*[To insert the firm's letterhead]*

# ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CANBRIDGE PHARMACEUTICALS INC., MORGAN STANLEY ASIA LIMITED AND JEFFERIES HONG KONG LIMITED

## Introduction

We report on the historical financial information of CANBRIDGE PHARMACEUTICALS INC. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-72], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019 and 2020, and the six months ended 30 June 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019 and 2020 and 30 June 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-72] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and 2020 and 30 June 2021 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Review of interim financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2020 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

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

**Dividends**

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

**No historical financial statements for Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

**[●]**
***Certified Public Accountants***
Hong Kong

[Date]

## I HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

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

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | Notes | Year ended 31 December 2019 RMB'000 | Year ended 31 December 2020 RMB'000 | Six months ended 30 June 2020 RMB'000 (unaudited) | Six months ended 30 June 2021 RMB'000 |
|---|---|---|---|---|---|
| Revenue | 5 | 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 | 5 | 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 | 25 | (73,694) | (591,385) | (79,043) | (21,848) |
| Fair value changes of convertible loans | 24 | (1,584) | 1,689 | 1,689 | – |
| Fair value changes of derivative financial instruments | 26 | (17) | (20,746) | 3,175 | 34,454 |
| Other expenses | | (3,667) | (1,599) | (663) | (609) |
| Finance costs | 7 | (2,275) | (3,873) | (2,119) | (1,558) |
| LOSS BEFORE TAX | 6 | (217,675) | (846,043) | (156,730) | (344,203) |
| Income tax expense | 10 | – | – | – | – |
| 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) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (EXPRESSED IN RMB PER SHARE) | | | | | |
| Basic | 12 | (31.77) | (123.34) | (22.88) | (46.79) |
| Diluted | 12 | (31.77) | (123.34) | (22.88) | (46.79) |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | ***(unaudited)*** | |
| LOSS FOR THE YEAR/PERIOD | (217,675) | (846,043) | (156,730) | (344,203) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Other comprehensive income that may not be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of the Company | (5,309) | 29,001 | (7,099) | 11,113 |
| Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods | (5,309) | 29,001 | (7,099) | 11,113 |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of foreign operations | (8,685) | 45,307 | (3,935) | 7,476 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | (8,685) | 45,307 | (3,935) | 7,476 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX | (13,994) | 74,308 | (11,034) | 18,589 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD | (231,669) | (771,735) | (167,764) | (325,614) |
| Attributable to: | | | | |
| Owners of the parent | (231,669) | (771,735) | (167,764) | (325,614) |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | As at 31 December 2019 RMB'000 | 2020 RMB'000 | As at 30 June 2021 RMB'000 |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 13 | 2,881 | 4,026 | 5,846 |
| Right-of-use assets | 14 | 5,981 | 11,544 | 10,243 |
| Intangible assets | 15 | 41,783 | 179,743 | 54,850 |
| Total non-current assets | | 50,645 | 195,313 | 70,939 |
| CURRENT ASSETS | | | | |
| Inventories | 16 | 1,447 | 553 | 1,269 |
| Trade receivables | 17 | 593 | 7,040 | 7,128 |
| Prepayments, other receivables and other assets | 18 | 21,992 | 22,648 | 29,935 |
| Cash and cash equivalents | 20 | 13,873 | 360,804 | 442,100 |
| Total current assets | | 37,905 | 391,045 | 480,432 |
| CURRENT LIABILITIES | | | | |
| Trade payables | 21 | 6,576 | 46,713 | 42,108 |
| Other payables and accruals | 22 | 24,634 | 33,557 | 39,038 |
| Interest-bearing bank and other borrowings | 23 | 9,596 | 22,314 | 14,066 |
| Lease liabilities | 14 | 2,943 | 5,519 | 5,713 |
| Total current liabilities | | 43,749 | 108,103 | 100,925 |
| NET CURRENT ASSETS/(LIABILITIES) | | (5,844) | 282,942 | 379,507 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 44,801 | 478,255 | 450,446 |
| NON-CURRENT LIABILITIES | | | | |
| Convertible redeemable preferred shares | 25 | 974,535 | 2,167,121 | 2,504,976 |
| Convertible loans | 24 | 36,465 | – | – |
| Interest-bearing bank and other borrowings | 23 | 16,870 | 11,645 | 4,487 |
| Lease liabilities | 14 | 4,401 | 7,417 | 5,680 |
| Other non-current liabilities | | 1,607 | 1,456 | 101 |
| Derivative financial instruments | 26 | 1,569 | 36,472 | – |
| Total non-current liabilities | | 1,035,447 | 2,224,111 | 2,515,244 |
| Net liabilities | | (990,646) | (1,745,856) | (2,064,798) |
| EQUITY | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital | 27 | 5 | 5 | 5 |
| Reserves | 28 | (990,651) | (1,745,861) | (2,064,803) |
| Total equity | | (990,646) | (1,745,856) | (2,064,798) |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Year ended 31 December 2019

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Contributed surplus | Share-based payment reserve | Accumulated losses | Exchange fluctuation reserve | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note II 27)* | *(note II 28(a))* | *(note II 30)* | | *(note II 28(c))* | |
| At 1 January 2019 | 5 | 9,581 | 16,804 | (786,406) | (15,651) | (775,667) |
| Loss for the year | – | – | – | (217,675) | – | (217,675) |
| Exchange differences | – | – | – | – | (13,994) | (13,994) |
| Total comprehensive income for the year | – | – | – | (217,675) | (13,994) | (231,669) |
| Share-based payments *(note II 30)* | – | – | 16,690 | – | – | 16,690 |
| At 31 December 2019 | 5 | 9,581* | 33,494* | (1,004,081)* | (29,645)* | (990,646) |

### Year ended 31 December 2020

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Contributed surplus | Capital reserve | Share-based payment reserve | Accumulated losses | Exchange fluctuation reserve | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note II 27)* | *(note II 28(a))* | *(note II 28(b))* | *(note II 30)* | | *(note II 28(c))* | |
| At 1 January 2020 | 5 | 9,581 | – | 33,494 | (1,004,081) | (29,645) | (990,646) |
| Loss for the year | – | – | – | – | (846,043) | – | (846,043) |
| Exchange differences | – | – | – | – | – | 74,308 | 74,308 |
| Total comprehensive income for the year | – | – | – | – | (846,043) | 74,308 | (771,735) |
| Issue of shares | – | – | 16,783 | (14,913) | – | – | 1,870 |
| Share-based payments *(note II 30)* | – | – | – | 14,655 | – | – | 14,655 |
| At 31 December 2020 | 5 | 9,581* | 16,783* | 33,236* | (1,850,124)* | 44,663* | (1,745,856) |

### Six months ended 30 June 2021

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Contributed surplus | Capital reserve | Share–based payment reserve | Accumulated losses | Exchange fluctuation reserve | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note II 27)* | *(note II 28 (a))* | *(note II 28 (b))* | *(note II 30)* | | *(note II 28(c))* | |
| At 1 January 2021 | 5 | 9,581 | 16,783 | 33,236 | (1,850,124) | 44,663 | (1,745,856) |
| Loss for the period | – | – | – | – | (344,203) | – | (344,203) |
| Exchange differences | – | – | – | – | – | 18,589 | 18,589 |
| Total comprehensive income for the period | – | – | – | – | (344,203) | 18,589 | (325,614) |
| Share–based payments *(note II 30)* | – | – | – | 6,672 | – | – | 6,672 |
| At 30 June 2021 | 5 | 9,581* | 16,783* | 39,908* | (2,194,327)* | 63,252* | (2,064,798) |

### Six months ended 30 June 2020

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Contributed surplus | Share-based payment reserve | Accumulated losses | Exchange fluctuation reserve | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note II 27)* | *(note II 28(a))* | *(note II 30)* | | *(note II 28)* | |
| At 1 January 2020 | 5 | 9,581 | 33,494 | (1,004,081) | (29,645) | (990,646) |
| Loss for the period (unaudited) | – | – | – | (156,730) | – | (156,730) |
| Exchange differences (unaudited) | – | – | – | – | (11,034) | (11,034) |
| Total comprehensive income for the period (unaudited) | – | – | – | (156,730) | (11,034) | (167,764) |
| Share-based payments *(note II 30)* (unaudited) | – | – | 8,280 | – | – | 8,280 |
| At 30 June 2020 (unaudited) | 5 | 9,581* | 41,774 | (1,160,811) | (40,679) | (1,150,130) |

* These reserve accounts comprise the consolidated reserves of RMB(990,651,000), RMB(1,745,861,000) and RMB(2,064,803,000) in the consolidated statements of financial position as at 31 December 2019 and 2020 and 30 June 2021, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | Year ended 31 December 2019 RMB'000 | Year ended 31 December 2020 RMB'000 | Six months ended 30 June 2020 RMB'000 (unaudited) | Six months ended 30 June 2021 RMB'000 |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Loss before tax | | (217,675) | (846,043) | (156,730) | (344,203) |
| Adjustments for: | | | | | |
| Finance costs | 7 | 2,275 | 3,873 | 2,119 | 1,558 |
| Foreign exchange differences, net | 6 | (247) | 470 | 431 | 608 |
| Interest income | 5 | (120) | (964) | (454) | (1,124) |
| Interests received from financial assets measured at amortised cost | 5 | (40) | – | – | – |
| Gain on disposal of an intangible asset | 5 | – | – | – | (9,727) |
| Depreciation of property, plant and equipment | 6 | 1,277 | 1,426 | 674 | 953 |
| Amortisation of intangible assets | 6 | 13 | 12,951 | 2,368 | 3,775 |
| Depreciation of right-of-use assets | 6 | 2,305 | 3,462 | 1,393 | 2,573 |
| Provision for impairment of other receivables | 6 | 163 | – | – | – |
| Fair value changes of convertible redeemable preferred shares | 6 | 73,694 | 591,385 | 79,043 | 21,848 |
| Fair value changes of convertible loans | 6 | 1,584 | (1,689) | (1,689) | – |
| Fair value changes of derivative financial instruments | 6 | 17 | 20,746 | (3,175) | (34,454) |
| Share-based payment expenses | 30 | 16,690 | 14,655 | 8,280 | 6,672 |
| Write-down of inventories to net realisable value | 6 | 3,504 | 1,117 | – | – |
| | | (116,560) | (198,611) | (67,740) | (351,521) |
| (Increase)/decrease in inventories | | (3,020) | 66 | (71) | (716) |
| Increase in trade receivables | | (193) | (6,603) | (365) | (88) |
| (Increase)/decrease in prepayments, other receivables and other assets | | 112 | 1,806 | 576 | (11,902) |
| (Decrease)/increase in trade payables | | (16,370) | 40,587 | 4,741 | (4,605) |
| Increase/(decrease) in other payables and accruals | | 9,736 | 10,143 | (7,783) | 6,549 |
| Interest received | | 120 | 964 | 454 | 1,124 |
| Net cash flows used in operating activities | | (126,175) | (151,648) | (70,188) | (361,159) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from disposal of financial assets measured at amortised at cost | | 12,000 | – | – | – |
| Interest received from financial assets measured at amortised cost | 5 | 40 | – | – | – |
| Proceeds from disposal of property, plant and equipment | | 16 | – | – | – |
| Proceeds from disposal of an intangible asset | | – | – | – | 131,426 |

