The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

"***[To insert the firm's letterhead]***"

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 3D MEDICINES INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CHINA SECURITIES (INTENATIONAL) CORPORATE FINANCE COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of 3D Medicines Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2020 and 2021, and the five months ended May 31, 2022 (the "Relevant Periods"), the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2020 and 2021 and May 31, 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2020 and 2021 and May 31, 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the five months ended May 31, 2021 and other explanatory information (the "Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

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

Certified Public Accountants
Hong Kong
[●], 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		Five months ended May 31,	
	Notes	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	*5*	–	60,260	–	161,062
Cost of sales	*8*	–	(4,277)	–	(11,458)
Gross profit		–	55,983	–	149,604
Other income and gains	*5*	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	*8*	–	(7,153)	–	(17,364)
Other expenses	*6*	(5,929)	(8,940)	(1,371)	(14,224)
Finance costs	*7*	(8,058)	(1,528)	(365)	(740)
Fair value losses on preferred shares	*26*	(319,232)	(954,742)	(647,031)	(143,642)
Impairment losses on financial assets, net	*18*	–	(130)	–	(74)
LOSS BEFORE TAX	*8*	(635,380)	(1,461,825)	(803,970)	(293,417)
Income tax expense	*11*	–	–	–	–
LOSS FOR THE YEAR/PERIOD		(635,380)	(1,461,825)	(803,970)	(293,417)
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)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	*13*	(13.93)	(36.72)	(17.63)	(7.65)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2020 *RMB'000*	As at December 31, 2021 *RMB'000*	As at May 31, 2022 *RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	10,864	52,246	97,401
Intangible assets	*15*	–	929	887
Right-of-use assets	*16*	15,937	66,293	62,333
Other non-current assets	*17*	7,660	18,384	10,878
Amounts due from related parties	*34*	–	3,214	3,254
Total non-current assets		34,461	141,066	174,753
CURRENT ASSETS				
Trade receivables	*18*	–	65,004	101,889
Prepayments, other receivables and other assets	*19*	41,122	29,654	29,510
Amounts due from related parties	*34*	372	–	–
Financial assets at fair value through profit or loss ("FVTPL")	*20*	–	50,178	50,021
Pledged deposits	*21*	6,000	–	–
Restricted bank balances	*21*	–	72	72
Cash and bank balances	*21*	414,261	774,306	660,231
Inventories		–	13	1,545
Total current assets		461,755	919,227	843,268
CURRENT LIABILITIES				
Trade payables	*22*	2,416	3,742	2,650
Other payables and accruals	*23*	88,340	137,431	193,404
Interest-bearing bank borrowings	*24*	3,522	–	–
Amounts due to a related party	*34*	1,702	150	150
Preferred shares	*26*	215,237	3,093,968	3,233,922
Lease liabilities	*16*	3,791	12,754	13,701
Total current liabilities		315,008	3,248,045	3,443,827
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	*25*	7,579	–	–
Lease liabilities	*16*	13,061	45,987	41,512
Preferred shares	*26*	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	*27*	37	57	57
Treasury shares	*27*	–	(27)	(27)
Deficits	*28*	(1,269,852)	(2,238,041)	(2,467,519)
		(1,269,815)	(2,238,011)	(2,467,489)
Non-controlling interests	*29*	–	(34,551)	(42,340)
Total deficits		(1,269,815)	(2,272,562)	(2,509,829)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2020

	Share capital	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*		
At January 1, 2020	37	(92,635)	(542,253)	(634,851)
Total comprehensive loss for the year	–	–	(635,380)	(635,380)
Recognition of equity-settled share-based payments *(note 30)*	–	416	–	416
At December 31, 2020	37	(92,219)*	(1,177,633)*	(1,269,815)

