You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

For the purpose of this section, unless the context otherwise requires, references to 2019 and 2020 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a China-based, rare disease-focused biopharmaceutical company committed to the research, development and commercialization of biotech therapies. As of the Latest Practicable Date, we had developed a comprehensive pipeline of 13 drug assets with significant market potential targeting some of the most prevalent rare diseases as well as rare oncology indications, including three marketed products, four drug candidates at clinical stage, one at IND-enabling stage, two at preclinical stage, and three gene therapy programs at lead identification stage.

We are led by a management team with significant industry experience in rare diseases, spanning R&D, clinical development, regulatory affairs, business development and commercialization, supported by a pool of talent of 173 employees where more than 80% of our employees had experience working at multinational biopharmaceutical companies. Our management team collectively has a track record of successfully commercializing rare disease therapies across the key markets including China, the United States, Europe, Latin America, and Southeast Asia. Leveraging our management's expertise, we play an active role in advancing the rare disease industry and shaping the rare disease ecosystem in China. For example, our founder Dr. Xue is currently serving as the Deputy Director General of China's Alliance for Rare Disease (CHARD).

Since our inception in 2012, we have built a comprehensive portfolio targeting diseases with validated mechanisms of action with significant market potential, consisting of biologics, small molecules, and gene therapy solutions. We have built our pipeline through, and will continue to enrich it via business partnerships and collaborations with academic institutions, together with in-house research and development.

During Track Record Period, our revenue primarily constituted of the sales of our approved medical products, namely, Caphosol™(CAN002), Nerlynx®(CAN030) and Hunterase®(CAN101). In 2019, 2020 and for the six months ended June 30, 2020 and 2021, our revenue from sales of products amounted to RMB1.5 million, RMB12.0 million, RMB1.9 million and RMB12.2 million, respectively. During the Track Record Period, we incurred substantial amount of fair value changes of convertible redeemable preferred shares, research and development expenses, administrative expenses, selling and distribution expenses, and as a result, we recorded a total net loss of RMB217.7 million in 2019, RMB846.0 million in 2020 and RMB156.7 million and RMB344.2 million for the six months ended June 30, 2020 and 2021, respectively. Out of the net loss during the Track Record Period, we recognized fair value changes of convertible redeemable preferred shares of RMB73.7 million, RMB591.4 million and RMB21.8 million for the years ended 2019, 2020 and for the six months ended June 30, 2021, respectively. The convertible redeemable preferred shares will be converted into Shares upon [**REDACTED**], after which we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares. We expect to incur an increased amount of operating expenses in the near term as we further our pre-clinical research, continue the clinical development of, and seek regulatory approval for and manufacturing of our product candidates, launch our pipeline products, and expand the commercialization of our approved products in China and overseas.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2018. Our Company is an investment holding company. During the Track Record Period, the subsidiaries of the Company were principally engaged in the research and development and commercialization of medical products. For more details, see the section headed "History, Reorganization and Corporate Structure."

The consolidated financial information of our Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the consolidated financial information consistently throughout the Track Record Period and the six months ended June 30, 2020.

The consolidated financial information has been prepared under the historical cost convention, except for certain financial liabilities which have been measured at fair value through profit or loss, as explained in the respective accounting policies in the Accountants' Report in Appendix I to this document. The consolidated financial information of our Group is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. The preparation of consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Company's accounting policies.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

Our Ability to Commercialize and Develop Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates, if approved for marketing. Our pipeline consists of nine drug candidates ranging from pre-clinical to registrational stage for the treatment of rare diseases. Although we currently have three products approved for commercial sale and have generated revenue from the sales of two products in the Track Record Period, we expect to commercialize one or more of our drug candidates over the coming years as they move toward the final stages of development. We expect the commercial sales of these drugs to generate revenue for us in the near future. Our ability to do so is however dependent on the successful commercialization of such products. The commercialization may require significant marketing efforts before we generate any revenue from product sales. If they fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See the section headed "Business" for more information on the development status of our various drug candidates and "Risk Factors – Risks Relating to Manufacturing and Commercialization of Our Drug Candidates" in this document.

Our business and results of operations also depend on our ability to successfully develop our drug candidates. As of the Latest Practicable Date, we had developed a comprehensive and differentiated pipeline of 13 drug assets with significant market potential targeting some of the most prevalent rare diseases as well as rare oncology indications, including three marketed products, four drug candidates at clinical stage, one at IND-enabling stage, two at preclinical stage and another three gene therapy programs at lead identification stage. For more information on the development status of our various drug candidates, see the section headed "Business – Our Portfolio" in this document. Our business and results of operations depend on our drug candidates demonstrating favorable safety and efficacy clinical trial results, and our ability to obtain the requisite regulatory approvals for our drug candidates.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development costs, administrative expenses and selling and distribution expenses.

Since our inception, we have focused our resources on our R&D activities, including conducting pre-clinical studies, clinical trials and activities related to regulatory filings for our drug candidates. Our research and development costs primarily consist of:

- staff costs that consists of salaries, bonuses, welfare, pension and shared-based compensation for our research and development employees;
- travel and business related expenses;
- technical service fees;
- testing and clinical trial expenses; and
- license fees, including upfront and milestone payments.

Research and development activities are central to our business. Our current research and development activities mainly relate to drug discovery, preclinical research, clinical trials and the clinical advancement of our drug candidates. See "Business – Research and Development." Our research and development expenses primarily consist of staff costs, travel and business related expenses, technical service fees, testing and clinical trial expenses, license fees and other expenses. At this time, it is difficult to estimate or know for certain, the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our drug candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our drug candidates. This is due to the numerous risks and uncertainties associated with developing and commercializing such drug candidates. We expect research and development costs to increase significantly for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our drug candidates and as we initiate additional clinical trials on these drug candidates.

Our administrative expenses primarily consist of staff costs for administrative personnel, depreciation expenses, travel costs, office expenses, professional service fees, and others. Staff costs consist of salaries, bonuses, welfare, pension and shared-based compensation for administrative personnel. Other administrative expenses include rental fees, taxes and bank charges.

We also expect our administrative expenses to increase in future periods to support our drug and development efforts and support any commercialization activities with respect to our drug candidates, if approved. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Our selling and distribution expenses primarily consist of marketing expenses, staff costs, travel costs, amortization expenses and others. Given our robust pipeline of drug candidates in clinical trials, especially our three products at commercial stage, we are in the process of expanding our sales and marketing team in anticipation of current products and potential product launches in the coming years.

Funding for Our Operations

For the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2021, we funded our operations primarily through equity and debt financing. Going forward, after successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our drug products. However, with the continuing expansion of our business and development of new drug candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operation.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.4 and 3 to the Accountants' Report in Appendix I to this document.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

We recognised revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until the associated uncertainty with the variable consideration is subsequently resolved, and it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Other income

We recognised interest income on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Intangible Assets (Other Than Goodwill)

We measured intangible assets acquired separately on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized.

Intellectual Properties

Purchased patents and licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years, based on the remaining patent protection period.

Research and development expenditures

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Fair Value Measurement

We measure our financial derivatives at fair value at the end of each of the relevant periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Accountants' Report are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Accountants' Report on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the relevant periods.

As of December 31, 2019 and 2020 and June 30, 2021, our Level 3 financial instruments included our convertible redeemable preferred shares, convertible loans and derivative financial instruments at fair value through profit or loss, which are designated as financial liabilities at fair value through profit or loss on the consolidated balance sheet. They are initially recognized at fair value and the increases in the fair value are recognized as fair value losses on the consolidated statements of comprehensive loss. See "– Description of Selected Components of Statements of Profit or Loss – Fair Value Changes".

In relation to the valuation of our convertible redeemable preferred shares, convertible loans and derivative financial instruments during the Track Record Period, our Directors adopted the following procedures: (1) reviewed the terms of the relevant agreements; (2) reviewed the relevant fair value measurement assessment presented by our finance personnel and carefully considered all information available and considered various applicable valuation techniques in determining the valuation of the convertible redeemable preferred shares, convertible loans and derivative financial instruments; (3) engaged an independent third-party valuer for the valuation of the convertible redeemable preferred shares, convertible loans and derivative financial instruments, and provided all material documents and information to the valuer which were true, accurate and complete that were likely to affect the valuation to ensure

that the valuation took into account all relevant matters; and (4) reviewed the valuation results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of the Level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques, significant unobservable inputs and the relationship of unobservable inputs to fair value, are disclosed in note 33 to the Accountants' Report in Appendix I. The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200"Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant's opinion on our historical financial information for the Track Record Period as a whole is set out on page I-1 to I-3 of Appendix I to this document.

