You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in "Appendix I—Accountants' Report" and our reviewed condensed consolidated financial statements included in "Appendix IA—Report on Review of Condensed Consolidated Financial Statements" to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and Review Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

Founded in 2015, we are a China-based vaccine company dedicated to the research, development, manufacturing and commercialization of innovative vaccines and traditional vaccines adopting new technical methods. In formulating our pipeline, we closely track global trends in infectious disease incidence and vaccine R&D, with a strategic focus on high-end vaccines, aiming to replace vaccines based on older technologies and imported vaccines in China and establish our presence in international markets. We have two Core Products, the quadrivalent subunit influenza vaccine and lyophilized human rabies vaccine candidate. As of the Latest Practicable Date, in addition to the two Core Products, our pipeline included 11 other vaccine candidates covering various disease areas with significant needs for vaccination.

We are a biotech company predominantly engaged in the R&D of new vaccine products and only began commercial sales of our first commercial product, the quadrivalent subunit influenza vaccine, in September 2023. We had revenue of RMB52.2 million, RMB4.5 million and RMB217.2 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively, all from the sales of this product. We remained loss-making during the Track Record Period, and had loss and total comprehensive expenses of RMB424.7 million, RMB244.2 million and RMB168.1 million for the year ended December 31, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Renminbi unless otherwise stated. We applied IFRS and revised IFRS consistently throughout the Track Record Period. The preparation of historical financial information in conformity with IFRS requires the use of certain accounting estimates, as well as our management's judgment, estimates and assumptions in applying our accounting policies. See note 2 to the Accountants' Report in Appendix I to this Document for the areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including those key factors set out below.

Growth of China's Vaccine Market

Our financial performance and future growth depend on the overall growth of China's vaccine market. Driven by favorable government policies, technical development and availability of new vaccines and increasing affordability and awareness of vaccines, the vaccine market of China has grown and is expected to continue expanding rapidly. According to Frost & Sullivan, China's vaccine market (excluding the COVID-19 vaccines) increased from RMB53.5 billion in 2019 to RMB120.5 billion in 2023 at a CAGR of 22.5% in terms of production value, and is expected to reach RMB343.1 billion in 2032 at a CAGR of 12.3% from 2023 to 2032. In the field of influenza vaccines, the subunit influenza vaccine market in China is estimated to grow rapidly from RMB0.4 billion in 2023 to RMB3.4 billion in 2032, at a CAGR of 27.4%.

We believe we are well positioned to capitalize on the expanding vaccine market. Our pipeline encompasses both innovative vaccines that are capable of meeting domestic demand and global standards and traditional vaccines that already have established track records and wide market acceptance but adopting new technical methods, allowing us to pursue scientific innovation in vaccine R&D while setting a clear path to commercial success. In particular, our quadrivalent subunit influenza vaccine represents a significant technological advancement from the traditional split virion vaccines, offering comprehensive protection with high antigen purity and low risks of adverse reactions. It was approved by the NMPA for individuals aged three and above in May 2023 and remained the first and only approved quadrivalent subunit influenza vaccine in China as of the Latest Practicable Date. See "Industry Overview" for details of the size of China's vaccine market in general and the markets of our vaccine candidates.

Governmental Regulations and Policies on Vaccine Industry in the PRC

Our business is subject to extensive government regulation and supervision. Government policies, regulations and their implementation and enforcement have historically had, and are expected to continue to have, a significant impact on the vaccine industry, the supply and demand of vaccine products and the competitive landscape of different sub-markets in the PRC. Our vaccine product, quadrivalent subunit influenza vaccine, and all of our current vaccine candidates are Class II vaccines. Unlike Class I vaccines, the costs associated with Class II vaccines are generally borne by vaccinees. We believe this classification allows our vaccines to generally enjoy greater pricing flexibility and have higher profit margins. Furthermore, in recent years, the PRC government implemented a number of policies to stimulate the vaccine market. As a result, domestic vaccine manufacturers are expected to gain significant market share in the Class II vaccine market. See "Industry Overview—Overview of the Human Vaccine Market—The Chinese Human Vaccine Market." Governmental policies in relation to Class II vaccines will continue to influence our pricing, sales volume and profits.

Our Ability to Successfully Develop and Commercialize Our Vaccine Candidates

With only one commercialized vaccine product, one vaccine candidate in the NDA stage and eleven vaccine candidates in various stages of clinical and preclinical development, we are still predominantly an R&D-stage company. The continued advancement of our vaccine candidates through clinical trials and the regulatory approval process toward commercialization is crucial to our sustained business growth. Factors, including the clinical trial results of our vaccine candidates, the efficacy and safety profiles of our vaccine candidates and our ability to obtain the requisite regulatory approvals for our vaccine candidates in time, are crucial for our business and results of operations. These vaccine candidates may require substantial investment in R&D and marketing efforts before we generate any revenue from their sales, if at all. We may not be able to ultimately develop and market any of our vaccine candidates. Our results of operations will be affected by the timing of clinical trials, regulatory approval and commercial launch of these products. See "Business—Our Product and Product Candidates" for more information on the development status of our various vaccines.

Our Ability to Maintain Adequate Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing, bank borrowings and cash generated from our operations. Going forward, in the event of the successful commercialization of one or more of our vaccine candidates, we expect to fund our operations primarily from the sales of our vaccine products. However, with the continuing expansion of our business and vaccine portfolio, we may require further funding through public or private offerings, debt financing, collaborations and licensing arrangements or other sources. Any fluctuation in our ability to fund our operations will impact our cash flow and our results of operations.

Our Cost Structure

Our business and results of operations are significantly affected by our cost structure, particularly our research and development expenses, selling expenses and administrative expenses. We expect our cost structure to evolve as we continue to develop and expand our business. As the clinical trials of our vaccine candidates progress, we expect to incur additional costs in relation to trial and testing expenses, labor costs as we expand the headcount for our research and development team and material costs, among other things. We expect to incur more marketing expenses for our quadrivalent subunit influenza vaccines and other vaccine candidates once they receive regulatory approval. Additionally, we anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Product Mix

During the Track Record Period, we generated all of our revenue from the sales of our quadrivalent subunit influenza vaccines. As of the Latest Practicable Date, in addition to one commercialized product, we had one vaccine candidate in the NDA stage, namely, our trivalent subunit influenza vaccine, and eleven vaccine candidates in various stages of clinical and preclinical development. See "Business—Our Product and Product Candidates." The selling prices and gross profit margins of different vaccines vary depending on the vaccine categories, packaging and vaccination procedures applicable to each product. As a result, our product mix may gradually change in the future as we launch new vaccine products with different margin profiles, and this is expected to affect our revenue and overall gross profit margin in the future.

