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## APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED

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*The following is the text of a report set out on pages III-1 to III-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

### ACCOUNTANT'S REPORT ON SYRACUSE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JW (CAYMAN) THERAPEUTICS CO. LTD, GOLDMAN SACHS (ASIA) L.L.C. AND UBS SECURITIES HONG KONG LIMITED

#### Introduction

We report on the historical financial information of Syracuse Biopharma (Hong Kong) Limited (“**Syracuse**”) and its subsidiaries (together, the “**Syracuse Group**”) set out on pages III-4 to III-60, which comprises the consolidated balance sheets as at 31 December 2018 and 2019 and 30 June 2020, the balance sheets of Syracuse as at 31 December 2018 and 2019 and 30 June 2020, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Syracuse Historical Financial Information**”). The Syracuse Historical Financial Information set out on pages III-4 to III-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of JW (Cayman) Therapeutics Co. Ltd (the “**Company**”) dated 22 October 2020 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Syracuse Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Syracuse Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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## APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED

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The financial statements of the Syracuse Group for the Track Record Period (“**Syracuse Underlying Financial Statements**”), on which the Syracuse Historical Financial Information is based, were prepared by the directors of the Syracuse. The directors of the Syracuse are responsible for the preparation and fair presentation of the Syracuse Underlying Financial Statements in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Reporting accountant’s responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Syracuse Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Syracuse Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Syracuse Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Syracuse Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Syracuse Historical Financial Information.

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

### **Opinion**

In our opinion the Syracuse Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of Syracuse as at 31 December 2018 and 2019 and 30 June 2020 and the consolidated financial position of the Syracuse Group as at 31 December 2018 and 2019 and 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Syracuse Historical Financial Information.

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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

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**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Syracuse Group which comprises the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended 30 June 2019 and other explanatory information (the “**Syracuse Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the presentation and preparation of the Syracuse Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Syracuse Historical Financial Information. Our responsibility is to express a conclusion on the Syracuse Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“**IAASB**”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Syracuse Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Syracuse Historical Financial Information.

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong  
22 October 2020

**I. HISTORICAL FINANCIAL INFORMATION OF THE SYRACUSE GROUP**

**Preparation of Syracuse Historical Financial Information**

Set out below is the Syracuse Historical Financial Information which forms an integral part of this accountant's report. The consolidated financial statements of the Syracuse Group for the Track Record Period, on which the Syracuse Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("**Syracuse Underlying Financial Statements**").

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

The Syracuse Historical Financial Information contained in this Accountant's Report does not constitute the Syracuse's statutory annual financial statements for any of the financial years ended 31 December 2018 and 2019. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is set out below.

As Syracuse is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and will not do so.

Syracuse's auditor has yet to report on these financial statements.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	<i>Note</i>	Year ended 31 December		Six months ended 30 June	
		2018	2019	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Revenue . . . . .		—	—	—	—
Other gains/(losses) — net . . . . .	6	—	(15)	3	(37,160)
General and administrative expenses . . . . .	7	—	(6,234)	(2,510)	(3,349)
Research and development expenses . . . . .	7	—	(12,075)	(6,398)	(7,121)
<b>Operating loss</b> . . . . .		<u>—</u>	<u>(18,324)</u>	<u>(8,905)</u>	<u>(47,630)</u>
Finance income . . . . .		—	14	6	7
Impairment of investments in joint ventures . . . . .	10	(7,918)	(1,600)	(1,600)	—
Share of losses of joint ventures . . . . .	10	—	(8,442)	(5,266)	(346)
<b>Loss before income tax</b> . . . . .		<u>(7,918)</u>	<u>(28,352)</u>	<u>(15,765)</u>	<u>(47,969)</u>
Income tax expense . . . . .	9	—	(173)	—	(51)
<b>Loss for the year/period and attribute to the equity holders of Syracuse</b> . . . . .		<u>(7,918)</u>	<u>(28,525)</u>	<u>(15,765)</u>	<u>(48,020)</u>
<b>Other comprehensive loss:</b>					
<i>Items that will not be reclassified to profit or loss</i> . . . . .		—	—	—	—
Exchange difference on translation . . . . .		(1,293)	(761)	(192)	(584)
<b>Other comprehensive loss for the year/period, net of tax</b> . . . . .		<u>(1,293)</u>	<u>(761)</u>	<u>(192)</u>	<u>(584)</u>
<b>Total comprehensive loss for the year/period and attribute to the equity holders of Syracuse</b> . . . . .		<u>(9,211)</u>	<u>(29,286)</u>	<u>(15,957)</u>	<u>(48,604)</u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**CONSOLIDATED BALANCE SHEETS**

	<i>Note</i>	As at 31 December		As at 30 June
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in joint ventures . . . . .	10	4,753	2,511	—
Property, plant and equipment . . . . .	11	1,304	2,769	7,733
Intangible assets . . . . .	12	763	2	1
Other non-current assets . . . . .	13	319	506	381
		7,139	5,788	8,115
<b>Current assets</b>				
Other receivables and prepayments . . . . .	14	964	1,378	1,158
Cash and cash equivalents . . . . .	15	4,539	7,796	45,308
		5,503	9,174	46,466
<b>Total assets . . . . .</b>		12,642	14,962	54,581
<b>EQUITY</b>				
Share capital . . . . .	16	1	1	98,190
Reserves . . . . .	17	(1,293)	(2,054)	(2,380)
Accumulated losses . . . . .		(7,918)	(36,443)	(84,463)
<b>Total (deficit)/equity attributable to the equity holders of Syracuse . . . . .</b>		(9,210)	(38,496)	11,347
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accruals and other payables . . . . .	19	21,852	53,458	43,234
<b>Total current liabilities . . . . .</b>		21,852	53,458	43,234
<b>Total liabilities . . . . .</b>		21,852	53,458	43,234
<b>Total equity and liabilities . . . . .</b>		12,642	14,962	54,581

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**BALANCE SHEETS OF SYRACUSE**

	<i>Note</i>	As at 31 December		As at 30 June
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries . . . . .	26	4,199	7,549	7,549
Investments in joint ventures . . . . .	10	4,753	2,462	—
<b>Current assets</b>				
Other receivables and prepayments . . . . .	14	—	61	—
Cash and cash equivalents . . . . .	15	2,680	4,033	39,491
<b>Total assets</b> . . . . .		11,632	14,105	47,040
<b>EQUITY AND LIABILITIES</b>				
Share capital . . . . .	16	1	1	98,190
Reserves . . . . .	17	(1,039)	(1,800)	(2,384)
Accumulated losses . . . . .		(7,918)	(35,372)	(87,966)
<b>Total (deficit)/equity attributable to the equity holders of Syracuse</b> . . . . .		(8,956)	(37,171)	7,840
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accruals and other payables . . . . .	19	20,588	51,276	39,200
<b>Total liabilities</b> . . . . .		20,588	51,276	39,200
<b>Total equity and liabilities</b> . . . . .		11,632	14,105	47,040

