You should read the following discussion and analysis in conjunction with our audited consolidated financial statements and the accompanying notes included in the Accountants' Report set forth in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Potential investors should read the whole of the Accountants' Report set forth in Appendix I and not rely merely on the information contained in this section.

The following discussion and analysis contain forward-looking statement that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

Founded in 2014, we are a bio-pharmaceutical company focusing on the research and development of oncology therapies with differentiated clinical profile for cancer patients, especially those who require long-term care.

Our core business model is to develop and commercialize oncology products and drug candidates through a combination of co-development, in-licensing and in-house discovery. Our management team has extensive industry experience at reputable organizations including FDA and leading pharmaceutical companies, and has led us to build end-to-end capabilities from discovery to commercialization with proven track record and strong growth potentials.

Our envafolimab (brand name: ENWEIDA, 恩維達®) is a subcutaneously-injectable PD-L1 inhibitor for the treatment of tumor-agnostic indications, and it has been approved in China for the treatment of previously treated MSI-H/dMMR advanced solid tumors. In November 2016 and May 2017, we obtained the IND approvals from FDA and PMDA to commence the Phase I clinical trials of envafolimab in the U.S. and Japan, respectively. In December 2016, we received an umbrella IND approval from NMPA for Phase I, II and III clinical trials of envafolimab. In July 2020, we completed the pivotal Phase II clinical trial of envafolimab for the treatment of previously treated MSI-H/dMMR advanced solid tumors, and we submitted the BLA for envafolimab for this indication to NMPA in November 2020, which was accepted by NMPA in December 2020. On November 24, 2021, we received BLA approval for this indication from NMPA.

We have incurred operating losses during the Track Record Period, with RMB635.4 million, RMB1,461.8 million and RMB293.4 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively. Substantially all of our operating losses resulted from research and development expenses, administrative expenses and fair value losses on preferred shares. Our liabilities are primarily related to the preferred shares.

We expect to incur an increased amount of operating expenses, in particular increasing research and development expenses, selling and marketing expenses and administrative expenses, for at least the next several years as we conduct further pre-clinical research, continue the clinical development of, seek regulatory approval for and manufacturing of, our drug candidates, launch and promote our pipeline products, and add personnel necessary to operate our business. Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period affected by the development status of our drug candidates, regulatory approval timeline and commercialization of our product and drug candidates after approval.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 30, 2018. Our Company, as the holding company of our business, directly or indirectly owns all of our subsidiaries that are primarily engaged in developing, manufacturing and commercializing our approved products and drug candidates for cancer treatment. For more details, please refer to the section headed "History, Development and Corporate Structure" in this document.

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information throughout the Track Record Period.

The consolidated financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022. The consolidated financial information is presented in RMB and all values are rounded to the nearest thousand except where otherwise indicated.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that our results of operations and financial condition are principally affected by the following factors:

Commercialization of Product and Our Drug Candidates

Our business and results of operations will be dependent on our receipt of regulatory approval for and successful commercialization of our drug candidates. By strategically adopting a combination of co-development, in-licensing and in-house discovery of highly innovative products, we have assembled and developed a portfolio of differentiated therapies to help cancer patients who need long-term care with twelve product and drug candidates in total, consisting of one approved product, seven drug candidates at the clinical stage and four selected drug candidates at pre-clinical stage in our pipeline. Our Core Product envafolimab is a subcutaneously-injectable PD-L1 antibody. On November 24, 2021, we received BLA approval for envafolimab for previously treated MSI-H/dMMR advanced solid tumors from the NMPA and we are the marketing authorization holder (MAH). It has been approved in China for the treatment of previously treated MSI-H/dMMR advanced solid tumors. In addition, we also have multiple drug candidates at clinical stage, which we own the exclusive rights to develop and commercialize. For more details of our product and drug candidates, please refer to the paragraphs headed "Business – Our Core Product and Other Drug Candidates" in this document.

We had one commercialized product as of the Latest Practicable Date, and we expect to commercialize more of our pipeline products in the coming years as they move towards the final stages of development. Our commercialization strategy includes leveraging our commercialization resources with our reputable and resourceful partners, adopting a localized commercial approach, focusing on expert-driven promotion strategies, and establishing suitable commercialization strategy based on each product or drug candidate's characteristics and market coverage. Once our product and drug candidates are commercialized, our business and results of operations will be driven by the market acceptance and sales of our commercialized drugs and by production capacity to meet the commercial demand. However, the commercialization may require significant marketing efforts before we are able to achieve profitability from product sales. If we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. For more details on our commercialization strategy and relevant risks, please refer to the paragraphs headed "Business – Our Strategies" and paragraphs headed "Risk Factors – Other Risks Relating to Our Business – Risks Relating to Commercialization of Our Products" in this document.

Clinical Trial Progress of Our Product and Drug Candidates

Our financial performance is affected by whether the clinical trial of our product and drug candidates can be successfully progressed. However, due to the inherent complexity and uncertainty related to drug research and development, our drug candidates may be unsuccessful or the clinical trial progress may be delayed. If the clinical trial progress is delayed due to technical or other issues, we will need to spend more time and effort on such research and development. For more details on the relevant risks, please refer to the paragraphs headed "Risk Factors – Other Risks Relating to Our Business – Risks Relating to the Development of Our Drug Candidates" in this document.

As of the Latest Practicable Date, we had one approved product, envafolimab, and seven drug candidates at the clinical stage, including 3D189, 3D229, 3D011, 3D185, 3D1001, 3D1002 and 3D197. Envafolimab has undergone clinical trials with almost 1,000 patients enrolled for multiple tumor indications in the U.S., China and Japan (with the first-in-human trial in the U.S.). On December 17, 2020, the NMPA accepted the BLA for envafolimab in the treatment of advanced solid tumors with MSI-H/dMMR, and our BLA was granted priority review. In November 2021, we received BLA approval for envafolimab for the treatment of previously treated MSI-H/dMMR advanced solid tumors. Our 3D189 is currently being evaluated by our partner SELLAS in an ongoing global Phase III pivotal trial in acute myeloid leukemia (AML). The FDA has permitted a Phase III trial to evaluate our 3D229 in PROC which is carried out by our partner Aravive. In addition, our 3D011, 3D1001, 3D1002 and 3D197 have received the IND approval from the NMPA in January 2021, February 2019, July 2018 and January 2022, respectively. Furthermore, we had four selected drug candidates at pre-clinical stage in our pipeline. For more details on the development status of our various product and drug candidates, please refer to the paragraphs headed "Business – Our Core Product and Other Drug Candidates" in this document.

Our Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consisted of research and development expenses, selling and marketing expenses, administrative expenses, and other expenses.

We have focused on our research and development activities, such as conducting pre-clinical studies, clinical trials and activities related to regulatory filings for our product candidates, which are essential to our business. We are of the opinion that the primary factor affecting our long-term competitiveness and future growth is our ability to successfully develop drug candidates. However, developing high-quality drug candidates requires a significant investment of resources over a prolonged period of time. We incurred research and development expenses of RMB264.0 million, RMB371.2 million and RMB138.3 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively. We expect our research and development expenses to continue to increase for the foreseeable future as our development programs progress.

Our administrative expenses mainly consisted of employee benefit expenses and professional service expenses incurred by our administrative departments. We incurred administrative expenses of RMB40.5 million, RMB151.0 million and RMB46.6 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively. We also anticipate our administrative expenses, in particular, expenses in legal, compliance, accounting, and investor and public relations areas, will increase as we operate as a public company following the completion of the [**REDACTED**].

Our selling and marketing expenses mainly comprised of the marketing service fees incurred for the commercialization of our Core Product envafolimab since its approval in November 2021. We incurred a total of RMB42.8 million and RMB103.6 million for the year ended December 31, 2021 and the five months ended May 31, 2022. We also expect our selling and distribution expenses to increase in the future to support our product development efforts and commercialization activities with respect to our product candidates if they are approved. Given our near-commercial stage product candidates, we are in the process of gradually enhancing sales and marketing efforts in anticipation of the commercialization of our products.

Our Present and Future Collaborations

We have strategically integrated industry resources by securing collaboration with long-term partners with complementary resources. We have formed collaborations with reputable domestic and multinational pharmaceutical and biotech companies, such as Alphamab Group, Simcere, TRACON, SELLAS, Aravive, Haihe Biopharma, Y-Biologics and ImmuneOncia. In particular, our collaboration programs with Alphamab Group and Simcere with respect to envafolimab will help maximize its clinical and commercial value through quick deployment of production and commercialization resources. For more details, please refer to the paragraphs headed "Business – Collaboration Agreements" in this document. We believe that leveraging our partners' manufacturing, sales and marketing expertise, business networks and experienced teams will help us efficiently gain coverage in and capture a substantial share of the oncology market.

In addition, we may continue to enter into collaborations with reputable pharmaceutical and biotech companies in the future to maintain our forward-looking multi-stream strategy. Therefore, for any such future possible collaborations, we may incur substantial expenses, including but not limited to upfront payments, milestone payments and royalties, and recognize revenue from potential license-out and commercialized products. The timing of these payments and the mix of future product sales will have an effect on our profitability.

Funding for Our Operations

During the years ended December 31, 2020 and 2021, and the five month ended May 31, 2022, we funded our operations primarily through our financing in the form of preferred shares. Going forward, with the continuing expansion of our business and our product pipeline, we may require further funding through our financing in the form of preferred shares, debt financing, collaborations, licensing arrangements or other sources. In the event of successful commercialization of one or more of our product candidates, we expect to fund our operations in part with revenue generated from sales of our products. Any fluctuation in our ability to fund our operations will impact our cash flow and our results of operations.

Fair Value Change in Our Financial Instruments

We raised private equity financings through the issuance of preferred shares. We classified the financial instruments as financial liabilities measured at fair value through profit and loss. The fair value is established by using valuation techniques. Although our Preferred Shares will be automatically converted to Ordinary Shares upon the closing of the [**REDACTED**], to the extent we need to reevaluate the preferred shares prior to the closing of the [**REDACTED**], any change in fair value will result in non-cash gains or losses, which could materially affect our financial positions and results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial information, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial information requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We consider an accounting policy significant if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to the understanding of our financial condition and operating results. We believe the following accounting policies are most significant to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates are summarized below. Please refer to note 2.4 and note 3 to the Accountants' Report set out in the Appendix I to this document for a detailed description of our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations.

Significant Accounting Policies

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized 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 us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized 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.

(a) Sales of products

Revenue from the sale of products is recognized at the point in time when control of the product is transferred to the customer, generally when the products are delivered and accepted by the customers.

During the year ended December 31, 2021 and the five months ended May 31, 2022, 100% and 99% of the sales of products were made through Jiangsu Simcere Pharmaceutical Co., Ltd. ("Jiangsu Simcere") to pharmacy operating companies. Jiangsu Simcere acted as our service provider and the service fees retained by Jiangsu Simcere are recognized as selling expenses.

Other income

Interest income is recognized 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.

Research service income is recognized at the point in time when the research report is delivered and accepted by the customers.

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the consolidated financial information on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of reporting period.

Financial liabilities

Initial recognition and measurement

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

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

Our financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other borrowings, loans from related parties, amounts due to related parties and preferred shares.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, trade payables, other payables and accruals, interest-bearing bank and other borrowings, loans from related parties and amounts due to related parties, 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 recognized in statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization 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 amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Financial liabilities at FVTPL

Financial liabilities measured at FVTPL include preferred shares which are designated upon initial recognition as at fair value through profit or loss.