Seasonality

During the Track Record Period, we generated all of our revenue from the sales of our quadrivalent subunit influenza vaccines. As our influenza vaccines are seasonal-type vaccines against major circulating viruses during each flu season, our sales and return of the vaccines are subject to seasonal fluctuations. For each influenza season, our sales of influenza vaccines tend to be more concentrated between July and September. We may voluntarily accept unused influenza vaccines after the end of each influenza season, usually starting from April of the following year. This seasonal pattern has resulted in, and is expected to continue to result in, fluctuations in our operating results.

MATERIAL ACCOUNTING POLICIES AND CRITICAL JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in notes 4 and 5 to the Accountants' Report in Appendix I to this document.

Material Accounting Policies

Revenue from contracts with customers

Revenue from the sales of vaccine products is recognized when control of the vaccine products has transferred, being when the goods have been shipped to the specific location and accepted by customers.

At the point of sale, a refund liability and a corresponding adjustment to revenue are made for those products expected to be returned. We estimate the future sales return of the products sold based on various factors, including but not limited to market data and impact of seasonal effect of the products. Our right to recover the product when customers exercise their right is recognized as a right to returned goods asset and a corresponding adjustment to cost of sale.

Leases

We assess whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Our Group as leasee

Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to leases of equipment and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability; and

- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimate useful life and the lease term.

We present right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, we recognize and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

We present lease liabilities as a separate line item on the consolidated statement of financial position.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income."

Share-based payments

Equity-settled share-based payment transactions

Restricted shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

Restricted shares granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the goods or services qualify for recognition as assets).

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

When we make payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and an item of the carrying amount of the asset and is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale.

Critical Accounting Judgments and Estimates

Research and development expenses

Development expenses incurred on our vaccine product pipelines are capitalized and deferred only when we could demonstrate (i) the technical feasibility of completing the development of the relevant intangible asset so that it will be available for use or sale; (ii) our intention to complete and our ability to use or sell the asset; (iii) the ability to use or sell the intangible assets; (iv) how the asset will generate future economic benefits; (v) the availability of resources to complete the pipeline; and (vi) the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, research and development expenses on research activities are recognized as expense in the period in which it is incurred.

Provision of ECL for trade receivables

Trade receivables are assessed to ECL collectively. In estimating ECL on trade receivables, we use the provision rates which are based on external credit ratings and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period.

Estimation of refund liabilities

We recognize a refund liability if we expect that we would not be entitled to consideration of all goods delivered arising from the rights granted by us to the customers to return some or all the goods purchased. Upon revenue recognition, we estimate the future sales return of the goods sold and a corresponding adjustment to revenue is recognized for those products expected to be returned. The estimation of sales return requires the use of judgment and estimates. When determining the sales return of the goods sold, we consider various factors, including but not limited to market data and impact of seasonal effect for the products. Where the actual return rate is different from the original estimate, such difference will be "trued up" in subsequent periods.

Allowance for inventories

We review the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and realizable value. In estimating the net realizable value of inventories, we take into account the expire dates of the inventories and the estimation on future demand for the vaccine products to reflect the best estimation of the net realizable value of inventories as of the year- or period-end. When preparing the forecast of future demand for vaccine products, we make reference to the current relevant vaccination policies, estimate the expected vaccination of population, and consider possible technological iterations and future uncertainties of the relevant demand. The abovesaid process involves our estimates and judgments, and also with uncertainty. A change in the assumptions and estimates could affect the net realizable value and a reversal or further recognition of write-down may arise and be recognized in profit or loss of future periods.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

We state property, plant and equipment, right-of-use assets and intangible assets at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, we have to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), we estimate the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The selected financial information set out below has been extracted from our financial information set out in the Accountants' Report in Appendix I and the Review Report in Appendix IA to this Document.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Revenue	52,168	4,532	217,185
Cost of sales	(72,511)	(2,156)	(80,159)
Gross profit/(loss)	(20,343)	2,376	137,026
Other income	14,202	4,216	16,369
Impairment losses under expected credit loss model, net of reversal	(48)	–	(86)
Other gains and losses	1,312	1,297	236
Selling expenses	(55,433)	(26,796)	(115,018)
Administrative expenses	(74,663)	(56,362)	(51,423)
Research and development expenses	(283,159)	(164,878)	(142,631)
Finance costs	(6,609)	(4,099)	(12,585)
Loss before tax	**(424,741)**	**(244,246)**	**(168,112)**
Income tax expense	–	–	–
Loss and total comprehensive expenses for the year/period	**(424,741)**	**(244,246)**	**(168,112)**

Revenue

We are a China-based vaccine company dedicated to the research, development, manufacturing and commercialization of innovative vaccines and traditional vaccines adopting new technical methods. As of the Latest Practicable Date, we had one commercialized product in China, namely, our quadrivalent subunit influenza vaccine, which received NDA approval from the NMPA in May 2023 for use in individuals aged three years and above. We had revenue of RMB52.2 million, RMB4.5 million and RMB217.2 million in 2023 and the nine months ended September 30, 2023 and 2024, respectively, all from the sales of the quadrivalent subunit influenza vaccine.

Cost of Sales

Our cost of sales during the Track Record Period primarily consisted of (i) material costs, (ii) labor costs, (iii) provision for impairment of inventories of the quadrivalent subunit influenza vaccines that were unlikely to be sold based on our estimation of future demand, (iv) idle costs, representing cost of sales (other than provision for impairment of inventories) incurred during the idle production period due to the seasonal nature of the sales of our quadrivalent subunit influenza vaccines, (v) depreciation and amortization related to our production equipment, (vi) utility costs and (vii) share-based payments made to our production personnel. The following table sets forth a breakdown of our cost of sales in absolute amount for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Material costs	7,380	403	24,999
Labor costs	1,588	176	11,291
Provision for impairment of inventories	45,698	346	19,476
Idle costs	14,492	954	10,367
Depreciation and amortization	1,068	106	5,206
Utility costs	1,449	101	4,037
Share-based payments	564	51	1,793
Others[1]	272	19	2,990
Total	**72,511**	**2,156**	**80,159**

Note:

(1) Others primarily consisted of inspection and testing fees, as well as travel expenses.

We recorded significant provision for impairment of inventories in 2023 primarily due to (i) the lack of historical data to accurately predict the marketability of our quadrivalent subunit influenza vaccines, given our commercial sales only began in 2023; (ii) the timing of our vaccine distribution, with sales commencing in late September 2023, which was already late for the flu season; and (iii) the standard industry practice of producing surplus influenza vaccines to better prepare vaccine makers in case of need. According to the Frost & Sullivan, our provision for impairment of inventories for the nine months ended September 30, 2024 falls within the industry norm for influenza vaccine makers.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. We had a gross loss of RMB20.3 million in 2023, and a gross profit of RMB2.4 million and RMB137.0 million in the nine months ended September 30, 2023 and 2024, respectively. Gross margin represents gross profit divided by total revenue, expressed as a percentage. We recorded a gross loss margin of 39.0% in 2023 and a gross profit margin of 52.4% and 63.1% for the nine months ended September 30, 2023 and 2024, respectively.