| | Notes | Year ended 31 December 2019 | Year ended 31 December 2020 | Six months ended 30 June 2020 | Six months ended 30 June 2021 |
|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Purchases of financial assets measured at amortised cost | | (12,000) | – | – | – |
| Purchases of items of property, plant and equipment | *13* | (1,080) | (2,571) | (264) | (2,773) |
| Additions to intangible assets | *15* | (41,396) | (150,912) | (145,840) | (72) |
| Net cash flows from/(used in) investing activities | | (42,420) | (153,483) | (146,104) | 128,581 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of convertible redeemable preferred shares | *25* | 40,352 | 665,706 | 381,341 | 334,899 |
| Proceeds from issue of convertible loans | *24* | 34,369 | – | – | – |
| Proceeds from issue of derivative financial instruments | *26* | 1,563 | 15,356 | 15,356 | – |
| Proceeds from issue of shares | | – | 985 | – | 885 |
| Proceeds from bank and other borrowings | | 26,131 | 21,530 | 13,305 | – |
| Repayment of bank and other borrowings | | (1,000) | (14,246) | (6,781) | (15,833) |
| Transaction cost for issuance of convertible redeemable preferred shares | *7* | (926) | (79) | (39) | – |
| Payment of [**REDACTED**] | | (148) | (1,172) | (32) | (716) |
| Interest paid on bank loans | | (654) | (2,562) | (1,233) | (807) |
| Interest paid on convertible loans | *24* | – | (2,429) | (2,429) | – |
| Payment of lease liabilities | *14* | (2,720) | (3,826) | (1,950) | (3,045) |
| 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 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | | |
| Cash and cash equivalents | *20* | 13,873 | 360,804 | 194,649 | 442,100 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | Notes | As at 31 December | | As at 30 June |
|---|---|---|---|---|
| | | 2019 | 2020 | 2021 |
| | | RMB'000 | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | | |
| Investments in subsidiaries | | 33,564 | 48,219 | 54,891 |
| Total non-current assets | | 33,564 | 48,219 | 54,891 |
| CURRENT ASSETS | | | | |
| Due from subsidiaries | 35(a) | 1,050,668 | 1,402,382 | 1,592,236 |
| Prepayments, other receivables and other assets | | 148 | 3,096 | 4,272 |
| Cash and cash equivalents | 20 | – | 228,918 | 360,221 |
| Total current assets | | 1,050,816 | 1,634,396 | 1,956,729 |
| CURRENT LIABILITIES | | | | |
| Due to subsidiaries | | 163,150 | 152,676 | 152,494 |
| Other payables and accruals | | – | 4,063 | 9,986 |
| Total current liabilities | | 163,150 | 156,739 | 162,480 |
| NET CURRENT ASSETS | | 887,666 | 1,477,657 | 1,794,249 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 921,230 | 1,525,876 | 1,849,140 |
| NON-CURRENT LIABILITIES | | | | |
| Convertible redeemable preferred shares | 25 | 974,535 | 2,167,121 | 2,504,976 |
| Convertible loans | 24 | 36,465 | – | – |
| Derivative financial instruments | 26 | 1,569 | 36,472 | – |
| Total non-current liabilities | | 1,012,569 | 2,203,593 | 2,504,976 |
| Net liabilities | | (91,339) | (677,717) | (655,836) |
| EQUITY | | | | |
| Share capital | 27 | 5 | 5 | 5 |
| Reserves | 35(b) | (91,344) | (677,722) | (655,841) |
| Total equity | | (91,339) | (677,717) | (655,836) |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2018. The registered office address of the Company is at the office of Ogier Global (Cayman) Limited, of 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries of the Company were principally engaged in the research and development and commercialisation of medical products.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganization and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

| Name | Place and date of incorporation/ registration and place of operations | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| CANbridge Pharmaceuticals Limited *(note (a))* | Hong Kong 12 March 2018 | US$10,000 | 100% | – | Investment holding |
| CANbridge Biomed Limited *(note (a))* ("CANbridge BIOMED") | Hong Kong 31 March 2014 | US$10,000 | – | 100% | Research and development and commercialisation of medical products |
| CANbridge Care Pharma Hong Kong Limited *(note (b))* ("CANbridge CARE Pharma") | Hong Kong 19 June 2018 | US$10,000 | – | 100% | Research and development and commercialisation of medical products |
| CANbridge Life Sciences Ltd. (北海康成(北京)医药科技有限公司) ("CANbridge Beijing")* *(note (d))* | People's Republic of China (the "PRC")/Mainland China 12 June 2012 | RMB306,122,400 | – | 100% | Research and development and commercialisation of medical products |
| CANbridge (Shanghai) Life Sciences Ltd. (北海康成(上海)生物科技有限公司)* *(note (d))* | PRC/Mainland China 22 June 2016 | RMB120,000,000 | – | 100% | Research and development and commercialisation of medical products |
| CANbridge Pharmaceuticals, Inc. ("CANbridge US") *(note (a))* | United States of America ("USA") 1 September 2017 | US$1 | – | 100% | Research and development and business development |

| Name | Place and date of incorporation/ registration and place of operations | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| CARE Pharma Shanghai Ltd. (诺爱药业(上海)有限公司)* *(note (d))* | PRC/Mainland China 17 January 2018 | US$10,204,100 | – | 100% | Research and development |
| CANbridge Pharma Co., Ltd. (北海康成股份有限公司)* *(note (c))* | Taiwan 5 October 2019 | TW$ 615,420 | – | 100% | Research and development and commercialisation of medical products |
| CANbridge (Suzhou) Bio-Pharma Co., Ltd. | Suzhou 15 April 2021 | US$1,000,000 | – | 100% | Research and development |

* The English names of the companies registered in China represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

*Notes:*

(a) No audited financial statements have been prepared for these entities for the years ended 31 December 2019 and 2020 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of their incorporation.

(b) The statutory financial statements of the entity for the years ended 31 December 2019 and 2020 were audited by WOS CPA LIMITED (和氏會計師事務所有限公司), certified public accountants registered in Hong Kong.

(c) The statutory financial statements of the entity for the year ended 31 December 2020 were audited by An-Tek & Co,. CPAs, (安德聯合會計師事務所), certified public accountants registered in Taiwan.

(d) The statutory financial statements of these entities for the years ended 31 December 2019 and 2020 were audited by Grant Thornton International Ltd. (致同會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

## 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group. As the Reorganisation only involved inserting a new holding company at the top of an existing company, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing company by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or the date of establishment of the companies. The consolidated statements of financial position of the Group as at 31 December 2019 and 2020 and 30 June 2021 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

## 2.2 BASIS OF PREPARATION

The Historical Financial Information 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 Historical Financial Information consistently throughout the Relevant Periods and the six months ended 30 June 2020.

The Historical 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.

The Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming twelve months notwithstanding that as at 30 June 2021, the Group had net liabilities of RMB2,064,798,000 and accumulated losses of RMB2,194,327,000. In the opinion of the directors of the Company, the Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months after 30 June 2021. This is due to the following considerations:

(a) The primary causes for the net liabilities and accumulated losses as at 30 June 2021 were the significant fair value changes of the convertible redeemable preferred shares, details of which are included in note 25 to the Historical Financial Information. These fair value changes will not affect the future cash flows of the Group. In addition, in view of the redemption terms of the convertible redeemable preferred shares, the Group is not required to incur any cash outflows to redeem the preferred shares in the next twelve months after 30 June 2021;

(b) The Group had net current assets of RMB379,507,000 as at 30 June 2021; and

(c) The Group has performed a working capital forecast for the next twelve months and will have sufficient liquid funds to finance its operations and can operate as a going concern in the foreseeable furture.

**Basis of consolidation**

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of therelated assets or liabilities.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[2] |
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[1] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendments to IAS 37 | *Onerous Contracts – Costs of Fulfilling a Contract*[1] |
| *Annual Improvements to IFRS Standards 2018–2020* | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41*[1] |
| Amendments to IFRS 17 | *Insurance Contracts*[2, 4] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2] |
| Amendments to IAS 28 and IFRS 10 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IAS 1 | *Disclosure of Accounting Policies*[2] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[2] |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions*[5] |

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 Effective for annual periods beginning on or after 4 April 2021

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application and has concluded that the adoption of them will not have a material impact on the Group's financial position and financial performance.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fair value measurement**

The Group measures its 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 the Group. 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.

The Group uses 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 Historical Financial Information 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 Historical Financial Information on a recurring basis, the Group determines 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.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment 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 capitalised 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, the Group recognises 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 are 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.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortised.

***Patents and licences***

Purchased patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. When estimating the useful lives of the purchased patents and licences, the Company takes into account factors including the duration of the patents or licences, the anticipated duration of sales of product after patent expiration, as well as the useful lives of similar assets in the marketplace.

***Research and development costs***

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, 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 amortised 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.

***Software***

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 10 years. The estimated useful life of software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

**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 recognises 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 recognised 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 recognised, 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 recognised 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 recognised 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 recognised 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 amortised 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 amortised 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 amortised 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 recognised 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 as follows:

*Financial assets at amortised cost (debt instruments)*

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

*Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments*: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 to 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities, convertible redeemable preferred shares, a convertible loan, and loans and borrowings.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

*Convertible loans*

If the conversion option of convertible loans exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible loans is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Inventories**

Inventories are stated at the lower of cost and net realisable 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 realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the costs, for 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.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects 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 the Group 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 it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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.

During the Relevant Periods, revenue of the Group was primarily arising from the sale of medical products to the customers. Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and invoice.

***Other income***

Interest income is recognised 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.

**Share-based payments**

The Company operates 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").

The cost of equity-settled transactions with employees for grants is measured 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 Historical Financial Information.

The cost of equity-settled transactions is recognised 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 recognised 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 the Group's 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 recognised 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 the Group's 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.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. 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 recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised 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 recognised for the award is recognised 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.

**Other employee benefits**

***Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. There were no dividends proposed by the Company in respect of the Relevant Periods.

**Foreign currencies**

The Historical Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("US$"). As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the period.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Estimation of the fair value of financial liabilities***

Certain financial liabilities are measured at fair value at the end of each of the Relevant Periods as disclosed in note 33 to the Historical Financial Information.

The convertible redeemable preferred shares and warrants 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 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 the Group's best estimates. Further details are included in notes 25, 26 and 33 to the Historical Financial Information.

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

***Research and development costs***

Research and development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

***Fair value measurement of share-based payments***

The Group has set up a share-based payment scheme 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 Historical Financial Information.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. 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.

***Leases – Estimating the incremental borrowing rate***

The Group 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 judgement 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. Management evaluates 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 recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised 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 utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the Historical Financial Information.

***Provision for inventories***

The Group reviews the carrying amounts of the inventories at the end of each of the Relevant Periods to determine whether the inventories are carried at lower of cost and net realisable value. The net realisable value is estimated based on the 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***

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives on an annual basis to determine the related amortisation charges for its intangible assets. The estimation is based on the legal protection period, with consideration of market condition. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

## 4. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the development, production, marketing and sale of medical products.

### Geographical information

***(a) Revenue from external customers***

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| 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.

***(b) Non-current assets***

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Hong Kong | 42,010 | 179,681 | 53,454 |
| Mainland China | 8,629 | 15,613 | 17,215 |
| Other countries/regions | 6 | 19 | 270 |
| | 50,645 | 195,313 | 70,939 |

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

### Information about major customers

Revenue from each of the major customers which amounted to 10% or more of the Group's revenue during the Relevant Periods is set out below:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Customer A | 1,061 | 60 | 52 | – |
| Customer B | 408 | 491 | – | 420 |
| Customer C | – | 2,173 | – | 253 |
| Customer D | – | 854 | 483 | 576 |
| Customer E | – | 5,324 | – | 2,162 |
| Customer F | – | 84 | – | 2,138 |

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| **Revenue from contracts with customers** | | | | |
| Sale of medical products | 1,469 | 12,032 | 1,944 | 12,192 |
| *Timing of revenue recognition* | | | | |
| Goods transferred at a point in time | 1,469 | 12,032 | 1,944 | 12,192 |

The performance obligation is satisfied upon delivery of the goods and invoice and payment is generally due within 30 to 90 days from invoice.