The Joint Sponsors have conducted, among others, the following due diligence work in respect of the valuation analysis on level 3 financial instruments performed by the valuer: (1) discussed with the Company to understand the nature and details of the financial instruments; (2) obtained and reviewed the relevant subscription agreements regarding the financial instruments; (3) discussed with the Company and the Reporting Accountants about the key basis and assumptions for the valuation of the financial instruments; (4) conducted interviews with the valuer to understand the assumptions and methodology used in the valuation report; (5) reviewed the relevant notes in the Accountants' Report as contained in Appendix I; (6) reviewed relevant documents provided by valuer, including the valuer's credentials and the valuation reports, which set forth the valuation approaches, selection of approach, assumptions, key inputs and sources of information. Having considered the work done by the Company and the Reporting Accountants, and the relevant due diligence work conducted as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuer on the level 3 financial instruments.

Share-based Payments

We operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**"). We measured the cost of equity-settled transactions with employees for grants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the Accountants' Report.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the relevant periods until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment		32%
Furniture and fixtures		19%
Motor vehicles		24%
Leasehold improvements	Over the shorter of the lease terms and	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	**Estimated useful lives**
Leasehold office	1.2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Government Grants

We recognized government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Impairment testing of the patents and licenses

We performed annual impairment testing during the Track Record Period for the patents and technology know-how which were not yet available for use. For impairment testing, the development cost is allocated to the cash generating unit (the "CGU") at the product pipeline level, which is supposed to be able to generate cash flows independently from those of the other products.

As at 31 December 2019, the intangible asset is related to the capitalisation of the license expense and clinical trial expenses of Hunterase® (CAN101), which has been available for use from 2020.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management of the Group covering a 5-year period based on the remaining valid term of the patent related to the CAN101.

Key assumptions used in the calculation are as follows:

CAN101	As at 31 December 2019
Gross margin (% of revenue)	57.4%
The pre-tax discount rate	19.6%

Assumptions were used in the value-in-use calculation of the CGU as at 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the development cost:

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since the year when the CAN101 products launched.

The pre-tax discount rate used is before tax and reflects specific risks relating to the unit.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, on impairment testing of the development cost as of the dates indicated.

CAN101	Recoverable amount of the development cost exceeds its carrying amount decrease by As at 31 December 2019 *RMB'000*
Possible changes of key assumptions	
The gross margin rate decreased by 5.0%	(7,045)
Pre-tax discount rate increased by 1.0%	(3,002)

Considering that there was sufficient headroom based on the assessment, we believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Details of the headroom measured by excess of the recoverable amounts over the carrying amounts of the CGU as at 31 December 2019 is set out as follows:

CAN101	**As at 31 December 2019** *RMB'000*
Recoverable amounts	51,356
Less: carrying amounts	(41,633)
	9,723

The directors of the Company determined that there was no impairment of its CGU at the end of each of the Track Record Period.

Critical Accounting Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying our Group's accounting policies.

Estimates and judgements 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.

Estimation of the fair value of financial liabilities

We measured certain financial liabilities at fair value at the end of each of the relevant periods as disclosed in note 33 to the Accountants' Report. The convertible redeemable preferred shares and warrants issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques. We applied the backsolve approach to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares and warrants. Key assumptions such as the timing of the liquidation, redemption or the event as well as the probability of the various scenarios were based on our best estimates. Further details are included in notes 25, 26 and 33 to the Accountants' Report.

The convertible loans borrowed by the Company exhibits the characteristics of an embedded derivative and we have designated the entire instrument as a financial liability at fair value through profit or loss. As it is not traded in an active market, we applied the backsolve approach to determine its fair value. Key assumptions such as conversion possibility were based on our best estimates. Further details are included in notes 24 and 33 to the Accountants' Report.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at the end of each of the reporting period. Intangible assets not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurement of share-based payments

The Group has set up the 2019 Equity Incentive Plan and granted options to the Company's directors, the Group's employees and consultants. The fair value of the options is determined by the binomial option-pricing model at the grant dates for options granted to directors and employees, and at the service provision dates for the consultants. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by management. Further details are included in note 30 to the Accountants' Report.

Leases – Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. We evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilized, management's judgment is required to assess the probability of future taxable profits. Our assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Provision for inventories

We review the carrying amounts of the inventories at the end of each of the reporting period to determine whether the inventories are carried at lower of cost and net realizable value. The net realizable value is estimated based on current market situation and historical experience. Any change in the assumptions would increase or decrease the amount of inventories written-down or the related reversals of write-down and affect the Group's financial position.

Useful lives of intangible assets

We amortized the intangible assets on the straight-line basis by taking into account the residual value. We review the estimated useful lives on an annual basis to determine the related amortization charges for its intangible assets. The estimation is based on the legal protection period, with consideration of market condition. Our management will increase the amortization charges when useful lives become shorter than previously estimated.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss for the periods indicated derived from our consolidated statements of profit or loss set out in the Accountants' Report included in Appendix I to this document:

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Revenue	1,469	12,032	1,944	12,192
Cost of sales	(504)	(5,154)	(838)	(5,353)
Gross profit	965	6,878	1,106	6,839
Other income and gains	580	1,359	747	11,052
Selling and distribution expenses	(28,881)	(51,008)	(16,401)	(44,768)
Administrative expenses	(53,719)	(77,716)	(29,337)	(52,928)
Research and development expenses	(55,383)	(109,642)	(35,884)	(274,837)
Fair value changes of convertible redeemable preferred shares	(73,694)	(591,385)	(79,043)	(21,848)
Fair value changes of convertible loans	(1,584)	1,689	1,689	–
Fair value changes of derivative financial instruments	(17)	(20,746)	3,175	34,454
Other expenses	(3,667)	(1,599)	(663)	(609)
Finance costs	(2,275)	(3,873)	(2,119)	(1,558)
Loss before tax	(217,675)	(846,043)	(156,730)	(344,203)
Income tax expense	–	–	–	–
Loss for the year/period	(217,675)	(846,043)	(156,730)	(344,203)
Attributable to:				
Owners of the parent	(217,675)	(846,043)	(156,730)	(344,203)

Revenue

During the Track Record Period, our revenue was generated from sales of medical products, including our Caphosol™(CAN002), Nerlynx®(CAN030) and Hunterase®(CAN101) to three countries or regions. For the year ended 2019 and 2020 and the six months ended June 30, 2021, the revenue we generated from Caphosol™(CAN002) was RMB1.1 million, RMB0.4 million and RMB0.9 million, respectively. Caphosol™(CAN002) experienced a decreasing

trend in its average selling price over the Track Record Period mainly due to a shift in our distribution model in 2020 to selling directly at a lower average selling price to a healthcare company that conducts its own promotional activities. The average selling price of CaphosolTM (CAN002) remains stable during the first half of 2021, and we expect its average selling price to continue to remain stable in the future during the term of the agreement between us and the healthcare company until 2027, with an automatic renewal of a further period of three years unless otherwise agreed by the parties.

For the year ended 2019 and 2020 and the six months ended June 30, 2021, the revenue we generated from Nerlynx®(CAN030) was RMB0.4 million, RMB11.7 million and RMB10.7 million, respectively. Nerlynx®(CAN030) experienced a decrease in its average selling price over the Track Record Period mainly due to (i) a planned price decrease in Hong Kong to expand market access, (ii) its introduction in mainland China, a region where the average selling price is lower, starting in the fourth quarter of 2020 and (iii) our active participation in the patient assistance programs to increase our sales volume during the Track Record Period. We did not experience a decrease in the average selling price of Nerlynx® (CAN030) as of June 30, 2021 as compared to March 31, 2021, and do not expect their average selling price to continue to decrease unless Nerlynx®(CAN030) is added to any reimbursement drug list in the future and we plan to actively participate in the reimbursement program to increase patient access to Nerlynx®(CAN030).