We recorded a gross loss and gross loss margin in 2023, primarily due to high cost of sales incurred in the year, which resulted from (i) significant provision we made for impairment of inventories of quadrivalent subunit influenza vaccines that were unlikely to be sold based on our estimation of future demand, and (ii) significant idle costs due to the seasonal nature of the sales of influenza vaccine.

Other Income

Our other income primarily consists of government grants, primarily representing unconditional subsidies received from local government authorities as incentives mainly for our research and development activities and interest income from banks. The following table sets forth a breakdown of other income for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Government grants	10,927	1,956	15,807
Interest income from banks	3,158	2,136	425
Others	117	124	137
Total	**14,202**	**4,216**	**16,369**

Impairment Losses Recognized, Under Expected Credit Loss Model, Net of Reversal

Our impairment losses recognized, under expected credit loss model, net of reversal represents impairment losses on trade receivables. In estimating expected credit loss on trade receivables, we use the provision rates which are based on internal credit ratings as groupings of various debtors taking into consideration our historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. We recorded impairment losses recognized, under expected credit loss model of RMB48.0 thousand, nil and RMB86.0 thousand for the year ended December 31, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Other Gains and Losses

Our other gains primarily consist of fair value change of financial assets at fair value through profit or loss ("FVTPL"), which was related to certain wealth management products we purchased during the Track Record Period. See "—Description of Certain Consolidated Statement of Financial Positions Items—Financial Assets at Fair Value through Profit or Loss (Financial Assets at FVTPL)." Our other losses primarily consist of net losses on write-off of certain properties, plant and equipment. The following table sets forth a breakdown of our other gains and other losses for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Fair value change of financial assets at FVTPL	1,352	1,297	241
Net loss on write-off of property, plant and equipment	(40)	–	(5)
Total	**1,312**	**1,297**	**236**

Selling Expenses

Our selling expenses primarily consist of (i) marketing expenses related to our quadrivalent subunit influenza vaccines, including production promotion and marketing expenses and market conference costs, (ii) labor costs for our sales personnel, and (iii) share-based payments for sales personnel. The following table sets forth a breakdown of our selling expenses for the periods indicated.

	For the Year Ended December 31, 2023	For the Nine Months Ended September 30,	
		2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Marketing expenses	25,714	5,465	93,959
Labor costs	20,839	14,755	14,892
Share-based payments	4,494	3,187	3,098
Others[(1)]	4,386	3,389	3,069
Total	**55,433**	**26,796**	**115,018**

Note:

(1) Others primarily consisted of travel expenses and other miscellaneous costs.

We incurred significant marketing expenses in the nine months ended September 30, 2024 related to our quadrivalent subunit influenza vaccines as we increased our product promotion effort in 2024 and expanded market outreach and penetration in major cities, which also laid the groundwork to enhance market visibility for our future vaccine products. Our marketing expense in the nine months ended September 30, 2024 is primarily related to customer outreach, academic conferences, market research and sales channel maintenance. See "Business—Commercialization."

Administrative Expenses

Our administrative expenses primarily consist of (i) labor costs for our administrative personnel, (ii) share-based payments for our administrative personnel, (iii) depreciation and amortization, and (iv) professional service fees. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	For the Year Ended December 31, 2023	For the Nine Months Ended September 30,	
		2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Labor costs	27,146	19,601	20,214
Share-based payments	21,268	15,674	15,038
Depreciation and amortization	6,942	4,817	6,483
Professional service fees	6,228	5,195	1,749
Others[(1)]	13,079	11,075	7,939
Total	**74,663**	**56,362**	**51,423**

Note:

(1) Others primarily consisted of travel expenses, recruitment costs, repair expenses, general office expenses and other miscellaneous costs

Research and Development Expenses

Our research and development expenses primarily consist of (i) labor costs for our R&D personnel, (ii) depreciation and amortization, (iii) R&D material costs, (iv) trial and testing expenses, including both in-house and outsourced R&D activities, (v) share-based payments for our R&D personnel, and (vi) rental expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Labor costs	72,475	49,298	45,082
Depreciation and amortization	29,316	22,234	23,568
Material costs	48,024	31,814	21,250
Trial and testing expenses	82,579	24,171	19,825
Share-based payments	17,609	13,593	12,422
Rental expenses	2,297	1,900	811
Others[1]	30,859	21,868	19,673
Total	**283,159**	**164,878**	**142,631**

Note:

(1) Others primarily consisted of utility costs, travel expenses, repair costs, and other miscellaneous costs.

Finance Costs

Our finance costs primarily consist of interest expense on lease liabilities and interest expense on bank borrowings. The following table sets forth a breakdown of finance costs for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Interest expense on lease liabilities	2,435	1,803	1,800
Interest expense on bank borrowings	4,769	2,296	15,612
Less: borrowing costs capitalized in qualifying assets	(595)	–	(4,827)
Total	**6,609**	**4,099**	**12,585**

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue

Our revenue increased significantly from RMB4.5 million in the nine months ended September 30, 2023 to RMB217.2 million in the nine months ended September 30, 2024, primarily due to (i) the relatively low amount of sales volume in 2023 compared to 2024 as we commenced the commercial sales of our quadrivalent subunit influenza vaccines in late September 2023, which was already late for the flu season; (ii) our expanded market outreach and penetration in major cities as we increased our product promotion effort in 2024, and (iii) enhanced market acceptance in 2024 for our newly launched quadrivalent subunit influenza vaccine.

Cost of sales

Our cost of sales increased significantly from RMB2.2 million in the nine months ended September 30, 2023 to RMB80.2 million in the nine months ended September 30, 2024, which was generally in line with the increase of revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased significantly from RMB2.4 million in the nine months ended September 30, 2023 to RMB137.0 million in the nine months ended September 30, 2024. Our gross profit margin increased from 52.4% in the nine months ended September 30, 2023 to 63.1% in the nine months ended September 30, 2024, mainly due to (i) our product promotion effort in 2024 as we expanded market outreach and penetration in major cities, and (ii) a decrease in provision for impairment of inventories in the nine months ended September 30, 2024 as we improved our production strategies drawing from our historical insights into vaccine marketability from the 2023 flu season.