Year ended December 31, 2021

	Attributable to owners of the parent						Non-controlling interests	Total deficits
	Share capital	Treasury Shares	Share premium	Other reserve	Accumulated losses	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 27)*	*(note 28)*	*(note 28)*				
At January 1, 2021	37	–	–	(92,219)	(1,177,633)	(1,269,815)	–	(1,269,815)
Total comprehensive loss for the year	–	–	–	–	(1,434,092)	(1,434,092)	(27,733)	(1,461,825)
Shares issued for share incentive scheme *(note 27)*	32	(32)	–	–	–	–	–	–
Repurchase of shares *(note 27)*	(16)	–	–	(32,714)	–	(32,730)	–	(32,730)
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	344,466	–	344,466	(23,333)	321,133
Recognition of equity-settled share-based payments *(note 30)*	4	–	59,240	88,904	–	148,148	16,515	164,663
Exercise of restricted share units *(note 30)*	–	5	75,424	(69,417)	–	6,012	–	6,012
At December 31, 2021	57	(27)	134,664*	239,020*	(2,611,725)*	(2,238,011)	(34,551)	(2,272,562)

Five months ended May 31, 2022

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share premium	Other reserve	Accumulated losses	Total	Non-controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 27)*	*(note 28)*	*(note 28)*				
At January 1, 2022	57	(27)	134,664	239,020	(2,611,725)	(2,238,011)	(34,551)	(2,272,562)
Total comprehensive loss for the period	–	–	–	–	(280,379)	(280,379)	(13,038)	(293,417)
Recognition of equity-settled share-based payments *(note 30)*	–	–	–	50,186	–	50,186	5,249	55,435
Exercise of restricted share units *(note 30)*	–	–	5,138	(4,423)	–	715	–	715
At May 31, 2022	57	(27)	139,802*	284,783*	(2,892,104)*	(2,467,489)	(42,340)	(2,509,829)

* The reserve accounts comprised the consolidated deficits of RMB1,269,852,000, RMB2,238,041,000 and RMB2,467,519,000 in the consolidated statement of financial position as at December 31, 2020, and 2021 and May 31, 2022, respectively.

Five months ended May 31, 2021 (unaudited)

	Attributable to owners of the parent					
	Share capital	Other reserve	Accumulated losses	Total	Non-controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*				
At January 1, 2021	37	(92,219)	(1,177,633)	(1,269,815)	–	(1,269,815)
Total comprehensive loss for the period	–	–	(803,970)	(803,970)	–	(803,970)
Capital contribution from a non-controlling shareholder of a subsidiary**	–	344,466	–	344,466	(23,333)	321,133
Recognition of equity-settled share-based payments *(note 30)*	–	94	–	94	–	94
At May 31, 2021	37	252,341	(1,981,603)	(1,729,225)	(23,333)	(1,752,558)

** It represented capital contribution received from a non-controlling shareholder of a subsidiary, which was recorded as restricted bank balances as at May 31,2021 and become unrestricted in September 2021.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2020 RMB'000	Year ended December 31, 2021 RMB'000	Five months ended May 31, 2021 RMB'000 (unaudited)	Five months ended May 31, 2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(635,380)	(1,461,825)	(803,970)	(293,417)
Adjustments for:					
Finance costs	7	8,058	1,528	365	740
Interest income	5	(1,610)	(5,502)	(1,164)	(2,311)
Depreciation of property, plant and equipment	14	1,153	3,750	1,144	3,331
Amortisation of intangible assets	15	–	84	25	42
Depreciation of right-of-use assets	16	2,218	8,757	2,132	5,442
Loss on disposal of property, plant and equipment	6	2	959	–	–
Investment income on other investments classified as financial assets at FVTPL	5	(156)	(424)	–	(593)
Fair value gains on other investments classified as financial assets at FVTPL	5	–	(178)	–	(21)
Fair value losses on preferred shares	26	319,232	954,742	647,031	143,642
Impairment losses on financial assets, net	18	–	130	–	74
Foreign exchange losses/(gain), net	6	5,927	3,699	1,371	(17,809)
Government grant recognised from deferred income		–	(7,579)	–	–
Equity-settled share-based payments	30	416	164,659	94	55,435
		335,240	1,124,625	650,998	187,972
Increase in inventories		–	(13)	–	(1,532)
Increase in restricted bank balances		–	(72)	–	–
Increase in trade receivables		–	(65,134)	–	(36,959)
Decrease/(increase) in other non-current assets		9,266	(5,020)	(1,557)	6,930
(Increase)/decrease in amounts due from related parties		(297)	372	172	–
Decrease/(increase) in prepayments and other receivables		17,243	(3,919)	(2,329)	1,828
(Decrease)/increase in trade payables		(13,261)	1,326	847	(1,092)
Decrease in amounts due to related parties		(13)	(1,552)	–	–
Increase in other payables and accruals		8,873	34,133	27,846	23,374
Net cash flows used in operating activities		(278,329)	(377,079)	(127,993)	(112,896)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(11,147)	(43,872)	(5,617)	(16,248)
Payment for acquisition of a land use right	16	–	(11,492)	(11,492)	–
Purchase of intangible assets	15	–	(1,013)	(766)	–
Payment for acquisition of subsidiaries in the Restructuring		(11,118)	–	–	–
Proceeds from disposal of property, plant and equipment		4	–	–	–
Loans provided to a third party*		(10,000)	–	–	–
Loans provided to related parties		–	(3,200)	–	–
Loan provided to an employee		–	(1,200)	–	–
Repayment of loans to a third party*		10,000	–	–	–
Purchase of financial assets at FVTPL		–	(100,000)	–	(100,000)
Interest received		1,610	5,482	1,164	2,311
(Increase)/decrease in pledged bank deposits		(6,000)	6,000	–	–
Proceeds from disposal of financial assets at FVTPL		6,171	50,424	–	100,771
Net cash flows used in investing activities		(20,480)	(98,871)	(16,711)	(13,166)