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Attributable to equity holders of Syracuse			
		Share capital	Other reserves	Accumulated losses	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>				
<b>Balance at 1 January</b>					
2018 . . . . .		—	—	—	—
Loss for the year . . . . .		—	—	(7,918)	(7,918)
Other comprehensive loss . . . . .	17	—	(1,293)	—	(1,293)
<b>Total comprehensive loss . . . . .</b>		—	(1,293)	(7,918)	(9,211)
<b>Transactions with owners</b>					
Capital injection . . . . .		1	—	—	1
<b>Balance at 31 December</b>					
2018 . . . . .		<u>1</u>	<u>(1,293)</u>	<u>(7,918)</u>	<u>(9,210)</u>
<b>Balance at 1 January</b>					
2019 . . . . .		1	(1,293)	(7,918)	(9,210)
Loss for the year . . . . .		—	—	(28,525)	(28,525)
Other comprehensive loss . . . . .	17	—	(761)	—	(761)
<b>Total comprehensive loss . . . . .</b>		—	(761)	(28,525)	(29,286)
<b>Balance at 31 December</b>					
2019 . . . . .		<u>1</u>	<u>(2,054)</u>	<u>(36,443)</u>	<u>(38,496)</u>
<b>Balance at 1 January</b>					
2019 . . . . .		1	(1,293)	(7,918)	(9,210)
Loss for the period . . . . .		—	—	(15,765)	(15,765)
Other comprehensive loss . . . . .	17	—	(192)	—	(192)
<b>Total comprehensive loss . . . . .</b>		—	(192)	(15,765)	(15,957)
<b>Balance at 30 June</b>					
2019(Unaudited) . . . . .		<u>1</u>	<u>(1,485)</u>	<u>(23,683)</u>	<u>(25,167)</u>



**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

		Attributable to equity holders of Syracuse			
		Share capital	Other reserves	Accumulated losses	Total
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 January</b>					
	<b>2020</b> . . . . .	1	(2,054)	(36,443)	(38,496)
	Loss for the period . . . . .	—	—	(48,020)	(48,020)
	Other comprehensive loss . . . . . <i>17</i>	—	(584)	—	(584)
	<b>Total comprehensive loss</b> . . . . .	—	(584)	(48,020)	(48,604)
<b>Transactions with owners</b>					
	Share-based payment . . . . . <i>18</i>	—	258	—	258
	Allotment of shares by conversion of shareholder's loan . . . . . <i>16</i>	98,189	—	—	98,189
	<b>Total transactions with owners</b> . . . . .	98,189	258	—	98,447
	<b>Balance at 30 June 2020</b> . . . . .	98,190	(2,380)	(84,463)	11,347

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Note</i>	Year ended 31 December		Six months ended 30 June	
		2018	2019	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
<b>Cash flows from operating activities</b>					
Cash used in operations . . . . .	22(a)	—	(16,191)	(7,996)	(7,936)
Interest received . . . . .		—	14	6	7
Income taxes paid . . . . .		—	(173)	—	(51)
<b>Net cash used in operating activities . . . . .</b>		<u>—</u>	<u>(16,350)</u>	<u>(7,990)</u>	<u>(7,980)</u>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment . . . . .		—	(1,819)	—	(312)
Loan advanced to a related party . . . . .	25	—	(700)	—	—
Cash acquired from acquisition of subsidiaries . . . . .	24	(2,341)	—	—	160
Investments in joint ventures . . . . .	10	—	(7,800)	(7,000)	—
<b>Net cash generated from/(used) in investing activities . . . . .</b>		<u>(2,341)</u>	<u>(10,319)</u>	<u>(7,000)</u>	<u>(152)</u>
<b>Cash flows from financing activities</b>					
Funding from related parties . . . . .	25	7,918	30,687	19,629	46,228
<b>Net cash generated from financing activities . . . . .</b>		<u>7,918</u>	<u>30,687</u>	<u>19,629</u>	<u>46,228</u>
<b>Net increase in cash and cash equivalents . . . . .</b>		5,577	4,018	4,639	38,096
Cash and cash equivalents at beginning of the year/period . . . . .		—	4,539	4,539	7,796
Exchange gain on cash and cash equivalents . . . . .		(1,038)	(761)	(192)	(584)
<b>Cash and cash equivalents at end of the year/period . . . . .</b>		<u>4,539</u>	<u>7,796</u>	<u>8,986</u>	<u>45,308</u>

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## APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED

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### II. NOTES TO THE SYRACUSE HISTORICAL FINANCIAL INFORMATION

#### 1 General information and basis of presentation

##### 1.1 General information

Syracuse Biopharma (Hong Kong) Limited (“**Syracuse**”) was incorporated in Hongkong on 7 June 2018 as a limited liability company by Syracuse Biopharma (Cayman) Ltd. (“**Syracuse Cayman**”). On 30 June 2020, Syracuse Cayman transferred its 100% equity of Syracuse to JWS Therapeutics Investment Co., Ltd. (“**JWS Investment**”), a subsidiary of JW (Cayman) Therapeutics Co. Ltd (the “**Company**”). Since then, JWS Investment becomes the equity holder of Syracuse. The address of Syracuse registered office is Room 303, 3rd floor, St. George’s Building, 2 Ice House Street, Central HK.

Syracuse is an investment holding company. Syracuse and its subsidiaries, hereinafter collectively referred to as the “**Syracuse Group**”, are primarily engaged in the research and development (“**R&D**”) of anti-tumor drugs in the People’s Republic of China (the “**PRC**”).

#### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Syracuse Historical Financial Information are set out below. These policies have been consistently applied to all the years/period presented, unless otherwise stated.

##### 2.1 Basis of preparation

The Historical Financial Information of the Syracuse Group has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”).

The Syracuse Historical Financial Information has been prepared under the historical cost convention.

The preparation of Syracuse Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Syracuse Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Syracuse Historical Financial Information are disclosed in Note 4.

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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED**

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All effective standards, amendments to standards and interpretations, including IFRS 15 and IFRS 9, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16, which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Syracuse Group for the Track Record Period.

**2.1.1 New standards, amendments to standards and interpretations not yet adopted**

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Syracuse Group during the Track Record Period are as follows:

<u>Standards</u>	<u>Key requirements</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IAS 37 (Amendment)	Onerous contracts — Cost of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS standard 2018-2020	1 January 2022
IAS 16 (Amendment)	Property, plant and equipment — proceeds before intend use	1 January 2022
IFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
IFRS 16 (Amendment)	COVID-19-related rent concessions	1 June 2020

The Syracuse Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the operation of the Syracuse Group. According to the preliminary assessment made by the directors of Syracuse, no significant impact on the financial performance of the Syracuse Group and financial position of the Syracuse Group is expected when they become effective.

## **2.2 Subsidiaries**

### **(a) Consolidation**

Subsidiaries are all entities (including structured entities) over which the Syracuse Group has control. The Syracuse Group controls an entity when the Syracuse Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Syracuse Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between entities within the Syracuse Group are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

### **(i) Business combinations**

The Syracuse Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Syracuse Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Syracuse Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

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## APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED

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Any contingent consideration to be transferred by the Syracuse Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

### (b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by Syracuse on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Joint venture

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Syracuse Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the share of the post-acquisition profits or losses and movements in other comprehensive income of the Syracuse Group. When the share of losses in a joint venture of the Syracuse Group equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the net investment in the joint venture of the Syracuse Group), the Syracuse Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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## APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED

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Unrealized gains on transactions between the Syracuse Group and its joint ventures are eliminated to the extent of the interest in the joint ventures of the Syracuse Group. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Syracuse Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of Syracuse is United States Dollars (“**USD**”); however, the consolidated financial statements are presented in RMB. As the major operations of the Syracuse Group are within the PRC, the Syracuse Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statements of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year/period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within “Other gains/(losses) — net”.