Other income

Our other income increased significantly from RMB4.2 million in the nine months ended September 30, 2023 to RMB16.4 million in the nine months ended September 30, 2024, mainly due to an increase in government grants received from the local government authorities in 2024. We were awarded a government grant by the local government in 2024 for receiving NDA approval from the NMPA in relation to our quadrivalent subunit influenza vaccines.

Impairment Loss Recognized, Under Expected Credit Loss Model, Net of Reversal

We recorded an impairment loss recognized under the expected credit loss model of RMB86.0 thousand in the nine months ended September 30, 2024 in relation to trade receivables, and did not record any such loss in the same period in 2023.

Other gains and losses

Our other gains decreased by 81.8% from RMB1.3 million in the nine months ended September 30, 2023 to RMB0.2 million in the nine months ended September 30, 2024, primarily due to a decrease in fair value change of financial assets at FVTPL resulting from our redemption of wealth management products.

Selling expenses

Our selling expenses increased from RMB26.8 million in the nine months ended September 30, 2023 to RMB115.0 million in the nine months ended September 30, 2024, primarily due to an increase in marketing expenses as we increased our product promotion efforts in 2024 following the commercialization of our quadrivalent subunit influenza vaccines in 2023. See "Business—Commercialization."

Administrative expenses

Our administrative expenses decreased by 8.8% from RMB56.4 million in the nine months ended September 30, 2023 to RMB51.4 million in the nine months ended September 30, 2024, primarily because we incurred costs related to the Previous A-Share Attempt in 2023.

Research and development expenses

Our research and development expenses decreased by 13.5% from RMB164.9 million in the nine months ended September 30, 2023 to RMB142.6 million in the nine months ended September 30, 2024, primarily due to a decrease in material costs and trial and testing expenses.

In particular, we experienced (i) a decrease in research and development expenses for quadrivalent subunit influenza vaccine, primarily due to (a) the commencement of commercial sale of the vaccine for individuals aged three years and above in September 2023, and (b) the completion of clinical studies as we received the acceptance of our NDA by the NMPA in June 2024 for the 6-35 months age group; and (ii) a decrease in research and development expenses for recombinant zoster vaccine as we incurred significant expenses in relation to its preclinical studies in 2023. This decrease was partially offset by an increase in research and development expenses for rabies vaccine as we commenced a Phase I clinical trial of the vaccine in the fourth quarter of 2023.

Finance costs

Our finance costs increased significantly from RMB4.1 million in the nine months ended September 30, 2023 to RMB12.6 million in the nine months ended September 30, 2024, primarily due to an increase in interest expense on bank borrowings resulting from increased long-term borrowings in 2024. We secured a project loan in 2024 to support the construction of the manufacturing facilities.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 31.2% from RMB244.2 million in the nine months ended September 30, 2023 to RMB168.1 million in the nine months ended September 30, 2024.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS ITEMS

The following table sets forth a summary of our consolidated statement of financial position as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	740,782	908,021
Right-of-use assets	94,476	88,187
Intangible assets	26,844	25,976
Other receivables and prepayments	44,396	25,709
Total non-current assets	**906,498**	**1,047,893**
Current assets		
Inventories	41,818	62,724
Trade receivables	73,595	317,762
Other receivables and prepayments	14,772	14,615
Financial assets at fair value through profit or loss	10,020	–
Pledged bank deposits	5,486	–
Time deposits	22,236	–
Cash and cash equivalents	45,318	114,513
Total current assets	**213,245**	**509,614**
Current liabilities		
Trade and other payables	291,550	429,066
Amounts due to shareholders	–	4,000
Refund liabilities	13,259	71,748
Borrowings	217,887	254,238
Lease liabilities	6,467	7,261
Total current liabilities	**529,163**	**766,313**
Net current liabilities	**(315,918)**	**(256,699)**
Total assets less current liabilities	**590,580**	**791,194**
Non-current liabilities		
Borrowings	148,262	478,743
Lease liabilities	48,808	43,841
Deferred income	30,240	38,408
Total non-current liabilities	**227,310**	**560,992**
Net assets	**363,270**	**230,202**

Inventories

Our inventories mainly consisted of raw materials, work in progress and finished goods, all of which were related to our quadrivalent subunit influenza vaccines. The following table sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
Raw materials	38,278	31,961
Work in progress	3,438	19,108
Finished goods	46,242	32,373
Less: allowance	46,140	20,718
Total	**41,818**	**62,724**

Our inventories increased by 50.0% from RMB41.8 million as of December 31, 2023 to RMB62.7 million as of September 30, 2024, primarily due to (i) a decrease in allowance as we enhanced our inventory management strategies of quadrivalent influenza vaccines in 2024 drawing from our historical insights into vaccine marketability from the 2023 flu season, and (ii) an increase in work in progress resulting from increasing product demand in line with our business growth.

We regular review our inventories and estimate their net realizable value based on the current market situation and the historical insights into vaccine marketability from the 2023 flu season. See "—Material Accounting Policies and Critical Judgments and Estimates—Inventories." We make full provisions for impairment for finished goods based on their expiry dates and estimated future demand of vaccine products as well as their expiry dates.

We recorded allowance of RMB46.1 million and RMB20.7 million as of December 31, 2023 and September 30, 2024, respectively, based on estimated future demand of vaccine products as well as their expiry dates. As of December 31, 2023, we made a relatively large allowance for our quadrivalent subunit influenza vaccine inventory due to the following factors: (i) the lack of historical data to accurately predict the marketability of our quadrivalent subunit influenza vaccines, given that our commercial sales only began in 2023; (ii) the timing of our vaccine distribution, with sales commencing in late September 2023, which was already late for the flu season; and (iii) the standard industry practice of producing surplus influenza vaccines to better prepare vaccine makers in case of need. In 2024, we enhanced our inventory management strategies drawing from our historical insights into vaccine marketability from the 2023 flu season. Additionally, we increased our product promotion effort and focused on expanding our market outreach and penetration in major cities in 2024, which generated more sales for us in the nine months ended September 30, 2024. According to Frost & Sullivan, the influenza vaccine industry generally features a relatively high inventory allowance given (i) the difficulties in predicting the vaccination rate given the difficulties in predicting the number of influenza cases, especially for newly launched vaccine products; (ii) the need to produce surplus vaccines to better prepare vaccine makers in case of need; and (iii) the relatively short life cycle of influenza vaccine products. According to the same source, our inventory allowance as of September 30, 2024 falls within the industry norm for influenza vaccine makers.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31, 2023	**As of September 30, 2024**
		(unaudited)
	(RMB in thousands)	
Within three months	62,928	53,763
Over three months but within one year	22,149	19,459
Over one year	2,881	10,220
Less: allowance	(46,140)	(20,718)
Total	**41,818**	**62,724**

The following table sets forth our inventory turnover days for the periods indicated.