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 recognized in 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.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in profit or loss and other comprehensive income.

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

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

Leasehold improvements	shorter of remaining lease terms and estimated useful lives
Office equipment	19% to 32%
Laboratory equipment	19% to 32%
Transportation equipment	24%

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 the end of each of reporting period.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready for use.

Leases

We assess 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.

The Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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:

Office and laboratory	2 to 5 years
Leasehold land	40 years

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

(b) Lease liabilities

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

In calculating the present value of lease payments, we use our 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 and leases of low-value assets

We apply the short-term lease recognition exemption to its short-term leases of office (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each of the reporting period.

Intangible assets are amortized on the straight-line basis over the following useful economic lives, which are determined by the expected usage period after considering technical obsolescence and estimates of useful lives of similar assets:

Software	10 years

Research and development costs

We charge all research costs to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our 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.

Share-based payments

3D Medicines and its immediate holding company before the Business Restructuring (the "**Predecessor Holdco**") operated share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share award schemes of 3D Medicines and the Predecessor Holdco were terminated in June 2021 and we adopted a share incentive scheme in June 2021. Our employees (including directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

We measure the cost of equity-settled transactions with employees by reference to the fair value at the date on which they are granted. The fair value of share award is determined using the back-solve method or binomial model. For more details of our share award scheme, please refer to note 30 of the Accountants' Report set forth in Appendix I to this document.

We recognize the cost of equity-settled transactions in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of 2020 and 2021, respectively, until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of 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 recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

When the equity-settled award is exercised, the amount previously recognized in equity-settled share-based reserve will be transferred to share premium. When the equity-settled award is forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based reserve will be transferred to retained earnings.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Government grants

We recognize government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, we recognize it as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. When the grant relates to expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future costs and obligations, it is recognized in profit or loss in the period in which it becomes receivable.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to 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 profit or loss by way of a reduced depreciation charge.

Significant Accounting Judgements and Estimates

Judgements

In the process of applying our accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial information:

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred. Expenses incurred on each pipeline to develop new products are capitalized and deferred only when (i) we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) our intention to complete and our ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the project; and (v) the ability to measure reliably the expenditure during the development. Research expenses which does not meet these criteria is expensed when incurred. Determining whether research and development expense should be expensed or capitalized requires the application of judgements and estimation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of 2020 and 2021 and the five months ended May 31, 2022, respectively, 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.

Provision for expected credit losses on trade receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on internal credit ratings as groupings of debtors that have similar loss patterns.

The provision matrix is initially based on the credit loss rate of similar companies in the market as we have not had sufficient credit loss data. We will calibrate to adjust the expected loss rate with forward-looking information. The expected loss rate will be back-tested against observed default rates in the future and changes in the forward-looking estimates will be analyzed.

The assessment of the correction among credit loss rates of comparable companies, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our expected credit loss rate and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in note 18 to the Historical Financial Information.

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. We recognize the tax treatments of such transactions periodically to take into account all changes in tax legislation.

We recognize deferred tax assets for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of preferred shares measured at FVTPL

We determine the fair value of the preferred shares measured at FVTPL using valuation techniques, including the discounted cash flow method, the back-solve method and the equity allocation model. Such valuation requires key assumptions include the risk-free interest rate, discounts for lack of marketability ("**DLOM**") and volatility, which are subject to uncertainty. Improper application of such parameters might result in material differences from the actual results. For more details, please refer to note 26 of the Accountants' Report set forth in Appendix I to this document.

Fair value of share-based payment transactions

Estimating fair value of share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

For the measure for the fair value of share-based payment transactions with employees at the grant date, we use a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclose in note 30 of the Accountants' Report set forth in Appendix I to this document.

Leases – Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that we 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 we "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). We estimate 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).

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of 2020 and 2021 and the five months ended May 31, 2022, respectively. The 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.

DESCRIPTION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year Ended December 31,		Five Months Ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	–	60,260	–	161,062
Cost of sales	–	(4,277)	–	(11,458)
Gross profit	–	55,983	–	149,604
Other income and gains	2,337	19,637	1,494	21,480
Research and development expenses	(263,970)	(371,162)	(129,940)	(138,259)
Administrative expenses	(40,528)	(150,956)	(26,757)	(46,631)
Selling and marketing expenses	–	(42,834)	–	(103,567)
Royalty expenses	–	(7,153)	–	(17,364)
Other expenses	(5,929)	(8,940)	(1,371)	(14,224)
Finance costs	(8,058)	(1,528)	(365)	(740)
Fair value losses on preferred shares	(319,232)	(954,742)	(647,031)	(143,642)
Impairment losses on financial assets, net	–	(130)	–	(74)
Loss before tax	(635,380)	(1,461,825)	(803,970)	(293,417)
Income tax expenses	–	–	–	–
Loss and total comprehensive loss for the year/period	(635,380)	(1,461,825)	(803,970)	(293,417)
Attributable to:				
Owners of the parent	(635,380)	(1,434,092)	(803,970)	(280,379)
Non-controlling interests	–	(27,733)	–	(13,038)
	(635,380)	(1,461,825)	(803,970)	(293,417)

Non-IFRS Measure

In order to supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRS, we use adjusted loss and total comprehensive loss as an additional financial measure, which is not required by, or presented in accordance with IFRS. Our adjusted loss and total comprehensive loss represents our loss and total comprehensive loss for the year/period, adjusted to add back fair value losses on preferred shares and share-based payment expenses. We believe that such measure provides investors and other persons with useful information to understand and evaluate our consolidated results of operation in the same manner as it helps our management. However, adjusted net loss presented by us may not be comparable to the similar financial measure presented by other companies. There are limitations to the non-IFRS measure used as an analytical tool, and you should not consider it in isolation or regard it as a substitute for our results of operation or financial position analysis that is presented in accordance with IFRS.

The following table sets forth our loss and total comprehensive loss and adjusted loss and total comprehensive loss for the year/period, which is adjusted by adding back fair value losses on preferred shares and share-based payment expenses, for the periods indicated:

	Year Ended December 31,		Five Months Ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss and total comprehensive loss for the year/period	(635,380)	(1,461,825)	(803,970)	(293,417)
Add:				
Fair value losses on preferred shares[(1)]	319,232	954,742	647,031	143,642
Share-based payment expenses[(2)]	416	164,659	94	55,435
Adjusted loss and total comprehensive loss for the year/period	(315,732)	(342,424)	(156,845)	(94,340)

Notes:

(1) Fair value losses on preferred shares consist of fair value losses on preferred shares we issued, during the Track Record Period. We will cease to recognize fair value losses on preferred shares upon the [**REDACTED**].

(2) Share-based payment expenses mainly represent share award schemes and share incentive scheme adopted by our Group for the purpose of providing incentives to eligible participants. Share-based payment expenses are not expected to result in future cash payments (a non-cash item).

Revenue

During the Track Record Period, all of our revenue was generated from the sales of commercialized Core Product to pharmacy operating companies sourced by Simcere Group and to distributors cooperating with us directly. In the future, we will expand our sales channel and sell our commercialized products through more distributors.

In 2021 and for the five months ended May 31, 2022, all of our revenue was generated from the sales of envafolimab, which amounted to RMB60.3 million and RMB161.1 million, respectively. In 2021 and for the five months ended May 31, 2022, the sales volume was approximately 12,000 units and 32,000 units, respectively.

Cost of sales

During the Track Record Period, the cost of sales were purchase prices of our Core Product we paid to Alphamab Group, which served as our contract manufacturer for the manufacturing of our Core Product. We and Alphamab Group agreed that the pricing of envafolimab provided by Alphamab Group to us is based on a cost-plus arrangement plus applicable value tax. Our cost of sales amounted to nil, RMB4.3 million and RMB11.5 million in 2020, 2021 and the five months ended May 31, 2022, respectively, as we only began sales of envafolimab in December 2021. For more information, please refer to paragraphs headed "Business – Collaboration Agreements – Collaboration with Alphamab Group for Envafolimab – 3. Effective Control over Core Product under the Co-Development Agreements and the Alphamab Confirmation Letter – c. Commercialization and Economic Interests" and "Business – Collaboration Agreements – Collaboration with Alphamab Group and Simcere Group for Envafolimab."

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. During the Track Record Period, our gross profit amounted to nil, RMB56.0 million and RMB149.6 million in 2020, 2021 and the five months ended May 31, 2022, respectively, while our gross profit margin reached nil, 92.9% and 92.9% during the same periods, as we only began sales of envafolimab in December 2021. As of the Latest Practicable Date, our Core Product had not been included in the NRDL, and the price of our Core Product might be influenced if our Core Product is included in the NRDL in the future, which in turn may affect our gross profit and gross profit margin.

Other Income and Gains

During the Track Record Period, we did not generate any revenue from product sales. Our other income and gains primarily consisted of (i) government grants income; (ii) interest income; and (iii) research service income. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded other income and gains of RMB2.3 million, RMB19.6 million and RMB21.5 million, respectively.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year Ended December 31,		Five Months Ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants income	571	8,423	330	746
Investment income on other investments classified as financial assets at FVTPL	156	424	–	593
Interest income	1,610	5,502	1,164	2,311
Research service income	–	5,110	–	–
	2,337	19,459	1,494	3,650
Other gains				
Foreign exchange gain, net	–	–	–	17,809
Fair value gains on other investments classified as financial assets at FVTPL	–	178	–	21
	2,337	19,637	1,494	21,480

The government grants mainly represent subsidies received from the local governments for the purpose of compensation of expenses spent on research and clinical trial activities, allowances for new drug development. There were no unfulfilled conditions or contingencies relating to the grants.

Interest income primarily includes bank interest income from increased bank balance arising from the receipt of proceeds from our financing in the form of preferred shares. Our research service income was generated from the provision of pre-clinical CRO services to independent third parties.

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) employee benefit expenses including salaries, social insurance, pension, bonus, and share-based expenses related to our research and development personnel; (ii) third-party contracting expenses paid to service providers; and (iii) upfront and milestone fee associated with the exclusive development rights in designated regions of our in-licensed drug candidates. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded research and development expenses of RMB264.0 million, RMB371.2 million and RMB138.3 million, respectively.

In particular, the research and development expenses incurred for our Core Product amounted to RMB92.4 million, RMB118.0 million and RMB39.7 million, for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively. The research and development expenses incurred for our Core Product increased from RMB92.4 million in 2020 to RMB118.0 million in 2021 primarily due to (i) a significant increase of share-based payments of approximately RMB40.9 million in 2021 to research and development personnel for the Core Product since we approved and adopted the Share Incentive Scheme in June 2021; (ii) an increase in other research and development expenses, such as traveling expenses and office expenses of RMB4.9 million in 2021 since most of the Chinese cities had eased or lifted domestic travel restrictions for COVID-19 outbreak and resumed normal social activities in 2021, which is partially offset by a decrease in third-party contracting expenses of RMB21.6 million resulted from the lower demand for third party contract research services as the clinical trial of the Core Product for the treatment of previously treated MSI-H/dMMR advanced solid tumors was completed in 2021. The research and development expenses incurred for our Core Product of RMB39.7 million for the five months ended May 31, 2022 were relatively lower as compared to the same in 2021 by proportion primarily because we only incurred RMB8.9 million share-based payments for the Core Product related research and development personnel for the five months ended May 31, 2022 as the Company granted one-off restricted share units to its research and development personnel in the fourth quarter of 2021, which were immediately vested and hence had an one-off impact on the consolidated statements of profit or loss and other comprehensive income of the Group in 2021; whereas there was no such transaction during the five months ended May 31, 2022.