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| **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 amortised cost | 40 | – | – | – |
| Net gain on disposal of an intangible asset | – | – | – | 9,727 |
| Foreign exchange gains, net | 247 | – | – | – |
| | 580 | 1,359 | 747 | 11,052 |

* Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | Notes | Year ended 31 December 2019 | Year ended 31 December 2020 | Six months ended 30 June 2020 | Six months ended 30 June 2021 |
|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | ***(unaudited)*** | |
| Cost of inventories sold | | 504 | 5,154 | 838 | 5,353 |
| Research and development costs | | 34,842 | 78,507 | 25,552 | 273,416 |
| Depreciation of property, plant and equipment | *13* | 1,277 | 1,426 | 674 | 953 |
| Depreciation of right-of-use assets | *14* | 2,305 | 3,462 | 1,393 | 2,573 |
| Amortisation of intangible assets | *15* | 13 | 12,951 | 2,368 | 3,775 |
| Lease payments not included in the measurement of lease liabilities | *14* | 714 | 940 | 437 | 451 |
| Auditor's remuneration | | 1,367 | 3,396 | 1,763 | 2,280 |
| [**REDACTED**] (excluding auditor's remuneration) | | – | 7,132 | 118 | 6,994 |
| Fair value changes of convertible redeemable preferred shares | *25* | 73,694 | 591,385 | 79,043 | 21,848 |
| Fair value changes of convertible loans | *24* | 1,584 | (1,689) | (1,689) | – |
| Fair value changes of derivative financial instruments | *26* | 17 | 20,746 | (3,175) | (34,454) |
| Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)): | | | | | |
| Wages, salaries and welfare | | 38,702 | 67,956 | 26,431 | 40,223 |
| Pension scheme contributions | | 1,646 | 768 | 162 | 1,624 |
| Staff welfare expenses | | 1,507 | 3,229 | 327 | 2,526 |
| Share-based payment expenses | | 7,653 | 6,119 | 4,009 | 5,246 |
| Foreign exchange difference, net | | (247) | 470 | 431 | 608 |
| Write-down of inventories to net realisable value | | 3,504 | 1,117 | – | – |
| Impairment of other receivables | | 163 | – | – | – |

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Transaction cost for issuance of the Company's convertible redeemable preferred shares | 926 | 79 | 39 | – |
| Interest on bank loans | 983 | 3,401 | 1,920 | 1,328 |
| Interest on lease liabilities (note 14) | 366 | 393 | 160 | 230 |
| | 2,275 | 3,873 | 2,119 | 1,558 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The aggregate amounts of remuneration of the directors and chief executives for the Relevant Periods are set out below:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Fees | 83 | 545 | 6 | 172 |
| Other emoluments: | | | | |
| Salaries, bonuses, allowances and benefits in kind | 3,128 | 3,624 | 1,029 | 1,758 |
| Pension scheme contributions | 49 | 4 | 4 | 62 |
| Share-based payment expenses | 7,702 | 5,036 | 2,551 | 1,426 |
| | 10,879 | 8,664 | 3,584 | 3,246 |
| | 10,962 | 9,209 | 3,590 | 3,418 |

### (a) Independent non-executive directors

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

**(b) Non-executive directors and the chief executive**

| | Fees | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions | Share-based payment expenses | Total remuneration |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2019 | | | | | |
| Chief executive: | | | | | |
| James Qun Xue | – | 3,128 | 49 | 6,634 | 9,811 |
| Non-executive directors: | | | | | |
| Wei Cao | – | – | – | – | – |
| Bing Liu | – | – | – | – | – |
| Xubo Hu | – | – | – | – | – |
| Ming Li | – | – | – | – | – |
| Zhihua Yu | – | – | – | – | – |
| Jin Zhao | – | – | – | – | – |
| Xun Wang | – | – | – | – | – |
| James Arthur Geraghty | 83 | – | – | 1,068 | 1,151 |
| | 83 | 3,128 | 49 | 7,702 | 10,962 |
| Year ended 31 December 2020 | | | | | |
| Chief executive: | | | | | |
| James Qun Xue | – | 3,624 | 4 | 2,722 | 6,350 |
| Non-executive directors: | | | | | |
| Richard James Gregory | 462 | – | – | 490 | 952 |
| Bing Liu | – | – | – | – | – |
| Xubo Hu | – | – | – | – | – |
| Ming Li | – | – | – | – | – |
| Zhihua Yu | – | – | – | – | – |
| Jin Zhao | – | – | – | – | – |
| Xun Wang | – | – | – | – | – |
| Lefei Sun | – | – | – | – | – |
| Derek Paul Di Rocco | – | – | – | – | – |
| James Arthur Geraghty | 83 | – | – | 1,824 | 1,907 |
| | 545 | 3,624 | 4 | 5,036 | 9,209 |

| | Fees | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions | Share-based payment expenses | Total remuneration |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Six months ended 30 June 2021 | | | | | |
| Chief executive: | | | | | |
| James Qun Xue | – | 1,758 | 62 | 684 | 2,504 |
| Non-executive directors: | | | | | |
| Derek Paul Di Rocco | – | – | – | – | – |
| Kan Chen | – | – | – | – | – |
| Xiao Le | – | – | – | – | – |
| Richard James Gregory | 133 | – | – | 130 | 263 |
| James Arthur Geraghty | 39 | – | – | 612 | 651 |
| | 172 | 1,758 | 62 | 1,426 | 3,418 |
| Six months ended 30 June 2020 (unaudited) | | | | | |
| Chief executive: | | | | | |
| James Qun Xue | – | 1,029 | 4 | 1,501 | 2,534 |
| Non-executive directors: | | | | | |
| Wei Cao | – | – | – | – | – |
| Bing Liu | – | – | – | – | – |
| Xubo Hu | – | – | – | – | – |
| Ming Li | – | – | – | – | – |
| Zhihua Yu | – | – | – | – | – |
| Jin Zhao | – | – | – | – | – |
| Xun Wang | – | – | – | – | – |
| James Arthur Geraghty | 6 | – | – | 1,050 | 1,056 |
| | 6 | 1,029 | 4 | 2,551 | 3,590 |

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included one director, details of whose remuneration are set out in note 8 to the Historical Financia Information. Details of the remuneration of the remaining four highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | *(unaudited)* | |
| Salaries, bonuses, allowances and benefits in kind | 9,260 | 10,670 | 3,931 | 7,195 |
| Pension scheme contributions | 103 | 4 | 8 | 166 |
| Share-based payment expenses | 1,847 | 4,361 | 600 | 1,120 |
| | 11,210 | 15,035 | 4,539 | 8,481 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | | | *(unaudited)* | |
| HK$500,001 to HK$1,000,000 | – | – | 1 | – |
| HK$1,000,001 to HK$1,500,000 | – | – | 3 | – |
| HK$1,500,001 to HK$2,000,000 | – | – | – | – |
| HK$2,000,001 to HK$2,500,000 | – | – | – | 3 |
| HK$2,500,001 to HK$3,000,000 | 1 | – | – | – |
| HK$3,000,001 to HK$3,500,000 | 2 | 1 | – | 1 |
| HK$3,500,001 to HK$4,000,000 | 1 | 2 | – | – |
| HK$6,000,001 to HK$6,500,000 | – | 1 | – | – |
| | 4 | 4 | 4 | 4 |

## 10. INCOME TAX

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, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

**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 Relevant Periods.

**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 Relevant Periods.

**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, the United States was subject to statutory United States federal corporate income tax at a rate of 21% during the Relevant Periods.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* ***(unaudited)*** | *RMB'000* |
| Loss before tax | (217,675) | (846,043) | (156,730) | (344,203) |
| Tax at the statutory tax rate of 25% | (54,419) | (211,511) | (39,183) | (86,051) |
| Effect of tax rate differences in other jurisdictions | 18,919 | 147,565 | 4,451 | 22,359 |
| Expenses not deductible for tax | 14,643 | 28,879 | 18,707 | 24,791 |
| Additional deductible allowance for qualified research and development costs | (1,020) | (152) | (92) | (1,401) |
| Tax losses not recognised | 21,877 | 48,213 | 16,117 | 40,302 |
| Utilisation of previously unrecognised tax losses | – | (12,994) | – | – |
| Tax charge at the Group's effective tax rate | – | – | – | – |

The Group had tax losses of RMB101,781,000, RMB205,245,000, RMB103,999,000 and RMB196,785,000 for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively, out of which the tax losses in Mainland China are available for a maximum of ten years for offsetting against future taxable profits of the companies in which the losses arose, while the tax losses incurred by overseas entities other than the one in Taiwan can be carried forward permanently to offset against the future taxable profits of these companies in which the losses arose. The tax losses incurred by the entity in Taiwan can be carried forward for a maximum of ten years. The Group's entities in Mainland China had tax losses of RMB50,091,000, RMB55,151,000, RMB49,770,000 and RMB72,276,000 for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively. The Group's overseas entities had tax losses of RMB51,690,000, RMB150,094,000, RMB54,229,000 and RMB124,509,000 for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 11. DIVIDENDS

No dividends have been declared and paid by the Company in respect of the Relevant Periods.

## 12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares. The calculation of the basic loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 6,851,266, 6,859,567, 6,851,266 and 7,356,238 in issue during the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively.

The calculation of the diluted loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year/period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021 as the impact of the convertible redeemable preferred shares, warrants, convertible loans, share options and restricted share units outstanding had an antidilutive effect on the basic loss per share amounts presented.

## 13. PROPERTY, PLANT AND EQUIPMENT

| **31 December 2019** | **Electronic equipment** *RMB'000* | **Furniture and fixtures** *RMB'000* | **Motor vehicles** *RMB'000* | **Leasehold improvements** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| At 1 January 2019 | | | | | |
| Cost | 899 | 1,198 | 469 | 2,654 | 5,220 |
| Accumulated depreciation | (292) | (339) | (185) | (1,310) | (2,126) |
| Net carrying amount | 607 | 859 | 284 | 1,344 | 3,094 |
| At 1 January 2019, net of accumulated depreciation | 607 | 859 | 284 | 1,344 | 3,094 |
| Additions | 452 | 30 | – | 598 | 1,080 |
| Disposals | (16) | – | – | – | (16) |
| Depreciation provided during the year | (316) | (234) | (111) | (616) | (1,277) |
| At 31 December 2019, net of accumulated depreciation | 727 | 655 | 173 | 1,326 | 2,881 |
| At 31 December 2019: | | | | | |
| Cost | 1,335 | 1,228 | 469 | 3,252 | 6,284 |
| Accumulated depreciation | (608) | (573) | (296) | (1,926) | (3,403) |
| Net carrying amount | 727 | 655 | 173 | 1,326 | 2,881 |

| **31 December 2020** | **Electronic equipment** *RMB'000* | **Furniture and fixtures** *RMB'000* | **Motor vehicles** *RMB'000* | **Leasehold improvements** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| At 1 January 2020 | | | | | |
| Cost | 1,335 | 1,228 | 469 | 3,252 | 6,284 |
| Accumulated depreciation | (608) | (573) | (296) | (1,926) | (3,403) |
| Net carrying amount | 727 | 655 | 173 | 1,326 | 2,881 |
| At 1 January 2020, net of accumulated depreciation | 727 | 655 | 173 | 1,326 | 2,881 |
| Additions | 558 | 155 | – | 1,858 | 2,571 |
| Depreciation provided during the year | (386) | (231) | (111) | (698) | (1,426) |
| At 31 December 2020, net of accumulated depreciation | 899 | 579 | 62 | 2,486 | 4,026 |
| At 31 December 2020: | | | | | |
| Cost | 1,893 | 1,383 | 469 | 5,110 | 8,855 |
| Accumulated depreciation | (994) | (804) | (407) | (2,624) | (4,829) |
| Net carrying amount | 899 | 579 | 62 | 2,486 | 4,026 |

| **30 June 2021** | **Electronic equipment** *RMB'000* | **Furniture and fixtures** *RMB'000* | **Motor vehicles** *RMB'000* | **Leasehold improvements** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| At 1 January 2021 | | | | | |
| Cost | 1,893 | 1,383 | 469 | 5,110 | 8,855 |
| Accumulated depreciation | (994) | (804) | (407) | (2,624) | (4,829) |
| Net carrying amount | 899 | 579 | 62 | 2,486 | 4,026 |
| At 1 January 2021, net of accumulated depreciation | 899 | 579 | 62 | 2,486 | 4,026 |
| Additions | 354 | 666 | – | 1,753 | 2,773 |
| Depreciation provided during the period | (209) | (153) | (38) | (553) | (953) |
| At 30 June 2021, net of accumulated depreciation | 1,044 | 1,092 | 24 | 3,686 | 5,846 |
| At 30 June 2021: | | | | | |
| Cost | 2,247 | 2,049 | 469 | 6,863 | 11,628 |
| Accumulated depreciation | (1,203) | (957) | (445) | (3,177) | (5,782) |
| Net carrying amount | 1,044 | 1,092 | 24 | 3,686 | 5,846 |