We launched Hunterase®(CAN101) in mainland China in May 2021. For the six months ended June 30, 2021, the revenue we generated from Hunterase®(CAN101) was RMB0.7 million. As our pipeline drug candidates are expected to launch into the market in the near future upon approval, we expect to continue to generate most of our revenue from sales of medical products.

Geographical information

	Year ended December 31,		**Six months ended June 30,**	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Mainland China	1,061	5,448	117	3,837
Taiwan	–	319	–	5,418
Hong Kong	408	6,265	1,827	2,937
	1,469	12,032	1,944	12,192

The revenue information above is based on the locations of the customers.

Cost of Sales

Our cost of sales primarily consists of costs of goods sold and royalties. Our costs of goods sold primarily consist of purchase costs of the medical products. Our royalties primarily include the royalties associated with Nerlynx®(CAN030). Royalties are determined in accordance with respective royalty terms which is mainly based on, among others, the revenue generated by the respective products.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2019 and 2020, our gross profit was RMB1.1 million and RMB6.9 million, respectively, and our gross profit margin was 65.7% and 57.2%, respectively. For the six months ended June 30, 2020 and 2021, our gross profit was RMB1.0 million and RMB6.8 million, respectively, and our gross profit margin was 56.9% and 56.1%, respectively.

Other Income and Gains

Our other income and gains consist of bank interest income, government grants, interest income from financial assets measured at amortized cost, gain on disposal of an intangible asset and foreign exchange gains, net. The table below sets forth a breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Other income and gains				
Bank interest income	120	964	454	1,124
Government grants	173	395	293	201
Interest income from financial assets measured at amortized cost	40	–	–	–
Gain on disposal of an intangible asset	–	–	–	9,727
Foreign exchange gains, net	247	–	–	–
Total	580	1,359	747	11,052

Bank interest income refers to the amount of interest we received from our deposits with commercial banks. Government grants mainly represent incentives we received from the local governments for the purpose of compensation for expenditure arising from research activities and clinical trial activities and awards for new product development and expenditure incurred on certain projects. For example, we received government grants from relevant government authorities for our construction of R&D facilities in China. Interest income from financial assets measured at amortized cost represents the interest derived from wealth management products and calculated by applying the effective interest rate to the gross carrying amount of our financial assets. Gain on disposal of an intangible asset represents the gain on disposal of our license rights in Nerlynx®(CAN030) as we strategically shift our business focus to rare disease and rare oncology. For details, please refer to "Business – Legal Proceedings and Compliance". Foreign exchange gains, net, primarily reflect the increased value of the foreign currency we hold resulting from fluctuated exchange rate.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of marketing expenses, staff costs, travel and business related expenses, amortization expenses and others. The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Selling and Distribution Expenses				
Marketing expenses	8,930	8,066	1,462	14,244
Staff costs	16,641	29,206	12,135	25,044
Travel and business related expenses	1,346	1,676	222	1,393
Amortization expenses	–	10,679	2,345	3,764
Others	1,964	1,381	237	323
Total	28,881	51,008	16,401	44,768

Our marketing expenses primarily consist of expenses associated with our sales and marketing activities, such as product promotion expenses. Our staff costs include salaries, bonuses, welfare, pension and share-based compensation for our sales and marketing employees. Our travel and business related expenses include any travel expenses incurred for our sales and marketing activities. Our selling and distribution expenses include amortization expenses relating to certain of our intangible assets. Our license payment with regard to Hunterase®(CAN101) and Nerlynx®(CAN030) are closely related to our product commercialization and therefore the amortization expenses are recognized as selling and distribution expenses. Our other selling and distribution expenses are mainly comprised of office supplies as well as other expenses that are directly related to our marketing and promotion activities.

Administrative Expenses

Our administrative expenses primarily consist of staff costs, depreciation expenses, travel and business related expenses, office expenses, professional service fees, [**REDACTED**] and others. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Administrative Expenses				
Staff costs	28,454	29,300	15,509	19,353
Depreciation expenses	3,113	4,757	1,944	3,336
Travel and business related expenses	1,810	925	312	744
Office expenses	823	2,260	901	1,379
Professional service fees	15,716	29,323	9,153	18,747
[**REDACTED**]	293	7,671	400	7,538
Others	3,510	3,480	1,118	1,831
Total	53,719	77,716	29,337	52,928

Our staff costs include salaries, bonuses, welfare, pension and shared-based compensation for our administrative staff. Our depreciation expenses mainly include depreciation of property, plant and equipment and right-of-use assets. Travel and business related expenses include any travel expenses incurred during business trips of the administrative staff. Our office expenses include utility costs, communication expenses and other general office expenses. Our professional service fees primarily consist of the service fees paid to third-party professionals, such as tax advisors, legal advisors, auditors and intellectual property agents. Other administrative expenses primarily include rental fees, taxes and bank charges.

Research and Development Expenses

Our research and development expenses primarily consist of staff costs, travel and business related expenses, technical service fees, testing and clinical trial expenses, license fees and other expenses. The table below sets forth a breakdown of our research and development expenses for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Research and development expenses				
Staff costs	20,326	29,006	10,220	20,984
Travel and business related expenses	2,711	1,257	86	739
Technical service fees	8,419	13,222	3,588	10,436
Testing and clinical trial expenses	14,090	39,249	1,661	67,022
License fees	6,209	24,030	19,224	173,283
Other expenses	3,628	2,878	1,105	2,373
Total	55,383	109,642	35,884	274,837

Our staff costs include salaries, bonuses, welfare, pension and shared-based compensation for our research and development employees. Travel and business related expenses include any travel expenses incurred during business trips for research and development activities. Our technical service fees refer to the service fees we paid to our third-party service providers for research and development strategy and technical advices. Testing and clinical trial expenses include CMC expenses, clinical trials expenses, expenses incurred in connection with our pre-clinical studies and other testing expenses. Our license fees include upfront and milestone payments. Other expenses are mainly comprised of registration fee, depreciation and amortization and other general expenses incurred for the purpose of research and development.

For our Core Product, CAN008, our research and development expenses were RMB11.9 million and RMB4.3 million for the years ended December 31, 2019 and 2020 respectively and RMB1.6 million and RMB17.9 million for the six months ended June 30, 2020 and 2021, respectively. Changes in the R&D expenses are related to the scope and size of R&D activities in CAN008.

Fair Value Changes

Fair value changes of convertible redeemable preferred shares

Fair value changes of convertible redeemable preferred shares represent changes in fair value of the preferred shares issued by us. We designated the entire instrument of the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognized as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of preferred shares is recognized in profit or loss except for the portion attributable to credit risk change which will be recognized to other comprehensive income, if any. The convertible redeemable preferred shares will be converted into Shares upon [**REDACTED**], after which we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares.

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the Backsolve Approach to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the risk-free interest rate, the lack of marketability discount as well as the volatility were based on the Group's best estimates. The table below sets forth our fair value changes of convertible redeemable preferred shares for the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021. Our fair value changes of convertible redeemable preferred shares changed from a loss of RMB73.7 million for 2019 to a loss of RMB591.4 million for 2020, primarily due to the increase in our Company's valuation. Please see note 25 of the Accountants' Report set out in Appendix I for further details.

	For the year ended December 31,		**For the six months ended June 30,**	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Fair value changes of convertible redeemable preferred shares	(73,694)	(591,385)	(79,043)	(21,848)

Fair value changes of convertible loans

In July 2019, the Company entered into a convertible loan agreement (the "**Convertible Loan Agreement**") with Yuanming Healthcare Holdings Limited ("**Yuanming Healthcare**"). Yuanming Healthcare provided the Company with a convertible loan amounting to US$5 million, which bears floating interest which depended on factors including the timing of the Company's completion of future rounds of financing, the investment amount for such financing and the subscription price for Yuanming Healthcare to convert such loan to the Company's

convertible redeemable preferred shares. The Company has designated the convertible loan from Yuanming Healthcare as a financial liability at fair value through profit or loss. As of June 30, 2021, the convertible loan has been fully converted into convertible redeemable preferred shares, and the Company does not expect to record additional fair value changes from such convertible loan in the future.

The table below sets forth our fair value changes of convertible loans for the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021. Please see note 24 of the Accountants' Report set out in Appendix I for further details.