	Notes	Year ended December 31, 2020 RMB'000	Year ended December 31, 2021 RMB'000	Five months ended May 31, 2021 RMB'000 (unaudited)	Five months ended May 31, 2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for share repurchase		–	(32,730)	–	–
Proceeds from issue of preferred shares		783,818	1,614,410	1,114,744	–
Payments for repurchase of onshore investments		–	(843,030)	(843,030)	–
Payments for offshore preferred shares repurchase		(29,885)	(204,151)	(157,996)	–
Proceeds from equity-settled share-based payments		–	4	–	–
[**REDACTED**] expenses paid		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
New bank borrowings		3,522	–	–	–
Interest paid		(17,533)	(1,528)	(365)	(740)
Payments for rental deposit		–	(3,783)	(1,672)	(231)
Principal portion of lease payments		(1,217)	(5,732)	(2,595)	(5,010)
Repayment of loans to related parties		(11,948)	–	–	–
Repayment of bank loans and other borrowings		(124,956)	(3,522)	(3,522)	–
Advances from issue of preferred shares		6,545	–	–	–
Proceeds from exercise of restricted share units		–	6,012	–	715
Commissions paid in relation to capital contribution		–	(11,647)	–	–
Capital contribution from a shareholder of a subsidiary		–	332,780	–	–
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 YEAR/PERIOD		414,261	774,306	372,567	660,231
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances as stated in the consolidated statements of financial position	*21*	414,261	774,306	372,567	660,231

* On November 30, 2020, the Company entered into a loan agreement with Rui Xia Investment Holding Limited ("Rui Xia"), one of the 2019 Investors as defined in the section headed "Definitions" of the document. The loan was provided to Rui Xia to facilitate its overseas direct investment registration with the local regulator. The loan was interest free, unsecured and has a term of three business days. The Company provided the loan to Rui Xia on December 3, 2020 and collected on December 7, 2020.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2020	As at December 31, 2021	As at May 31, 2022
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries		228,033	1,770,227	1,845,947
Total non-current assets		228,033	1,770,227	1,845,947
CURRENT ASSETS				
Amounts due from subsidiaries	*34*	161,870	34,868	35,583
Prepayments, other receivables and other assets	*19*	25,876	10,143	11,864
Cash and bank balances	*21*	118,200	15,830	16,573
Total current assets		305,946	60,841	64,020
CURRENT LIABILITIES				
Other payables and accruals	*23*	18,024	20,762	24,039
Amounts due to subsidiaries	*34*	185,800	34,414	34,414
Preferred shares	*26*	215,237	3,093,968	3,233,922
Total current liabilities		419,061	3,149,144	3,292,375
NET CURRENT LIABILITIES		(113,115)	(3,088,303)	(3,228,355)
TOTAL ASSETS LESS CURRENT LIABILITIES		114,918	(1,318,076)	(1,382,408)
NON-CURRENT LIABILITIES				
Preferred shares	*26*	549,006	38,823	42,511
Total non-current liabilities		549,006	38,823	42,511
NET LIABILITIES		(434,088)	(1,356,899)	(1,424,919)
EQUITY				
Share capital	*27*	37	57	57
Treasury shares	*27*	–	(27)	(27)
Deficits	*28*	(434,125)	(1,356,929)	(1,424,949)
Total deficits		(434,088)	(1,356,899)	(1,424,919)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