(c) Group companies

The results and financial position of all the Syracuse Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position are translated at the closing rate;
- (ii) Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and
- (iii) All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## **2.6 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Syracuse Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.



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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

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Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

	<u>Year</u>	<u>Residual rate</u>
Office equipment. . . . .	5 years	10%
Machinery. . . . .	5 years	10%
Electronic equipment. . . . .	5 years	10%

The assets' residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized as "Other gains/(losses) — net" in the consolidated statements of comprehensive loss.

**2.7 Intangible assets**

(a) Software

Computer software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Syracuse Group amortized computer software on a straight-line basis over their estimated useful lives of 5 years.

(b) Clinical study data

Clinical study data, which is acquired during business combination, is recognized at fair value at the acquisition date. Clinical study data is carried at cost less accumulated amortization and accumulated impairment losses. The Syracuse Group amortized clinical study data on a straight-line basis over its estimated economic live of 0.5 year.

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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

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(c) Research and development

The Syracuse Group incurs significant costs and efforts on research and development activities, which include expenditures on drug products. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

- (i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- (ii) the intention to complete the intangible asset and use or sell it;
- (iii) the ability to use or sell the intangible assets;
- (iv) the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **2.8 Impairment of non-financial assets**

Intangible assets and property, and plant and equipment that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill and intangible assets with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the cash-generating unit level. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

## **2.9 Financial assets**

(a) Classification

The Syracuse Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the business model of the Syracuse Group for managing the financial assets and the contractual terms of the cash flows.

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## APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED

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For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Syracuse Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Syracuse Group reclassifies debt investments when and only when its business model for managing those assets changes.

### (b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the business model of the Syracuse Group for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Syracuse Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in income using the effective interest method.

### **2.10 Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### **2.11 Impairment of financial assets**

The Syracuse Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Syracuse Group determines whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

### **2.12 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **2.13 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

### **2.14 Accruals and other payables**

Accruals and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business. Accruals and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Accruals and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### **2.15 Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheets date in the countries where Syracuse and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where Syracuse is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## **2.16 Employee benefits**

### **(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### **(b) Pension obligations**

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Syracuse Group contributes on a monthly basis to these pension plans. Under these plans, the Syracuse Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the future obligations of the Syracuse Group to such defined-contribution pension plans even if the employee leaves.

### **(c) Housing funds, medical insurance and other social insurance**

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Syracuse Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The liability of the Syracuse Group in respect of these funds is limited to the contribution payable.

### **(d) Bonus plan**

The expected cost of bonus is recognized as a liability when the Syracuse Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

## **2.17 Share-based payment**

### **(a) Equity-settled share-based payment transactions**

An intermediate holding company of the Syracuse Group, Syracuse Cayman, operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the intermediate holding company. The fair value of the employee services received in exchange for the grant of equity instruments (options) is recognized as an expense on the consolidated financial statements of Syracuse Cayman. In the Syracuse Group's financial statements, the reward is treated as an equity settled share-based payment because the Syracuse Group does not have an obligation to settle the award. An expense for the grant date fair value of the reward is recognised over the vesting period and a credit is recognised in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- (i) including any market performance conditions;
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, the requirement for employees to serve);
- (iii) including the impact of any non-vesting conditions.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purpose of recognizing the expense in full on grant date as these equity instruments granted can be vested immediately.

At the end of each reporting period, Syracuse Cayman revises its estimates of the number of options that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity, and then the impact of the revision to original estimates, if any, to the Syracuse Group.



### **2.18 Government grants**

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Syracuse Group will comply with all the attached conditions. Government grants related to costs are recognized in consolidated statements of comprehensive loss on a systematic basis over the periods in which the Syracuse Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to consolidated statements of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

### **2.19 Provisions**

Provisions are recognized when the Syracuse Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

### **2.20 Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

## **2.21 Dividend distribution**

Dividend distribution to Syracuse's shareholders is recognized as a liability in the financial statements of the Syracuse Group and Syracuse in the period in which the dividends are approved by the directors or shareholders of Syracuse, where applicable.

## **3 Financial risk management**

### **3.1 Financial risk factors**

The activities of Syracuse Group expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The overall risk management program of Syracuse Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of Syracuse Group.

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Syracuse Group entities' functional currency. The functional currency of Syracuse is USD. The primary subsidiaries of Syracuse were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

Certain bank balances and other receivables and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Syracuse Group has entities operating in USD, Hong Kong Dollar (“**HKD**”) and RMB, and the Syracuse Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. At 31 December 2018 and 2019 and 30 June 2020, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the years/period would have been RMB826,250 lower/higher, RMB2,422,850 lower/higher and RMB13,600 lower/higher, respectively.

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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

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(b) Credit risk

The Syracuse Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables included in the statements of financial position represent the maximum exposure of Syracuse Group to credit risk in relation to its financial assets.

As at 31 December 2018 and 2019 and 30 June 2020, cash and cash equivalents were all deposited in high quality financial institutions without significant credit risk.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited with state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Management has assessed that during the Track Record Period, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Syracuse Group does not expect any losses from nonperformance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

(c) Liquidity risk

The Syracuse Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Syracuse Group is to regularly monitor the liquidity risk of the Syracuse Group and to maintain adequate cash and cash equivalents to meet the liquidity requirements of the Syracuse Group.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

The table below analyzes the non-derivative financial liabilities of the Syracuse Group that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 30 June 2020</b>					
Accruals other payables (excluding staff salaries and welfare payables, accrued taxes and deferred income) . . . . .	41,099	—	—	—	41,099
	<u>41,099</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,099</u>
<b>As at 31 December 2019</b>					
Accruals other payables (excluding staff salaries and welfare payables, accrued taxes and deferred income) . . . . .	51,927	—	—	—	51,927
	<u>51,927</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,927</u>
<b>As at 31 December 2018</b>					
Accruals other payables (excluding staff salaries and welfare payables, accrued taxes and deferred income) . . . . .	21,376	—	—	—	21,376
	<u>21,376</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,376</u>

### **3.2 Capital management**

The objectives of the Syracuse Group when managing capital are to safeguard the ability of the Syracuse Group to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Syracuse Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or issue new shares.

The Syracuse Group monitors capital based on the regular cash flow forecast to ensure that it could have sufficient cash on hand to make the necessary capital expenditure and support its operations.

### **3.3 Fair value estimation**

Fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the statement of financial position of the Syracuse Group approximate their fair values.

## **4 Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Syracuse Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **(a) Impairment of property, plant and equipment**

The Syracuse Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Syracuse Group strategy might cause material impairment on assets in the future.

(b) Research and development expenses

Development costs incurred on the drug product pipelines of the Syracuse Group are capitalized only when the Syracuse Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention of the Syracuse Group to complete and the ability of the Syracuse Group to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make judgment regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Track Record Period, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

(c) Deferred income tax

The Syracuse Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that there were several drug candidates of the Syracuse Group and most of them were in earlier research and development stage and the future taxable profits would be uncertain.

## **5 Segment information**

The business activities of the Syracuse Group are regularly reviewed and evaluated by the chief operating decision-makers.