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Fair value changes of convertible loans	(1,584)	1,689	1,689	–

Our fair value changes of convertible loans changed from a loss of RMB1.6 million for 2019 to a gain of RMB1.7 million for 2020, primarily due to the decrease of the fair value of convertible loans in 2020. The decrease of the fair value of convertible loans was due to changes of fair value assumptions such as decrease in time to maturity of convertible loans and increase in the conversion probability to equity, as a result of Series D-1 preferred shares financing closed in March 2020.

Fair value changes of derivative financial instruments

The derivative financial instruments represented warrants issued by the Company to the holders who will be entitled to exercise the warrants in exchange for the Company's convertible redeemable preferred shares. We measured warrants at fair value through profit and loss. The table below sets forth our fair value changes of derivative financial instruments for the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021. Please see note 26 of the Accountants' Report set out in Appendix I for further details.

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Fair value changes of derivative financial instruments	(17)	(20,746)	3,175	34,454

Our fair value changes of derivative financial instruments increased significantly from a gain of RMB3.2 million for the six months ended June 30, 2020 to a gain of RMB34.5 million for the six months ended June 30, 2021, primarily due to the derecognition of derivative financial instruments in the six months ended June 30, 2021 and the decrease in the fair value of derivative financial instruments before its derecognition. As the expiration date of the derivative financial instruments approached during the six months ended June 30, 2021, the time value of the derivative financial instruments decreased, resulting in the decrease of the fair value of the derivative financial instrument by RMB15.1 million before its derecognition. As investors of Series D-1 Preferred Shares agreed to terminate their rights to exercise warrants in May 2021, the corresponding derivative financial instruments were derecognized, resulting in a decrease of the liability and a gain recorded in fair value changes of derivative financial instruments by RMB19.3 million.

Other Expenses

Our other expenses were RMB3.7 million, RMB1.6 million, RMB0.7 million and RMB0.6 million for the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021, respectively. Our other expenses primarily consist of foreign exchange losses (net), write-down of inventories to net realizable value, impairment of other receivables, and other expenses.

	For the year ended December 31,		For the six months ended June 30,	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Foreign exchange loss, net	–	470	448	607
Write-down of inventories to net realizable value	3,504	1,117	215	–
Impairment of other receivables	163	–	–	–
Others	–	12	–	2
Total	3,667	1,599	663	609

Finance Costs

Our finance costs were RMB2.3 million and RMB3.9 million for the years ended December 31, 2019 and 2020, and RMB2.1 million and RMB1.6 million for the six months ended June 30, 2020 and 2021, respectively. Our finance costs mainly consist of interest on bank loans, interest on lease liabilities and transaction cost for issuance of the Company's convertible redeemable preferred shares. The table below sets forth a breakdown of our finance costs for the years ended December 31, 2019 and 2020 and for the six months ended June 30, 2020 and 2021:

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Finance costs				
Interest on bank loans	983	3,401	1,920	1,328
Interest on lease liabilities	366	393	160	230
Transaction cost for issuance of the Company's convertible redeemable preferred shares	926	79	39	–
Total	2,275	3,873	2,119	1,558

Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

Taiwan

The subsidiary incorporated in Taiwan is subject to income tax at a rate of 20% on the estimated assessable profits arising in Taiwan during the Track Record Period.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income.

United States of America

The subsidiary incorporated in Delaware, United States is subject to statutory United States federal corporate income tax at a rate of 21% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes in accordance with tax regulations and did not have any disputes or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2020 Compared to Six months ended June 30, 2021

Revenue

Our total revenue increased by 527.2% from RMB1.9 million for the six months ended June 30, 2020 to RMB12.2 million for the six months ended June 30, 2021, primarily attributable to the commercialization of Nerlynx®(CAN030) in mainland China in November 2020 and in Taiwan in December 2020 and the increase of sales of Nerlynx®(CAN030) since its launch in Hong Kong in December 2019. The revenue increase was also driven by the commercialization of Hunterase®(CAN101) in mainland China in May 2021.

Cost of Sales

Our cost of sales increased by 538.8% from RMB0.8 million for the six months ended June 30, 2020 to RMB5.4 million for the six months ended June 30, 2021, primarily attributable to the increase in sales of commercialized products. Our cost of sales accounted for 43.1% and 43.9% of our revenue for the six months ended June 30, 2020 and 2021, respectively.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 518.4% from RMB1.1 million for the six months ended June 30, 2020 to RMB6.8 million for the six months ended June 30, 2021. Our gross profit margin was 56.9% and 56.1% for the six months ended June 30, 2020 and 2021, respectively.

Other Income and Gains

Our other income and gains increased by 1,379.5% from RMB0.7 million for the six months ended June 30, 2020 to RMB11.1 million for the six months ended June 30, 2021. Such increase mainly resulted from the increase in gain on disposal of our license rights in Nerlynx®(CAN030) as we strategically shift our business focus to rare disease and rare oncology. For details, please refer to "Business – Legal Proceedings and Compliance".

Selling and Distribution Expenses

Our selling and distribution expenses increased by 173.0% from RMB16.4 million for the six months ended June 30, 2020 to RMB44.8 million for the six months ended June 30, 2021. Such increase was primarily attributable to (i) our increased staff costs from RMB12.1 million for the six months ended June 30, 2020 to RMB25.0 million for the six months ended June 30, 2021, as a result of our headcount increase in the commercial team in preparation of the launch of Hunterase®(CAN101) in Greater China, and (ii) our increased marketing expenses from RMB1.5 million for the six months ended June 30, 2020 to RMB14.2 million for the six months ended June 30, 2021, as a result of increased market research and marketing activities for Hunterase®(CAN101) and other pipeline candidates and products.

Administrative Expenses

Our administrative expenses increased by 80.5% from RMB29.3 million for the six months ended June 30, 2020 to RMB52.9 million for the six months ended June 30, 2021. Such increase was primarily attributable to (i) our increased professional service fees from RMB9.2 million for the six months ended June 30, 2020 to RMB18.7 million for the six months ended June 30, 2021 as a result of the increase in relevant professional service fees mainly including lawyer fees, audit fees, tax advisory fees with regard to our financing activities (excluding the [**REDACTED**]) and business development activities; and (ii) increased [**REDACTED**] from RMB0.4 million for the six months ended June 30, 2020 to RMB7.5 million for the six months ended June 30, 2021.

Research and Development Expenses

Our research and development expenses increased by 665.5% from RMB35.9 million for the six months ended June 30, 2020 to RMB274.8 million six months ended June 30, 2021. Such increase was primarily due to (i) increased staff costs from RMB10.2 million for the six months ended June 30, 2020 to RMB21.0 million for the six months ended June 30, 2021, as a result of headcount increase and the increase of share option expenses, (ii) increased license fee from RMB19.2 million for the six months ended June 30, 2020 to RMB173.3 million for the six months ended June 30, 2021, and (iii) increased testing and clinical trial expenses from RMB1.7 million for the six months ended June 30, 2020 to RMB67.0 million for the six months ended June 30, 2021, due to more CRO and CMC activities carried out for our pipeline candidates in the six months ended June 30, 2021 as compared with those in the same period of 2020.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares decreased by 72.4% from a loss of RMB79.0 million for the six months ended June 30, 2020 to a loss of RMB21.8 million for the six months ended June 30, 2021, which was in line with the changes in our Company's valuation and we adopted the Back Solve Approach method and equity allocation model to determine the fair value of the convertible redeemable preferred shares.

Fair Value Changes of Convertible Loans

Our fair value changes of convertible loans changed from a gain of RMB1.7 million for the six months ended June 30, 2020 to nil for the six months ended June 30, 2021, primarily due to Yuanming Healthcare exercised its convertible rights and all the convertible loans were converted to the convertible redeemable preferred shares in March 2020.

Fair Value Changes of Derivative Financial Instruments

Our fair value changes of derivative financial instruments increased significantly from a gain of RMB3.2 million for the six months ended June 30, 2020 to a gain of RMB34.5 million for the six months ended June 30, 2021, primarily due to the derecognition of derivative financial instruments in the six months ended June 30, 2021 and the decrease in the fair value of derivative financial instruments before its derecognition. As the expiration date of the derivative financial instruments approached during the six months ended June 30, 2021, the time value of the derivative financial instruments decreased, resulting in the decrease of the fair value of the derivative financial instrument by RMB15.1 million before its derecognition. As investors of Series D-1 Preferred Shares agreed to terminate their rights to exercise warrants in May 2021, the corresponding derivative financial instruments were derecognized, resulting in a decrease of the liability and a gain recorded in fair value changes of derivative financial instruments by RMB19.3 million.

