)
Income tax	4	73	73
Loss for the year		<u>(312,308)</u>	<u>(521,260)</u>
Attributable to:			
Equity shareholders of the Company		(298,191)	(507,748)
Non-controlling interests		(14,117)	(13,512)
Loss for the year		(312,308)	(521,260)
Other comprehensive income for the year (after tax)		—	—
Total comprehensive income for the year		<u>(312,308)</u>	<u>(521,260)</u>
Attributable to:			
Equity shareholders of the Company		(298,191)	(507,748)
Non-controlling interests		(14,117)	(13,512)
Total comprehensive income for the year		<u>(312,308)</u>	<u>(521,260)</u>
Loss per share			
Basic and diluted (RMB)	5	<u>(1.68)</u>	<u>(2.47)</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2022	31 December 2023
		<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>
Non-current assets			
Property, plant and equipment		363,125	339,106
Right-of-use assets		23,039	22,329
Intangible assets		3,052	2,347
Other non-current assets		9,936	13,472
		<u>399,152</u>	<u>377,254</u>
Current assets			
Inventories and other contract costs		—	4,937
Prepayments and other receivables	6	18,384	26,468
Other current assets		3,377	10,210
Financial assets at fair value through profit or loss		401,097	160,414
Cash and cash equivalents		213,090	216,300
		<u>635,948</u>	<u>418,329</u>
Current liabilities			
Trade and other payables	7	59,930	129,914
Contract liabilities		—	870
Interest-bearing borrowings	8	60,508	119,702
Lease liabilities		1,752	1,290
		<u>122,190</u>	<u>251,776</u>
Net current assets		<u>513,758</u>	<u>166,553</u>
Total assets less current liabilities		<u>912,910</u>	<u>543,807</u>
Non-current liabilities			
Non-current interest-bearing borrowings	8	232,521	224,433
Deferred income		18,018	17,377
Lease liabilities		472	634
Deferred tax liabilities		486	413
		<u>251,497</u>	<u>242,857</u>
NET ASSETS		<u>661,413</u>	<u>300,950</u>
CAPITAL AND RESERVES			
Share capital		180,525	210,025
Reserves		461,190	84,739
Total equity attributable to equity shareholders of the Company		<u>641,715</u>	<u>294,764</u>
Non-controlling interests		<u>19,698</u>	<u>6,186</u>
TOTAL EQUITY		<u>661,413</u>	<u>300,950</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTES TO THE 2023 PRELIMINARY FINANCIAL INFORMATION

1 MATERIAL ACCOUNTING POLICY

The 2023 Preliminary Financial Information does not constitute the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 but is extracted from those financial statements.

(a) Statement of compliance

The Group’s consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Significant accounting policies adopted by the Group are disclosed in Note 2 in “Appendix I—Accountants’ Report”. There has been no change in the significant accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2022 and 2023.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these consolidated financial statements, the Group has adopted all applicable new and revised IFRSs for the accounting period beginning on 1 January 2023. The Group has not early adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 are set out in note 10.

(b) Basis of preparation of the financial statements

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

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 consolidated financial statements are 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 financial assets measured at fair value through profit or loss (“FVPL”) is stated at their fair value.

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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

2 OTHER INCOME AND OTHER NET GAIN/(LOSS)

(a) Other income

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Government grants (including amortisation of deferred income) (i)	9,194	13,596
Interest income from bank deposits	4,167	4,466
Net realised and unrealised gains on financial assets measured at FVPL	11,897	5,704
Others	468	1,155
	<u>25,726</u>	<u>24,921</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 amortised in profit or loss over the estimated useful lives of the relevant assets.

(b) Other net gain/(loss)

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Net foreign exchange gain/(loss)	14,457	(426)
Others	(55)	(9)
	<u>14,402</u>	<u>(435)</u>

3 LOSS BEFORE TAXATION

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

(a) Finance costs

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Interest on lease liabilities	99	65
Interest on interest-bearing borrowings	18,593	16,756
Total finance costs on financial liabilities not at FVPL	<u>18,692</u>	<u>16,821</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

(b) Staff costs

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

(c) Other items

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amortisation cost of intangible assets	338	705
Depreciation charge of property, plant and equipment	28,310	29,422
Depreciation charge of right-of-use assets	1,892	2,158
	<u>30,540</u>	<u>32,285</u>
Auditors' remuneration	2,001	2,457
[REDACTED] expenses	[REDACTED]	[REDACTED]
Research and development expenses	257,214	364,404

4 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:

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current tax—PRC Tax	—	—
Deferred tax	(73)	(73)
	<u>(73)</u>	<u>(73)</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

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

- (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.

5 LOSS PER SHARE

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

Weighted average number of ordinary shares

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Ordinary shares at 1 January in issue or deemed to be in issue	166,480	180,525
Effect of ordinary shares in issue or deemed to be in issue	<u>11,324</u>	<u>25,143</u>
Weighted average number of ordinary shares at the end of the year	<u>177,804</u>	<u>205,668</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 2023 and 2022 were the same as basic loss per share of the respective years.

6 PREPAYMENTS AND OTHER RECEIVABLES

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Prepaid expenses	16,232	23,029
[REDACTED] expenses	[REDACTED]	[REDACTED]
Deposits	546	541
Interest receivables	244	40
Other debtors	418	324
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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

7 TRADE AND OTHER PAYABLES

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade payables (i)	19,137	72,958
Payroll payables	24,185	31,007
Interest payables	454	445
Payables for purchases of property, plant and equipment	7,823	5,016
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]
Other payables and accruals	3,831	5,155
	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 6 months	<u>19,137</u>	<u>72,958</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

8 INTEREST-BEARING BORROWINGS

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

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

As at 31 December 2023, the secured long-term bank loans were obtained by Cellularforce, a subsidiary of the Company, from a bank consortium to support the construction of its manufacturing facilities. The loans were secured by the Cellularforce’s land use right and manufacturing facilities in Taizhou and guaranteed by the Company.