**14. LEASES**

**The Group as a lessee**

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Right-of-use assets | | | |
| Non-current portion | 5,981 | 11,544 | 10,243 |
| Lease liabilities | | | |
| Current portion | 2,943 | 5,519 | 5,713 |
| Non-current portion | 4,401 | 7,417 | 5,680 |

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Relevant Periods are as follows:

| | Right-of-use assets Office | Lease liabilities |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **As at 1 January 2019** | 7,911 | 9,323 |
| Additions | 375 | 375 |
| Accretion of interest | – | 366 |
| Payments | – | (2,720) |
| Depreciation charge | (2,305) | – |
| **At 31 December 2019** | 5,981 | 7,344 |
| Analysed into: | | |
| Current portion | | 2,943 |
| Non-current portion | | 4,401 |
| **As at 1 January 2020** | 5,981 | 7,344 |
| Additions | 9,025 | 9,025 |
| Accretion of interest | – | 393 |
| Payments | – | (3,826) |
| Depreciation charge | (3,462) | – |
| **As at 31 December 2020** | 11,544 | 12,936 |
| Analysed into: | | |
| Current portion | | 5,519 |
| Non-current portion | | 7,417 |

| | Right-of-use assets Office | Lease liabilities |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **As at 1 January 2021** | 11,544 | 12,936 |
| Additions | 1,272 | 1,272 |
| Accretion of interest | – | 230 |
| Payments | – | (3,045) |
| Depreciation charge | (2,573) | – |
| **As at 30 June 2021** | 10,243 | 11,393 |
| Analysed into: | | |
| Current portion | | 5,713 |
| Non-current portion | | 5,680 |

The amounts recognised in profit or loss in relation to leases are as follows:

| | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2019** | **2020** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Interest on lease liabilities (note II 7) | 366 | 393 | 160 | 230 |
| Depreciation charge of right-of-use assets | 2,305 | 3,462 | 1,393 | 2,573 |
| Expense relating to short-term leases | 714 | 940 | 437 | 451 |
| Total amount recognised in profit or loss | 3,385 | 4,795 | 1,990 | 3,254 |

**15. INTANGIBLE ASSETS**

| | Patents and licences | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2019** | | | |
| Cost at 1 January 2019, net of accumulated amortisation | – | 12 | 12 |
| Additions | 41,245 | 151 | 41,396 |
| Amortisation provided during the year | – | (13) | (13) |
| Currency translation differences | 388 | – | 388 |
| At 31 December 2019 | 41,633 | 150 | 41,783 |
| At 31 December 2019 | | | |
| Cost | 41,633 | 171 | 41,804 |
| Accumulated amortisation | – | (21) | (21) |
| Net carrying amount | 41,633 | 150 | 41,783 |

| | Patents and licences | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2020** | | | |
| Cost at 1 January 2020, net of accumulated amortisation | 41,633 | 150 | 41,783 |
| Additions | 150,871 | 41 | 150,912 |
| Amortisation provided during the year | (12,934) | (17) | (12,951) |
| Currency translation differences | (1) | – | (1) |
| At 31 December 2020 | 179,569 | 174 | 179,743 |
| At 31 December 2020 | | | |
| Cost | 190,248 | 212 | 190,460 |
| Accumulated amortisation | (10,679) | (38) | (10,717) |
| Net carrying amount | 179,569 | 174 | 179,743 |

| | Patents and licences | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 30 June 2021** | | | |
| Cost at 1 January 2021, net of accumulated amortisation | 179,569 | 174 | 179,743 |
| Additions | – | 72 | 72 |
| Amortisation provided during the period | (3,763) | (12) | (3,775) |
| Disposal during the period | (121,569) | – | (121,569) |
| Currency translation differences | 379 | – | 379 |
| At 30 June 2021 | 54,616 | 234 | 54,850 |
| At 30 June 2021 | | | |
| Cost | 59,264 | 284 | 59,548 |
| Accumulated amortisation | (4,648) | (50) | (4,698) |
| Net carrying amount | 54,616 | 234 | 54,850 |

**Impairment testing of the patents and licences**

Management of the Group performed annual impairment testing during the Relevant Periods 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 was related to the capitalisation of the licence expense and clinical trial expenses of a rare disease product named 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 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 product has been 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, the directors of the Company 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 Relevant Periods.

## 16. INVENTORIES

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Finished goods | 1,447 | 553 | 1,269 |

## 17. TRADE RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to certain customers, there is a significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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, is as follows:

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 593 | 7,040 | 4,966 |
| Over 3 months | – | – | 2,162 |
| | 593 | 7,040 | 7,128 |

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. Because there was no history of default of trade receivables, the Company assessed that the expected loss rate of trade receivables of the Group was very low. The Company also assessed that there was no significant change in the ECL rates during the Relevant Periods, mainly because there was no change of historical default rates of trade receivables and there were no significant changes in the economic conditions and performance and behaviour of the customers, based on which the ECL rates were determined. The directors of the Company are of the opinion that the ECL in respect of the balances of trade receivables is minimal.

No loss allowance for impairment of trade receivables is provided as at the end of each of the Relevant Periods.

## 18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

Value-added tax recoverable represented the value-added tax that can be used for future deduction.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

The financial assets included in the above balances relate to receivables for which there were no recent history of default. In addition, there is no significant change in the economic factors based on the assessment of the forward looking information. The directors of the Company are of the opinion that the ECL in respect of these balances is minimal.

## 19. LOANS TO A DIRECTOR

Loans to a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of information about Benefits of Directors) Regulation, are as follows:

| Name | At 1 January 2019 *RMB'000* | Maximum amount outstanding during the year *RMB'000* | As at 31 December 2019 and 1 January 2020 *RMB'000* | Maximum amount outstanding during the year *RMB'000* | As at 31 December 2020 and 1 January 2021 *RMB'000* | Maximum amount outstanding during the period *RMB'000* | As at 30 June 2021 *RMB'000* |
|---|---|---|---|---|---|---|---|
| James Qun Xue | 8,745 | 8,965 | 8,965 | 9,198 | 9,198 | 9,264 | – |

According to the agreements, such lendings were interest-free and repayable on demand.

The loans to Mr. James Qun Xue were non-trade in nature which were interest-free and repayable on demand according to the agreements. The loans have been fully repaid by Mr. James Qun Xue in February 2021.

## 20. CASH AND CASH EQUIVALENTS

**Group**

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | **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 |
| Cash and cash equivalents | 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 |

**Company**

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | – | 33,171 | 166,418 |
| Time deposits | – | 195,747 | 193,803 |
| Cash and cash equivalents | – | 228,918 | 360,221 |
| Denominated in: | | | |
| US$ | – | 228,918 | 360,221 |

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## 21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 6 months | 6,576 | 46,713 | 42,108 |

The trade payables are non-interest-bearing and settled on 30-day terms.

## 22. OTHER PAYABLES AND ACCRUALS

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | 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 |
| | 24,634 | 33,557 | 39,038 |

Other payables and accruals are non-interest-bearing and have no fixed terms of settlement.

## 23. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | As at 31 December 2019 | | |
|---|---|---|---|
| | **Effective interest rate** | **Maturity** | **RMB'000** |
| **Current** | | | |
| Bank loans-secured (iv) | 11.70%~12.82% | 2020 | 9,596 |
| **Non-current** | | | |
| Bank loans-secured (iv) | 11.70%~12.82% | 2021-2023 | 16,870 |
| | | | 26,466 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | **Effective interest rate** | **Maturity** | **RMB'000** |
| **Current** | | | |
| Bank loans-unsecured | 5.30% | 2021 | 8,500 |
| Bank loans-secured (iv) | 10.99%~12.18% | 2021 | 13,814 |
| | | | 22,314 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | **Effective interest rate** | **Maturity** | **RMB'000** |
| **Non-current** | | | |
| Bank loans-secured (iv) | 10.99%~12.18% | 2022-2023 | 11,645 |
| | | | 33,959 |

| | As at 30 June 2021 | | |
|---|---|---|---|
| | **Effective interest rate** | **Maturity** | **RMB'000** |
| **Current** | | | |
| Bank loans-secured (iv) | 10.99%~12.18% | 2021-2022 | 14,066 |
| **Non-current** | | | |
| Bank loans-secured (iv) | 10.99%~12.18% | 2022-2023 | 4,487 |
| | | | 18,553 |

| | **As at 31 December** | | **As at 30 June** |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Analysed 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 |

*Notes:*

(i) The bank borrowings bear fixed nominal interest rates ranging from 5.30% to 6.50% per annum.

(ii) As at 31 December 2019 and 2020 and 30 June 2021, except for secured bank borrowings of RMB9,763,000 (US$1,399,000, RMB10,103,000 (US$1,548,000) and RMB7,301,000 (US$1,130,000) respectively, which were denominated in US$, all the bank borrowings were denominated in RMB.

(iii) The carrying amounts of the current bank borrowings approximate to their fair value.

(iv) Pursuant to the agreements entered into by CANbridge BIOMED and CANbridge CARE Pharma, two subsidiaries of the Company, with SPD Silicon Valley Bank ("SSVB"), respectively, CANbridge BIOMED and CANbridge CARE Pharma have charged all of their assets in favour of SSVB by way of first fixed charge and floating charge as security for the payment of the bank borrowings from SSVB. Upon the occurrence of any event of default as defined in the agreements, SSVB may enforce to take possession and control of all the charged assets under the agreements and appoint a receiver over the charged assets, in which event CANbridge BIOMED and CANbridge CARE Pharma may be required to give up possession, ownership and control of their assets. As at 31 December 2019 and 2020 and 30 June 2021, there was no occurrence of any default by CANbridge BIOMED and CANbridge CARE Pharma. The Company also provided guarantee to these two subsidiaries for the bank borrowings from SSVB.

## 24. CONVERTIBLE LOANS

**Group and Company**

| | **Convertible loans** |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | – |
| Proceeds | 34,369 |
| Change in fair value | 1,584 |
| Currency translation differences | 512 |
| At 31 December 2019 and 1 January 2020 | 36,465 |
| Change in fair value | (1,689) |
| Payments of interests | (2,429) |
| Currency translation differences | (195) |
| Converted into convertible redeemable preferred shares *(note 25)* | (32,152) |
| At 31 December 2020 and 1 January 2021 | – |
| At 30 June 2021 | – |

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. Whether the loan would bear interest and the interest amount depended on factors including the timing of the Company's completion of future round financing, the investment amount for such financing, the issue price of future round financing and the subscription price for Yuanming Healthcare to convert such loan to the Company's convertible redeemable preferred shares. Under the Convertible Loan Agreement, Yuanming Healthcare shall convert its loan to the Company's convertible redeemable preferred shares and shall enjoy the same rights and obligations as a non-leading investor in the future round financing with respect to the shares acquired through the conversion. The Company made payment of interest of RMB2,429,000 (US$350,000) in March 2020 when the convertible loan was converted to the convertible redeemable preferred shares in accordance with the terms of the "Convertible Loan Agreement". The Company has designated the convertible loan from Yuanming Healthcare as a financial liability at fair value through profit or loss.

## 25. CONVERTIBLE REDEEMABLE PREFERRED SHARES

**Group and Company**

Convertible redeemable preferred shares (the "Preferred Shares") issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an [**REDACTED**] of the Company's shares, or when agreed by the holders of ordinary shares and the holders of each class of the Preferred Shares.