	For the Year ended December 31, 2023	**For the Nine Months ended September 30, 2024**
		(unaudited)
Inventory turnover days[1]	155.2	178.1

Note:

(1) Our inventory turnover days were calculated based on the average of opening and closing balance of inventories, net of provision for allowance, of the relevant period, divided by our total cost of sales for that period and multiplied by the number of days in that period.

Our inventory turnover days increased from 155.2 days in 2023 to 178.1 days in the nine months ended September 30, 2024, primarily due to an increase in our inventory balances to meet increasing product demand.

As of November 30, 2024, RMB21.3 million, or 34.0% of our inventories as of September 30, 2024, had been subsequently sold or utilized.

Trade Receivables

Our trade receivables during the Track Record Period were primarily amounts due from our customers for our quadrivalent subunit influenza vaccines. Our trade receivables increased from RMB73.6 million as of December 31, 2023 to RMB317.8 million as of September 30, 2024, generally in line with the increase in our revenue and the seasonal nature of vaccine sales, which tend to be more concentrated between July and September. See "Business—Seasonality" for details. The following table sets forth the breakdown of our trade receivables as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
Trade receivables from contracts with customers	73,643	317,896
Less: expected credit losses	(48)	(134)
Total	**73,595**	**317,762**

We typically grant a credit period ranging from six months to nine months to our customers, which were district- or county-level CDCs. We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by senior management. We determine impairment of our trade receivables in accordance with the relevant account standards and based on a provision model to measure expected credit losses. See "—Material Accounting Policies and Critical Judgments and Estimates—Critical Accounting Judgments and Estimates—Provision of ECL for Trade Receivables."

A significant portion of our trade receivables were due within six months as of December 31, 2023 and September 30, 2024. The following table sets for the aging analysis of our trade receivables, net of allowance for credit losses, based on the invoice date as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
One to 90 days	67,017	288,348
91 to 180 days	6,578	16,353
181 to 365 days	–	13,061
Total	**73,595**	**317,762**

We believe sufficient provisions have been made for the trade receivables as of September 30, 2024 and there is no material recoverability issue with respect to such trade receivables, primarily because: (i) 95.9% of our trade receivables were aged within six months and all of our trade receivables were aged within one year of September 30, 2024, which were owed to us by district- or county-level CDCs. Since CDCs have complex internal processes for settling payments to suppliers, their settlement periods may sometimes exceed our typical credit period. However, payments are made to the CDCs by vaccinees when they receive the vaccination and CDCs generally have very good credit standing since they are organs of the state; (ii) our finance department conducts detailed impairment analysis on our trade receivables at each reporting date and makes impairment provisions. See note 35 to the Accountants' Report set out in Appendix I to this document for impairment assessment of our trade receivables; (iii) we closely monitor the outstanding trade receivables and maintain active communications with CDCs regarding receivables to improve our collection; and (iv) our historical receivables recovery rates from CDCs were generally high. During the Track Record Period and up to the Latest Practicable Date, we did not have any material issue in recovering our trade receivables.

The following table sets forth our trade receivables turnover days for the periods indicated.

	For the Year ended December 31, 2023	For the Nine Months ended September 30, 2024
		(unaudited)
Trade receivables turnover days[1]	NM[2]	246.0

Notes:

(1) Our trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables before expected credit losses of the relevant period, divided by revenue for that period and multiplied by the number of days in that period.

(2) Since we began commercial sales of our products in September 2023, there were no trade receivables for the first eight months ending August 31, 2023. Therefore, the full year trade receivables turnover days is not a meaningful indicator of our financial performance.

As of November 30, 2024, RMB29.2 million, or 9.2% of our trade receivables as of September 30, 2024, had been subsequently settled.

Other Receivables and Prepayments

Our other receivables and prepayments during the Track Record Period mainly comprised of (i) value added tax recoverable, (ii) rental deposits, (iii) acquisition of long-term assets, representing prepayment for construction projects and equipment, (iv) raw material purchase, and (v) service fee, representing prepayments for outsourced research and development services. The following table sets forth the breakdown of our other receivables and prepayments as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
Other Receivables		
Value added tax recoverable	32,978	28,062
Rental deposits	2,441	2,324
Others	1,590	965
	37,009	31,351
Prepayments		
Raw material purchase	2,030	5,300
Service fee	1,904	2,618
Acquisition of long-term assets	17,031	106
Other	1,194	949
	22,159	8,973
Total	**59,168**	**40,324**

Our other receivables and prepayments decreased by 31.8% from RMB59.2 million as of December 31, 2023 to RMB40.3 million as of September 30, 2024, primarily due to a decrease in prepayments related to the acquisition of long-term assets as a result of the completion of No. 1 Manufacturing Facility.

As of November 30, 2024, RMB2.3 million, or 5.7% of our other receivables and prepayments as of September 30, 2024, had been subsequently settled.

Financial Assets at Fair Value Through Profit or Loss (Financial Assets at FVTPL)

Our financial assets at FVTPL represented investments in non-principal guaranteed wealth management products from commercial banks in China. The returns of the wealth management products are determined by reference to the performance of the underlying instruments in the currency market, therefore they are recognized as financial assets at FVTPL. Our financial assets at FVTPL decreased from RMB10.0 million as of December 31, 2023 to nil as of September 30, 2024, primarily due to full redemption of wealth management products.

We purchase wealth management products as a supplemental mean to improve utilization of our cash on hand on a short-term basis. We believe that investment in low-risk financial products helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operation or capital expenditures. are subject to the approval of our finance department, and the purchases. Our finance department is responsible for the purchase of financial products. The purchases of wealth management products are carefully reviewed and assessed by our finance department with financial management or accounting background and is subject to the approval of our senior management team. Additionally, we have established a set of risk management and capital preservation investment policy, and have implemented a series of internal control measures regarding our investment in wealth management products. These policies and measures include:

- we make investment decisions after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our working capital conditions and the expected returns;
- we only purchase low-risk wealth management products issued by qualified financial institutions; and
- after making an investment, we closely monitor its performance and fair value on a regular basis.