Other Expenses

Our other expenses decreased from RMB0.7 million for the six months ended June 30, 2020 to RMB0.6 million for the six months ended June 30, 2021, primarily due to the decrease in write-down of inventories to net realizable value.

Finance Costs

Our finance costs decreased by 26.5% from RMB2.1 million for the six months ended June 30, 2020 to RMB1.6 million for the six months ended June 30, 2021, primarily in line with the decrease of loan balance with the repayment as well as the decrease of interest rate.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2020

Revenue

Our total revenue increased by 719.1% from RMB1.5 million for 2019 to RMB12.0 million for 2020, primarily attributable to our sales in China, Hong Kong and Taiwan. Our revenue is primarily driven by medical products sales, mainly the increase in sales of our Nerlynx®(CAN030) since its launch in Hong Kong in December 2019, in mainland China in November 2020 and in Taiwan in December 2020. During 2020, our medical products sales and marketing activities had not been obviously affected by the COVID-19 pandemic since we launched the first product in December 2019.

Cost of Sales

Our cost of sales increased by 922.6% from RMB0.5 million for 2019 to RMB5.2 million for 2020, primarily attributable to the increase in Nerlynx®(CAN030) sales in 2020 since its commercialization in Hong Kong in December 2019, in mainland China in November 2020 and in Taiwan in December 2020. Our cost of sales accounted for 34.3% and 42.8% of our revenue for 2019 and 2020, respectively.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 612.7% from RMB1.0 million for 2019 to RMB6.9 million for 2020. Our gross profit margin decreased from 65.7% for 2019 to 57.2% for 2020, due to adjustments in business strategy and decreases in the average selling prices of our commercialized products. CAN002's gross profit margin decreased due to a shift in its distribution model in 2020 to selling directly at a lower average selling price to a healthcare company that conducts its own promotional activities. A decrease in CAN030's gross profit margin resulted from its lower average selling price due to a planned price decrease in Hong Kong during the Track Record Period to expand market access and its introduction in mainland China, a region where the average selling price is lower, in the fourth quarter of 2020.

Other Income and Gains

Our other income and gains increased by 134.3% from RMB0.6 million for 2019 to RMB1.4 million for 2020. Such increase was mainly resulted from the increase in bank interest income, which is mainly due to the increase of cash and bank balance.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 76.6% from RMB28.9 million for 2019 to RMB51.0 million for 2020. Such increase was primarily attributable to (i) our increased staff costs from RMB16.6 million for 2019 to RMB29.2 million for 2020, as a result of our headcount increase in the commercial team in preparation of the commercial sales of Nerlynx®(CAN030) and launch of Hunterase®(CAN101) in China, and (ii) our increased intangible assets amortization from nil for 2019 to RMB10.7 million for 2020, due to the patents and license of Nerlynx®(CAN030) began to amortize in May 2020 and the patents and license of Hunterase®(CAN101) began to amortize in September 2020 since they received respective marketing approval in China.

Administrative Expenses

Our administrative expenses increased by 44.7% from RMB53.7 million for 2019 to RMB77.7 million for 2020. Such increase was primarily attributable to (i) our increased professional service fees from RMB15.7 million for 2019 to RMB29.3 million for 2020 as a result of the increase in relevant professional service fees mainly including lawyer fee, audit fees, tax advisory fee with regard to our financing activities (excluding the [**REDACTED**]) and business development activities; and (ii) increased [**REDACTED**] from RMB0.3 million for 2019 to RMB7.7 million for 2020.

Research and Development Expenses

Our research and development expenses increased by 98.0%, from RMB55.4 million for 2019 to RMB109.6 million for 2020. Such change was primarily due to (i) increased staff costs from RMB20.3 million for 2019 to RMB29.0 million for 2020 mainly due to headcount increase of our R&D personnel and the increase of share option expenses, (ii) increased license fee from RMB6.2 million for 2019 to RMB24.0 million for 2020, and (iii) increased testing and clinical trial expenses from RMB14.1 million for 2019 to RMB39.2 million for 2020.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares changed from a loss of RMB73.7 million for 2019 to a loss of RMB591.4 million for 2020, primarily due to the increase in our Company's valuation.

Fair Value Changes of Convertible Loans

Our fair value changes of convertible loans changed from a loss of RMB1.6 million for 2019 to a gain of RMB1.7 million for 2020, primarily due to the decrease of the fair value of convertible loans in 2020. The decrease of the fair value of convertible loans was due to changes of fair value assumptions such as decrease in time to maturity of convertible loans and increase in the conversion probability to equity, as a result of Series D-1 preferred shares financing closed in March 2020.

Fair Value Changes of Derivative Financial Instruments

Our fair value changes of derivative financial instruments changed from a loss of RMB17,000 for 2019 to a loss of RMB20.7 million for 2020, primarily due to our issuance of warrants to relevant investors.

Other Expenses

Our other expenses decreased from RMB3.7 million for 2019 to RMB1.6 million for 2020, primarily due to changes of provided inventory provision. RMB1.1 million inventory provision was provided in 2020, while RMB3.5 million inventory provision was provided in 2019 for the stocks of Caphosol^{TM}(CAN002).

Finance Costs

Our finance costs increased by 70.2% from RMB2.3 million for 2019 to RMB3.9 million for 2020 primarily in line with the increase in our interest-bearing bank loans.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this document:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets[(1)]	50,645	195,313	70,939
Total current assets	37,905	391,045	480,432
Total assets	88,550	586,358	551,371
Total current liabilities	43,749	108,103	100,925
Total non-current liabilities	1,035,447	2,224,111	2,515,244
Total liabilities	1,079,196	2,332,214	2,616,169
Net current (liabilities)/assets	(5,844)	282,942	379,507
Net liabilities	(990,646)	(1,745,856)	(2,064,798)
Share capital	5	5	5
Reserves	(990,651)	(1,745,861)	(2,064,803)
Total equity	(990,646)	(1,745,856)	(2,064,798)

Note:

(1) We had non-current assets of RMB195.3 million as of December 31, 2020, compared to non-current assets of RMB50.6 million as of December 31, 2019. The change was primarily due to the increase of intangible assets of patent and license in 2020. The non-current assets decreased from RMB195.3 million as of December 31, 2020 to RMB70.9 million as of June 30, 2021, mainly due to the disposal of the license rights in Nerlynx®CAN030 in the first quarter of 2021. For details, please refer to "Business – Legal Proceedings and Compliance".

NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of June 30,	As of [August 31],
	2019	2020	2021	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current assets				
Inventories	1,447	553	1,269	5,472
Trade receivables	593	7,040	7,128	6,369
Prepayments, other receivables and other assets	21,992	22,648	29,935	32,173
Cash and cash equivalents	13,873	360,804	442,100	381,458
Total current assets	37,905	391,045	480,432	425,472
Current liabilities				
Trade payables	6,576	46,713	42,108	49,894
Other payables and accruals	24,634	33,557	39,038	37,786
Interest-bearing bank and other borrowings	9,596	22,314	14,066	13,281
Leases liabilities	2,943	5,519	5,713	7,825
Total current liabilities	43,749	108,103	100,925	108,786
Net current (liabilities)/assets	(5,844)	282,942	379,507	316,686

We had net current assets of RMB316.7 million as of [August 31], 2021 being the latest practicable date for the purpose of liquidity disclosure in this document, compared to net current assets of RMB379.5 million as of June 30, 2021. The change was primarily due to the decrease in cash and bank balances of RMB60.6 million which was mainly spent on research and development activities as well as the staff payroll and welfare.

We had net current assets of RMB282.9 million as of December 31, 2020, compared to net current liabilities of RMB5.8 million as of December 31, 2019. The change was primarily due to an increase in cash and cash equivalents of RMB346.9 million, partially offset by (i) an increase in interest-bearing bank and other borrowings of RMB12.7 million, (ii) an increase in trade payables of RMB40.1 million, and (iii) an increase in other payables and accruals of RMB8.9 million. Among the above, the increase in cash and cash equivalents was primarily due to the completion of Series D and Series E financing.