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing Preferred Shares, details of which are included below:

| | Date of issuance | Purchase price US$/Share | Number of Preferred Shares | Denominated in US$'000 | Total consideration approximately equivalent to RMB'000 *(note b)* |
|---|---|---|---|---|---|
| Series A-1 Preferred Shares | 26 November 2014 | 2.84 | 1,761,145 | 5,000 | 30,611 |
| Series A-2 Preferred Shares | 3 December 2015 | 3.26 | 2,748,067 | 8,222 | 52,385 |
| Series B-1 Preferred Shares | 7 February 2017 | 5.55 | 3,783,144 | 21,000 | 144,255 |
| Series B-1 Preferred Shares | 7 May 2017 | 5.55 | 522,703 | 2,901 | 20,000 |
| Series B-2 Preferred Shares | 21 February 2018 | 8.28 | 3,624,926 | 30,000 | 190,590 |
| Series C-1 Preferred Shares | 30 September 2018 | 10.39 | 3,283,518 | 34,100 | 233,227 |
| Series C-2 Preferred Shares | 30 September 2018 | 9.35 | 641,940 | 6,000 | 41,033 |
| Series C-3 Preferred Shares | 31 March 2019 | 10.39 | 577,745 | 6,000 | 40,352 |
| Series C-4 Preferred Shares (note a) | 10 March 2020 | 10.39 | 481,232 | 5,000 | 34,369 |
| Series D-1 Preferred Shares | 11 March 2020 | 11.82 | 4,754,717 | 56,201 | 395,917 |
| Series E Preferred Shares | 11 November 2020 | 14.77 | 2,914,015 | 43,040 | 284,365 |
| Series E (Tranche 2) Preferred Shares | 7 May 2021 | 14.77 | 1,028,436 | 15,190 | 98,246 |
| Series D-3 Preferred Shares (note b) | 21 May 2021 | 11.82 | 21,824 | – | – |
| Series D-1 (Second Completion) Preferred Shares | 24 May 2021 | 11.82 | 3,113,409 | 36,800 | 236,650 |

*Note a:* Pursuant to shareholders' agreements and the shareholders' resolution passed on 25 February 2020, Yuanming Healthcare converted the convertible loan into 481,232 shares of the Company's Series C-4 convertible redeemable preferred shares as disclosed in note 24.

*b:* In May 2021, China Equities HK Limited exercised its warrants for the issue of 21,824 preferred shares of the Company at nil consideration as disclosed in note 26.

*c:* Amounts in US$ were translated into RMB at the exchange rate on the date of issuance.

The key terms of all series of the Preferred Shares are summarised as follows:

***Dividend rights***

Subject to the Company's articles of association (the "Articles"), the directors may from time to time declare dividends (including interim dividends) and other distributions on shares (including the ordinary shares and the preferred shares) of the Company in issue and authorise payment of the same out of the funds of the Company lawfully available therefor. The declaration or payment of dividends and other distributions on shares shall obtain the affirmative written consent of the Series A directors, Series B directors, Series C directors, Series D directors and Series E directors. The holders of the Preferred Shares shall be entitled to receive their Pro Rata Share (see definition below) of the dividends as declared by the board of directors of the Company (the "Board").

No dividend or other distributions, whether in cash, in property or in shares of the capital of the Company, shall be paid or declared on any other class or series of shares of the Company unless and until the dividend which should be paid to each holder of Series E Preferred Shares is first paid in full to each holder of Series E Preferred Shares.

Each holder of Series D Preferred Shares shall be entitled to receive its Pro Rata Share of the dividends prior and in preference to the holders of ordinary shares, the holders of Series A preferred shares, Series B preferred shares, and Series C preferred shares. After the Series D preferred dividends are paid to each holder of Series D preferred shares in full, the Company shall pay each of the ordinary shareholders, each holder of Series A preferred shares, Series B preferred shares and Series C preferred shares its Pro Rata Share of the dividends.

In the event that the Company shall declare a distribution other than in cash, each of the holders of Preferred Shares shall be entitled to a proportionate share of any such distribution as though such holders of Preferred Shares were holders of the number of ordinary shares into which their Preferred Shares are convertible as of the record date fixed upon the determination of the holders of ordinary shares entitled to receive such distribution. No dividends have been declared by the Company up to the date of this report.

"Pro Rata Share" of a specified quantity of shares for any shareholder means such number of shares which equals the specified quantity of shares multiplied by a fraction equal to (i) the number of ordinary shares then held by the relevant shareholder on an as-converted but otherwise non-diluted basis, divided by (ii) the total number of shares then held by all shareholders (calculated on an as-converted but otherwise non-diluted basis) then outstanding.

***Conversion option***

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the Preferred Share original issue price by the Preferred Share conversion price in effect at the time of conversion.

Upon either (a) the occurrence of a qualified [**REDACTED**] by the Company (the "[**REDACTED**]"); or (b) the date and time, or the occurrence of an event, specified by mutual written consent of the holders of the ordinary shares and Preferred Shares, all outstanding Preferred Shares shall automatically be converted into ordinary shares, at the then effective Preferred Share conversion price; and such shares may not be reissued by the Company.

***Liquidation preferences***

In the event of any liquidation, dissolution or winding up of the Company, or upon the occurrence of a Deemed Liquidation Event (see definition below) of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the shareholders of the Company as follows:

Firstly, each holder of the Series E Preferred Shares shall be entitled to receive for each Series E Preferred Share held by such holder, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares, the holders of Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and any other class or series of shares by reason of their ownership of such shares, the amount equal to (i) the original issue price plus (ii) such amount as necessary to provide an annual compound interest rate of 5% of the original issue price calculated from the date of payment of the original issue price by such holder to the Group through the date of the holder's receipt of the Series E Preference Amount (as defined below), plus (iii) all declared but unpaid dividends and distributions on such Series E Preferred Shares (collectively, the "Series E Preference Amount").

Secondly, after the payment of the aggregate Series E Preference Amount has been made in full, each holder of the Series D Preferred Shares shall be entitled to receive for each Series D Preferred Share held by such holder, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares, the holders of Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series C Preferred Shares and any other class or series of shares by reason of their ownership of such shares, the amount equal to (i) the original issue price plus (ii) annual compound internal rate of return of 5% of the original issue price calculated from the date of payment of the original issue price by such holder to the Group Companies through the date of the holder's receipt of the Series D Preference Amount (as defined below), plus (iii) all declared but unpaid dividends and distributions on such Series D Preferred Shares (collectively, the "Series D Preference Amount").

Thirdly, after the payment of the aggregate Series E Preference Amount and aggregate Series D Preference Amount has been made in full, the holders of the Series C Preferred Shares shall be entitled to receive for each Series C Preferred Share held by such holder, prior and in preference to the remaining assets and funds of the Company available for distribution to the holders of ordinary shares, the holders of Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares and any other class or series of shares by reason of their ownership of such shares, the amount equal to (i) such holder's original issue price plus (ii) annual compound internal rate of return of 5% of the original issue price calculated from the date of payment of original issue price by such holder into the Group through the date of the holder's receipt of the Series C Preference Amount (as defined below), plus (iii) all declared but unpaid dividends and distributions on such Series C Preferred Shares (collectively, the "Series C Preference Amount").

Fourthly, after the payment of the aggregate Series E Preference Amount, aggregate Series D Preference Amount and aggregate Series C Preference Amount has been made in full, the holders of the Series B-2 Preferred Shares shall be entitled to receive for each Series B-2 Preferred Share held by such holder, prior and in preference to the remaining assets and funds of the Company available for distribution to the holders of ordinary shares, the holders of Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B-1 Preferred Shares and any other class or series of shares by reason of their ownership of such shares, the amount equal to (i) such holder's original issue price plus (ii) annual compound internal rate of return of 5% of the original issue price calculated from the date of payment of original issue price by such holder into the Group through the date of the holder's receipt of the Series B-2 Preference Amount (as defined below), plus (iii) all declared but unpaid dividends and distributions on such Series B-2 Preferred Shares (collectively, the "Series B-2 Preference Amount").

Fifthly, after the payment of the aggregate Series E Preference Amount, aggregate Series D Preference Amount, aggregate Series C Preference Amount and aggregate Series B-2 Preference Amount has been made in full, the holders of the Series B-1 Preferred Shares shall be entitled to receive for each Series B-1 Preferred Share held by such holder, prior and in preference to the remaining assets and funds of the Company available for distribution to the holders of ordinary shares, the holders of Series A-1 Preferred Shares, Series A-2 Preferred Shares and any other class or series of shares by reason of their ownership of such shares, the amount equal to (i) such holder's original issue price plus (ii) annual compound internal rate of return of 5% of the Original Issue Price calculated from the date of payment of the original issue price by such holder to the Group through the date of the holder's receipt of the Series B-1 Preference Amount (as defined below), plus (iii) all declared but unpaid dividends and distributions on such Series B-1 Preferred Shares (collectively, the "Series B-1 Preference Amount").

Sixthly, after the payment of the aggregate Series E Preference Amount, aggregate Series D Preference Amount, aggregate Series C Preference Amount, aggregate Series B-2 Preference Amount and aggregate Series B-1 Preference Amount has been made in full, the holders of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares shall be entitled to receive for each Series A-1 Preferred Share or Series A-2 Preferred Share held by such holder, prior and in preference to the remaining assets and funds of the Company available for distribution to the holders of ordinary shares by reason of their ownership of such shares, the amount equal to (i) such holder's original issue price plus (ii) annual compound internal rate of return of 5% of the original issue price calculated from the date of payment of original issue price by such holder to the Group through the date of the holder's receipt of the Series A Preference Amount (as defined below), plus (iii) all declared but unpaid dividends and distributions on such Series A-1 Preferred Shares and Series A-2 Preferred Shares (collectively, the "Series A Preference Amount", together with the Series E Preference Amount Series D Preference Amount, Series C Preference Amount, the Series B-2 Preference Amount and the Series B-1 Preference Amount, the "Investor Preference Amount").

If the remaining assets and funds thus distributed among the holders of the same series of preferred shares shall be insufficient to permit the payment to such holders of the full Investor Preference Amount, then the entire remaining assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of such class or series of Preferred Shares in proportion to the amount that each such holder is otherwise entitled to receive.

After the payment of the Investor Preference Amount has been made in full, the remaining assets and funds of the Company legally available for distribution shall be distributed among all holders of ordinary shares and preferred shares on a pro rata and as-converted but otherwise non-diluted basis.

"Deemed Liquidation Event" is defined as: (a) any consolidation, amalgamation, scheme of arrangement or merger of any group companies with or into any other person or other reorganisation in which the shareholders or shareholders of such group companies immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganisation own less than fifty percent of such group company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganisation, or any transaction or series of related transactions to which such group company is a party and in which in excess of fifty percent of such group company's voting power is transferred; (b) a transaction or series of related transactions in which a person, or a group of related persons, acquires from shareholders of the company, shares of the Company representing more than fifty percent of the outstanding voting power of the company; (c) a sale, transfer, lease or other disposition of all or substantially all of the assets of any group company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Group Company); and (d) the exclusive licensing of all or substantially all of any group company's intellectual property to a third party.

***Redemption feature***

At any time upon the occurrence of any of the Redeeming Events (see definition below), upon written request of any holders of any Preferred Shares, the Company is obliged to, either by itself or through its designee, repurchase, at the election of each redeeming shareholder, all or part of the outstanding Preferred Shares held by such redeeming holders.

The redemption price is equal to the higher of: (i) the Preferred Shares' applicable original issue price plus the annual rate of return on the original issue price at 10% per annum per share (calculated on the basis of 365 days per year, and if less than one year, on the actual number of days) from the original issue date of the Preferred Shares through the date when such redemption price is fully paid; and (ii) the amount of liquidation proceeds that the redeeming shareholder is entitled to receive pursuant to the terms of liquidation preference as if a liquidation event has occurred.

"Redeeming Events" is defined as any of the following events for the respective series of Preferred Shares.