Trade and Other Payables

Our trade and other payables primarily consisted of (i) payables for raw material and service fee, (ii) notes payable, (iii) payables for acquisition of property, plant and equipment, mainly representing payables for construction of the manufacturing facilities and acquisition of production equipment for our R&D and production activities. The payables for the construction of the manufacturing facilities are covered by a special project loan, (iv) payroll and welfare payable, (v) payables for marketing activities, (vi) deposits from suppliers, representing quality guarantee deposits from suppliers for construction services and deposits from third-party marketing service providers, (vii) employee reimbursement and (viii) other tax payable. The following table sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
Payables for raw material and service fee	83,876	88,184
Notes payable	5,486	–
Payables for acquisition of property, plant and equipment	109,909	142,087
Payables for marketing activities	19,217	101,914
Deposits from suppliers	18,032	42,381
Payroll and welfare payable	38,549	25,403
Other tax payable	863	5,603
Other	15,618	23,494
Total	**291,550**	**429,066**

Our trade and other payables increased by 47.2% from RMB291.6 million as of December 31, 2023 to RMB429.1 million as of September 30, 2024, primarily due to (i) an increase in payables related to the acquisition of property, plant and equipment as the construction of the manufacturing facilities progressed, (ii) an increase in payables for marketing activities related to fees paid to third-party marketing service providers resulting from increased marketing activities in line with our business growth, and (iii) an increase in deposits from suppliers related to (a) quality guarantee deposits linked to the construction services for the manufacturing facilities and (b) deposits from third-party marketing service providers resulting from increased marketing activities.

The following table sets for the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
		(unaudited)
	(RMB in thousands)	
One to 30 days	81,583	56,068
31 days to one year	2,293	32,116
Total	**83,876**	**88,184**

The following table sets forth our trade payables turnover days for the periods indicated.

	For the Year ended December 31, 2023	For the Nine Months ended September 30, 2024
		(unaudited)
Trade payables turnover days[1]	NM[2]	193.7

Notes:

(1) Our trade payables turnover days were calculated based on the average of opening and closing balance of payables for raw material and service fee of the relevant period, divided by the sum of (i) the cost of sales, (ii) trial and testing expenses, and (iii) R&D material costs for that period and multiplied by the number of days in that period.

(2) Since we began commercial sales of our products in September 2023, our trade payables were much smaller for the first eight months ending August 31, 2023. Therefore, the full year trade payables turnover days is not a meaningful indicator of our financial performance.

As of November 30, 2024, RMB51.2 million, or 11.9% of our trade and other payables as of September 30, 2024, had been subsequently settled.

Refund Liabilities

We recognize a refund liability if we expect to refund some or all of the considerations received from customers.

During the Track Record Period, we used the current market situation as well as historical insights into vaccine marketability from the 2023 flu season in 2024 to estimate the refund liabilities in relation to our quadrivalent subunit influenza vaccines. Refund liabilities involve our estimates and are uncertain by their nature. See "—Material Accounting Policies and Critical Judgments and Estimates—Critical Accounting Judgments and Estimates—Estimation of Refund Liabilities" for details.

Our refund liabilities increased from RMB13.3 million as of December 31, 2023 to RMB71.7 million as of September 30, 2024, in line with the increase of revenue due to our business growth.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our uses of cash primarily relate to the research and development of our vaccine candidates, manufacturing and marketing of quadrivalent subunit influenza vaccine, the purchase of equipment and machinery and construction of manufacturing facilities. During the Track Record Period, we primarily funded our working capital requirement through equity financing, bank borrowings and cash generated from our operations. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more cash from our operating activities through the sales of quadrivalent subunit influenza vaccine and launching new vaccine products. Going forward, we believe our liquidity requirements will be satisfied by funds from a combination of cash from operations, cash and cash equivalents, borrowings and [**REDACTED**] from the [**REDACTED**]. As of September 30, 2024, our cash and cash equivalents amounted to RMB114.5 million.

Net Current Assets/(Liabilities)

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Current assets			
Inventories	41,818	62,724	50,753
Trade receivables	73,595	317,762	339,615
Other receivables and prepayments	14,772	14,615	24,619
Financial assets at fair value through profit or loss	10,020	–	–
Pledged bank deposits	5,486	–	–
Time deposits	22,236	–	–
Cash and cash equivalents	45,318	114,513	62,390
Total current assets	**213,245**	**509,614**	**477,377**
Current liabilities			
Trade and other payables	291,550	429,066	464,595
Amounts due to shareholders	–	4,000	34,000
Refund liabilities	13,259	71,748	83,971
Borrowings	217,887	254,238	254,398
Lease liabilities	6,467	7,261	7,261
Total current liabilities	**529,163**	**766,313**	**844,225**
Net current liabilities	**(315,918)**	**(256,699)**	**(366,848)**

Our net current liabilities increased by 42.9% from RMB256.7 million as of September 30, 2024 to RMB366.8 million as of November 30, 2024, primarily due to (i) a decrease in cash and cash equivalents as we paid certain construction costs for the manufacturing facilities, (ii) an increase in trade and other payables resulting from an increase in deposits to suppliers related to quality guarantee deposits linked to the construction services for the manufacturing facilities, and (iii) an increase in amounts due to shareholders to satisfy part of our working capital and operational needs.

Our net current liabilities decreased from RMB315.9 million as of December 31, 2023 to RMB256.7 million as of September 30, 2024, primarily due to (i) an increase in trade receivables, generally in line with the increase in our revenue and the seasonal nature of vaccine sales, which tend to be more concentrated between July and September, and (ii) an increase in cash and cash equivalents resulting from the proceeds from bank borrowings, partially offset by an increase in trade and other payables. See "—Description of Certain Consolidated Statement of Financial Positions Items—Trade and Other Payables."

We recorded net current liabilities during the Track Record Period, primarily because we invested significant capital into the production and marketing of our quadrivalent subunit influenza vaccine and the research and development of our vaccine candidates, and built and expanded our manufacturing facilities to support our business. We expect to improve our net current liabilities position with the following measures: (i) increasing our sales revenue as we expand market share with our quadrivalent subunit influenza vaccine and launch new vaccine products in the future; (ii) continuously covering our payables for acquisition of property, plant and equipment with project loans; and (iii) raising long-term borrowings to replace our short-term borrowings for stable financial resource.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Net cash (used in)/generated from operating activities	(305,988)	(210,163)	(164,282)
Net cash (used in)/generated from investing activities	(506)	43,814	(116,057)
Net cash (used in)/generated from financing activities	335,166	169,648	349,534
Net increase in cash and cash equivalents	28,672	3,299	69,195
Cash and cash equivalents at beginning of the year/period	16,646	16,646	45,318
Cash and cash equivalents at end of the year/period	**45,318**	**19,945**	**114,513**

Net Cash (Used in)/Generated from Operating Activities

In the nine months ended September 30, 2024, our net cash used in operating activities was RMB164.3 million, which was primarily attributable to our loss before taxation of RMB168.1 million, adjusted by certain non-cash and working capital items, including (i) a decrease in trade and other receivables of RMB249.0 million and (ii) a decrease in inventories of RMB40.4 million, partially offset by (i) an increase in trade and other payables of RMB125.1 million and (ii) an increase in refund liabilities of RMB58.5 million.