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

	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year or on demand	<u>60,900</u>	<u>120,225</u>
After 1 year but within 2 years	60,000	84,625
After 2 years but within 5 years	<u>180,000</u>	<u>144,750</u>
	<u>240,000</u>	<u>229,375</u>
	<u>300,900</u>	<u>349,600</u>

9 DIVIDENDS

No dividends were paid or declared by the Company or any of its subsidiaries for the years ended 31 December 2023 and 2022.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

**10 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED
BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023**

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<u>Effective for accounting periods beginning on or after</u>
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
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.

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION**

Business Review

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

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

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Future Plans and Prospects

We plan to pursue the following strategies:

- Build leadership in dermatology, advance other drug candidates and strategically expand our pipeline;
- Continue to optimize CMC quality management system and improve production efficiency and enhance manufacturing capacity utilization;
- Cooperate with established pharmaceutical companies in commercialization;
- Explore international expansion opportunities; and
- Continue to recruit and develop talent.

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

Discussion of Certain Key Items of the Consolidated Statement of Profit or Loss and Other Comprehensive Income

The following table sets forth summary of our consolidated statement of profit or loss and other comprehensive income items for the years indicated.

	Year ended December 31,	
	2022	2023
	<i>(RMB'000)</i>	
	<i>(unaudited)</i>	
Other income	25,726	24,921
Other net gain/(loss)	14,402	(435)
Administrative expenses	(76,603)	(164,594)
Research and development expenses	(257,214)	(364,404)
Loss from operations	(293,689)	(504,512)
Finance costs	(18,692)	(16,821)
Loss before taxation	(312,381)	(521,333)
Income tax	73	73
Loss for the year	(312,308)	(521,260)

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Year to Year Comparison

Revenue

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

Other Income

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

Other Net Gain/(Loss)

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

Administrative Expenses

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

Research and Development Expenses

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

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Finance Costs

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

Income Tax

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

Loss for the Year/Period

As a result of the above, we recorded a net loss of RMB312.3 million and RMB521.3 million in 2022 and 2023, respectively.

Discussion of Certain Consolidated Statement of Financial Position Items

Net Current Assets

	As of December 31,	
	2022	2023
	<i>(RMB'000)</i>	
	<i>(unaudited)</i>	
Current assets		
Inventories and other contract costs	–	4,937
Prepayments and other receivables	18,384	26,468
Other current assets	3,377	10,210
Financial assets at FVTPL	401,097	160,414
Cash and cash equivalents	213,090	216,300
	<u>635,948</u>	<u>418,329</u>
Total current assets		
Current liabilities		
Trade and other payables	59,930	129,914
Contract liabilities	–	870
Interest-bearing bank borrowings	60,508	119,702
Lease liabilities	1,752	1,290
	<u>122,190</u>	<u>251,776</u>
Total current liabilities		
Net current assets	<u>513,758</u>	<u>166,553</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

Inventories and Other Contract Costs

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

Prepayments and Other Receivables

The following table sets forth a breakdown of our prepayment and other receivables as of the dates indicated.

	As of December 31,	
	2022	2023
	<i>(RMB'000)</i>	
	<i>(unaudited)</i>	
Prepaid expenses	16,232	23,029
[REDACTED] expenses	[REDACTED]	[REDACTED]
Deposits	546	541
Receivables from other debtors	418	324
Interest receivables	244	40
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Trade and Other Payables

The following table sets forth the details of our other payables and accruals as of the dates indicated.

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
	(RMB'000)	
	(unaudited)	
Trade payables	19,137	72,958
Payroll payable	24,185	31,007
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]
Payables for purchases of property, plant and equipment	7,823	5,016
Other payables and accruals	3,831	5,155
Interest payables	454	445
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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

Contract Liabilities

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

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Indebtedness

The following table provides information regarding our indebtedness as of the dates indicated.

	As of December 31,	
	2022	2023
	<i>(RMB'000)</i>	
	<i>(unaudited)</i>	
Current		
Interest-bearing borrowings	60,508	119,702
Lease liabilities	1,752	1,290
Non-current		
Non-current interest-bearing borrowings	232,521	224,433
Lease liabilities	472	634
Total	295,253	346,059

We had interest-bearing borrowings of RMB293.0 million and RMB344.1 million as of December 31, 2022 and 2023, respectively, which primarily consist of a secured bank loan used to support the construction of our manufacturing facility and unsecured bank loans to support our operation.

Key Financial Ratios

	As of December 31,	
	2022	2023
	<i>(unaudited)</i>	
Current ratio ⁽¹⁾	5.2	1.7

Note:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

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

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

DISCLOSURE ABOUT MARKET RISK

See “Financial Information—Quantitative and Qualitative Disclosure About Market Risk.”

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet [REDACTED] on the Stock Exchange during the year ended December 31, 2023, the Corporate Governance Code as set out in Appendix C1 to the Listing Rules was not applicable to us during such period. After the [REDACTED], save for the deviation as disclosed in “Directors, Supervisors and Senior Management—Corporate Governance”, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

The unaudited financial information in respect of our consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the section headed “2023 Preliminary Financial Information” in this Appendix III of this document have been agreed by the reporting accountants of our Company to the amounts set out in our draft consolidated financial statements for the year ended December 31, 2023, following their work under Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcement of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants. The work performed by the reporting accountants of our Company in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the reporting accountants of our Company on the 2023 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY’S SHARES

Since we were not yet [REDACTED] on the Stock Exchange during the year ended December 31, 2023, this disclosure requirement is not applicable to us.