For Series E Preferred Shares and Series D Preferred Shares, the "Redeeming Events" refers to any of the events: (i) if the [**REDACTED**] is not completed before the third (3rd) year anniversary of the first Series D completion date; or (ii) any other investor requires the Company to redeem any of its shares in accordance with the shareholders agreement; or (iii) a material violation of criminal or other applicable laws by any group companies, the founder or the founder entity, and (A) such group company, founder or founder entity is convicted, or adjudicated or determined to have been in violation, by a governmental entity, or (B) such violation triggers an official investigation by a governmental entity and the investigation is not voluntarily cancelled or terminated by such governmental entity within six (6) months after commencement, and such violation has caused a material adverse effect on the Group as a whole or the founder and is not cured or remedied, if curable or remediable, by such group company, the founder or the founder entity within sixty (60) days of such violation.

For Series C Preferred Shares, the "Redeeming Events" refers to any of the events: (i) if the [**REDACTED**] is not completed before the third (3rd) year anniversary of the first Series D completion date; or (ii) if the group companies or its their sublicensee have not obtained approval of NMPA for commercial sales of its neratinib product upon the fifth (5th) year anniversary of the first Series C completion date; or (iii) departure of the founder from the Group; or (iv) a material violation of applicable laws by the Group in conducting the restructuring which has caused or will cause a Material Adverse Effect or has materially and adversely affected or will materially and adversely affect the [**REDACTED**].

For Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B-1 Preferred Shares or Series B-2 Preferred Shares, the "Redeeming Events" refers to the event when if the [**REDACTED**] is not completed before 31 December 2023.

The Group does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there was no material credit risk change during the Relevant Periods.

The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders demand the Company to redeem the preferred shares within 12 months after the end of each of the Relevant Periods.

The movements of the convertible redeemable preferred shares are set out below:

| | Series A Preferred Shares | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series E Preferred Shares | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 177,920 | 385,457 | 283,207 | – | – | 846,584 |
| Issue | – | – | 40,352 | – | – | 40,352 |
| Changes in fair value | 12,543 | 42,475 | 18,676 | – | – | 73,694 |
| Currency translation differences | 2,606 | 5,644 | 5,655 | – | – | 13,905 |
| At 31 December 2019 | 193,069 | 433,576 | 347,890 | – | – | 974,535 |
| Issue | – | – | – | 381,341 | 284,365 | 665,706 |
| Converted from convertible loans (note 24) | – | – | 32,152 | – | – | 32,152 |
| Changes in fair value | 176,568 | 250,505 | 83,042 | 80,609 | 661 | 591,385 |
| Currency translation differences | (12,489) | (28,048) | (24,426) | (28,162) | (3,532) | (96,657) |
| At 31 December 2020 | 357,148 | 656,033 | 438,658 | 433,788 | 281,494 | 2,167,121 |
| Issue | – | – | – | 236,653 | 98,246 | 334,899 |
| Converted from exercise of warrants (note 26) | – | – | – | 1,659 | – | 1,659 |
| Changes in fair value | (1,943) | (4,979) | (5,170) | 35,622 | (1,682) | 21,848 |
| Currency translation differences | (3,548) | (6,515) | (4,356) | (3,218) | (2,914) | (20,551) |
| At 30 June 2021 | 351,657 | 644,539 | 429,132 | 704,504 | 375,144 | 2,504,976 |

The Group applied the Backsolve Approach method 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 are set out below:

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Risk-free interest rate | 1.74% | 0.16% | 0.20% |
| Lack of marketability discount | 9.10%~28.10% | 6.67%~29.54% | 5.93%~29.06% |
| Volatility | 48.60% | 45.02% | 45.52% |

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond or Hong Kong Bond as of each valuation date with a maturity life equal to the period from the respective appraisal dates to the expected liquidation date. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can theoretically hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on historical volatility of comparable companies as of the valuation date. Probability weight under each of the redemption feature and liquidation preferences were based on the Group's best estimates.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

**Group and Company**

| | **Warrants** |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | – |
| Issue | 1,563 |
| Changes in fair value | 17 |
| Currency translation differences | (11) |
| At 31 December 2019 | 1,569 |
| Issue | 15,356 |
| Changes in fair value | 20,746 |
| Currency translation differences | (1,199) |
| At 31 December 2020 | 36,472 |
| Converted into convertible redeemable preferred shares | (1,659) |
| Changes in fair value | (15,132) |
| Derecognised | (19,322) |
| Currency translation differences | (359) |
| At 30 June 2021 | – |

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 Preferred Shares. The warrants are measured at fair value through profit or loss.

On 30 September 2019, the Company entered into agreements with China Equities HK Limited., a wholly-owned subsidiary of SSVB for the issuance of warrants. In accordance with the agreements, China Equities HK Limited would be entitled to subscribe the warrants after the banking facility granted by SSVB were utilised by the Company. As at 31 December 2019 and 2020, the numbers of warrants issued were 45,616 shares, 68,596 shares, respectively. The warrants may be exercised either at US$10.39 per warrant share for cash or, if the fair market value of the warrant shares exceeds the exercise price and effect a cashless exchange of the warrants for a certain number of warrant shares to be issued according to the formula stipulated in the agreement, in whole or in part, at the discretion of the relevant warrant holder at any time during the 7 years commencing from the date of issuance of the respective warrants. In May 2021, China Equities HK Limited exercised the warrants for the issue of 21,824 preferred shares of the Company at nil consideration.

On 10 March 2020, the Company entered into agreements with Series D-1 Preferred Shares investors for the issuance of warrants. In accordance with the agreements, investors of Series D-1 Preferred Shares would be entitled to subscribe the warrants after the next series preferred shares financing. As at 31 December 2020, the issuance number of warrants was 1,538,482. The warrants may be exercised at an adjusted price per warrant share, in whole or in part, at the discretion of the relevant warrant holder at any time after the 3 months commencing from the next series preferred share financing or twenty-one months commencing from the completion of Series D-1 Preferred Share financing. In May 2021, investors of Series D-1 Preferred Shares agreed to terminate their rights to exercise warrants in writing and the corresponding warrants were derecognised.

## 27. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 30 January 2018 with an initial authorised share capital of US$1 divided into 10,000 shares with a par value of US$0.0001 each. On 31 December 2018, as part of the Reorganisation, the authorised share capital was subsequently divided into 6,851,266 Ordinary Shares with a par value of US$0.0001 each.

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Issued and fully paid: | | | |
| Ordinary shares of US$0.0001 each | 5 | 5 | 5 |

A summary of movements in the Company's share capital is as follows:

| | **Number of shares in issue** | **Share capital** |
|---|---|---|
| | | *RMB'000* |
| Ordinary shares of US$0.0001 each at 1 January 2019 and 31 December 2019 | 6,851,266 | 5 |
| Share options exercised (Note (a)) | 504,972 | – |
| Ordinary shares of US$0.0001 each at 31 December 2020 and 1 January 2021 | 7,356,238 | 5 |
| Ordinary shares of US$0.0001 at 30 June 2021 | 7,356,238 | 5 |

*Note:*

(a) The subscription rights attaching to 504,972 share options were exercised at the subscription price (note 30), resulting in the issue of 504,972 shares with a par value of US$0.0001 each for a total cash consideration of RMB1,870,000. An amount of RMB14,913,000 was transferred from the share-based payments reserve to share premium upon the exercise of the share options.

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

### (a) Contributed surplus

Contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation set out in note 2.1 over the nominal value of the Company's shares issued in exchange therefor.

### (b) Capital reserve

Capital reserve represents the excess of the nominal value of the shares pursuant to the exercise of the share options set out in note 30 over the nominal value of the Company's shares issued in exchange therefor.

### (c) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currency is not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

## 29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB375,000, RMB9,025,000, RMB1,393,000 and RMB1,272,000 for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively, in respect of lease arrangements for offices.

The convertible loans amounting to RMB32,152,000 were converted to the convertible redeemable preferred shares in accordance with the term of the "Convertible Loan Agreement" in March 2020.

### (b) Changes in liabilities arising from financing activities

| | Interest-bearing bank and other borrowings *RMB'000* | Derivative financial instruments *RMB'000* | Lease liabilities *RMB'000* | Convertible loans *RMB'000* | Convertible redeemable preferred shares *RMB'000* |
|---|---|---|---|---|---|
| **At 1 January 2019** | 1,000 | – | 9,323 | – | 846,584 |
| Changes from financing activities | 24,477 | 1,563 | (2,720) | 34,369 | 40,352 |
| Change in fair value | – | 17 | – | 1,584 | 73,694 |
| New lease | – | – | 375 | – | – |
| Interest expense | 983 | – | 366 | – | – |
| Currency translation differences | 6 | (11) | – | 512 | 13,905 |
| **At 31 December 2019** | 26,466 | 1,569 | 7,344 | 36,465 | 974,535 |
| **At 31 December 2019 and 1 January 2020** | 26,466 | 1,569 | 7,344 | 36,465 | 974,535 |
| Changes from financing activities | 4,722 | 15,356 | (3,826) | (2,429) | 665,706 |
| Converted to convertible redeemable preferred shares | – | – | – | (32,152) | 32,152 |
| Change in fair value | – | 20,746 | – | (1,689) | 591,385 |
| New lease | – | – | 9,025 | – | – |
| Interest expense | 3,401 | – | 393 | – | – |
| Currency translation differences | (630) | (1,199) | – | (195) | (96,657) |
| **At 31 December 2020** | 33,959 | 36,472 | 12,936 | – | 2,167,121 |
| **At 31 December 2020 and 1 January 2021** | 33,959 | 36,472 | 12,936 | – | 2,167,121 |
| Changes from financing activities | (16,640) | – | (3,045) | – | 334,899 |
| Converted to convertible redeemable preferred shares | – | (1,659) | – | – | 1,659 |
| Change in fair value | – | (34,454) | – | – | 21,848 |
| New lease | – | – | 1,272 | – | – |
| Interest expense | 1,328 | – | 230 | – | – |
| Currency translation differences | (94) | (359) | – | – | (20,551) |
| **At 30 June 2021** | 18,553 | – | 11,393 | – | 2,504,976 |

**(b) Changes in liabilities arising from financing activities**

| | Interest-bearing bank and other borrowings *RMB'000* | Derivative financial instruments *RMB'000* | Lease liabilities *RMB'000* | Convertible loans *RMB'000* | Preferred Shares *RMB'000* |
|---|---|---|---|---|---|
| **At 31 December 2019 and 1 January 2020** | 26,466 | 1,569 | 7,344 | 36,465 | 974,535 |
| Changes from financing activities (Unaudited) | 5,291 | 15,356 | (1,950) | (2,429) | 380,621 |
| Converted to convertible redeemable preferred shares (Unaudited) | – | – | – | (32,152) | 32,152 |
| Change in fair value (Unaudited) | – | (3,175) | – | (1,689) | 79,043 |
| Interest expense (Unaudited) | 1,920 | – | 160 | – | – |
| Currency translation differences (Unaudited) | (1,788) | 116 | – | (195) | 18,196 |
| **At 30 June 2020** (Unaudited) | 31,889 | 13,866 | 5,554 | – | 1,484,547 |

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the statements of cash flows is as follows:

| | Year ended 31 December 2019 *RMB'000* | 2020 *RMB'000* | Six months ended 30 June 2020 *RMB'000* ***(unaudited)*** | 2021 *RMB'000* |
|---|---|---|---|---|
| Within operating activities | (714) | (940) | (437) | (451) |
| Within financing activities | (2,720) | (3,826) | (1,950) | (3,045) |
| | (3,434) | (4,766) | (2,387) | (3,496) |

## 30. SHARE-BASED PAYMENTS

The Company operates a share-based payment scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, the Group's employees and consultants.