As a result of this evaluation, the executive directors of the Syracuse Group consider that the operations of the Syracuse Group are operated and managed as a single reportable segment. Since this is the only reportable operating segment of the Syracuse Group, no further operating segment analysis thereof is presented.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**6 Other gains/(losses) — net**

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Net foreign exchange gain/(losses) . . .	—	(53)	3	(7)
Impairment of goodwill (Note 12) . . . .	—	—	—	(37,120)
Others . . . . .	—	38	—	(33)
<b>Total</b> . . . . .	<b>—</b>	<b>(15)</b>	<b>3</b>	<b>(37,160)</b>

**7 Expenses by nature**

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Employee benefit expenses (including directors' emoluments) (Note 8) . . . .	—	6,753	2,865	4,884
Testing and clinical expenses . . . . .	—	4,737	2,571	2,091
R&D materials and consumables . . . . .	—	1,266	598	1,087
Depreciation of property, plant and equipment (Note 11) . . . . .	—	354	194	323
Amortization of intangible assets (Note 12) . . . . .	—	761	759	1
Office expenses . . . . .	—	1,771	1,171	601
Short term lease and low value lease expenses . . . . .	—	1,064	502	810
Auditors' remuneration-audit service . .	—	14	7	7
— Audit service . . . . .	—	14	7	7
— Non-audit service . . . . .	—	—	—	—
Other expenses . . . . .	—	1,589	241	666
Total general and administrative expenses and research and development expenses . . . . .	<b>—</b>	<b>18,309</b>	<b>8,908</b>	<b>10,470</b>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**8 Employee benefit expenses**

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Wages, salaries and bonuses . . . . .	—	5,625	2,414	4,040
Contributions to pension plans (note) .	—	413	174	139
Welfare and other expenses . . . . .	—	624	263	444
Share based payment expenses				
(Note18) . . . . .	—	—	—	258
Other welfare for employees . . . . .	—	91	14	3
	—	6,753	2,865	4,884
	—	6,753	2,865	4,884

*Note:* Pensions-defined contribution plans

Full time PRC employees of the Syracuse Group are members of state-managed retirement benefit scheme operated by the PRC Government. The Syracuse Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by the local government authority to fund these schemes. The Syracuse Group's liabilities in respect of benefits scheme are limited to the contribution payable in each year.

(a) Directors' and senior management's emoluments

No director fees, salaries, discretionary bonuses, allowance and benefits in kind, employer's contribution to a retirement benefit scheme and other emoluments in respect of director's other services in connection with the management of the affairs of Syracuse or its subsidiaries undertaking were paid to the directors in their capacity as directors of Syracuse or its subsidiaries and no emoluments were paid by Syracuse or its subsidiaries to the directors as an inducement to join Syracuse or its subsidiaries, or as compensation for loss of office during the Syracuse Group's Track Record Period.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.



**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, Syracuse did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the business of the Syracuse Group to which Syracuse was a party and in which a director of Syracuse had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

**9 Income tax expense**

	<u>Year ended 31 December</u>		<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Current income tax				
— PRC corporate income tax . . . . .	—	173	—	51
Deferred income tax . . . . .	—	—	—	—
	—	173	—	51

The principal applicable taxes and tax rates of the Syracuse Group are as follows:

(a) Hong Kong income tax

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as Syracuse has no estimated assessable profit.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

(b) The PRC corporate income tax

Provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"). The Group's PRC entities do not have material estimated assessable profits.

(c) The taxation of the profit of the Syracuse Group before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Syracuse Group operates as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
<b>Loss before income tax</b> . . . . .	(7,918)	(28,352)	(15,765)	(47,969)
Tax calculated at applicable tax rate of 25%. . . . .	(1,980)	(7,088)	(3,941)	(11,992)
Expenses not deductible for taxation purposes . . . . .	—	735	726	65
Different tax rates on the income of certain subsidiaries . . . . .	1,980	6,479	2,926	11,890
Tax loss not recognized as deferred tax assets. . . . .	—	47	289	88
<b>Income tax expense</b> . . . . .	<u>—</u>	<u>173</u>	<u>—</u>	<u>51</u>

(d) Deferred tax assets not recognized:

The Syracuse Group has not recognized any deferred tax assets in respect of the following items:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Deductible losses . . . . .	<u>—</u>	<u>189</u>	<u>1,155</u>	<u>541</u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

(e) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2024 .....	—	189	189
2025 .....	—	—	352
	—	189	541

**10 Investments in joint ventures**

**Group**

The movement of the interests of the Syracuse Group in joint ventures is as follows:

	As at 31 December		As at 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period . . .	—	4,753	4,753	2,511
Addition .....	12,671	800	—	—
Injection of capitals in the same proportion with other shareholders . .	—	7,000	7,000	—
Share of losses .....	—	(8,442)	(5,266)	(346)
Impairment of investments in joint ventures .....	(7,918)	(1,600)	(1,600)	—
Step acquisition from joint ventures to subsidiaries (Note 24) .....	—	—	—	(2,165)
At the end of the year/period .....	4,753	2,511	4,887	—

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**Company**

	As at 31 December		As at 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period . . .	—	4,753	4,753	2,462
Addition . . . . .	12,671	—	—	—
Injection of capitals in the same proportion with other shareholders . .	—	7,000	7,000	—
Impairment of investment in joint ventures . . . . .	(7,918)	(9,291)	(6,866)	(339)
Step acquisition from joint ventures to subsidiaries . . . . .	—	—	—	(2,123)
At the end of the year/period . . . . .	4,753	2,462	4,887	—

The investments in the joint venture as at 31 December 2018 and 2019 are as follows:

Name of Entity	Date of incorporation	Place of incorporation	Percentage of ownership interest attributable to the Syracuse Group		Principal activities
			As at 31 December		
			2018	2019	
Aeon Beijing	8 March 2017	PRC	50%	51%	Conducts clinical studies of T-cell therapies in China
Aeon Wuhan ( <i>Note</i> )	28 August 2018	PRC	50%	51%	Conducts clinical studies of T-cell therapies in China

*Note:* Aeon Wuhan has not commenced business operations during the Track Record Period.

On 20 December 2018, the Syracuse Group acquired 50% equity interests in Aeon Therapeutics (Beijing) Limited (頤昂生物科技(北京)有限公司, “Aeon Beijing”) and its wholly own subsidiary Wuhan Guanggu Aeon Therapeutics Limited (武漢光谷頤昂生物科技有限公司, “Aeon Wuhan”) (“Aeon Group”), at a total consideration of USD2,000,000 (equivalent to RMB12,671,000).

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

On 31 July 2019, the Syracuse Group stepped up of 1% equity interests in Aeon Group, at a total consideration of RMB800,000. As the Syracuse Group did not take control of the board of directors, which is the highest authority of Aeon Group, after this acquisition, the Syracuse Group continued to account its investment in Aeon Group as investments in joint ventures.

On 30 June 2020, the Syracuse Group further acquired 49% equity interests in Aeon Group at a total consideration of RMB39,200,000. Since then, Aeon Group, which consists of Aeon Beijing and Aeon Wuhan, became wholly-owned subsidiaries of the Syracuse Group (Note 24).

Set out below is the summarized financial information of Aeon Group, which was accounted for using equity method.