The research and development expenses in relation to the services provided by third-party contract research organizations amounted to RMB67.3 million, RMB60.6 million and RMB38.9 million, for the years ended December 31, 2020, 2021 and the five months ended May 31, 2022, respectively.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year Ended December 31,				Five Months Ended May 31,			
	2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses	47,052	17.8	181,178	48.8	28,308	21.8	77,900	56.3
Depreciation and amortisation	2,517	1.0	7,781	2.1	2,553	2.0	6,063	4.4
Third-party contracting expenses	67,270	25.5	60,647	16.3	18,077	13.9	38,944	28.2
Upfront and milestone fee	141,915	53.8	110,461	29.8	78,374	60.3	12,990	9.4
Others[(1)]	5,216	1.9	11,095	3.0	2,628	2.0	2,362	1.7
	263,970	100.0	371,162	100.0	129,940	100.0	138,259	100.0

Note:

(1) Primarily include (i) traveling expenses; (ii) advisory service expenses; and (iii) office expenses.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) employee benefit expenses including salaries, social insurance, pension, bonus, and share-based expenses related to our administrative personnel; (ii) [**REDACTED**] expenses in connection with the [**REDACTED**]; and (iii) professional service expenses mainly paid to the financial advisors in relation to financing activities. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded administrative expenses of RMB40.5 million, RMB151.0 million and RMB46.6 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,				Five Months Ended May 31,			
	2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Employee benefit expenses	12,097	29.8	90,727	60.1	11,084	41.4	35,074	75.2
Depreciation	854	2.1	4,699	3.1	905	3.4	2,711	5.8
Traveling expenses	2,423	6.0	3,259	2.2	1,492	5.6	1,224	2.6
Professional service expenses	17,897	44.2	21,940	14.5	3,006	11.2	2,602	5.6
Office and other expenses	3,070	7.6	4,766	3.2	1,471	5.5	1,478	3.2
[**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	40,528	100.0	150,956	100.0	26,757	100.0	46,631	100.0

Selling and Marketing Expenses

During the Track Record Period, our selling and marketing expenses mainly represented marketing service fees payable to Simcere Group, which acted as a contract sales organization ("**CSO**"), on monthly basis calculated with reference to the difference between (i) the total purchases (which equal to product sales volume times average weighted bidding price) made by pharmacy operating companies and distributors cooperating with us directly and (ii) product costs (which equal to product sales volume times average weighted ex-factory price), and based on rates stipulated in the 3D Alphamab Simcere Agreements. The role of Simcere Group under the 3D Alphamab Simcere Agreements is to prepare a promotion plan and promote envafolimab in China in accordance with industry standards for the purpose of increasing its sales. For the years ended December 31, 2020 and 2021, and the five months ended May 31, 2022, we recorded selling and marketing expenses of nil, RMB42.8 million and RMB103.6 million, respectively, as we only began sales of envafolimab since December 2021. For more information, please refer to paragraphs headed "Business – Collaboration Agreements – Collaboration with Alphamab Group and Simcere Group for Envafolimab."

Royalty Expenses

As agreed under the Co-Development Agreements, upon the approval and commercialization of envafolimab, we are entitled to 51% while Alphamab Group is entitled to 49% of the profit before tax generated from the sales of envafolimab globally in the field of oncology therapy. During the Track Record Period, profit before tax from the sales of envafolimab were paid by us by proportion to Alphamab Group in the form of royalty expenses. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded royalty expenses of nil, RMB7.2 million and RMB17.4 million, respectively, as we only began sales of envafolimab since December 2021. For more information, please refer to paragraphs headed "Business – Collaboration Agreements – Collaboration with Alphamab Group for Envafolimab – 3. Effective Control over Core Product under the Co-Development Agreements and the Alphamab Confirmation Letter – c. Commercialization and Economic Interests."

Impairment Losses on Financial Assets, net

During the Track Record Period, our impairment losses on financial assets represented expected credit losses on our trade receivables. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded impairment losses on financial assets of nil, RMB130.0 thousand and RMB74.0 thousand, respectively.

Other Expenses

During the Track Record Period, our other expenses primarily consisted of (i) foreign exchange losses; (ii) research service cost; (iii) loss on disposal of property, plant and equipment; and (iv) donations. For the years ended December 31, 2020, 2021 and the five months ended May 31, 2022, we recorded other expenses of RMB5.9 million, RMB8.9 million and RMB14.2 million, respectively.

The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year Ended December 31,				Five Months Ended May 31,			
	2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Foreign exchange losses, net	5,927	99.9	3,699	41.4	1,371	100.0	–	–
Research service cost	–	–	2,538	28.4	–	–	–	–
Loss on disposal of property, plant and equipment	2	0.1	959	10.7	–	–	–	–
Donations	–	–	1,424	15.9	–	–	14,224	100.0
Others	–	–	320	3.6	–	–	–	–
	5,929	100.0	8,940	100.0	1,371	100.0	14,224	100.0

The foreign exchange losses arose from the fluctuations in exchange rate between RMB, our functional currency, and U.S. dollar.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

We donated envafolimab and cash to a non-profit charity organization which provides support to cancer patients for public welfare purposes.

Finance Costs

During the Track Record Period, our finance costs consisted of (i) interest on loans from related parties; (ii) interest on bank loans, and other borrowings; and (iii) interest on lease liabilities. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded finance costs of RMB8.1 million, RMB1.5 million and RMB0.7 million, respectively.

The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year Ended December 31,				Five Months Ended May 31,			
	2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(unaudited)			
Interest on loans from a related party	641	8.0	–	–	–	–	–	–
Interest on bank loans and other borrowings	7,107	88.2	46	3.0	46	12.6	–	–
Interest on lease liabilities	310	3.8	1,482	97.0	319	87.4	740	100.0
	8,058	100.0	1,528	100.0	365	100.0	740	100.0

During the Track Record Period, interest on loans from a related party mainly related to our loan from Aves Capital, LLC. The loan from Aves Capital, LLC, born an interest rate at 8% per annum, was settled in November 2020. As of December 31, 2020, all of the loans from related parties had been fully settled. For more details of our loans, please refer to note 34 of the Accountants' Report set forth in Appendix I to this document.

During the Track Record Period, interest on bank loans and other borrowings mainly related to bank loans with an aggregate drawdown amount of RMB5.7 million, each with an effective interest rate of approximately 3.9% per annum, and other borrowings with an aggregate drawdown amount of RMB1.2 million, each with an effective interest rate of approximately 4.5% per annum.

Interest on lease liabilities mainly related to interest expenses we recognized with the application of IFRS16 for our leasing of office buildings.

Fair Value Losses on Preferred Shares

For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, we recorded fair value losses on preferred shares of RMB319.2 million, RMB954.7 million and RMB143.6 million, respectively. Fair value losses on preferred shares consist of fair value losses on Series Seed Preferred Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares and Series E Preferred Shares, which we issued during the Track Record Period. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments" in this document. The Preferred Shares are designated as financial liabilities at fair value through profit or loss on the consolidated balance sheet. They are initially recognized at fair value and the increases in the fair value are recognized as fair value losses on the consolidated statements of comprehensive loss. We expect to continue to recognize fair value losses on preferred shares for the period from May 31, 2022 to the [**REDACTED**] or at such time prior to the [**REDACTED**] as may be required to give effect to the [**REDACTED**] pursuant to applicable listing rules of Hong Kong Stock Exchange. Upon such conversion date, all Preferred Shares will automatically convert to Ordinary Shares and we do not expect to recognize any loss or gain on fair value changes of preferred shares thereafter. For more details, please refer to note 26 of the Accountants' Report set forth in Appendix I to this document. For certain risks relating to our preferred shares, please refer to the paragraphs headed "Risk Factors – Other Risks Relating to Our Financial Position and Need for Additional Capital – Fair Value Changes in our Financial Instruments Issued to Investors and Related Valuation Uncertainty may Materially Affect our Financial Condition and Results of Operations" in this document.

Income Tax Expense

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act, and has not been subject to any taxation in the Cayman Islands during the Track Record Period.

British Virgin Islands

Our subsidiary incorporated in the British Virgin Islands is exempted from any income tax in the British Virgin Islands.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% during the Track Record Period. We have not earned or derived any taxable profit in Hong Kong since its incorporation, and as such has not been subject to Hong Kong profits tax.

PRC

Generally, pursuant to the Corporate Income Tax Law of the PRC, our PRC subsidiaries are subject to a standard corporate income tax rate of 25% on taxable income, except for 3DMed Beijing, which was qualified as a "High and New Technology Enterprise" to enjoy a preferential income tax rate of 15% from 2019 to 2021. The related tax authorities review the "High and New Technology Enterprise" status every three years. 3DMed Beijing is currently preparing for renewal of the qualification and we expect 3DMed Beijing to continue to qualify as a "High and New Technology Enterprise" for the foreseeable future.

United States

Among our subsidiaries, 3D Medicines USA, Inc. was subject to statutory U.S. federal corporate income tax at a rate of 21%. It is also subject to the state income tax in Delaware at a rate of 8.7% during the Track Record Period.

Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2022 Compared to Five Months Ended May 31, 2021

Revenue

Our revenue significantly increased from nil for the five months ended May 31, 2021 to RMB161.1 million for the five months ended May 31, 2022, because the Company only started to sell envafolimab in PRC market after December 2021.

Cost of sales

Our cost of sales increased from nil for the five months ended May 31, 2021 to RMB11.5 million for the five months ended May 31, 2022, resulted from purchase prices of envafolimab we paid to Alphamab Group since December 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from nil for the five months ended May 31, 2021 to RMB149.6 million for the five months ended May 31, 2022, and our gross profit margin increased from nil to 92.9% during the same periods.

Other Income and Gains

Our other income and gains significantly increased from RMB1.5 million for the five months ended May 31, 2021 to RMB21.5 million for the five months ended May 31, 2022. The increase was mainly attributed to an increase in the foreign exchange gain of RMB17.8 million resulted from the appreciation of the U.S. dollar against RMB, which is our functional and reporting currency.

Research and Development Expenses

Our research and development expenses increased from RMB129.9 million for the five months ended May 31, 2021 to RMB138.3 million for the five months ended May 31, 2022. This increase was primarily the net effect of (i) an increase in employee benefit expenses of RMB49.6 million mainly resulted from the increased number of our R&D personnel; (ii) an increase in third-party contracting expenses of RMB20.9 million mainly resulted from our engagement of CROs and advancement of clinical trials in 2022; and (iii) a decrease in upfront and milestone fee of RMB65.4 million mainly because we made huge amount of upfront payment associated with the exclusive development rights in designated regions of our in-licensed drug candidate (i.e. 3D197) and paid milestone fee for 3D229 for the five months ended May 31, 2021, however, we only paid milestone fees for 3D197 and 3D189 for the five months ended May 31, 2022.

Administrative Expenses

Our administrative expenses increased from RMB26.8 million for the five months ended May 31, 2021 to RMB46.6 million for the five months ended May 31, 2022. This increase was primarily due to an increase in employee benefit expenses of RMB24.0 million mainly resulted from the increased number of our administrative personnel, partially offset by a decrease in [**REDACTED**] expenses of RMB5.3 million associated with the [**REDACTED**].