For the year ended December 31, 2023, our net cash used in operating activities was RMB306.0 million, which was primarily attributable to our loss before taxation of RMB424.7 million, adjusted by certain non-cash and working capital items, including (i) a decrease in trade receivables of RMB73.6 million and (ii) a decrease in inventories of RMB67.7 million, partially offset by (i) an increase in trade and other payables of RMB115.3 million and (ii) our recognition of equity-settled share-based payments of RMB47.9 million.

Net Cash (Used in)/Generated from Investing Activities

In the nine months ended September 30, 2024, net cash used in investing activities was RMB116.1 million, primarily due to (i) acquisition of property, plant and equipment of RMB163.1 million and (ii) purchase of financial assets measured at FVTPL of RMB120.0 million, partially offset by redemption of financial assets at FVTPL of RMB130.3 million.

For the year ended December 31, 2023, net cash used in investing activities was RMB506.0 thousand, primarily due to redemption of financial assets at FVTPL of RMB632.1 million, partially offset by (i) purchases of financial assets measured at FVTPL of RMB430.6 million and (ii) purchase of property, plant and equipment of RMB265.3 million,.

Net Cash (Used in)/Generated from Financing Activities

In the nine months ended September 30, 2024, net cash generated from financing activities was RMB349.5 million, primarily due to new bank borrowings raised of RMB558.6 million, partially offset by repayments of bank borrowings of RMB191.8 million.

For the year ended December 31, 2023, net cash generated from financing activities was RMB335.2 million, primarily due to proceeds from bank borrowings of RMB380.9 million, partially offset by repayments of bank borrowings of RMB34.0 million.

WORKING CAPITAL CONFIRMATION

[Taking into account the financial resources available to us, including cash from operations, cash and cash equivalents, borrowings and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the opinion that we have sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs and research and development expenses for at least the next 12 months from the date of this document.]

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development expenses; and (ii) capital expenditures. Taking into account our cash and cash equivalents as of November 30, 2024, and assuming average monthly net cash used in operating activities going forward of 1.2 times the level in the nine months ended September 30, 2024, and the estimated capital expenditures with reference to the capital commitments of RMB176.4 million as of September 30, 2024, we estimate that we will be able to maintain our financial viability for [29] months from the date of this document, taking into account of the [**REDACTED**] from the [**REDACTED**] provided that the [**REDACTED**] is set at [**REDACTED**] per Share, being the low-end of the indicative [**REDACTED**] range, and that the [**REDACTED**] is not exercised. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

CASH OPERATING COSTS

The following table provides information regarding our cash operating costs for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Research and development expenses for our Core Products			
Trial and testing expenses	14,294	9,292	3,329
Raw materials and others	21,951	14,660	12,959
Labor costs	16,139	12,601	6,470
Subtotal	***52,384***	***36,553***	***22,758***
Research and development expenses for our other vaccine candidates			
Raw materials and others	59,229	40,921	28,775
Labor costs	56,336	36,697	38,612
Trial and testing expenses	68,285	14,879	16,496
Subtotal	***183,850***	***92,498***	***83,883***
Workforce employment[1]	49,573	34,532	46,397
Product marketing costs	30,100	8,854	97,028
Direct production costs	23,584	1,477	42,393
Total	**339,491**	**173,914**	**292,459**

Note:

(1) Workforce employment represented our staff costs for our non-R&D staff mainly including salaries and benefits.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Borrowings	366,149	732,981	744,547
Lease liabilities	55,275	51,102	50,051
Amounts due to shareholders	–	4,000	34,000
Total	**421,424**	**788,083**	**828,598**

Borrowings

The following table sets forth the breakdown of our borrowings as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Borrowings from banks – unsecured	256,897	358,578	408,638
Borrowings from banks – secured	109,252	374,403	335,909
Total	**366,149**	**732,981**	**744,547**

The following table sets forth the maturity analysis of our bank borrowings as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
The carrying amounts of the borrowings are repayable:			
Within one year	217,887	254,238	329,638
Between one year and two years	–	169,240	94,000
Between two years and five years	124,000	112,363	112,363
Over five years	24,262	197,140	208,546
Total	**366,149**	**732,981**	**744,547**

The following table sets forth the effective interest rates of our bank borrowings as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024	As of November 30, 2024
		(unaudited)	*(unaudited)*
Effective interest rate:			
Fixed rate borrowings	3.20%-3.65%	3.00%-3.60%	3.00%-3.60%
Variable rate borrowings	3.20%-4.10%	3.20%-4.10%	3.20%-4.10%

During the Track Record Period, we secured short-term bank borrowings from certain commercial banks in the PRC for raw material procurement and covering research and development costs. We also entered into long-term banking borrowings from certain commercial banks in the PRC for the construction of our manufacturing facilities. The long-term bank borrowings are secured against certain of the Group's property, plant and equipment and leasehold land. As of December 31, 2023 and September 30, 2024, RMB5.0 million and RMB49.9 million of our secured borrowings, respectively, were guaranteed by Mr. An, one of our Controlling Shareholders. Such guarantees were released in January 2025.

As of December 31, 2023, September 30, 2024 and November 30, 2024, our borrowings amounted to RMB366.1 million, RMB733.0 million and RMB744.5 million, respectively. Our borrowings increased significantly from RMB366.1 million as of December 31, 2023 to RMB733.0 million as of September 30, 2024, primarily because we secured certain long-term bank borrowings as a project loan to support the construction of the manufacturing facilities. As of November 30, 2024, we had credit facilities in an aggregate principal amount of RMB840.0 million, of which RMB560.1 million had been drawn and RMB279.9 million remained available to us.

Since November 30, 2024, we entered into an additional credit facility agreement of RMB50.0 million with a commercial bank in the PRC.

Our bank borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. We also undertake financial covenants that require us to meet certain financial ratio requirements such as debt ratio in our agreements. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payments of bank loans and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease for production, daily business operations and R&D functions. As of December 31, 2023, September 30, 2024 and November 30, 2024, our lease liabilities amounted to RMB55.3 million, RMB51.1 million and RMB50.1 million, respectively.

Our lease liabilities decreased by 7.5% from RMB55.3 million as of December 31, 2023 to RMB51.1 million as of September 30, 2024, primarily due to the recognition of interest expenses on lease liabilities, leading to a reduction in the carrying amount.

As of November 30, 2024, other than as disclosed above, we did not have any other borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

Since September 30, 2024 and up to the Latest Practicable Date, other than as disclosed above, the Directors confirm that there had not been any material adverse change in our indebtedness and contingent liabilities.