	As at 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets . . . . .	7,873	5,703
Current assets . . . . .	2,404	460
Non-current liabilities . . . . .	—	—
Current liabilities . . . . .	(773)	(1,241)
Loss for the year . . . . .	14,895	16,182

**11 Property, plant and equipment — Group**

	Office equipment	Machinery	Electronic equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2018</b>	—	—	—	—
Cost . . . . .	—	—	—	—
Accumulated depreciation . . . . .	—	—	—	—
<b>Net book amount</b> . . . . .	—	—	—	—
<b>Year ended 31 December 2018</b>				
Opening net book amount . . . . .	—	—	—	—
Additions . . . . .	—	—	—	—
Acquisition of a subsidiary (Note 24) .	75	1,137	92	1,304
Depreciation charges (Note 7) . . . . .	—	—	—	—
<b>Closing net book amount</b> . . . . .	75	1,137	92	1,304
<b>As at 31 December 2018</b>				
Cost . . . . .	75	1,137	92	1,304
Accumulated depreciation . . . . .	—	—	—	—
<b>Net book amount</b> . . . . .	75	1,137	92	1,304

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

	<b>Office equipment</b>	<b>Machinery</b>	<b>Electronic equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2019</b>				
Opening net book amount . . . . .	75	1,137	92	1,304
Additions . . . . .	—	1,673	146	1,819
Depreciation charges (Note 7) . . . . .	(25)	(303)	(26)	(354)
<b>Closing net book amount . . . . .</b>	<b>50</b>	<b>2,507</b>	<b>212</b>	<b>2,769</b>
<b>As at 31 December 2019 . . . . .</b>				
Cost . . . . .	75	2,810	238	3,123
Accumulated depreciation . . . . .	(25)	(303)	(26)	(354)
<b>Net book amount . . . . .</b>	<b>50</b>	<b>2,507</b>	<b>212</b>	<b>2,769</b>
	<b>Office equipment</b>	<b>Machinery</b>	<b>Electronic equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2019</b>				
<b>(Unaudited)</b>				
Opening net book amount . . . . .	75	1,137	92	1,304
Additions . . . . .	—	—	—	—
Depreciation charges (Note 7) . . . . .	(13)	(172)	(9)	(194)
<b>Closing net book amount . . . . .</b>	<b>62</b>	<b>965</b>	<b>83</b>	<b>1,110</b>
<b>As at 30 June 2019(Unaudited)</b>				
Cost . . . . .	75	1,137	92	1,304
Accumulated depreciation . . . . .	(13)	(172)	(9)	(194)
<b>Net book amount . . . . .</b>	<b>62</b>	<b>965</b>	<b>83</b>	<b>1,110</b>
	<b>Office equipment</b>	<b>Machinery</b>	<b>Electronic equipment</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2020</b>				
Opening net book amount . . . . .	50	2,507	212	2,769
Additions . . . . .	—	296	16	312
Acquisition of a subsidiary (Note 24) . . . . .	56	4,773	146	4,975
Depreciation charges (Note 7) . . . . .	(11)	(289)	(23)	(323)
<b>Closing net book amount . . . . .</b>	<b>95</b>	<b>7,287</b>	<b>351</b>	<b>7,733</b>
<b>As at 30 June 2020</b>				
Cost . . . . .	131	7,879	400	8,410
Accumulated depreciation . . . . .	(36)	(592)	(49)	(677)
<b>Net book amount . . . . .</b>	<b>95</b>	<b>7,287</b>	<b>351</b>	<b>7,733</b>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

(a) Depreciation of the Syracuse Group charged to profit or loss is analyzed as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
General and administrative expenses . .	—	13	7	5
Research and Development expenses . .	—	341	187	318
	—	354	194	323
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**12 Intangible assets**

	Computer software	Clinical study data	Goodwill	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2018</b>				
Cost . . . . .	—	—	—	—
Accumulated amortization . . . . .	—	—	—	—
<b>Net book amount . . . . .</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Year ended 31 December 2018</b>				
Opening net book amount . . . . .	—	—	—	—
Acquisition of subsidiary (Note 24) . .	6	757	—	763
Amortization charges (Note 7) . . . . .	—	—	—	—
<b>Closing net book amount . . . . .</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>As at 31 December 2018</b>				
Cost . . . . .	6	757	—	763
Accumulated amortization . . . . .	—	—	—	—
<b>Net book amount . . . . .</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

	Computer software	Clinical study data	Goodwill	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2019</b>				
Opening net book amount . . . . .	6	757	—	763
Additions . . . . .	—	—	—	—
Amortization charges (Note 7) . . . . .	(4)	(757)	—	(761)
<b>Closing net book amount . . . . .</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>2</b>
<b>As at 31 December 2019</b>				
Cost . . . . .	6	757	—	763
Accumulated amortization . . . . .	(4)	(757)	—	(761)
<b>Net book amount . . . . .</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>2</b>
<b>Six months ended 30 June 2019 (unaudited)</b>				
Opening net book amount . . . . .	6	757	—	763
Additions . . . . .	—	—	—	—
Amortization charges (Note 7) . . . . .	(2)	(757)	—	(759)
<b>Closing net book amount . . . . .</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>4</b>
<b>Six months ended 30 June 2019 (unaudited)</b>				
Cost . . . . .	6	757	—	763
Accumulated amortization . . . . .	(2)	(757)	—	(759)
<b>Net book amount . . . . .</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>4</b>
<b>Six months ended 30 June 2020</b>				
Opening net book amount . . . . .	2	—	—	2
Additions . . . . .	—	—	—	—
Acquisition of a subsidiary (Note 24) . . . . .	—	—	37,120	37,120
Amortization charges (Note 7) . . . . .	(1)	—	—	(1)
Impairment of goodwill . . . . .	—	—	(37,120)	(37,120)
<b>Net book amount . . . . .</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>1</b>
<b>Six months ended 30 June 2020</b>				
Cost . . . . .	6	757	—	763
Accumulated amortization . . . . .	(5)	(757)	—	(762)
<b>Net book amount . . . . .</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>1</b>



**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

(a) Amortization of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Administrative expenses . . . . .	—	4	2	1
Research and development Expenses . . . . .	—	757	757	—
	—	761	759	1

(b) Goodwill

Goodwill of RMB37,120,000 was recognized as the result of acquisition of Aeon Group (Note 24), which was fully impaired as management considers that it is not recoverable after assessing the R&D status. As disclosed in Note 16, the acquisition cost of USD5,544,000 (equivalent to RMB39,200,000) was funded by Syracuse Cayman and then converted into Syracuse's share capital.

**13 Other non-current assets**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
VAT Recoverable. . . . .	319	506	381
	319	506	381

**14 Other receivables and prepayments**

**Group**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments . . . . .	590	115	666
Other receivable from a joint venture (Note 25). . . . .	—	700	—
Other receivable . . . . .	374	563	492
Total . . . . .	964	1,378	1,158

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED**

As at 31 December 2019, other receivable from joint venture is unsecured, non-interest bearing and repayable on demand.

(a) Prepayments

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid to suppliers. . . . .	590	115	666
	<u>590</u>	<u>115</u>	<u>666</u>

The carrying amounts of the other receivables of the Syracuse Group are denominated in RMB.