Our net current assets increased by 34.1% from RMB282.9 million as of December 31, 2020 to RMB379.5 million as of June 30, 2021, primarily due to an inflow of RMB334.9 million from the second completion of Series D-1 and tranche 2 of Series E financing activities and an inflow of US$20.0 million from the disposal of our license rights in Nerlynx® (CAN030) in 2021 as we strategically shift our business focus to rare disease and rare oncology. For details, please refer to "Business – Legal Proceedings and Compliance".

For changes in other key line items, see "– Inventories," "– Trade Receivables," "– Prepayments, Other Receivables and Other Assets" and "– Net Current Assets/Liabilities."

Inventories

Our inventories merely consist of finished goods. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term. For further details of our inventory management, see "Business – Inventory."

Our inventory balance decreased from RMB1.4 million as of December 31, 2019 to RMB0.6 million as of December 31, 2020, which was as a result of RMB1.2 million of inventory provision provided in 2020 for the stocks of Caphosol™(CAN002). Our inventory balance increased from RMB0.6 million as of December 31, 2020 to RMB1.3 million as of June 30, 2021, primarily due to the increase of stocks of Hunterase®(CAN101) for its commercial launch in mainland China in May 2021.

The table below sets forth our inventory turnover days for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,
	2019	2020	2021
Inventory turnover days[(1)]	1,220	70	31

Note:

(1) Inventory turnover days for a year/period is the arithmetic mean of the beginning and ending balances of inventory for the relevant year/period divided by the sum of cost of sales for the relevant year/period and multiplied by 360 or 180 days for the full-year period or relevant period.

For the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021, our inventory turnover days were 1,220 days, 70 days and 31 days, respectively. The continous decrease in inventory turnover days during the Track Record Period was primarily due to the normalization of commercialization and the improvement of our inventory control.

As of [September 30], 2021, RMB540 thousand, representing 42.5% of the inventory as of June 30, 2021 was subsequently utilized.

Trade Receivables

Our trade receivables primarily represent the balances due from certain customers. We generally allow our customers for a credit period from 30 to 90 days. We set a maximum credit limit for each customer and consider a number of factors in determining the credit term of a customer, including its cash flow conditions and creditworthiness as well as the local medical care policy and market environment. For details, see "Business – Sales and Marketing – Our Marketing Model and Sales Arrangements."

The table below sets forth our trade receivables as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	593	7,040	7,128
Impairment	–	–	–
Total	593	7,040	7,128

Our trade receivables increased from RMB7.0 million as of December 31, 2020 to RMB7.1 million as of June 30, 2021, primarily due to increase of sales. Our trade receivables increased from RMB0.6 million as of December 31, 2019 to RMB7.0 million as of December 31, 2020, which was due to the commercialization of Nerlynx®(CAN030) in Hong Kong in December 2019, in mainland China in November 2020 and in Taiwan in December 2020, which generated the trade receivable balance of RMB6.3 million. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing.

In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate collectability, taking into account of the historical loss patterns of our customers and adjust for forward looking macroeconomic data in calculating the expected credit loss rate. We did not record provision for impairment of trade receivables during the Track Record Period.

As of [September 30], 2021, RMB6,264 thousand, representing 87.9% of the trade receivables as of June 30, 2021 was subsequently settled.

The table below sets forth our trade receivables turnover days for the periods indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
Average trade receivables turnover days[(1)]	122	114	105

Note:

(1) Average trade receivables turnover days for a period equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that period and multiplied by 360 or 180 days for the full-year period or relevant period.

The average trade receivables turnover days were 122 days in 2019, while the average trade receivables turnover days were 114 days in 2020, which was primarily due to that the first sales of Nerlynx®(CAN030) in Hong Kong occurred in December 2019, which increased the balance of trade receivable and caused the longer turnover days in the calculation. Our trade receivables turnover days decreased from 114 days in 2020 to 105 days for the six months ended June 30, 2021, primarily due to improvement of sales.

The following table sets forth an ageing analysis of the trade receivables as at the end of each of the relevant periods, based on the invoice date and net of loss allowance:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Within three months	593	7,040	4,966
Over three months	–	–	2,162
	593	7,040	7,128

Prepayments, Other Receivables and Other Assets

Our current prepayments, other receivables and other assets include prepayments, value-added tax recoverable, loans to a director and other receivables. Prepayments primarily include prepaid service fee, prepaid rental fees and prepayments for purchase of goods and services. The table below sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	278	4,683	19,769
Value-added tax recoverable	11,129	6,777	8,797
Loans to a director	8,965	9,198	–
Other receivables	1,620	1,990	1,369
	21,992	22,648	29,935
Non-current portion	–	–	–
Current portion	21,992	22,648	29,935

Our current prepayments, other receivables and other assets increased slightly from RMB22.0 million as of December 31, 2019 to RMB22.6 million as of December 31, 2020, which was primarily attributable to a decrease in value-added tax ("**VAT**") recoverable of RMB4.4 million due to VAT refund, and substantially offset by an increase in prepayments of RMB4.4 million including increase in prepayment of purchase of goods, prepaid rental fees and other prepaid service fees. Our current prepayments, other receivables and other assets increased from RMB22.6 million as of December 31, 2020 to RMB29.9 million as of June 30, 2021, mainly due to the increase in prepayment to suppliers for purchase of goods and prepaid R&D expenses, partially offset by the repayment of a director loan.

Cash and Cash Equivalents

Cash and cash equivalents were RMB13.9 million, RMB360.8 million and RMB442.1 million as of December 31, 2019 and 2020, and as of June 30, 2021, respectively, primarily consisting of time deposits with original maturity of less than one year when acquired. The increase was mainly attributable from the funds we received from our financing activities.

The table below sets forth our cash and cash equivalents as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	13,873	99,808	248,297
Time deposits	–	260,996	193,803
	13,873	360,804	442,100
Denominated in:			
RMB	351	9,341	19,226
HK$	56	1,392	1,942
US$	13,325	349,494	417,426
TW$	141	577	3,506
Cash and cash equivalents	13,873	360,804	442,100

Trade Payables

Our trade payables primarily consist of the balances due to our suppliers for purchase of medical products and CRO and CDMO services. Our trading terms with suppliers vary depending on a number of factors, in particular the type of products and transaction volumes. Our trade payables increased from RMB6.6 million as of December 31, 2019 to RMB46.7 million as of December 31, 2020 primarily due to our increased use of CRO and CDMO services for research and development activities, and decreased to RMB42.1 million as of June 30, 2021, primarily due to our increased settlement of trade payables.

The following table sets forth an ageing analysis of the trade payables as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
Within six months	6,576	46,713	42,108
Total	6,576	46,713	42,108

As of [September 30], 2021, RMB9.6 million, representing 22.8% of the trade payables as of June 30, 2021 was subsequently settled.

Other Payables and Accruals

Our other payables and accruals refer to taxes payable other than corporate income tax, payroll payable, other payables, due to related parties and accruals, among which other payables including payables due to our third-party technical service providers, [**REDACTED**] costs and professional service fees. The table below sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Taxes other than income tax	710	995	1,115
Payroll payable	12,762	16,562	15,865
Other payables	7,692	13,692	21,192
Due to related parties	168	–	–
Accruals	3,302	2,308	866
Total	24,634	33,557	39,038

The increase in our other payables and accruals as of December 31, 2020 compared to that as of December 31, 2019, was primarily attributable to the increase in payroll payable as a result of the increase in number of our employees, increase of other payables as a result of more technical service received and [**REDACTED**] occurred in 2020. Our other payables and accruals increased to RMB39.0 million as of June 30, 2021, which was primarily attributable to the increase in other payables due to increase in professional service fees.

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings consist primarily of loans and borrowings from third parties.

The bank loan agreements contain standard events of default such as the occurrence of a change of control, bankruptcy and an event that has a material adverse effect. Our Directors confirm that we had no material defaults in payment of interest-bearing bank and other borrowings and had not breached any finance covenants thereunder during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings.

The table below sets forth the details of our interest-bearing bank and other borrowings as of the dates indicated:

	As at December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Included in current liabilities			
Bank loans-secured	9,596	13,814	14,066
Bank loans-unsecured	–	8,500	–
Included in non-current liabilities			
Bank loans-secured	16,870	11,645	4,487
Total	26,466	33,959	18,553
Analyzed into:			
Bank loans:			
Within one year or on demand	9,596	22,314	14,066
In the second year	9,895	11,261	4,487
In the third to fifth years, inclusive	6,975	384	–
Beyond five years	–	–	–
	26,466	33,959	18,553

Lease Liabilities

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases.