Amounts Due to Shareholders

As of September 30, 2024 and November 30, 2024, we had borrowings from Mr. An and Mr. He, two of our Controlling Shareholders, of RMB4.0 million and RMB34.0 million, respectively. These borrowings from our Controlling Shareholders were non-trade related, to satisfy part of our working capital and operational needs. Such borrowings were unsecured and repayable on demand and had an annual interest rate of 3%. We repaid all of the amounts due to our shareholders in January 2025.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various related party transactions. We had borrowings from Mr. An and Mr. He, two of our Controlling Shareholders. We have repaid the borrowings from our shareholders in January 2025. See "—Indebtedness—Amounts due to shareholders," Our Directors believe that our related party transactions set out in note 39 to the Accountants' Report in Appendix I and note 24 to the Review Report in Appendix IA were conducted on an arm's-length basis, and they would not distort our results of operations or cause our historical results to become not reflective of our future performance.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period included purchase of property, plant and equipment and purchase of intangible assets. The following table sets forth our capital expenditures for the periods indicated.

	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2023	2023	2024
		(unaudited)	*(unaudited)*
		(RMB in thousands)	
Purchase of property, plant and equipment	265,297	190,769	163,053
Purchase of intangible assets	16,590	–	433
Total	**281,887**	**190,769**	**163,486**

We expect that our capital expenditures in 2024 and 2025 will primarily consist of purchase of plant and equipment for the construction of the manufacturing facilities. We intend to fund our future capital expenditures with our cash from operations, cash and cash equivalents, bank borrowings and proceeds from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CAPITAL COMMITMENTS

As of December 31, 2023 and September 30, 2024, we had capital commitments contracted but not yet provided for of RMB175.8 million and RMB176.4 million, respectively, primarily in relation to the acquisition of plant and equipment in connection to the manufacturing facilities.

CONTINGENT LIABILITIES

As of December 31, 2023 and September 30, 2024, we did not have any contingent liabilities. As of the Latest Practicable Date there had been no material changes to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

KEY FINANCIAL RATIO

The following table sets forth our key financial ratio as of the dates indicated.

	As of December 31, 2023	As of September 30, 2024
Current ratio[1]	0.4	0.7

Note:

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

Our current ratio increased from 0.4 as of December 31, 2023 and 0.7 as of September 30, 2024, primarily due to an increase in trade receivables, generally in line with the increase in our revenue and the seasonal nature of vaccine sales, which tend to be more concentrated between July and September.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to market, interest rate, credit and liquidity risks arises in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 35 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank balances, pledged bank deposits, time deposits and lease liabilities. We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and borrowings. As our management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and variable-rate borrowings is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit Risk and Impairment Assessment

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial loss to us. Our credit risk exposures are primarily attributable to trade receivables, other receivables, pledged bank deposits and cash and cash equivalents. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

See note 35 to the Accountants' Report included in Appendix I to this Document for more details.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We monitor the utilization of bank borrowings and ensure compliance with loan covenants. See note 35 to the Accountants' Report included in Appendix I to this Document.

DIVIDEND POLICY

No dividend has been proposed, paid or declared by our Company since its incorporation. We do not have any dividend policy to declare or pay any dividends in the foreseeable future. The determination of whether to pay a dividend and in which amount is based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder's meeting. Under the PRC law and the Articles of Association, the general reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisor, according to the relevant PRC laws and regulations and the Articles of Association, we shall not declare or pay dividend until the accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations.

DISTRIBUTABLE RESERVES

As of September 30, 2024, we did not have any distributable reserves available for distribution to our shareholders.

[REDACTED]

Assuming the [**REDACTED**] is not exercised, an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (which is the mid-point of the [**REDACTED**] range), we expect to incur approximately [**REDACTED**] of [**REDACTED**] (including the aggregate [**REDACTED**] and fees, the Stock Exchange [**REDACTED**] fees, the transaction levies and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the [**REDACTED**]), including (i) [**REDACTED**] expenses (including [**REDACTED**] and other expenses of approximately [**REDACTED**]) and (ii) non [**REDACTED**] expenses are approximately [**REDACTED**], comprising (a) fees and expenses of legal advisors and accountants of approximately [**REDACTED**] and (b) other fees and expenses of approximately [**REDACTED**], accounting for approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**]. Approximately [**REDACTED**] of our [**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and approximately [**REDACTED**] is expected to be capitalized and deducted from equity upon Listing. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES

The following unaudited pro forma statement of adjusted net tangible liabilities of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the net tangible liabilities of our Group attributable to the owners of our Company as of September 30, 2024, as if the [**REDACTED**] had taken place on September 30, 2024.

This unaudited pro forma statement of adjusted net tangible liabilities has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible liabilities of our Group attributable to the owners of our Company as of September 30, 2024, or at any future dates following the [**REDACTED**].

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2024	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2024	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [REDACTED] as at September 30, 2024	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*Hong Kong dollars ("HK$")*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the [**REDACTED**] of [**REDACTED**] per [**REDACTED**] . . .	[204,226]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on the [**REDACTED**] of [**REDACTED**] per [**REDACTED**] . . .	[204,226]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2024 is arrived at after deducting intangible assets attributable to owners of the Company of RMB[25,976,000] from the unaudited consolidated net assets attributable to owners of the Company of RMB[230,002,000] as at September 30, 2024 as extracted from the Condensed Consolidated Financial Statements set out in Appendix IA to this document.

2. The estimated [**REDACTED**] from the issue of [**REDACTED**] pursuant to the [**REDACTED**] are based on [**REDACTED**] Shares at the [**REDACTED**] of [**REDACTED**] (equivalent to [**REDACTED**]) and [**REDACTED**] (equivalent to [**REDACTED**]) per [**REDACTED**], being the high-end and low-end of the stated [**REDACTED**] range, after deduction of the estimated [**REDACTED**] and other [**REDACTED**] not yet recognized in profit or loss up to September 30, 2024. It does not take into account of any shares which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; or (ii) under restricted shares scheme.

   For the purpose of this unaudited pro forma financial information, the estimated [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB[0.9231], which was the exchange rate prevailing on January 15, 2025 with reference to the rate published by the People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [**REDACTED**] as at September 30, 2024 is arrived on the basis that [**REDACTED**] shares including [360,000,000] existing ordinary shares in issue and [**REDACTED**] were in issue assuming that the [**REDACTED**] had been completed on September 30, 2024 and it does not take into account of any shares which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; or (ii) under restricted shares scheme.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at September 30, 2024 is converted from Renminbi to Hong Kong dollars at an exchange rate of RMB1.00 to HK$[1.0833], which was the exchange rate prevailing on January 15, 2025 with reference to the rate published by the People's Bank of China. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2024 to reflect any trading result or other transaction of the Group entered into subsequent to September 30, 2024.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this document, there have been no material adverse changes in our financial, operational, or trading position or prospects since September 30, 2024, being the date of the latest reporting period of our reviewed condensed consolidated financial statements as set out in the Review Report in Appendix IA to this document.