(b) Other receivables

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables from related parties (Note 25). . . . .	75	837	—
Rental Deposits. . . . .	274	400	453
Staff advances. . . . .	25	26	34
Others. . . . .	—	—	5
	<u>374</u>	<u>1,263</u>	<u>492</u>
Less: provision for impairment of other receivables. . . . .	—	—	—
<b>Other receivables — net . . . . .</b>	<u><b>374</b></u>	<u><b>1,263</b></u>	<u><b>492</b></u>

The carrying amounts of the other receivables of the Syracuse Group are denominated in RMB.

None of the above assets is past due or impaired. The financial assets included in the above balances related to other receivables for which there was no history of default and the expected credit losses are considered minimal.

The carrying amounts of the other receivables of the Syracuse Group approximate their fair values.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**Company**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables from related parties (Note) . . . . .	—	61	—
	—	61	—

*Note:* The amounts are unsecured, interest-free and repayable on demand.

**15 Cash and cash equivalents**

**Group**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at hand . . . . .	—	1	1
Cash at banks			
— RMB . . . . .	1,857	3,760	5,814
— USD . . . . .	2,682	3,989	39,459
— HKD . . . . .	—	46	34
<b>Total</b> . . . . .	4,539	7,796	45,308

The carrying amount of bank deposits approximates their fair value.

**Company**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks			
— USD . . . . .	2,680	3,987	39,457
— HKD . . . . .	—	46	34
<b>Total</b> . . . . .	2,680	4,033	39,491

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**16 Share capital**

**Group and Company**

Authorized, issued and fully paid:

	<b>Number of ordinary shares</b>	<b>Nominal value</b>	<b>RMB equivalent value</b>
	<i>In thousands</i>		<i>RMB'000</i>
As at 31 December 2018 and 1 January 2019 ( <i>Note(a)</i> ) . . . . .	<u>1</u>	<u>HKD1</u>	<u>1</u>
As at 31 December 2019 and 1 January 2020 . . . . .	<u>1</u>	<u>HKD1</u>	<u>1</u>
Allotment of shares ( <i>Note(b)</i> ) . . . . .	<u>13,893</u>	<u>USD1</u>	<u>98,189</u>
As at 30 June 2020 . . . . .	<u>13,894</u>	<u>USD1</u>	<u>98,190</u>

*Note (a):* On 7 June 2018, Syracuse was incorporated in Hong Kong with an authorized share capital of 1,000 ordinary shares, of which, all shares were allotted, fully paid and issued to Syracuse Cayman.

*Note(b):* As at 31 December 2019, the balance of other payables to the related parties of the Syracuse Group amounted to USD7,350,000 (equivalent to RMB51,276,000) (Note 19). During the six months ended 30 June 2020, the Syracuse Group further received funding from its shareholder, Syracuse Cayman, of USD6,543,873 (equivalent to RMB46,228,000) (Note 25), which consisted of USD999,873 for funding of the operation of the Syracuse Group and USD5,544,000 for funding of step up acquisition of 49% equity interest in Aeon Beijing (Note 24). Taking into the consideration of these new fundings, total other payables to the related parties of the Syracuse Group increased to USD13,893,873 (equivalent to RMB97,504,000).

Pursuant to the Board Resolution dated 23 June 2020, Syracuse: (i) increased its ordinary share from USD129 to USD1,000 (equivalent to RMB7,000) and (ii) allotted 13,893,000 ordinary shares at USD1.00 each in the share capital of USD13,893,000 (equivalent to RMB98,183,000) by conversion of the other payables. Syracuse has finished its official registration by increasing share capital on 23 June 2020.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**17 Reserves**

**Group**

	<b>Share-based compensation reserve</b>	<b>Foreign currency translation</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note (a)</i>	<i>Note (b)</i>	
<b>Balance at 1 January 2018</b> . . . . .	—	—	—
Currency translation differences . . . . .	—	(1,293)	(1,293)
<b>Balance at 31 December 2018</b> . . . . .	<u>—</u>	<u>(1,293)</u>	<u>(1,293)</u>
<b>Balance at 1 January 2019</b> . . . . .	—	(1,293)	(1,293)
Currency translation differences . . . . .	—	(761)	(761)
<b>Balance at 31 December 2019</b> . . . . .	<u>—</u>	<u>(2,054)</u>	<u>(2,054)</u>
<b>Balance at 1 January 2019</b> . . . . .	—	(1,293)	(1,293)
Currency translation differences . . . . .	—	(192)	(192)
<b>Balance at 30 June 2019 (Unaudited)</b> . . . . .	<u>—</u>	<u>(1,485)</u>	<u>(1,485)</u>
<b>Balance at 1 January 2020</b> . . . . .	—	(2,054)	(2,054)
Share-based compensation reserve . . . . .	258	—	258
Currency translation differences . . . . .	—	(584)	(584)
<b>Balance at 30 June 2020</b> . . . . .	<u>258</u>	<u>(2,638)</u>	<u>(2,380)</u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**Company**

	<b>Share-based compensation reserve</b>	<b>Foreign currency translation</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note (a)</i>	<i>Note (b)</i>	
<b>Balance at 1 January 2018</b> .....	—	—	—
Currency translation differences .....	—	(1,039)	(1,039)
<b>Balance at 31 December 2018</b> .....	—	(1,039)	(1,039)
<b>Balance at 1 January 2019</b> .....	—	(1,039)	(1,039)
Currency translation differences .....	—	(761)	(761)
<b>Balance at 31 December 2019</b> .....	—	(1,800)	(1,800)
<b>Balance at 1 January 2019</b> .....	—	(1,039)	(1,039)
Currency translation differences .....	—	(192)	(192)
<b>Balance at 30 June 2019 (Unaudited)</b> .....	—	(1,231)	(1,231)
<b>Balance at 1 January 2020</b> .....	—	(1,800)	(1,800)
Share-based compensation reserve .....	—	—	—
Currency translation differences .....	—	(584)	(584)
<b>Balance at 30 June 2020</b> .....	—	(2,384)	(2,384)

- (a) Share-based compensation reserve arose from share-based payment granted to employees of the shareholder (Note 18).
- (b) Foreign currency translation represents the difference arising from the translation of financial statements of companies within the Syracuse Group that have a functional currency different from the presentation currency of RMB for the financial statements of Syracuse and the Syracuse Group.

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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

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**18 Share-based payments**

(a) Stock option

Pursuant to a resolution dated 27 March 2020 of Syracuse Cayman, Syracuse Cayman adopted a stock option scheme (the “**Syracuse 2020 Plan**”), which allows Syracuse Cayman to grant share options to employees of the Syracuse Group to subscribe for an aggregate of 3,375,000 ordinary shares of Syracuse Cayman.

Under the Syracuse 2020 Plan, one senior management’s options were immediately vested on the grant date to compensate for his past service. For the remaining options, 25% shall vest on the first anniversary of the vesting commencement date and 75% shall vest on 16 June 2021. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share of Syracuse Cayman at relevant exercise price.