Our lease liabilities increased from RMB7.3 million as of December 31, 2019 to RMB12.9 million as of December 31, 2020, primarily due to our additional leased properties and expanded office area to support our expansion of business operations for launch of products. Our lease liabilities decreased from RMB12.9 million as of December 31, 2020 to RMB11.4 million as of June 30, 2021, primarily due to rental fee paid during the period. The table below sets forth our lease liabilities for the periods indicated:

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities			
Current portion	2,943	5,519	5,713
Non-current portion	4,401	7,417	5,680

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we relied on capital contributions by our shareholders and bank loans as the major sources of liquidity. We also generate cash from our revenue from our sales revenue of existing commercialized products, mainly including Caphosol™(CAN002), Nerlynx®(CAN030) and Hunterase®(CAN101) in the Track Record Period. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

With respect to cash management, our objective is to optimize liquidity to gain a better return for Shareholders in a risk-averse manner. Specifically, we have policies in place to monitor and manage the settlement of trade receivables. When determining the credit term of a customer or a distributor, we consider a number of factors, including its cash flow conditions and creditworthiness. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each customer's or distributor's financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer or distributor in the respective period. Pursuant to our distribution agreement, when our distributor fails to make a payment within the credit term, we may, at our discretion, terminate the distribution arrangement or take certain other measures as appropriate.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	As of December 31,		As of June 30,	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash outflow from operating activities before movements in working capital	(116,560)	(198,611)	(67,740)	(351,521)
Changes in working capital	(9,735)	45,999	(2,902)	(10,762)
Interest received	120	964	454	1,124
Net cash flows used in operating activities	(126,175)	(151,648)	(70,188)	(361,159)
Net cash flows from/(used in) investing activities	(42,420)	(153,483)	(146,104)	128,581
Net cash flows from financing activities	96,967	679,263	397,538	315,383
Net increase/(decrease) in cash and cash equivalents	(71,628)	374,132	181,246	82,805
Cash and cash equivalents at beginning of year/period	85,240	13,873	13,873	360,804
Effect of foreign exchange rate changes, net	261	(27,201)	(470)	(1,509)
Cash and cash equivalents at end of year/period	13,873	360,804	194,649	442,100

Net Cash Flows used in Operating Activities

Since the commencement of our business operation, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our R&D costs, selling and distribution expenses and administrative expenses. We plan to improve our net operating cash flow mainly through improving profitability and reducing net loss. In addition, we will continue to expand our business scale and generate additional source of revenue with our new products. As we further expand sales of our approved products, commercialize our pipeline products and increase our operational scale in the future, the cost of sales and operating expenses are expected to remain relatively stable due to optimization of our cost structure economies of scale, which would drive up our profitability and reduce our net loss, thus improving our net operating cash flow.

For the six months ended June 30, 2021, our net cash used in operating activities was RMB361.2 million, which was primarily attributable to our net loss before tax of RMB344.2 million, negatively adjusted by fair value changes of derivative financial instruments of RMB34.5 million, gain on disposal of an intangible asset of RMB9.7 million, decrease in trade payables of RMB4.6 million, partially offset by fair value changes of convertible redeemable preferred shares of RMB21.8 million.

For the year ended December 31, 2020, our net cash used in operating activities was RMB151.6 million, which was primarily attributable to our net loss before tax of RMB846.0 million, positively adjusted by fair value changes of convertible redeemable preferred shares of RMB591.4 million, increase in trade payable of RMB40.6 million, fair value changes of derivative financial instruments of RMB20.7 million, increase in other payables and accruals of RMB10.1 million, partially offset by increase in trade receivables of RMB6.6 million.

For the year ended December 31, 2019, our net cash used in operating activities was RMB126.2 million, which was primarily attributable to our net loss before tax of RMB217.7 million, positively adjusted by fair value changes of convertible redeemable preferred shares of RMB73.7 million, share-based payment expenses of RMB16.7 million and increase in other payable and accruals of RMB9.7 million, partially offset by decrease in trade payables of RMB16.4 million.

Net Cash Flows From/(Used in) Investing Activities

For the six months ended June 30, 2021, our net cash from investing activities was RMB128.6 million, mainly attributable to proceeds from disposal of an intangible asset of RMB131.4 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB153.5 million, mainly attributable to (i) additions to other intangible assets of RMB150.9 million and (ii) purchases of items of property, plant and equipment of RMB2.6 million.

For the year ended December 31, 2019, our net cash used in investing activities was RMB42.4 million, mainly attributable to (i) additions to other intangible assets of RMB41.4 million, and (ii) purchases of financial assets measured at amortised cost of RMB12.0 million, which were partially offset by proceeds from disposal of financial assets measured at amortised at cost of RMB12.0 million.

Net Cash Flows From Financing Activities

During the Track Record Period, we derived our cash inflows from financing activities primarily from capital injections by our shareholders and bank loans.

For the six months ended June 30, 2021, we had RMB315.4 million of net cash flows from financing activities, primarily attributable to proceeds from issue of convertible redeemable preferred shares of RMB334.9 million, partially offset by repayment of bank and other borrowings of RMB15.8 million.

For the year ended December 31, 2020, we had RMB679.3 million of net cash flows from financing activities, primarily attributable to (i) proceeds from issue of convertible redeemable preferred shares of RMB665.7 million, (ii) proceeds from bank and other borrowings of RMB21.5 million, and (iii) proceeds from issue of derivative financial instruments of RMB15.4 million, which were partially offset by (i) payment of lease liabilities of RMB3.8 million, (ii) repayment of bank and other borrowings of RMB14.2 million, and (iii) interest paid on bank loans and interest paid on convertible loans of RMB2.6 million and RMB2.4 million, respectively.

For the year ended December 31, 2019, we had RMB97.0 million of net cash flows from financing activities, primarily attributable to (i) proceeds from issue of convertible redeemable preferred shares of RMB40.4 million, (ii) proceeds from issue of convertible loans of RMB34.4 million, (iii) proceeds from bank and other borrowings of RMB26.1 million, which were partially offset by (i) payment of lease liabilities of RMB2.7 million.

WORKING CAPITAL

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, R&D costs, selling and distribution expenses, general, administrative and operating expenses (including any production cost) for at least the next 12 months from the date of this Document:

- our future operating cash flows in respective periods;
- cash and cash equivalents;
- available equity financing and bank facilities; and
- the estimated net [**REDACTED**] from the [**REDACTED**].

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. We had bank balance and cash of RMB381.5 million as of [August 31], 2021. We estimate that we will receive net [**REDACTED**] of approximately [**REDACTED**] million after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per [**REDACTED**] in this Document. Assuming an average cash burn rate going forward of the same level in 2020, we estimate that our cash and cash equivalents as of [August 31], 2021 will be able to maintain our financial viability for [15] months. Assuming an average cash burn rate going forward of two times the level in 2020, we estimate that our cash and cash equivalents as of [August 31], 2021 will be able to maintain our financial viability for [36] months, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our working capital, cash flows, and our business development progress.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Research and Development Costs[1]			
Research and Development Costs for Core Product Candidate[2]			
Employee costs	7,713	8,291	10,474
Clinical trial costs[3]	10,603	–	7,593
CMC costs	2,114	729	7,262
License fees	552	–	–
Others	2,751	4,766	2,769
Research and Development Costs for Other Product Candidates			
Employee costs	7,119	7,653	9,668
Clinical trial costs[4]	1,076	4,433	21,998
CMC costs	9,260	1,184	36,615
License fees	12,025	17,770	179,725
Others	6,276	6,762	4,369
Workforce Employment[5]	31,686	46,865	35,427
Product Marketing	9,554	10,575	6,866
Direct Production/product purchase Cost	1,562	1,337	11,545
Non-income taxes, royalties and other governmental charges	–	1,427	5,130
Contingency allowances	–	–	–
Others	24,038	44,785	37,339
Total	126,329	156,577	376,780

Notes:

(1) The difference between R&D expenses and cash operating costs for the R&D activities during the Track Record Period was mainly due to the R&D related trade payable accrual. The cash operating costs for the R&D of the Core Product and Other Product Candidates are recorded directly on a cash basis of payments actually made during our daily operations, while the R&D expenses are recorded pursuant to the accrual basis of accounting which depicts the effects of transactions and other events and circumstances on our economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. For example, we recorded R&D expenses of RMB109.6 million for FY2020, as compared to cash operating costs for the R&D of the Core Product and Other Product Candidates of RMB51.6 million for the same period. This difference

is primarily due to the R&D related trade payable accrual of approximately RMB40 million for FY2020, which was recorded as R&D expenses as the products and services are already received, but was not recorded as cash operating costs because the payment is not actually made yet due to the applicable credit term. For FY2019, however, as our scope of R&D activities was smaller than FY2020, the R&D expenses accrued and recorded in FY2019 was less than the payment of R&D expenses in this year because of the payment made in FY2019 to settle the R&D payables accrued in 2018. The difference between R&D expenses and cash operating costs for the R&D activities during the Track Record Period was also partly due to the non-cash expense of share-based payment.