### The 2016 Plan

A share incentive plan (the "2016 Plan") became effective in April 2016 when the board of directors of CANbridge Beijing approved the 2016 Plan. The maximum aggregate number of shares that may be issued under this plan is 1,250,000 ordinary shares of CANbridge Beijing. The 2016 Plan permits the awards of share options through a limited liability partnership (the "LLP"). The participants will indirectly hold share options of CANbridge Beijing through direct holding of the LLP's interest. As part of the red-chip restructuring of the Company and its subsidiaries, the New Plan (see definition below) was adopted to replace the 2016 Plan and the shares will be granted to replace the shares of CANbridge Beijing previously granted.

### The New Plan

A new share incentive plan (the "New Plan") became effective on 25 July 2019 when the Board and the shareholders approved the New Plan. The New Plan will continue in effect for a term of ten years unless sooner terminated. The maximum number of shares that may be subject to the awards granted and sold under this New Plan is 2,855,650 shares, which comprises 1,250,000 shares reserved under the New Plan to substitute the shares of CANbridge Beijing previously granted under the 2016 Plan and 1,605,650 additional shares.

**Share options**

The share options have vesting terms in schedule from the grant date over 5 years years on the condition that the directors and employees remain in service and fulfil certain performance conditions of individuals.

For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based payment expenses are then adjusted to reflect the revision of original estimates.

The exercise prices and exercise periods of the share options outstanding as at the end of each of the Relevant Periods are as follows:

| | **Number of share options** | **Average exercise price per share option** |
|---|---|---|
| | | *RMB* |
| At 1 January 2019 | 1,356,115 | 15.30 |
| Granted during the year | 1,217,625 | 37.00 |
| Forfeited during the year | (29,200) | 12.79 |
| At 31 December 2019 | 2,544,540 | 25.49 |

| | **Number of share options** | **Average exercise price per share option** |
|---|---|---|
| | | *RMB* |
| At 1 January 2020 | 2,544,540 | 25.49 |
| Granted during the year | 464,000 | 48.34 |
| Forfeited during the year | (406,891) | 36.72 |
| Exercised during the year | (504,972) | 3.81 |
| At 31 December 2020 | 2,096,677 | 33.20 |

| | **Number of share options** | **Average exercise price per share option** |
|---|---|---|
| | | *RMB* |
| At 1 January 2021 | 2,096,677 | 33.20 |
| Forfeited during the period | (9,050) | 33.07 |
| At 30 June 2021 | 2,087,627 | 33.20 |

The exercise prices and exercise periods of the share options outstanding as at the end of each of the Relevant Periods are as follows:

**Year ended 31 December 2019**

| Number of options | Exercise price | Exercise period |
|---|---|---|
| 5,000 | – | 2022 |
| 245,000 | RMB1.00 | 2016-2025 |
| 221,667 | RMB1.50 | 2017-2026 |
| 124,000 | RMB5.38 | 2017-2029 |
| 51,000 | RMB6.22 | 2017-2027 |
| 92,000 | RMB12.70 | 2019-2030 |
| 185,334 | US$1.85 | 2019-2032 |
| 1,270,539 | US$5.20 | 2019-2030 |
| 350,000 | US$5.89 | 2020-2033 |
| 2,544,540 | | |

**Year ended 31 December 2020**

| Number of options | Exercise price | Exercise period |
|---|---|---|
| 5,000 | – | 2022 |
| 85,000 | RMB1.00 | 2016-2025 |
| 30,000 | RMB1.50 | 2017-2026 |
| 99,725 | RMB5.38 | 2017-2029 |
| 50,000 | RMB5.44 | 2020-2033 |
| 6,000 | RMB6.22 | 2017-2027 |
| 50,250 | RMB12.70 | 2019-2030 |
| 102,029 | US$1.85 | 2019-2032 |
| 1,089,673 | US$5.20 | 2019-2030 |
| 350,000 | US$5.89 | 2020-2033 |
| 30,000 | US$7.06 | 2020-2034 |
| 199,000 | US$7.53 | 2021-2034 |
| 2,096,677 | | |

**Six months ended 30 June 2021**

| Number of options | Exercise price | Exercise period |
|---|---|---|
| 5,000 | – | 2022 |
| 85,000 | RMB1.00 | 2016-2025 |
| 30,000 | RMB1.50 | 2017-2026 |
| 99,725 | RMB5.38 | 2017-2029 |
| 50,000 | RMB5.44 | 2020-2033 |
| 6,000 | RMB6.22 | 2017-2027 |
| 50,000 | RMB12.70 | 2019-2030 |
| 102,029 | US$1.85 | 2019-2032 |
| 1,080,873 | US$5.20 | 2019-2030 |
| 350,000 | US$5.89 | 2020-2033 |
| 30,000 | US$7.06 | 2020-2034 |
| 199,000 | US$7.53 | 2021-2034 |
| 2,087,627 | | |

**Fair value of share options**

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used.

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Expected volatility (%) | 53.22-57.24 | 48.49-56.53 | 49.09-50.84 |
| Risk-free interest rate (%) | 1.76-1.84 | 0.15-0.89 | 0.11-1.35 |
| Expected life of options (year) | 1.00-13.57 | 1.0-12.56 | 0.50-12.94 |
| Weighted average share price (US$ per share) | 5.43 | 11.85 | 11.79 |

The risk-free interest rate was based on the yield of the Hong Kong Bond as of each valuation date. The volatility was estimated based on historical volatility of comparable companies as of the valuation date. The expected life of the options is based on the historical data over the past years and is not necessarily indicative of the exercise patterns that may occur.

The Group recognised share-based payment expenses of RMB16,690,000, RMB14,655,000, RMB8,280, 000 and RMB6,672,000 for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, respectively.

## 31. RELATED PARTY TRANSACTIONS

### (a) Name and relationship

The directors of the Group are of the view that the following companies are related parties that had transactions or balances with the Group during the Relevant Periods:

| Name of related parties | Relationship with the Group |
|---|---|
| CANbridge Consulting LLC | An entity controlled by a member of key management personnel |
| Mr. James Xue Qun | Key management personnel of the entity or its parent |
| Wuxi Biologics (Hong Kong) limited | An entity controlled by one of the Company's shareholders |
| Hd Biosciences Co., Ltd. | An entity controlled by one of the Company's shareholders |
| Qiming U.S. Ventures Management, LLC | An entity affiliated with one of the Company's shareholders |
| WuXi AppTec(Suzhou) Co., Ltd. | An entity controlled by one of the Company's shareholders |
| Wuxi Biologics Ireland Limited | An entity controlled by one of the Company's shareholders |
| WuXi Biologics (Shanghai) Co., Ltd. | An entity controlled by one of the Company's shareholders |

**(b) Transactions with related parties**

The Company had following transactions with related parties during the Relevant Periods:

| | | Year ended 31 December | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | *Notes* | **201 9** | **2020** | **2020** | **2021** |
| | | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* |
| Purchase of services | | | | | |
| Wuxi Biologics (Shanghai) Co., Ltd. | *(i)* | 1,905 | 1,471 | 631 | 7,136 |
| Wuxi AppTec (Suzhou) Co., Ltd. | *(ii)* | – | 1,421 | – | 7,026 |
| Wuxi Biologics (Hong Kong) Limited | *(iii)* | – | 34,560 | – | 25,844 |
| Hd Biosciences Co., Ltd. | | – | – | – | 25 |
| Rental of office from: | | | | | |
| Qiming U.S. Ventures Management, LLC | | 684 | 870 | 440 | 416 |
| Licence granted from related parties: | | | | | |
| Wuxi Biologics Ireland Limited | *(iv)* | 6,209 | 8,622 | 8,622 | – |

*Notes:*

(i) Wuxi Biologics (Shanghai) Co., Ltd. provided Contract Development Manufacture Organization ("CDMO") services to the Group.

(ii) Wuxi AppTec (Suzhou) Co., Ltd. provided Contract Research Organization ("CRO") services to the Group.

(iii) Wuxi Biologics (Hong Kong) Limited provided CDMO services to the Group.

(iv) CANbridge CARE Pharma entered into licence agreements with Wuxi Biologics Ireland Limited, pursuant to which CANbridge CARE Pharma was granted with certain licence rights and shall bear all costs and expenses to develop the liscensed products. The payment arrangement comprised an upfront payment, a milestone payment and royalty payments.

The pricing was determined according to the published prices and conditions similar to those offered to the major customers of the suppliers.

**(c) Outstanding balances with related parties**

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

*Notes:*

(v) In 2018, the Company entered into a loan agreement with Mr. James Qun Xue, to lend fund to him for his settlement of taxes arising from the Reorganisation. According to the agreements, such lendings were not secured, interest-free and repayable on demand.

Except for the loan to Mr. James Qun Xue amounting to RMB8,965,000, RMB9,198,000 and nil as at 31 December 2019 and 2020 and 30 June 2021, respectively, which was non-trade in nature as explained in (v) above, the amounts due from the related parties were trade in nature.

All the balances of amounts due to related parties as at 31 December 2019 and 2020 and 30 June 2021 were trade in nature.

**(d)** Compensation of key management personnel of the Group:

| | Year ended 31 December 2019 *RMB'000* | Year ended 31 December 2020 *RMB'000* | Six months ended 30 June 2020 *RMB'000* *(unaudited)* | Six months ended 30 June 2021 *RMB'000* |
|---|---|---|---|---|
| Short term employee benefits | 4,249 | 6,713 | 1,609 | 6,321 |
| Post-employment benefits | 49 | 4 | 4 | 205 |
| Share-based payments | 6,634 | 5,145 | 1,501 | 1,255 |
| Total compensation paid to key management personnel | 10,932 | 11,862 | 3,114 | 7,781 |

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**31 December 2019**

***Financial assets***

| | Financial assets at amortised cost |
|---|---|
| | *RMB'000* |
| Trade receivables | 593 |
| Financial assets included in prepayments, other receivables and other assets | 10,585 |
| Cash and cash equivalents | 13,873 |
| | 25,051 |

***Financial liabilities***

| | Financial liabilities at fair value through profit or loss | Financial liabilities at amortised cost | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Convertible redeemable preferred shares | 974,535 | – | 974,535 |
| Convertible loans | 36,465 | – | 36,465 |
| Derivative financial instruments | 1,569 | – | 1,569 |
| Trade payables | – | 6,576 | 6,576 |
| Lease liabilities | – | 7,344 | 7,344 |
| Financial liabilities included in other payables and accruals | – | 7,860 | 7,860 |
| Interest-bearing bank and other borrowings | – | 26,466 | 26,466 |
| | 1,012,569 | 48,246 | 1,060,815 |

**31 December 2020**

***Financial assets***

| | Financial assets at amortised cost |
|---|---|
| | *RMB'000* |
| Trade receivables | 7,040 |
| Financial assets included in prepayments, other receivables and other assets | 11,188 |
| Cash and cash equivalents | 360,804 |
| | 379,032 |

***Financial liabilities***

| | Financial liabilities at fair value through profit or loss *RMB'000* | Financial liabilities at amortised cost *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Convertible redeemable preferred shares | 2,167,121 | – | 2,167,121 |
| Derivative financial instruments | 36,472 | – | 36,472 |
| Trade payables | – | 46,713 | 46,713 |
| Lease liabilities | – | 12,936 | 12,936 |
| Financial liabilities included in other payables and accruals | – | 13,692 | 13,692 |
| Interest-bearing bank and other borrowings | – | 33,959 | 33,959 |
| | 2,203,593 | 107,300 | 2,310,893 |

**30 June 2021**

***Financial assets***

| | Financial assets at amortised cost *RMB'000* |
|---|---|
| Trade receivables | 7,128 |
| Financial assets included in prepayments, other receivables and other assets | 1,369 |
| Cash and cash equivalents | 442,100 |
| | 450,597 |

***Financial liabilities***

| | Financial liabilities at fair value through profit or loss *RMB'000* | Financial liabilities at amortised cost *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Convertible redeemable preferred shares | 2,504,976 | – | 2,504,976 |
| Trade payables | – | 42,108 | 42,108 |
| Lease liabilities | – | 11,393 | 11,393 |
| Financial liabilities included in other payables and accruals | – | 21,192 | 21,192 |
| Interest-bearing bank and other borrowings | – | 18,553 | 18,553 |
| | 2,504,976 | 93,246 | 2,598,222 |