Movements of the share options granted by Syracuse Cayman to the employees of the Syracuse Group for the six months ended 30th June 2020 are set out below:

Date of grant	Exercisable period	Exercise price	Number of share options				
			Outstanding as	Granted during	Forfeited during	Outstanding as	Vested as
			at 1 January			at 30 June	at 30 June
2020	the period	the period	2020	2020			
3 April 2020	15 months	RMB0.40	—	3,375,000	—	3,375,000	656,250

(b) Fair value of share option granted

Syracuse Cayman has used the discounted cash flow method to determine the underlying equity fair value of Syracuse Cayman and adopted discounted cash flow model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by Syracuse Cayman with best estimate.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

Based on fair value of the underlying ordinary shares, Syracuse Cayman has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	<b>Share Options</b>
Black Scholes Option Value	RMB0.26
Exercise Price	RMB0.40
Current Per Share Value of Common Shares	RMB0.40
Volatility	75.0%
Time to Liquidity	6.0
Risk-Free Rate	0.5%

(c) Expenses arising from share-based payment transactions

Expenses for the share based payments have been charged to the consolidated statements of comprehensive loss as follows:

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Administrative expenses . . . . .	—	—	—	180
Research and development expenses . .	—	—	—	78
Total . . . . .	—	—	—	258



**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**19 Accruals and other payables**

**Group**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables			
— related parties (Notes 16&25) . . . . .	20,589	51,276	—
— third parties . . . . .	342	7	303
Staff salaries and welfare payables . . . . .	412	811	351
Accrued expenses . . . . .	445	644	1,596
Payables for acquisition of a subsidiary (Note 24(b)) . . . . .	—	—	39,200
Accrued taxes other than income tax . . . . .	64	211	60
Deferred income (Note) . . . . .	—	509	1,724
<b>Total . . . . .</b>	<b>21,852</b>	<b>53,458</b>	<b>43,234</b>

*Note:* The government grants related to funding received to compensate for the expenses of the research and development expense of the Syracuse Group, which requires the Syracuse Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. When the required conditions set by the government for such grants are met, the proportion of the qualified funds is recognized as “other income” and the remaining balance is recorded as “Accruals and other payables — deferred income”.

The carrying amounts of other payables of the Syracuse Group are denominated in the following currencies:

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB . . . . .	818	1,538	2,438
USD . . . . .	20,589	51,276	39,220
	<b>21,407</b>	<b>52,814</b>	<b>41,638</b>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**Company**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables			
— related parties (Note 16&25) . . . . .	20,588	51,276	—
Payables for acquisition of a subsidiary . . .	—	—	39,200
Total . . . . .	<u>20,588</u>	<u>51,276</u>	<u>39,200</u>

The carrying amounts of other payables of the Syracuse Group are denominated in USD.

**20 Financial instruments by category**

**Group**

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at amortized costs:			
— Other receivables . . . . .	374	1,263	492
— Cash and cash equivalents . . . . .	4,539	7,796	45,308
Total . . . . .	<u>4,913</u>	<u>9,059</u>	<u>45,800</u>

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Financial liabilities at amortized costs:			
— Other payables . . . . .	21,376	51,927	41,099
Total . . . . .	<u>21,376</u>	<u>51,927</u>	<u>41,099</u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**Company**

	<u>As at 31 December</u>		<u>As at 30 June</u>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at amortized costs:			
— Other receivables . . . . .	—	61	—
— Cash and cash equivalents . . . . .	2,680	4,033	39,491
<b>Total . . . . .</b>	<b>2,680</b>	<b>4,094</b>	<b>39,491</b>

	<u>As at 31 December</u>		<u>As at 30 June</u>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Financial liabilities at amortized costs:			
— Other payables . . . . .	20,588	51,276	39,200
<b>Total . . . . .</b>	<b>20,588</b>	<b>51,276</b>	<b>39,200</b>

**21 Dividend**

No dividend has been paid or declared by Syracuse during each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**22 Cash flow information**

(a) Reconciliation of loss before income tax to net cash used in operation

	As at 31 December		As at 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax . . . . .	(7,918)	(28,352)	(15,765)	(47,969)
Adjustments for			(Unaudited)	
— Depreciation (Note 11) . . . . .	—	354	194	323
— Amortization (Note 12) . . . . .	—	761	759	1
— Share-based compensation expenses (Note 18) . . . . .	—	—	—	258
— Finance (income) — net . . . . .	—	(14)	(6)	(7)
— Impairment of investments in joint ventures (Note 10) . . . . .	7,918	1,600	1,600	—
— Share of loss of joint venture (Note 10) . . . . .	—	8,442	5,266	346
— Impairment loss on goodwill (Note 12) . . . . .	—	—	—	37,120
	—	(17,209)	(7,952)	(9,928)
Changes in working capital:				
— Decrease/(increase) in prepayments and other receivables . . . . .	—	286	(253)	453
— (Increase)/decrease in other non-current assets . . . . .	—	(187)	(35)	125
— Increase in accruals and other payable . . . . .	—	919	244	1,414
Cash used in operations . . . . .	—	(16,191)	(7,996)	(7,936)

(b) Major non-cash transactions

Pursuant to Board Resolution dated 20 December 2018, Syracuse acquired 50% interest in equity of Aeon Group at a cash consideration of USD2,000,000 (equivalent to RMB12,671,000), which was paid by Syracuse Cayman on its behalf.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

Pursuant to the Board Resolution dated 23 June 2020, Syracuse was allotted shares in the capital of totalling USD13,893,873 (equivalent to RMB98,189,000). The consideration of the new shares issued has been satisfied by other payable to the related party.

(c) Changes in liabilities from financing activities

	<b>Payable to related parties</b>
	<i>RMB'000</i>
1 January 2018 .....	—
Cash flows (Note 25) .....	7,918
Non-cash movement (Note 22) .....	12,671
<b>At 31 December 2018</b> .....	<b>20,589</b>
	<b>Payable to related parties</b>
	<i>RMB'000</i>
1 January 2019 .....	20,589
Cash flows (Note 25) .....	30,687
<b>At 31 December 2019</b> .....	<b>51,276</b>
	<b>Payable to related parties</b>
	<i>RMB'000</i>
1 January 2019 .....	20,589
Cash flows (Note 25) .....	19,629
<b>At 30 June 2019</b> .....	<b>40,218</b>
	<b>Payable to related parties</b>
	<i>RMB'000</i>
1 January 2020 .....	51,276
Cash flows (Note 25) .....	46,228
Non-cash movement (Note 22) .....	(98,189)
Impact of changes in foreign exchange rate .....	685
<b>At 30 June 2019</b> .....	<b>—</b>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**23 Commitments**

(a) Operating lease commitments — where the Syracuse Group is the lessee

At the balance sheet dates, lease commitments of the Syracuse Group for leases not yet commenced for short-term lease and low-value lease are as follows:

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year . . . . .	281	895	973

**24 Business Combination**

(a) Acquisition of a subsidiary — Eureka (Beijing) Biotechnology Co., Ltd.

On 27 December 2018, Syracuse acquired 100% of the equity interest in Eureka (Beijing) Biotechnology Co., Ltd. (“**Eureka Beijing**”) at a total consideration of USD609,488 (equivalent to RMB4,199,000).