(2) The decreasing percentage of our R&D cash operating costs on Core Product to our total cash operating costs for the FY2020 as compared to FY2019 is primarily due to the clinical trial costs settled in 2019 for the completed trials, while we are in the design and preparation stage of our Phase II trial for CAN008 in 2020. The decreasing percentage of our R&D cash operating costs on Core Product to our total cash operating costs for the six months ended June 30, 2021 as compared to FY2019 is primarily due to the increased licensing fees paid for other product candidates in 2021.

(3) Costs attributable to CROs were RMB9,726 thousand and nil for the year ended December 31, 2019 and 2020, respectively, and RMB7,502 thousand for the six months ended June 30, 2021. All the fees to CROs incurred during the Track Record Period were fees relating to clinical trials.

(4) Costs attributable to CROs were RMB755 thousand and RMB911 thousand for the years ended December 31, 2019 and 2020, respectively, and RMB6,559 thousand for the six months ended June 30, 2021. All the fees to CROs incurred during the Track Record Period were fees relating to clinical trials.

(5) Workforce employment costs represent total non-R&D staff costs mainly including salaries, bonus and benefits.

INDEBTEDNESS

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

	As of December 31, 2019	As of December 31, 2020	As of June 30, 2021	As of [August 31], 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	26,466	33,959	18,553	16,259
Lease liabilities	7,344	12,936	11,393	24,903
Convertible redeemable preferred shares	974,535	2,167,121	2,504,976	2,456,979
Convertible loans	36,465	–	–	–
Derivative financial instruments	1,569	36,472	–	–
Total	1,046,379	2,250,488	2,534,922	2,498,141

As of the Latest Practicable Date, we had unutilized banking facilities of RMB27.0 million. See headed, "NET CURRENT ASSETS/LIABILITIES – Interest-bearing bank and other borrowings" and "NET CURRENT ASSETS/LIABILITIES – Lease Liabilities" of this document for further details in relation to our interest-bearing bank and other borrowings and lease liabilities in the Track Record Period.

CAPITAL EXPENDITURES

We regularly make capital expenditures to expand our operations, upgrade our facilities and increase our operating efficiency. The table below sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchases of property, plant and equipment	1,080	2,571	264	2,773
Additions to intangible assets	41,396	150,912	145,840	72
Total	42,476	153,483	146,104	2,845

We expect to incur capital expenditures in 2021 primarily for develop our R&D and manufacturing facilities in both China and the U.S., and potential office and site expansion and upgrade in China and the U.S. For details, see "Future Plans and Use of [**REDACTED**]." We expect to finance such capital expenditures through a combination of operating cash flows, net [**REDACTED**] from the [**REDACTED**] and bank and other borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2019, 2020 and June 30, 2021, we did not have any material capital commitments.

CONTINGENT LIABILITIES

As of December 31, 2019, 2020 and June 30, 2021, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
Gross margin[(1)]	65.7%	57.2%	56.9%	56.1%

	As of December 31,		As of June 30,
	2019	2020	2021
Current ratio[(2)]	86.6%	361.7%	476.0%

Notes:

(1) Gross margin equals gross profit divided by revenue as of the end the year/period.

(2) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

Our gross margin decreased from 65.7% for 2019 to 57.2% for 2020, due to changes in the business models and decreases in the average selling prices of our commercialized products. Our gross margin remained stable at 56.9% for the six months ended June 30, 2020 and 56.1% for the six months ended June 30, 2021.

Our current ratio increased significantly from 86.6% as of December 31, 2019 to 361.7% as of December 31, 2020, mainly due to an increase in total current assets of RMB353.1 million as a result of an increases in cash and cash equivalents from new funding. Our current ratio margin increased from 361.7% as of December 31, 2020 to 476.0% as of June 30, 2021, mainly due to an increase in total current assets of RMB89.3 million as a result of an increase in cash and cash equivalents of RMB81.3 million.

RELATED-PARTY TRANSACTIONS

The below table sets forth transactions between us and our related parties during the Track Record Period.

	For the year ended December 31,		For the six months ended June 30,	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of services				
WuXi Biologics (Shanghai) Co., Ltd.	1,905	1,471	631	7,136
WuXi AppTec (Suzhou) Co., Ltd.	–	1,421	–	7,026
Wuxi Biologics (Hong Kong) limited	–	34,560	–	25,844
Hd Biosciences Co., Ltd	–	–	–	25
Rental of office from:				
Qiming U.S. Ventures Management, LLC	684	870	440	416
	2,589	38,322	1,071	40,447
License granted from related parties				
Wuxi Biologics Ireland Limited	6,209	8,622	8,622	–

The below table sets forth outstanding balances with related parties as of the dates indicated.

	As of December 31,		As of June 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
CANbridge Consulting LLC	582	582	–
Dr. Xue	8,965	9,198	–
	9,547	9,780	–
Amounts due to related parties			
Dr. Xue	168	–	–
Wuxi Biologics (Hong Kong) limited	–	32,191	23,649
Wuxi Biologics Ireland Limited	–	4,894	3,236
	168	37,085	26,885

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. Except for the loan to Mr. James Qun Xue was non-trade in nature for his settlement of taxes arising from the Reorganisation, the amounts due from the related parties were trade in nature. All the balances of amounts due to related parties as at December 31, 2019 and 2020 and June 30, 2021 were trade in nature. Save as those outstanding balances with regard to trade basis transactions, which will be settled based on the agreed terms in the relevant agreements, we have settled the outstanding balances with related parties as of June 30, 2021. Details of our transactions with related parties during the Track Record Period are set out in note 31 to the Accountants' Report included in Appendix I to this document.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including currency risk, interest rate risk, credit risk and other price risk, as set out below.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position. For further details, including relevant sensitivity analysis, please see Note 34 to the Accountants' Report set out in Appendix I to this document.

Credit Risk

We trade with recognized and creditworthy third parties. It is our policy that counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. There are no significant concentrations of credit risk within our Group as the customer bases of our trade receivables are widely spread.

We are exposed to credit risk in relation to our cash and bank balances, financial assets measured at amortized cost, trade receivables, other receivables and other financial assets. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets. Our cash and cash equivalents are deposited in high quality financial institutions without significant credit risk. For further details, see Note 34 to the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintains a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For further details, see Note 34 to the Accountants' Report set out in Appendix I to this document.

DIVIDEND

No dividend has been paid or declared by us during the Track Record Period. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC subsidiary to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiary to pay dividends to us only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiary may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiary incurs debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman Islands legal advisor, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

DISTRIBUTABLE RESERVES

As of June 30, 2021, we did not have any distributable reserves.

[**REDACTED**] EXPENSE

The total [**REDACTED**] expenses (including [**REDACTED**]) payable by our Company are estimated to be approximately [**REDACTED**] (or approximately [**REDACTED**] million) assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of [**REDACTED**] (being the mid-point of our [**REDACTED**] of [**REDACTED**] to [**REDACTED**] per [**REDACTED**]). These [**REDACTED**] expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the [**REDACTED**], and printing and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**].

In 2019, 2020 and for the six months ended June 30, 2021, [**REDACTED**] expenses charged to our consolidated statements of profit or loss were HK$[**REDACTED**] million, HK$[**REDACTED**] million, and HK$[**REDACTED**] million, respectively. After June 30, 2021, approximately HK$[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] million is expected to be charged against equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, there has been no material adverse change in our financial, operational or trading positions or prospects since June 30, 2021, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.