Selling and Marketing Expenses

Our selling and marketing expenses increased from nil for the five months ended May 31, 2021 to RMB103.6 million for the five months ended May 31, 2022, resulted from the commercialization of envafolimab in the PRC market since December 2021.

Royalty Expenses

Our royalty expenses increased from nil for the five months ended May 31, 2021 to RMB17.4 million for the five months ended May 31, 2022, in line with the commercialization of envafolimab since December 2021.

Other Expenses

Our other expenses increased from RMB1.4 million for the five months ended May 31, 2021 to RMB14.2 million for the five months ended May 31, 2022. This increase was primarily due to an increase in donations of RMB14.2 million worth of envafolimab and cash we made to a non-profit charity organization, which supports cancer patients for public welfare purposes.

Finance Costs

Our finance costs increased from RMB0.4 million for the five months ended May 31, 2021 to RMB0.7 million for the five months ended May 31, 2022, which was primarily due to an increase in interest on lease liabilities of RMB0.4 million mainly due to the new leases for our offices and laboratories in Beijing and new leases for our offices in Shanghai.

Fair Value Losses on Preferred Shares

Our fair value losses on preferred shares significantly decreased from RMB647.0 million for the five months ended May 31, 2021 to RMB143.6 million for the five months ended May 31, 2022 primarily due to the fair value change of existing Preferred Shares.

Impairment Losses on Financial Assets, net

Our impairment losses on financial assets increased from nil for the five months ended May 31, 2021 to RMB0.1 million for the five months ended May 31, 2022 primarily due to an increase in our trade receivables from the customers since December 2021.

Total Comprehensive Loss for the Period

For the reasons described above, our total comprehensive loss for the period decreased from RMB804.0 million for the five months ended May 31, 2021 to RMB293.4 million for the five months ended May 31, 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue significantly increased from nil for the year ended December 31, 2020 to RMB60.3 million for the year ended December 31, 2021, due to the sales of envafolimab in PRC market since December 2021.

Cost of sales

Our cost of sales increased from nil for the year ended December 31, 2020 to RMB4.3 million for the year ended December 31, 2021, resulted from purchase prices of envafolimab we paid to Alphamab Group since December 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from nil for the year ended December 31, 2020 to RMB56.0 million for the year ended December 31, 2021, and our gross profit margin increased from nil to 92.9% during the same periods.

Other Income and Gains

Our other income and gains significantly increased from RMB2.3 million for the year ended December 31, 2020 to RMB19.6 million for the year ended December 31, 2021. The increase was mainly attributed to (i) an increase in the government grants income of RMB7.9 million from local government for the compensation of expenses for our research and development activities; (ii) an increase in our interest income of RMB3.9 million mainly resulted from an increase in our bank balances following the receipt of proceeds from our financing in 2021; and (iii) an increase in our research service income of RMB5.1 million mainly resulted from the CRO service we provided to independent third parties.

Research and Development Expenses

Our research and development expenses increased from RMB264.0 million for the year ended December 31, 2020 to RMB371.2 million for the year ended December 31, 2021. This increase was primarily the net effect of an increase in employee benefit expenses of RMB134.1 million resulted from the increased payment of salaries, bonuses and benefits of approximately RMB32.8 million for the increased number of around 65 research and development personnel and increased share-based payment of approximately RMB101.3 million made to research and development personnel; and a decrease of upfront and milestone fee of RMB31.5 million associated with the exclusive development rights in designated regions of our in-licensed drug candidates (i.e. 3D057, 3D1001 and 3D1002), which occurred in 2020 rather than 2021.

Administrative Expenses

Our administrative expenses increased from RMB40.5 million for the year ended December 31, 2020 to RMB151.0 million for the year ended December 31, 2021. This increase was primarily due to (i) an increase in employee benefit expenses of RMB78.6 million resulted from the increased number of our administrative personnel and share-based payment made to our administrative personnel; and (ii) an increase in the [**REDACTED**] expense of RMB21.4 million in relation to the [**REDACTED**].

Selling and Marketing Expenses

Our selling and marketing expenses increased from nil for the year ended December 31, 2020 to RMB42.8 million for the year ended December 31, 2021, due to an increase in the marketing service fees of RMB42.8 million resulted from the commercialization of envafolimab in the PRC market since December 2021.

Royalty Expenses

Our royalty expenses increased from nil for the year ended December 31, 2020 to RMB7.2 million for the year ended December 31, 2021, in line with the commercialization of envafolimab since December 2021.

Other Expenses

Our other expenses increased from RMB5.9 million for the year ended December 31, 2020 to RMB8.9 million for the year ended December 31, 2021. This increase was primarily due to (i) an increase in research service cost of RMB2.5 million incurred for our CRO services made to third parties; and (ii) an increase in donations of RMB1.4 million including the donations of envafolimab and cash we made to a non-profit charity organization, which supports cancer patients for public welfare purposes.

Finance Costs

Our finance costs decreased from RMB8.1 million for the year ended December 31, 2020 to RMB1.5 million for the year ended December 31, 2021, which was primarily the net effect of a decrease of interest on bank loans and other borrowings of RMB7.1 million mainly due to the repayment of our outstanding bank loans and an increase in interest on lease liabilities of RMB1.2 million mainly due to the new leases for our offices and laboratories in Beijing and new leases for our offices in Shanghai.

Fair Value Losses on Preferred Shares

Our fair value losses on preferred shares significantly increased from RMB319.2 million for the year ended December 31, 2020 to RMB954.7 million for the year ended December 31, 2021 primarily due to (i) the fair value change of existing preferred shares; and (ii) the issuance of new preferred shares.

Impairment Losses on Financial Assets, net

Our impairment losses on financial assets increased from nil for the year ended December 31, 2020 to RMB0.1 million for the year ended December 31, 2021 primarily due to an increase in our trade receivables from the customers in 2021.

Total Comprehensive Loss for the Year

For the reasons described above, our total comprehensive loss for the year increased from RMB635.4 million for the year ended December 31, 2020 to RMB1,461.8 million for the year ended December 31, 2021.

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

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	10,864	52,246	97,401
Intangible assets	–	929	887
Right-of-use assets	15,937	66,293	62,333
Other non-current assets	7,660	18,384	10,878
Amounts due from related parties	–	3,214	3,254
Total non-current assets	34,461	141,066	174,753
Current assets			
Trade receivables	–	65,004	101,889
Prepayments, other receivables and other assets	41,122	29,654	29,510
Amounts due from related parties	372	–	–
Financial assets at FVTPL	–	50,178	50,021
Pledged deposits	6,000	–	–
Restricted bank balances	–	72	72
Cash and bank balances	414,261	774,306	660,231
Inventories	–	13	1,545
Total current assets	461,755	919,227	843,268
Current liabilities			
Trade payables	2,416	3,742	2,650
Other payables and accruals	88,340	137,431	193,404
Interest-bearing bank borrowings	3,522	–	–
Amounts due to a related party	1,702	150	150
Preferred shares	215,237	3,093,968	3,233,922
Lease liabilities	3,791	12,754	13,701
Total current liabilities	315,008	3,248,045	3,443,827

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Net current assets/(liabilities)	146,747	(2,328,818)	(2,600,559)
Total assets less current liabilities	181,208	(2,187,752)	(2,425,806)
Non-current liabilities			
Deferred income	7,579	–	–
Lease liabilities	13,061	45,987	41,512
Preferred shares	1,430,383	38,823	42,511
Total non-current liabilities	1,451,023	84,810	84,023
Net liabilities	(1,269,815)	(2,272,562)	(2,509,829)
Equity			
Equity attributable to owners of the parent			
Share capital	37	57	57
Treasury shares	–	(27)	(27)
Deficits	(1,269,852)	(2,238,041)	(2,467,519)
	(1,269,815)	(2,238,011)	(2,467,489)
Non-controlling interests	–	(34,551)	(42,340)
Total deficit	(1,269,815)	(2,272,562)	(2,509,829)

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

	As of December 31,		As of May 31,	As of September 30,
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current Assets				
Inventories	–	13	1,545	3,335
Trade receivables	–	65,004	101,889	140,511
Prepayments, other receivables and other assets	41,122	29,654	29,510	21,351
Amounts due from related parties	372	–	–	–
Financial assets at FVTPL	–	50,178	50,021	83,274
Pledged deposits	6,000	–	–	–
Restricted bank balances	–	72	72	–
Time deposits	–	–	–	107,296
Cash and bank balances	414,261	774,306	660,231	557,043
Total current assets	461,755	919,227	843,268	912,810
Current liabilities				
Trade payables	2,416	3,742	2,650	57,549
Other payables and accruals	88,340	137,431	193,404	273,956
Interest-bearing bank borrowings	3,522	–	–	60,000
Amounts due to a related party	1,702	150	150	90
Preferred shares	215,237	3,093,968	3,233,922	3,453,947
Lease liabilities	3,791	12,754	13,701	10,799
Total current liabilities	315,008	3,248,045	3,443,827	3,856,341
Net current assets/(liabilities)	146,747	(2,328,818)	(2,600,559)	(2,943,531)

Our net liabilities increased from RMB1,269.8 million as of December 31, 2020 to RMB2,272.6 million as of December 31, 2021, mainly reflecting changes in equity comprising (i) total comprehensive loss of RMB1,461.8 million; (ii) capital contribution from a non-controlling shareholder of a subsidiary of RMB321.1 million; and (iii) recognition of equity-settled share-based payments of RMB164.7 million. Our net liabilities further increased to RMB2,509.8 million as of May 31, 2022, mainly reflecting changes in equity comprising (i) total comprehensive loss for the period of RMB293.4 million; and (ii) equity-settled share-based payments of RMB55.4 million. For more information, please refer to Consolidated Statements of Changes in Equity included in the Accountants' Report in Appendix I to this document.

We plan to improve our net current liabilities position by (i) further increasing our sales of envafolimab, for example, by engaging more distributors that cooperate directly with us (for hospital channel), and optimizing our marketing plan with the support of our CSO, in order to reach more pharmacy operating companies in wider geographic regions (for pharmacy channel); (ii) converting the Preferred Shares now classified as liabilities into Ordinary Shares upon the termination of all Redemption Rights on the [**REDACTED**]; (iii) adopting comprehensive measures to effectively control our cost and operating expenses, for example, by integrating AI-enabled digital drug R&D infrastructure for drug development and efficiency enhancement; and (iv) optimizing our manufacturing capability and efficiency, for example, by (a) increasing the production volume of envafolimab, and in turn increasing our bargaining power in reaching more favorable terms with potential CMOs/CDMOs; and (b) establishing our own manufacturing facilities in Xuzhou, in order to manufacture commercialized pipeline products on our own, and save the costs of engaging qualified CMOs/CDMOs.

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of (i) leasehold improvements; (ii) office equipment; (iii) laboratory equipment; (iv) transportation equipment; and (v) construction in progress. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Leasehold improvements	9,100	19,615	25,308
Office equipment	532	2,016	2,132
Laboratory equipment	693	1,841	2,009
Transportation equipment	539	618	534
Construction in progress	–	28,156	67,418
	10,864	52,246	97,401

Our property, plant and equipment increased from RMB10.9 million as of December 31, 2020 to RMB52.2 million as of December 31, 2021, which was mainly attributable to (i) an increase in leasehold improvements of RMB10.5 million mainly due to the renovation of our offices in Beijing and Shanghai in 2021; and (ii) an increase in construction in progress of RMB28.2 million due to the renovations of our offices in Beijing and Shanghai in 2021, as well as the construction costs for our manufacturing facilities in Xuzhou.