The following table summarize the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 27 December 2018
	<i>RMB'000</i>
Purchase consideration . . . . .	4,199
Fair value of net assets acquired shown as below . . . . .	(4,199)
Total goodwill. . . . .	—

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

Recognized amounts of identifiable assets acquired and liabilities assumed:

	<b>As at 27 December 2018</b>
	<i>RMB'000</i>
Property, plant and equipment . . . . .	1,304
Intangible assets . . . . .	763
Other current assets . . . . .	40
Other receivables and prepayments . . . . .	2,041
Cash and cash equivalents . . . . .	1,858
Trade and other payable . . . . .	(1,807)
Total identifiable net assets . . . . .	<u>4,199</u>
Outflow of cash to acquire Aeon Beijing . . . . .	
— Purchase consideration paid by cash . . . . .	4,199
— Cash and cash equivalent in subsidiary acquired . . . . .	(1,858)
Net cash outflow on acquisition . . . . .	<u>2,341</u>

If the acquisitions had occurred on 1 January 2018, the comprehensive loss for the period ended 31 December 2018 would have been decreased by RMB668,000.

(b) Step acquisition from joint ventures to subsidiaries

On 30 June 2020, the Syracuse Group further acquired 49% equity interests in Aeon Beijing and Aeon Wuhan at a total consideration of RMB39,200,000 (Note 10). Since then, Aeon Beijing and Aeon Wuhan became wholly-owned subsidiaries of the Syracuse Group.

Details of net assets acquired are as follows:

	<i>RMB'000</i>
Purchase consideration . . . . .	39,200
Fair value of pre-existing interests in Aeon Group . . . . .	2,165
Fair value of net assets acquired shown as below . . . . .	(4,245)
Goodwill . . . . .	<u>37,120</u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

Recognized amounts of identifiable assets acquired and liabilities assumed:

	<b>As at 30 June 2020</b>
	<i>RMB'000</i>
Property, plant and equipment . . . . .	4,975
Other current assets . . . . .	95
Other receivables and prepayments . . . . .	138
Cash and cash equivalents . . . . .	160
Trade and other payable . . . . .	(1,123)
Total identifiable net assets acquired . . . . .	4,245
Inflow of cash to acquire Aeon Group	
— Cash and cash equivalent in subsidiary acquired . . . . .	160
Net cash inflow on acquisition . . . . .	160

**25 Related party transactions**

The major related parties that had transactions and balances with the Syracuse Group were as follows:

Name of related parties	Relationship with the Syracuse Group
Syracuse Cayman	Shareholder
Eureka Therapeutics, Inc., Syracuse Biopharma Inc. (California)	Controlled by the ultimate investor of Syracuse Group Controlled by the shareholder of Syracuse Group
Aeon Beijing	Joint venture

The Company and its subsidiaries became the related parties of the Syracuse Group after the completion of share transfer disclosed in Note 1. There was no transactions between the Company and its subsidiaries with the Syracuse Group before the share transfer during the Track Record Period.

(a) Key management compensation

The directors are regarded as the key management of the Syracuse Group. The compensation paid or payable to the key management for employment services is disclosed in Note 8.



**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

(b) Transactions with related parties

(i) *Funding received*

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Syracuse Cayman . . . . .	7,918	30,685	19,627	46,228
Syracuse Biopharma Inc. (California) .	—	2	2	—
	<u>7,918</u>	<u>30,687</u>	<u>19,629</u>	<u>46,228</u>

(ii) *Loan advanced to a related party*

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Aeon Beijing . . . . .	—	700	—	—
	<u>—</u>	<u>700</u>	<u>—</u>	<u>—</u>

(iii) *Service fee charged from a related party*

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Syracuse Biopharma Inc. (California) .	—	62	61	—
	<u>—</u>	<u>62</u>	<u>61</u>	<u>—</u>

(iv) *Investment cost paid by a related party*

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Syracuse Cayman . . . . .	12,671	—	—	—
	<u>12,671</u>	<u>—</u>	<u>—</u>	<u>—</u>

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA (HONG KONG) LIMITED**

(v) *Allotment of shares by conversion of shareholder's loan*

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Syracuse Cayman . . . . .	—	—	98,189
	—	—	98,189
	—	—	98,189

(c) Balances with related parties

(i) *Other receivables*

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Syracuse Biopharma Inc. (California) . . . . .	—	62	—
Eureka Therapeutics, Inc., . . . . .	75	75	—
Aeon Beijing . . . . .	—	700	—
	75	837	—
	75	837	—

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

None of the above assets is past due or impaired. The financial assets included in the above balances related to other receivables for which there was no history of default and the expected credit losses are considered minimal.

(ii) *Accrual and other payable*

	As at 31 December		As at 30 June
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Syracuse Cayman . . . . .	20,589	51,274	—
Syracuse Biopharma Inc. (California) . . . . .	—	2	—
	20,589	51,276	—
	20,589	51,276	—

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

**26 Investments in subsidiaries — Company**

(a) Particulars of the subsidiaries of the Syracuse Group are set out below:

Company name	Country/ place and date of incorporation/ establishment	Registered capital	Effective interests held by the Group % as at the date of this report			Direct or indirect	Principle activities
			As at 30				
			As at 31 December	2019	June		
Eureka (Beijing) Biotechnology Co., Ltd (優瑞科(北京)生物技術有限公司)	PRC, 2 April 2007	RMB40,000,000	100%	100%	100%	Direct	Conducts clinical studies of T-cell therapies in China
Syracuse Biopharma (Jiangsu) Co., Ltd. (賽諾思遠生物技術(江蘇)有限公司) (“Syracuse Jiangsu”)	PRC, 18 September 2018	RMB100,000,000	NA	100%	100%	Direct	Conducts clinical studies of T-cell therapies in China
Aeon Therapeutics (Beijing) Limited (頤昂生物科技(北京)有限公司)	PRC, 8 March 2017	RMB40,000,000	50%	51%	100% (Note)	Direct	Conducts clinical studies of T-cell therapies in China
Wuhan Guanggu Aeon Therapeutics Limited (武漢光谷頤昂生物科技有限公司)	PRC, 28 August 2018	RMB10,000,000	50%	51%	100%	Indirect	Conducts clinical studies of T-cell therapies in China

*Note:* The Syracuse Group has 100% interests in the equity of Aeon Beijing, of which 99% is held by Syracuse and 1% is held by Eureka Beijing.

(b) Particulars of the subsidiaries of the Syracuse Group as at the date of this report are set out below:

The statutory auditor of Aeon Beijing for the years ended 31 December 2018 and 2019 is Beijing Dongshen Dingli International Certified Public Accountants (“北京東審鼎立國際會計師事務所”).

The statutory auditor of Eureka Beijing for the years ended 31 December 2018 and 2019 is Beijing Zhongpingjianhuahao Certified Public Accountants (“北京中平建華浩會計師事務所有限公司”).

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**APPENDIX III ACCOUNTANTS' REPORT OF SYRACUSE BIOPHARMA  
(HONG KONG) LIMITED**

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No audited financial statements have been prepared for Syracuse Jiangsu and Aeon Wuhan for the year ended 31 December 2018 as the companies were newly incorporated. The statutory auditor of Syracuse Jiangsu and Aeon Wuhan for the year ended 31 December 2019 is Nantong Weiye United Certified Public Accountants (“南通偉業聯合會計師事務所”).

**27 Subsequent events**

There are no material subsequent events undertaken by the Syracuse Group after 30 June 2020.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by Syracuse or any of the companies now comprising the Syracuse Group in respect of any period subsequent to 30 June 2020 and up to the date of this report. No dividend or distribution has been declared or made by Syracuse or any of the companies now comprising the Syracuse Group in respect of any period subsequent to 30 June 2020.