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of interest-bearing bank and other borrowings, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The Group invests in financial products which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these financial products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

**Financial instruments in Level 3**

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

| **31 December 2019** | **Valuation technique** | **Significant unobservable inputs** | **Range of inputs** | **Sensitivity of fair value to the input** |
|---|---|---|---|---|
| Convertible redeemable preferred shares | Backsolve method | Volatility | 48.6% | Increase of 1% would result in decrease in fair value by RMB5,239,000; Decrease of 1% would result in increase in fair value by RMB5,059,000. |
| Convertible loans | Backsolve method | Volatility | 48.6% | Increase of 1% would result in decrease in fair value by RMB165,000; Decrease of 1% would result in increase in fair value by RMB158,000. |
| Derivative financial instruments | Backsolve method | Volatility | 48.6% | Increase of 1% would result in increase in fair value by RMB8,000; Decrease of 1% would result in decrease in fair value by RMB9,000. |
| Convertible redeemable preferred shares | Backsolve method | Probability for [REDACTED] | 45% | Increase of 1% would result in increase in fair value by RMB51,000; Decrease of 1% would result in decrease in fair value by RMB51,000. |
| Convertible loans | Backsolve method | Probability for [REDACTED] | 45% | Increase of 1% would result in decrease in fair value by RMB200,000; Decrease of 1% would result in increase in fair value by RMB200,000. |
| Derivative financial instruments | Backsolve method | Probability for [REDACTED] | 45% | Increase of 1% would result in decrease in fair value by nil; Decrease of 1% would result in increase in fair value by nil. |

| 31 December 2020 | Valuation technique | Significant unobservable inputs | Range of inputs | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Convertible redeemable preferred shares | Backsolve method | Volatility | 45.02% | Increase of 1% would result in decrease in fair value by RMB11,546,000; Decrease of 1% would result in increase in fair value by RMB11,691,000. |
| Derivative financial instruments | Backsolve method | Volatility | 45.02% | Increase of 1% would result in decrease in fair value by RMB124,000; Decrease of 1% would result in increase in fair value by RMB142,000. |
| Convertible redeemable preferred shares | Backsolve method | Probability for [REDACTED] | 80% | Increase of 1% would result in decrease in fair value by RMB989,000; Decrease of 1% would result in increase in fair value by RMB989,000. |
| Derivative financial instruments | Backsolve method | Probability for [REDACTED] | 80% | Increase of 1% would result in decrease in fair value by nil; Decrease of 1% would result in increase in fair value by nil. |

| 30 June 2021 | Valuation technique | Significant unobservable inputs | Range of inputs | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Convertible redeemable preferred shares | Backsolve method | Volatility | 45.8% | Increase of 1% would result in decrease in fair value by RMB9,745,000; Decrease of 1% would result in increase in fair value by RMB9,821,000. |
| Convertible redeemable preferred shares | Backsolve method | Probability for [REDACTED] | 80% | Increase of 1% would result in decrease in fair value by RMB2,620,000; Decrease of 1% would result in increase in fair value by RMB2,620,000. |

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

***Assets measured at fair value***

The Group did not have any financial assets measured at fair value as at the end of each of the Relevant Periods.

***Liabilities measured at fair value***

As at 31 December 2019

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at fair value through profit or loss: | | | | |
| Convertible redeemable preferred shares | – | – | 974,535 | 974,535 |
| Convertible loans | – | – | 36,465 | 36,465 |
| Derivative financial instruments | – | – | 1,569 | 1,569 |
| | – | – | 1,012,569 | 1,012,569 |

As at 31 December 2020

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at fair value through profit or loss: | | | | |
| Convertible redeemable preferred shares | – | – | 2,167,121 | 2,167,121 |
| Derivative financial instruments | – | – | 36,472 | 36,472 |
| | – | – | 2,203,593 | 2,203,593 |

As at 30 June 2021

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at fair value through profit or loss: | | | | |
| Convertible redeemable preferred shares | – | – | 2,504,976 | 2,504,976 |

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

| | Carrying amounts | | |
|---|---|---|---|
| | As at 31 December | | As at 30 June |
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial liabilities** | | | |
| Non-current portion of interest-bearing bank and other borrowings | 16,870 | 11,645 | 4,487 |

| | Fair values | | |
|---|---|---|---|
| | As at 31 December | | As at 30 June |
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial liabilities** | | | |
| Non-current portion of interest-bearing bank and other borrowings | 18,106 | 12,685 | 5,054 |

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, convertible loans, derivative financial instruments and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board and senior management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

### 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 the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The Company and its subsidiaries mainly transacted in foreign currencies. Management considers the Group's exposure to foreign currency risk is not significant.

### Credit risk

The carrying amounts of cash and bank balances, financial assets measured at amortised cost, trade receivables, other receivables and other financial assets represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-peformance by these counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also expects that there is no significant credit risk associated with other receivables and other financial assets since the counterparties to these financial assets have no history of default.

**Maximum exposure and year-end staging**

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

| | **12-month ECLs** | **Lifetime ECLs** | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 593 | 593 |
| Financial assets included in prepayments, other receivables and other assets – Normal** | 10,585 | – | – | – | 10,585 |
| Cash and cash equivalents – Not yet past due | 13,873 | – | – | – | 13,873 |
| | 24,458 | – | – | 593 | 25,051 |

As at 31 December 2020

| | **12-month ECLs** | **Lifetime ECLs** | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 7,040 | 7,040 |
| Financial assets included in prepayments, other receivables and other assets – Normal** | 11,188 | – | – | – | 11,188 |
| Cash and cash equivalents – Not yet past due | 360,804 | – | – | – | 360,804 |
| | 371,992 | – | – | 7,040 | 379,032 |

As at 30 June 2021

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 7,128 | 7,128 |
| Financial assets included in prepayments, other receivables and other assets – Normal** | 1,369 | – | – | – | 1,369 |
| Cash and cash equivalents – Not yet past due | 442,100 | – | – | – | 442,100 |
| | 443,469 | – | – | 7,128 | 450,597 |

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 17 to the Historical Financial Information.

** The credit quality of amounts due from related parties and the financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets are considered to be "doubtful".

**Liquidity risk**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

| | As at 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | On demand | Within 1 year | 1 to 5 years | Above 5 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 6,576 | – | – | – | 6,576 |
| Financial liabilities included in other payables and accruals | 7,860 | – | – | – | 7,860 |
| Interest-bearing bank and other borrowings | 2,368 | 7,228 | 18,225 | – | 27,821 |
| Convertible redeemable preferred shares (note a) | – | – | 860,817 | – | 860,817 |
| Convertible loans (note a) | – | 2,284 | 35,039 | – | 37,323 |
| Derivative financial instruments | – | 13,508 | – | – | 13,508 |
| Lease liabilities | – | 2,943 | 6,018 | – | 8,961 |
| | 16,804 | 25,963 | 920,099 | – | 962,866 |

| | As at 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | **On demand** | **Within 1 year** | **1 to 5 years** | **Above 5 years** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 46,713 | – | – | – | 46,713 |
| Financial liabilities included in other payables and accruals | 13,692 | – | – | – | 13,692 |
| Interest-bearing bank and other borrowings | 11,900 | 10,414 | 12,553 | – | 34,867 |
| Convertible redeemable preferred shares (note a) | – | – | 1,662,006 | – | 1,662,006 |
| Derivative financial instruments | – | 171,620 | – | – | 171,620 |
| Lease liabilities | – | 5,519 | 8,641 | – | 14,160 |
| | 72,305 | 187,553 | 1,683,200 | – | 1,943,058 |

| | As at 30 June 2021 | | | | |
|---|---|---|---|---|---|
| | **On demand** | **Within 1 year** | **1 to 5 years** | **Above 5 years** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 42,108 | – | – | – | 42,108 |
| Financial liabilities included in other payables and accruals | 21,192 | – | – | – | 21,192 |
| Interest-bearing bank and other borrowings | – | 14,066 | 5,989 | – | 20,055 |
| Convertible redeemable preferred shares (note a) | – | – | 1,841,207 | – | 1,841,207 |
| Lease liabilities | – | 5,713 | 8,205 | – | 13,918 |
| | 63,300 | 19,779 | 1,855,401 | – | 1,938,480 |

*Note:*

(a) The liquidity risk of convertible redeemable preferred shares and convertible loans is the original issue price of the Preferred Shares plus the respective predetermined interest (the "redemption amount"), assuming that there is no consummation of [**REDACTED**] of the Company's shares before certain dates as agreed by the holders of ordinary shares and the holders of each class of the Preferred Shares and the holders of the Preferred Shares request the Company to redeem all of the Preferred Shares.

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

## 35. FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

### (a) The amounts due from subsidiaries

The amounts due from subsidiaries are non-interest bearing, denominated in US$, repayable on demand and their carrying amount approximate to their fair value.

### (b) Reserves

| | At 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share option reserve** | **Accumulated losses** | **Exchange fluctuation reserve** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 5 | 16,804 | (41,174) | (3,207) | (27,572) |
| Loss for the year | – | – | (75,148) | – | (75,148) |
| Exchange differences | – | – | – | (5,309) | (5,309) |
| Total comprehensive loss for the year | – | – | (75,148) | (5,309) | (80,457) |
| Share-based payments | – | 16,690 | – | – | 16,690 |
| At 31 December 2019 | 5 | 33,494* | (116,322)* | (8,516)* | (91,339) |

| | At 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** | **Capital reserve** | **Share option reserve** | **Accumulated losses** | **Exchange fluctuation reserve** | **Total** |
| | *RMB'000* | *RMB'000 (note 28(b))* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2020 | 5 | – | 33,494 | (116,322) | (8,516) | (91,339) |
| Loss for the year | – | – | – | (631,904) | – | (631,904) |
| Exchange differences | – | – | – | – | 29,001 | 29,001 |
| Total comprehensive loss for the year | – | – | – | (631,904) | 29,001 | (602,903) |
| Issue of shares | – | 16,783 | (14,913) | – | – | 1,870 |
| Share-based payments | – | – | 14,655 | – | – | 14,655 |
| At 31 December 2020 | 5 | 16,783* | 33,236* | (748,226)* | 20,485* | (677,717) |

| | At 30 June 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** | **Capital reserve** | **Share option reserve** | **Accumulated losses** | **Exchange fuluctuation reserve** | **Total** |
| | *RMB'000* | *RMB'000* *(note 28(b))* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2021 | 5 | 16,783 | 33,236 | (748,226) | 20,485 | (677,717) |
| Loss for the period | – | – | – | 4,096 | – | 4,096 |
| Exchange differences | – | – | – | – | 11,113 | 11,113 |
| Total comprehensive loss for the period | – | – | – | 4,096 | 11,113 | 15,209 |
| Share-based payments | – | – | 6,672 | – | – | 6,672 |
| At 30 June 2021 | 5 | 16,783* | 39,908* | (744,130)* | 31,598* | (655,836) |

| | At 30 June 2020 | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share option reserve** | **Accumulated losses** | **Exchange fluctuation reserve** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2020 | 5 | 33,494 | (116,322) | (8,516) | (91,339) |
| Loss for the period (Unaudited) | – | – | (82,271) | – | (82,271) |
| Exchange differences (Unaudited) | – | – | – | (7,099) | (7,099) |
| Total comprehensive loss for the period (Unaudited) | – | – | (82,271) | (7,099) | (89,370) |
| Share-based payments (Unaudited) | – | 8,280 | – | – | 8,280 |
| At 30 June 2020 (Unaudited) | 5 | 41,774 | (198,593) | (15,615) | (172,429) |

* These reserve accounts comprise the reserves of RMB(91,344,000), RMB(677,722,000) and RMB(655,841,000) as at 31 December 2019 and 2020 and 30 June 2021, respectively, in the statements of financial position of the Company.

## 36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2021.