Our property, plant and equipment further increased to RMB97.4 million as of May 31, 2022, mainly due to (i) an increase in construction in progress of RMB39.3 million due to the construction for our manufacturing facilities in Xuzhou; and (ii) an increase in leasehold improvements of RMB5.7 million due to the renovations of our offices in Beijing and Shanghai in 2022.

Right-of-use Assets

Our right-of-use assets are primarily related to our land use rights and leased buildings during the Track Record Period. Our right-of-use assets significantly increased from RMB15.9 million as of December 31, 2020 to RMB66.3 million as of December 31, 2021 mainly due to the newly acquired land in Xuzhou and new lease of buildings in Beijing and Shanghai in 2021. Our right-of-use assets slightly decreased to RMB62.3 million as of May 31, 2022, mainly due to the depreciation and amortization of the right-of-use assets.

Intangible Assets

Our intangible assets mainly consisted of software. Our intangible assets was nil as of December 31, 2020, and increased to RMB0.9 million as of December 31, 2021, primarily due to the purchase of software. Our other intangible assets remained stable at RMB0.9 million as of May 31, 2022.

Inventories

During the Track Record Period, our inventories consisted of finished goods, namely, envafolimab.

Our inventories increased from nil as of December 31, 2020 to RMB13,000 as of December 31, 2021, which was in line with our commercialization of envafolimab since December 2021. Our inventories significantly increased to RMB1.5 million as of May 31, 2022, mainly due to an increase in the stock of envafolimab since the commercialization. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply or overstock of inventory during the Track Record Period and up to the Latest Practicable Date. For more details, please refer to the paragraphs headed "Business – Inventory Management" in this document.

Trade Receivables

During the Track Record Period, our trade receivables consisted of (i) trade receivables; and (ii) impairment. We grant a collection period of 70 days to Simcere Group, which serves as our service provider, to reconcile and settle payments of envafolimab from the customers for us on a monthly basis. Pursuant to our agreements with Simcere Group, we sell envafolimab to the relevant customers through Simcere Group, while Simcere Group is entitled to receive the marketing service fees on a monthly basis calculated with reference to the difference between (i) the total purchases (which equal to product sales volume times average weighted bidding price) made by pharmacy operating companies through Simcere Group and (ii) product costs (which equal to product sales volume times average weighted ex-factory price), and based on rates stipulated in the agreements. In addition, we grant a credit period of 45-70 days to our distributors. We recognize revenue when the pharmacy operating companies receive the products. For details of the arrangements with Simcere Group, please refer to the paragraphs headed "Business – Commercialization – Our Sales Operation." The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	65,134	102,093
Impairment	–	(130)	(204)
	–	65,004	101,889

As of the Latest Practicable Date, approximately RMB101.9 million or 100%, of our trade receivable outstanding as of May 31, 2022 was subsequently settled.

The following table sets forth the ageing analysis of our trade receivables as of December 31, 2020 and 2021 and May 31, 2022, based on the invoice date and net of loss allowance:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	–	65,004	101,889

The Company has a credit control department to manage and minimize credit risks. Overdue balances are reviewed regularly by senior management team. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing. As of May 31, 2022, nearly all trade receivables were due from Simcere Group.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consisted of (i) value-added tax recoverable; (ii) deferred [**REDACTED**] expenses; (iii) prepayments; and (iv) other receivables during the Track Record Period. The following table sets forth the breakdown of prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Value-added tax recoverable	9,100	5,993	–
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepayments	29,500	12,226	16,385
Other receivables	1,126	1,294	1,261
	41,122	29,654	29,510

Our prepayments, other receivables and other assets decreased from RMB41.1 million as of December 31, 2020 to RMB29.7 million as of December 31, 2021, primarily due to (i) a significant decrease in prepayments because the prepaid preferred shares repurchase payment of RMB24.5 million made by the Company to certain existing shareholders for the redemption of their preferred shares in the Company was incurred in 2020 and settled in 2021; (ii) a decrease in value-added tax recoverable of RMB3.1 million resulted from the generation of sales tax after the commercialization of envafolimab, partially offset by an increase in deferred [**REDACTED**] expenses of RMB8.7 million associated with the [**REDACTED**]. Our prepayments, other receivables and other assets remained relatively stable at RMB29.5 million as of May 31, 2022. For details of the repurchase of Preferred Shares from certain existing shareholders, please refer to section headed "History, Development and Corporate Structure – Corporate Development – Major Shareholding Changes in our Company" for details.

Financial Assets at FVTPL

During the Track Record Period, our financial assets at FVTPL represented wealth management products issued by banks in China. Such wealth management products comprised short-term and low-risk financial products issued by commercial banks in China. The expected but not guaranteed rates of return ranged from 1.6% to 3.4% per year. In accordance with our risk management and investment strategy, we managed and evaluated the performance of these investments on a fair value basis and therefore these investments are designated as financial assets at FVTPL. Our financial assets at FVTPL increased from nil as of December 31, 2020 to RMB50.2 million as of December 31, 2021, primarily due to purchase of new wealth management products in 2021. Our financial assets at FVTPL remained relatively stable at RMB50.0 million as of May 31, 2022. For more details, please refer to note 20 of the Accountants' Report set forth in Appendix I to this document.

We purchase wealth management products as an supplemental mean to improve utilization of our cash on hand on a short-term basis. We believe that making such investments is in the best interest of the Company, and we can make better use of our cash by utilizing low-risk wealth management products, to enhance our income without interfering with our business operations or capital expenditures. Although the purchases of wealth management products were not subject to approval of the Board of the Company during the Track Record Period, the purchases were carefully reviewed and assessed by staff in our finance department, who have financial management or accounting background, and such decisions were subject to the further review and approval of the management team. Additionally, we have established a set of risk management and capital preservation investment policy, and have implemented a series of internal control measures regarding our investment in wealth management products. These policies and measures include:

- our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns;

- we only purchase low-risk wealth management products issued by qualified financial institutions, and in any given period, we make investments in products provided by multiple issuers to mitigate concentration risks;

- our finance department, subject to the review and approval of our management team, is responsible for the overall execution of our investments, including risk assessment; and

- after making an investment, we closely monitor its performance and fair value on a regular basis to ensure that the purpose of such investment is to preserve capital and liquidity until free cash is used in our primary business and operation.

In the future, we may continue to purchase low-risk wealth management products with a short maturity period based on surplus cash situation to maximize our capital utilization efficiency. Our investments in wealth management products will be subject to the compliance with the requirements under Chapter 14 of the Listing Rules.

Cash and Bank Balances, Pledged Deposits and Restricted Bank Balances

The following table sets forth the breakdown of our cash and bank balances, pledged deposits and restricted cash balances denominated in RMB, USD and HKD as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	414,261	774,306	660,231
Pledged deposits	6,000	–	–
Restricted bank balances	–	72	72
Denominated in			
RMB	293,751	315,779	222,133
USD	126,506	457,727	437,966
HKD	4	872	204
	420,261	774,378	660,303

Our cash and bank balances consisted of cash and bank balances denominated in RMB, USD and HKD. Our cash and bank balances increased from RMB414.3 million as of December 31, 2020 to RMB774.3 million as of December 31, 2021, primarily due to the net effect of receipt of proceeds from financing in 2021, which was partially offset by operating expenses in 2021. Our cash and bank balances decreased to RMB660.2 million as of May 31, 2022, primarily because we did not have equity financing in 2022 but continuously had cash expenditures in relation to the operating activities.

Our pledged deposits related to bank balance as a performance guarantee in the amount of RMB6.0 million which was paid to a commercial bank in 2020. The pledged bank balances decreased from RMB6.0 million as of December 31, 2020 to nil as of December 31, 2021 due to the discharge of the pledge. The pledged bank balances remained nil as of May 31, 2022.

Our restricted bank balances represent the restricted portion of the interests of investment proceeds received from a minority shareholder of a subsidiary of the Group, which amount was under escrow. The principal of the investment proceeds had been withdrawn from the account in 2021.

Trade Payables

Our trade payables mainly related to our purchase of third-party contracting services. Our credit terms on trade payables were up to 90 days. Our trade payables increased from RMB2.4 million as of December 31, 2020 to RMB3.7 million as of December 31, 2021, for additional procurement of third-party contracting services. Our trade payables decreased to RMB2.7 million as of May 31, 2022, mainly due to the settlement of certain trade payable obligations in 2022. We did not have any material defaults in payment of trade payables during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	1,948	3,732	2,086
3 to 6 months	468	–	562
6 months to 1 year	–	10	2
	2,416	3,742	2,650

Other Payables and Accruals

Our other payables and accruals mainly consisted of accrued marketing service fees, accrued research and development expenses, payroll payables, interest payables, accrued [**REDACTED**] expenses, and payables to precedent investors. The following table sets forth a breakdown of other payables and accruals as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Accrued marketing service fees	–	38,281	60,922
Accrued royalty expenses	–	7,153	6,826
Accrued research and development expenses	60,498	43,087	47,245
Payroll payable	12,093	21,944	15,250
Accrued [**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	638	1,425	3,047
Payables for property, plant and equipment	1,141	4,423	35,801
Payables for financing services	8,949	710	741
Payables to precedent investors	1,143	12,692	13,260
Other payables	2,132	356	338
	88,340	137,431	193,404

During the Track Record Period, the accrued marketing service fees were payables to Simcere Group. Pursuant to the Promotion Agreement, we sell envafolimab to the relevant customers through collaboration with Simcere Group, acting as a CSO while Simcere Group will be entitled to receive the marketing service fees on a monthly basis calculated with reference to the difference between (i) the total purchases (which equal to product sales volume times average weighted bidding price) made by pharmacy operating companies and distributors cooperating with us directly and (ii) product costs (which equal to product sales volume times average weighted ex-factory price), and based on rates stipulated in the 3D Alphamab Simcere Agreements. The significant increase of accrued marketing service fees of RMB22.6 million in 2022 were in line with our continuous sales of envafolimab since December 2021.

During the Track Record Period, the payables for property, plant and equipment were mainly procurements and expenses incurred for the construction of our manufacturing facilities in Xuzhou. The significant increase of payables for property, plant and equipment of RMB31.4 million in 2022 were primarily due to the advancement of the construction of the manufacturing facilities in Xuzhou.

Our other payables and accruals increased from RMB88.3 million as of December 31, 2020 to RMB137.4 million as of December 31, 2021, primarily due to the net effect of (i) an increase in accrued marketing service fees of RMB38.3 million resulted from the commercialization of our Core Product since December 2021; (ii) an increase in payroll payable of RMB9.9 million mainly resulted from the increase in the number of employees; (iii) an increase in payables to precedent investors of RMB11.5 million primarily due to an increase in the amount withheld by the Group to be released to the precedent investors when they confirm the completion of their tax filings. To be specific, as approved by the Board in October 2020, the Company decided to repurchase Preferred Shares owned by certain precedent investors of the Company, for the purpose of issuing the same number of Preferred Shares to new investors afterwards. The Company withheld 10% of the preferred share transfer consideration in order to make sure that the transferors duly made their tax filings associated with the preferred share transfers. The total transferred number of preferred shares and total transfer consideration was higher in 2021 than in 2020. After confirming that the tax filings are completed, the Company will then release such 10% withheld consideration to the transferors; and (iv) a decrease in accrued research and development expenses of RMB17.4 million mainly resulted from the completion of certain research and development programs at the end of 2020.

Our other payables and accruals further increased to RMB193.4 million as of May 31, 2022, mainly due to the net effect of (i) an increase in payables for property, plant and equipment of RMB31.4 million incurred for the construction of our manufacturing facilities in Xuzhou city; and (ii) an increase in accrued marketing service fees of RMB22.6 million incurred for the commercialization of our Core Product.

Interest-Bearing Bank Borrowings

Our interest-bearing bank borrowings consisted of secured bank loans, unsecured bank loans, secured other loans and unsecured other loans. It decreased from RMB3.5 million as of December 31, 2020 to nil as of December 31, 2021. Our interest-bearing bank borrowings remained nil as of May 31, 2022. For more details, please refer to the paragraphs headed "Indebtedness – Interest-Bearing Bank Borrowings" in this section.

Amounts due From Related Parties

Amounts due from related parties mainly arose from (i) rental deposits paid for our leased properties to Simcere Shanghai; (ii) the reimbursable expenses incurred by Dr. Gong, which was prepaid by our Group; and (iii) loans to our senior management members. Except for the amounts due from Simcere Shanghai, all other amounts due from related parties were non-trade in nature. Our amounts due from related parties increased from RMB0.4 million as of December 31, 2020 to RMB3.2 million as of December 31, 2021, primarily due to the new unsecured loans borrowed by two senior management members, Dr. Lin Yihui and Ms. Zhang Jing, each bearing an interest rate of 3.0% per annum, and the loan term of three years and two years, respectively. The outstanding balances of the loans are expected to be settled by maturity of such loans. Our amounts due from related parties remained relatively stable at RMB3.3 million as of May 31, 2022.

Amounts due to a Related Party

Amounts due to a related party mainly arose from subsidies, which were non-trade in nature and applied on behalf of the Company, but were intended to be paid to Dr. Gong. Our amounts due to a related party decreased from RMB1.7 million as of December 31, 2020 to RMB0.2 million as of December 31, 2021, because the Company transferred the subsidies to Dr. Gong. The amounts due to a related party remained at RMB0.2 million as of May 31, 2022. For more details, please refer to the paragraphs headed "– Related Party Transactions" in this section. The outstanding balance was settled in September 2022.

Deferred Income

Our deferred income consisted of deferred income on government grants, which mainly related to the subsidies received from the local government for the purpose of compensation for expenses arising from research activities and clinical trial, award for new drugs development and capital expenditure incurred on our projects. The subsidies will be recognized in profit or loss after the Company fulfills certain project acceptance requirements set by the local government. Our deferred income decreased from RMB7.6 million as of December 31, 2020 to nil as of December 31, 2021 due to the completion of the project acceptance and reclassification of such government grants to other income and gains. Our deferred income remained nil as of May 31, 2022.

Preferred Shares

Preferred shares represents the fair value of Preferred Shares we issued for the financing, to be specific, Series Seed Preferred Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares, and Series E Preferred Shares. We classified the Preferred Shares as financial liabilities measured at fair value through profit and loss. We recorded fair value of Preferred Shares of RMB1,645.6 million, RMB3,132.8 million and RMB3,276.4 million as of December 31, 2020 and 2021 and May 31, 2022, respectively. The increase was primarily resulted from the evaluation of all then existing Preferred Shares and the new issuance of Series E Preferred Shares in 2021. For more details on our Preferred Shares, please refer to the paragraphs headed "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments." in this document. For details on the fair value determination of our Preferred Shares, please refer to the paragraphs headed "– Critical Accounting Policies, Judgements and Estimates – Significant Accounting Judgments and Estimates – Estimation Uncertainty – Fair Value of Preferred Shares Measured at FVTPL" in this section and note 26 of the Accountants' Report set forth in Appendix I to this document.

In relation to the valuation of our Group's financial liabilities measured at FVTPL categorized within level 3 of fair value measurement, our Group had: (i) engaged an external appraiser, and reviewed the valuation methods and assumptions adopted by such appraiser; and (ii) reviewed relevant agreements and supporting documents, including investment agreements, shareholders' agreement, memorandum of association, among others, to understand the detailed underlying terms and conditions that may affect the valuation of the financial instruments. Based on the aforementioned work, our management is satisfied with the categorization within level 3 of fair value measurement pursuant to the SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions."

The Joint Sponsors had conducted the following due diligence work in relation to the Group's financial liabilities measured within level 3 fair value measurement:

- discussing with the Directors with a view to understand the work done by the Directors in discharging their duties in relation to reviewing the fair value measurement of level 3 financial liabilities of the Group;

- understanding from the Company the nature and details of the financial liabilities and obtaining and reviewing the list of the financial liabilities during the Track Record Period;

- obtaining and reviewing the terms of the relevant agreements and documents regarding the financial liabilities;

- reviewing the disclosures in relevant notes to the Accountants' Report;

- understanding from the Company the key bases, assumptions and methodologies used in the valuation of the financial liabilities;

- discussing with the reporting accountants to understand the work it has performed in relation to the fair value measurements of level 3 financial liabilities of the Group for the purpose of reporting on the historical financial information of the Group as a whole.

Based on the due diligence conducted by the Joint Sponsors as stated above, and having considered the confirmations from the Directors and the discussions with the reporting accountants, nothing material has come to the Joint Sponsors' attention that indicates that the Company has not undertaken independent and sufficient investigation and due diligence on such level 3 financial liabilities.

Details of the fair value measurement of financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 26 to the Accountant's Report set out in Appendix I to this document, which was reported on by the reporting accountant in accordance with Hong Kong Standards on Auditing ("HKSA") 540 (Revised) and other related HKSAs issued by the Hong Kong Institute of Certified Public Accountant. The reporting accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our uses of cash primarily compose of pre-clinical research and development expenses, clinical development expenses, and license-in related expenses. During the Track Record Period, we primarily funded our working capital requirements through capital contributions from our shareholders, private equity financing and other borrowings. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our net cash used in operating activities was RMB278.3 million, RMB377.1 million and RMB112.9 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively. As our business develops and expands, we expect to generate net cash from our operating activities, through the sales revenue of our future commercialized products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash equivalents and cash and net [**REDACTED**] from the [**REDACTED**]. As of May 31, 2022, we had cash and cash equivalents of RMB660.2 million.

Our cash burn rate refers to the average monthly aggregate amount of (i) net cash used in operating activities, including research and development expenses; (ii) payment for property, plant and equipment; (iii) interest paid; (iv) purchase amount of intangible assets; and (v) lease payment. Assuming that the average cash burn rate going forward of 1.2 times the level for the five months ended May 31, 2022, which is primarily based on the difference between the average monthly burn rate in the twelve months ended November 30, 2023, we estimate that our cash and cash equivalents as of September 30, 2022 will be able to maintain our financial viability for approximately 21.5 months or, if we also take into account the estimated net [**REDACTED**] (based on the low-end of the indicative [**REDACTED**]) from the [**REDACTED**], for approximately 24.5 months. Our Directors and our management team will continue to monitor our working capital, cash flows, and our business development progress.

Cash Flows

Since our inception, we have incurred net losses and negative cash flows from our operations. Our primary uses of cash are to fund the research and development of our drug pipeline, our clinical trials, administrative expenses and other recurring expenses. Our net cash used in operating activities amounted to RMB278.3 million, RMB377.1 million and RMB112.9 million for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, respectively. As our business develops and expands, we expect to generate cash from our operating activities mainly through sales of our products.

During the Track Record Period and up to the Latest Practicable Date, we primarily funded our working capital needs through equity and debt financing. Our management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Going forward, we believe our liquidity requirements will be mainly satisfied from a combination of our cash and cash equivalents, cash flow from operating activities with products gradually commercialized in the market, bank borrowings, net [**REDACTED**] from the [**REDACTED**] and other financing activities. We expect that our existing cash, cash equivalents and available financing facilities will enable us to fund our operating expenses and capital expenditures requirements for at least the next 12 months of the date of this document. As of May 31, 2022, we had cash and cash equivalents of RMB660.2 million.

The following table provides information regarding our cash flows for the periods indicated:

	Year Ended December 31,		Five Months Ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash flows from operating activities before movements in working capital	(300,140)	(337,200)	(152,972)	(105,445)
Changes in working capital	21,811	(39,879)	24,979	(7,451)

	Year Ended December 31,		Five Months Ended May 31,	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash flows used in operating activities	(278,329)	(377,079)	(127,993)	(112,896)
Net cash flows used in investing activities	(20,480)	(98,871)	(16,711)	(13,166)
Net cash flows from/(used in) financing activities	607,387	840,082	104,380	(6,335)
Net increase/(decrease) in cash and cash equivalents	308,578	364,132	(40,324)	(132,397)
Cash and cash equivalents at beginning of year/period	112,156	414,261	414,261	774,306
Effect of foreign exchange rate changes, net	(6,473)	(4,087)	(1,370)	18,322
Cash and cash equivalents at end of the year/period	414,261	774,306	372,567	660,231

We expect our net operating cash outflows position as of May 31, 2022 to improve concurrently with our profitability, mainly through (i) further increasing our sales of envafolimab, by, for example, expanding our sales and marketing team and covering more customers; (ii) putting more efforts in receivables collection management in order to reduce our receivables so as to improve our working capital condition; and (iii) further improving our operational efficiency to enhance our working capital position by reviewing regularly and updating our liquidity and funding policies to ensure that it is aligned with our business plan and financial position, and preparing cash flow and funding summaries on a regular basis to monitor our cash flow.

Net Cash Flows Used in Operating Activities

We had net cash outflows in operating activities during the Track Record Period. Our primary uses of cash are to fund the development of both our internally and in-licensed developed drug candidates, our clinical trials and for the purchase of equipment, administrative expenses and other recurring expenses. We shall continue to advance our late stage clinical assets into NDA stage and commercialization which will bring incremental cash flow to fund our operation in the foreseeable future.

For the five months ended May 31, 2022, our net cash flows used in operating activities was RMB112.9 million, which was primarily attributable to our loss before tax of RMB293.4 million. Negative adjustments for non-cash and non-operating items primarily included (i) fair value losses on preferred shares of RMB143.6 million; and (ii) equity-settled share-based payments of RMB55.4 million. The amount was then adjusted positively by changes in working capital, primarily included an increase in trade receivables of RMB37.0 million, partially offset by an increase in other payables and accruals of RMB23.4 million.

For the year ended December 31, 2021, our net cash flows used in operating activities was RMB377.1 million, which was primarily attributable to our loss before tax of RMB1,461.8 million. Negative adjustments for non-cash and non-operating items primarily included fair value losses on preferred shares of RMB954.7 million. The amount was then adjusted positively by changes in working capital, primarily included an increase in trade receivables of RMB65.1 million, partially offset by an increase in other payables and accruals of RMB34.1 million.

For the year ended December 31, 2020, our operating activities used RMB278.3 million, primarily as a result of an increase in payments for clinical stage research and developments. Negative adjustments for non-cash and non-operating items primarily include fair value losses of preferred shares. The amount was then further adjusted negatively by changes in working capital, primarily included (i) a decrease in prepayments and other receivables of RMB17.2 million; (ii) a decrease in other non-current assets of RMB9.3 million; and (iii) an increase in other payables and accruals of RMB8.9 million, partially offset by a decrease in trade payables of RMB13.3 million.

Net Cash Flows Used in Investing Activities

For the five months ended May 31, 2022, our net cash flows used in investing activities was RMB13.2 million, primarily as a result of (i) purchase of items of property, plant and equipment of RMB16.2 million; and (ii) purchase of financial assets at FVTPL of RMB100.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB100.8 million.

For the year ended December 31, 2021, our net cash flows used in investing activities was RMB98.9 million, primarily as a result of (i) purchase of items of property, plant and equipment of RMB43.9 million; and (ii) purchase of financial assets at FVTPL of RMB100.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB50.4 million.

For the year ended December 31, 2020, our net cash flows used in investing activities was RMB20.5 million, primarily as a result of (i) purchases of items of property, plant and equipment; (ii) payment for acquisition of subsidiaries in the Business Restructuring; and (iii) loans provided to a third party; partially offset by repayment of loans from a third party.

Net Cash Flows From Financing Activities

For the five months ended May 31, 2022, our net cash flows used in financing activities was RMB6.3 million, primarily as a result of (i) principal portion of lease payments of RMB5.0 million; and (ii) [**REDACTED**] expenses paid of RMB1.1 million.

For the year ended December 31, 2021, our net cash flows from financing activities was RMB840.1 million, primarily as a result of proceeds from issuance of preferred shares of RMB1,614.4 million, partially offset by the payments for repurchase of onshore investments of RMB843.0 million.

For the year ended December 31, 2020, our net cash flows from financing activities was RMB607.4 million, primarily as a result of proceeds from issue of preferred shares.

CASH OPERATING COSTS

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

	Year Ended December 31,		Five Months Ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Research and development costs				
Research and development costs for our Core Product				
– Clinical trial expenses	64,666	39,089	12,835	12,383
– Staff costs	25,762	28,963	12,276	16,024
– Raw material costs	1,324	1,248	788	905
– Others	1,210	4,783	1,047	2,290
Research and development costs for our other product candidates				
– License-in expenses	129,101	127,308	52,563	26,384
– Clinical trial expenses	11,100	21,475	3,686	9,153
– Staff costs	9,469	37,593	18,321	24,780
– Raw material costs	157	7,397	1,007	4,395
– Others	3,221	11,550	5,912	7,214
Workforce employment costs[(1)]	21,566	30,527	14,024	19,323
Product marketing costs	–	–	–	74,754
Non-income taxes, royalties and other governmental charges	157	817	525	441
Contingency allowances[(2)]	–	–	–	–
	267,733	310,750	122,984	198,046

Note:

(1) Workforce employment costs represent general and administrative staff costs mainly including salaries and benefits.

(2) We did not have any contingency allowances during each of the Track Record Period.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net [**REDACTED**] from the [**REDACTED**], we have available sufficient working capital to cover at least 125% of the Group's costs, including general, administrative and operating costs (including any production costs), and research and development costs, for at least the next 12 months from the date of this document.

INDEBTEDNESS

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

	As of December 31,		As of May 31,	As of September 30,
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Interest-bearing bank borrowings	3,522	–	–	60,000
Lease liabilities				
Current	3,791	12,754	13,701	10,799
Non-current	13,061	45,987	41,512	37,217
	20,374	58,741	55,213	108,016

Interest-Bearing Bank Borrowings

Our interest-bearing bank borrowings consisted of secured bank loans and unsecured bank loans.

As of December 31, 2020 and 2021 and May 31, 2022, the outstanding balance of our interest-bearing bank borrowings was RMB3.5 million, nil and nil, respectively, among which, RMB2.3 million was secured bank loan with an effective interest rate of one year LPR+5bp, secured by the Group's deposits of RMB6,000,000; RMB1.2 million was unsecured bank loan with an effective interest rate of one year LPR+65bp. Such loans were fully repaid as of December 31, 2021.

As of September 30, 2022, the outstanding balance of our interest-bearing bank borrowings was RMB60.0 million, among which, RMB30.0 million was unsecured bank loan with an effective interest rate of one year LPR-30bp, RMB10.0 million was unsecured bank loan with an effective interest rate of one year LPR-25bp, and RMB20.0 million was unsecured bank loan with an effective interest rate of one year LPR-40bp.

Lease Liabilities

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases. Our total lease liabilities increased from RMB16.9 million as of December 31, 2020 to RMB58.7 million as of December 31, 2021 primarily resulted from the new lease of offices and laboratory buildings in Beijing, as well as new lease of offices in Shanghai. Our total lease liabilities decreased to RMB55.2 million as of May 31, 2022, mainly due to the decrease of long-term (more than a year) lease liabilities of RMB4.5 million. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of May 31,	As of September 30,
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current portion	3,791	12,754	13,701	10,799
Non-current portion	13,061	45,987	41,512	37,217
	16,852	58,741	55,213	48,016

Save as otherwise disclosed under the paragraphs headed "Indebtedness" in this section, our Directors confirm that, we had no material defaults in bank and other borrowings, nor did we breach any covenants during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we had RMB161.0 million unutilized credit facilities.

Except as otherwise disclosed in the paragraphs headed "Indebtedness" in this section, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of May 31, 2022. Since May 31, 2022 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

CAPITAL EXPENDITURE

We regularly incur capital expenditures to expand our operations and optimize our operating efficiency in order to enhance our development capabilities and expand our business operations, including the construction of our facility in Xuzhou city. Historically, we have funded our capital expenditures mainly through financing in the form of preferred shares and borrowings. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		Five Months Ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Purchases of items of property, plant and equipment	11,147	43,872	5,617	16,248
Payment for acquisition of a land use right	–	11,492	11,492	–
	11,147	55,364	17,109	16,248

We expect to incur capital expenditures in the next few years primarily in relation to the construction of our Xuzhou facility, which we expect to fund primarily through cash generated from operations, bank facilities and net [**REDACTED**] to be received from the [**REDACTED**]. To the extent we require additional funding for major capital expenditures, we will consider additional equity and debt financings. The sufficiency of such funding will in turn depend on prevailing market conditions, as well as investors' willingness to invest in our Company. We may adjust our budgeted capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Capital Commitments

We had capital commitments contracted for but not provided of nil as of December 31, 2020, RMB126.3 million as of December 31, 2021 and RMB109.6 million as of May 31, 2022, mainly related to our facility in Xuzhou city. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		As of May 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Purchase of items of property, plant and equipment	–	126,260	109,628

CONTINGENT LIABILITIES

Save as disclosed in the paragraphs headed "Contractual Commitments" in this section, we did not have any material contingent liabilities as of the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

We had not entered into any off-balance sheet transactions as of the Latest Practicable Date.

KEY FINANCIAL RATIO

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

	As of December 31,		As of May 31,
	2020	2021	2022
Current ratio[(1)]	1.5	0.3	0.2

Note:

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

Our current ratio decreased from 1.5 as of December 31, 2020 to 0.3 as of December 31, 2021 primarily due to the reclassification of preferred shares from non-current liabilities to current liabilities and an increase in the fair value of the preferred shares. In addition, our current ratio decreased to 0.2 as of May 31, 2022, mainly due to (i) a decrease in cash and bank balances of RMB114.1 million primarily because we did not have equity financing in 2022 but continuously incurred cash expenditures in relation to our operating activities in the meantime; (ii) an increase in other payables and accruals of RMB56.0 million primarily due to the increased accrued marketing service fees of RMB22.6 million in line with our sales activities, and increased payables for property, plant and equipment of RMB31.4 million in relation to the renovations of our offices and construction of our manufacturing facilities; and (iii) an increase in Preferred Shares classified as current liabilities of RMB140.0 million primarily due to the fair value increase of such Preferred Shares.

RELATED PARTY TRANSACTIONS

The following table sets forth our transactions with related parties for the periods indicated:

	Year ended December 31,		Five Months Ended May 31,	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Repayment of loans from a related party	11,948	–	–	–
Preferred share issuance	–	165,920	66,178	–
Expenses for utilities	–	693	269	–
Expenses for research and development	–	3,660	–	–
Interest income on loans to related parties	–	14	–	40
Interest expenses on loans from a related party	641	–	–	–

The following table sets forth our outstanding balances with related parties as of the dates indicated:

	As of December 31,		As of May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties – trade and non-trade	372	3,214	3,254
Amounts due to a related party – non-trade	1,702	150	150
Lease liabilities arising from rent from a related party – trade	16,198	–	–

Except for the outstanding balances of the loans borrowed by Dr. Lin Yihui and Ms. Zhang Jing, which will be settled by maturity of such loans, all other non-trade balances as of May 31, 2022 will be settled before the [**REDACTED**]. The maturity date of the loan borrowed by Dr. Lin Yihui is November 2, 2024; and the maturity date of the loan borrowed by Ms. Zhang Jing is November 10, 2023.

On June 22, 2021, the Company approved and adopted the Share Incentive Scheme. For details of the Share Incentive Scheme, please refer to "Appendix IV Statutory and General Information – D. Share Incentive Scheme" in this document. At that time, Dr. Lin Yihui ("Dr. Lin"), the head of the translational medical center of the Company, and Ms. Zhang Jing ("Ms. Zhang"), the chief financial officer of the Company, were both enthusiastic and supportive of such Share Incentive Scheme, as they were confident in the future development of the Company and had long-term commitment to work for the Company. Although they both had interests in participating in the Share Incentive Scheme, which was encouraged by the Company, they did not have enough liquid assets or other resources to acquire the restricted share units (the "RSUs") based on their monthly after-tax salaries and bonuses received from the Company.

Pursuant to the Employee Loan Management Rules ("《員工借款管理制度》") of the Company, senior management members may borrow money (no more than RMB2.0 million per person) from the Company after approval of the CEO/Chairman. After discussion with the CEO/Chairman of the Company. i.e., Dr. Gong, Dr. Gong decided to approve the loans to both of them, as Dr. Gong trusted Dr. Lin and Ms. Zhang and viewed them as valuable and loyal employees of the Company, and hoped to incentivize and retain both of them.

On November 2, 2021, Dr. Lin signed the loan agreement with the Company for an unsecured loan with principal amount of RMB2.0 million, loan term of three years, and interest rate of 3.0% per annum. Dr. Lin is obligated to repay the all outstanding principal and interests upon maturity of the loan. On November 10, 2021, Ms. Zhang signed the loan agreement with the Company for an unsecured loan with principal amount of RMB1.2 million, loan term of two years, and interest rate of 3.0% per annum. Ms. Zhang is obligated to repay the all outstanding principal and interests upon maturity of the loan (the aforementioned loans lent to Dr. Lin and Ms. Zhang are referred to as the "Loans" collectively). However, if either Dr. Lin or Ms. Zhang refuses or fails to repay the Loans as stipulated in their respective loan agreements with the Company (collectively, the "Loan Agreements"), he/she shall compensate the Company for late payments. If there is any disputes arising out of the Loans, the Company has the right to sue the breaching party in the People's court where it resides. As advised by the Company's PRC Legal Advisers, the Loan Agreements are valid under current PRC laws and regulations and do not violate any mandatory provisions of applicable PRC laws and regulations, and the interest rate of both Loans, i.e., 3.0% per annum, does not exceed four times of the loan prime rate at the time of the Loan Agreements which is protected by the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Trials of Private Lending Cases (2020 Amendment) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》).

Dr. Lin and Ms. Zhang used all money they borrowed from the Company to acquire 1,075,780 RSUs and 697,150 RSUs under the Share Incentive Scheme, respectively. In addition, they will not be able to sell the shares they acquired through the vesting of the RSUs until the expiry of the lock-up period of such shares. Furthermore, as they did not have liquid assets or other resources to acquire the RSUs in 2021, they will not be able to gain enough cash to repay the loans in full before the [**REDACTED**]. The aforementioned situation was well understood by Dr. Gong when he approved the loans, and he trusted and appreciated that both Dr. Lin and Ms. Zhang were loyal employees and agreed that the loans shall be paid upon maturity, so that both Dr. Lin and Ms. Zhang are incentivized and could focus on the R&D and operations of the Company.

Considering the foregoing and after reviewing the Loan Agreements, the Directors are of the view that the terms of the Loan Agreements are normal commercial terms that are fair and reasonable, and such loan arrangements are in the interest of the Company and its Shareholders as a whole to encourage and incentivize such senior management members and to retain them in the Company for long term.

For more details, please refer to note 34 to Accountants' Report set forth in Appendix I to this document. Our Directors are of the view that each of the related party transactions was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of our loss before tax (due to changes in the fair value of monetary assets and liabilities) and our equity:

	Increase/ (decrease) in rate of foreign exchange	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	*RMB'000*	*RMB'000*
December 31, 2020			
If RMB weakens against the US$	5	76,013	(76,013)
If RMB strengthens against the US$	(5)	(76,013)	76,013

	Increase/ (decrease) in rate of foreign exchange	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
December 31, 2021			
If RMB weakens against the US$	5	133,753	(133,753)
If RMB strengthens against the US$	(5)	(133,753)	133,753
May 31, 2021 (unaudited)			
If RMB weakens against the US$	5	111,919	(111,919)
If RMB strengthens against the US$	(5)	(111,919)	111,919
May 31, 2022			
If RMB weakens against the US$	5	141,923	(141,923)
If RMB strengthens against the US$	(5)	(141,923)	141,923

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations in cash flows. For more details, please refer to note 37 to Accountants' Report set forth in Appendix I to this document.

Capital Management

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

We manage our capital structure and make 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, we may return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as of the end of each of the reporting period.

DIVIDENDS

No dividend has been declared or paid by entities comprising our Group. We currently expect to retain all future earnings for use in operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the foreseeable future. Any declaration and payment by our Company as well as the amount of dividends will be subject

to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. Under the laws of the Cayman Islands, a Cayman Islands company may pay a dividend out of its profits or the credit standing to its share premium account, provided that immediately after the date on which the dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

We may need dividends and other distributions on equity from our subsidiaries to satisfy our liquidity requirements, including those incorporated in the PRC. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their distributable profits. Distributable profits are our PRC subsidiaries' after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective after-tax profits each year to fund statutory reserve until the total amount set aside reaches 50% of their respective registered capital. Where the aggregate balance of statutory reserve is insufficient to cover loss in the previous financial year, the current financial year's profits shall first be used to cover the loss before any statutory reserve is set aside. Our PRC subsidiaries may also allocate a portion of their after-tax profits to discretional reserve where our PRC subsidiaries have set aside statutory reserve from their after-tax profits, subject to a resolution of the shareholders. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf, the instruments governing such debt may restrict their ability to pay dividends or make other payments to us.

DISTRIBUTABLE RESERVES

As of May 31, 2022, we did not have any distributable reserves.

[**REDACTED**] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. [**REDACTED**] expenses to be borne by us are estimated to be approximately RMB[**REDACTED**] (HK$[**REDACTED**]) (assuming the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range), including (i) [**REDACTED**]-related expenses, including [**REDACTED**] commissions and fees of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (ii) non-[**REDACTED**]-related expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), comprising (a) fees and expenses of legal advisors and reporting accountants of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) and (b) other fees and expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]).

Our [**REDACTED**] expenses as a percentage of gross [**REDACTED**] estimated to be received by us from the [**REDACTED**] is [**REDACTED**]%, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range stated in this document) and assuming that the [**REDACTED**] is not exercised. In 2020 and 2021 and the five months ended May 31, 2022, the [**REDACTED**] expenses charged to profit or loss were RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**], respectively. As of May 31, 2022, RMB11.9 million was recognized in the consolidated statements of financial position. After May 31, 2022, we estimate that additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] will be incurred by our Company, approximately RMB[**REDACTED**] of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] of which is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since May 31, 2022 and up to the date of this document.

IMPACT OF THE COVID-19 OUTBREAK

Since December 2019, the outbreak of a novel strain of coronavirus causing coronavirus disease 2019 (COVID-19) has materially and adversely affected the global economy. Since late July 2021, the COVID-19 has recurred in the form of the Delta variant in China and overseas, and since November 2021, another variant designated as Omicron (together with the Delta variant, the "**COVID-19 Variants**") has also been discovered in many cases over the globe (the "**Recurrences**"). Recently, the Chinese government has implemented emergency measures in certain cities or regions, including Shanghai, in response to the Recurrence, including travel restrictions, mandatory cessations of business operations, mandatory quarantines, and limitations on social and public gathering and lockdowns.

While we experienced delays in the patient enrollment process and data entry for certain of our clinical trials in China (including the temporary delays in the patient enrollment in Shanghai since March 2022), the outbreak of COVID-19 and the Recurrences have not caused any early termination of our clinical trials or necessitated removal of any patients enrolled in our clinical trials. We have employed various measures to mitigate any impact the COVID-19 outbreak and the Recurrences may have on our ongoing clinical trials in China, including providing alternative methods for safety and efficacy assessment, continuing patient visit through remote access, supplying enrolled patients with study medication through monitored delivery process, and engaging necessary communications with our investigators to identify and address any issues that may arise. For our U.S. and Japan trials, we did not experience any material difficulties arising from the outbreak of COVID-19 and the Recurrences in our patient

enrollment and trial management, and the progress of those trials is generally in line with our trial development plan despite minor delays. Based on the foregoing, we currently expect that our ongoing clinical trials will not be significantly affected by the outbreak of COVID-19 and the Recurrences. We may adjust our current clinical development plan covering multiple jurisdictions to the extent necessary depending on the status of the COVID-19 outbreak and the Recurrences worldwide. Currently, we do not expect it to have any material long-term impact on data quality of our clinical trials or our overall clinical development plans.

Our Directors have carried out a holistic review of the impact of the COVID-19 outbreak and the Recurrences on our operations, and confirmed that the COVID-19 outbreak and the Recurrences did not have any long-term material adverse impact on our business operation and financial performance as of the Latest Practicable Date or in the future, mainly because (i) the Recurrences are less severe in terms of its lower mortality rate and higher curability rate than the early outbreak and (ii) the Chinese government authorities have responded quickly to the COVID-19 and the Recurrences and made controlling efforts timely. However, due to the prevalence of the Recurrences in Shanghai since March 2022, as of the Latest Practicable Date, we had experienced temporary delays in the patient enrollment in Shanghai and our sales activities in Shanghai had been temporarily affected. Specifically, our clinical development for 3D229 (also known as batiraxcept, AVB-500) was delayed due to lockdown measures implemented by local governments where our research institutions are located, and as a result, the number of patients screened in the Phase III clinical trial for multi-regional clinical trial (MRCT) in China was approximately two per month from February to June 2022, lower than what we originally expected (i.e., six per month). The patients who were screened would be later enrolled after our selection. As of September 30, 2022, eight patients have been enrolled to this MRCT in China and we have been enrolling patients for this trial. For the Phase I clinical trial of 3D011, we originally planned to have the first patient in (FPI) in March 2022 and complete the enrollment of nine subjects for the 15mg/kg, 30mg/kg and 50mg/kg cohorts in July 2022. However, due to the Recurrences in Shanghai since March 2022, no subject had been enrolled as of the Latest Practicable Date. In terms of our sales operations, our monthly stock rate of our Core Product increased from the average 10%-20% to approximately 32% from March to April 2022, due to delays in both procurement and shipping as a result of logistics restriction measures imposed for the Recurrences in Suzhou and Shanghai. As a result, our sales volume slightly decreased from approximately 11,000 units in January and February 2022 to approximately 10,300 units in March and April 2022, while our sales volume increased to approximately 19,900 units in May and June 2022 as those logistics restriction measures were gradually released. We have mobilized and will continue to mobilize internal and external resources and leveraged our operating capabilities to minimize the impact on our operations caused by the COVID-19 outbreak and the Recurrences.

The above analyses are made by our management based on currently available information concerning COVID-19 and the Recurrences. It is uncertain whether the continuance or future recurrence of the COVID-19 outbreak in China, the U.S., Japan or the rest of the world will have a material adverse effect on our results of operations, financial position or prospects. For example, with the ongoing COVID-19 outbreak and the Recurrences around the world, we cannot assure you that our clinical development plan covering multiple

jurisdictions including the China, the U.S. and Japan will not be adversely affected. For more details, please refer to the paragraphs headed "Risk Factors – Risks Relating to Our Operations – We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control, including the COVID-19 outbreak, which may have a material adverse effect on our business, financial condition and results of operations" in this document. We will continue to monitor and evaluate any impact of the COVID-19 outbreak and the Recurrences on us and adjust our precautionary measures according to the latest developments of the outbreak.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to owners of the parent as if the [**REDACTED**] had taken place on May 31, 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group to owners of the parent had the [**REDACTED**] been completed as of May 31, 2022 or as at any future dates.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at May 31, 2022	**Estimated net [REDACTED] from the [REDACTED]**	**Estimated impact to the consolidated net tangible liabilities upon the conversion of preferred shares**	**Unaudited pro forma adjusted consolidated net tangible assets as at May 31, 2022**	**Unaudited pro forma adjusted consolidated net tangible assets per Share as at May 31, 2022**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000 (Note 3)*	*RMB'000*	*RMB (Note 4)*	*HK$ (Note 5)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(2,468,376)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(2,468,376)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(2,468,376)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible liabilities of our Group attributable to our equity holders as of May 31, 2022 was arrived at after deducting intangible assets of RMB887,000 from the consolidated net liabilities attributable to our owners as of May 31, 2022 of RMB2,467,489,000 set out in the Accountants' Report in Appendix I to this document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on an [**REDACTED**] of HK$[**REDACTED**] per Share, HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, after deduction of the [**REDACTED**] fees and other related expenses payable by our Company and do not take into account any Shares which may be issued upon the exercise of the [**REDACTED**].

(3) Upon the [**REDACTED**] and the completion of the [**REDACTED**], all Preferred Shares will be automatically converted into Ordinary Shares. The Preferred Shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible liabilities attributable to owners of the parent will be decreased by RMB3,276,433,000 being the carrying amounts of the preferred shares as of May 31, 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on a total of [**REDACTED**] Shares, which comprise of: (i) 36,827,330 Ordinary Shares issued as of May 31, 2022 which has excluded shares held by ESOP Trusts for share incentive scheme; (ii) 170,147,932 Preferred Shares in issue, assuming such Preferred Shares were automatically converted into Ordinary Shares on May 31, 2022; (iii) [**REDACTED**] Shares in issue, assuming the [**REDACTED**] has been completed on [**REDACTED**] and (iv) [**REDACTED**] Shares in issue, assuming the [**REDACTED**] has been completed on [**REDACTED**].

The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**], which has included 32,314,990 Shares held by ESOP Trusts for share incentive scheme as of May 31, 2022, while such shares are excluded from the [**REDACTED**] Shares used in the calculation of the Company's pro forma net tangible assets per Share, as these Shares are presented as treasury shares in the Company's financial statements.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into HK$ at an exchange rate of HK$1.00 to RMB0.91698 prevailing on November 11, 2022.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to May 31, 2022.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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