3D Medicines Inc. (the "Company") is a limited liability company incorporated in the Cayman Islands on January 30, 2018. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries now comprising the Group underwent the restructuring as set out in the paragraph headed "Corporate Development" in the section headed "History, Development and Corporate Structure" in the Document (the "Restructuring").

During the Relevant Periods, the Group was involved in the research, development and commercialisation of pharmaceutical products.

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

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Full Goal Trading Limited ("Full Goal") *(note (a))*	British Virgin Islands ("BVI") January 30, 2018	US$50,000	100%	–	Investment holding
3D Medicines USA, Inc. ("3DMed USA") *(note (b))*	United States of America ("USA") October 12, 2018	US$1,500	100%	–	Research and development
3D Medicines (Hong Kong) Co., Limited (思路迪醫藥科技(香港)有限公司) ("3DMed HK") *(note (b))*	Hong Kong February 8, 2018	HK$10,000	–	100%	Investment holding
Integral Lane Holding Limited *(note (a))*	BVI April 17, 2018	US$50,000	–	100%	Investment holding
3D Medicines (Shanghai) Co., Limited* (思路迪生物醫藥(上海)有限公司) ("3D Medicines") *(note (c), (d), (g) and (i))*	Mainland China September 10, 2015	US$119,735,390	–	89.46%	Research and development
3D Medicines (Beijing) Science & Technology Co., Limited* (思路迪(北京)醫藥科技有限公司) ("3DMed Beijing") *(note (c), (d) and (f))*	Mainland China December 22, 2014	RMB200,000,000	–	89.46%	Research and development
3D Medicines (Shanghai) Science & Technology Co., Limited* (思路迪(上海)醫藥科技有限公司) ("3DMed Shanghai") *(note (c) and (d))*	Mainland China April 13, 2017	RMB50,000,000	–	89.46%	Research and development

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sichuan 3DMed-Alphamab Co., Ltd.* (四川思路康瑞藥業有限公司) ("3DMed Sichuan") *(note (c), (d) and (h))*	Mainland China March 16, 2016	RMB50,000,000	–	89.46%	Research and development
Xuzhou 3D Medicines Pharmaceutical Co., Ltd* (徐州思路迪藥業有限公司) ("3DMed Xuzhou") *(note (e))*	Mainland China November 26, 2020	US$150,000,000	–	100%	Manufacturing and trading
Longteng Pharmaceutical (Jiangsu) Co., Limited* (龍騰藥業 (江蘇) 有限公司) *(note (d))*	Mainland China March 30, 2021	RMB50,000,000	–	100%	Manufacturing and trading
3D Medicines (Qingdao) Co., Ltd.* (思路迪醫藥(青島) 有限公司) ("3DMed Qingdao") *(note (d))*	Mainland China June 18, 2021	US$50,000,000	–	100%	Research and development

Notes:

(a) No audited financial statements have been prepared, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(b) As at the date of this report, no audited financial statements have been prepared for these entities, as they had limited level of business operations.

(c) The statutory financial statements of these entities for the year ended December 31, 2020 prepared in accordance with accepted accounting principles and financial regulations in the People's Republic of China ("PRC") were audited by EPA CPA Partnership (上海至臻聯合會計師事務所(普通合夥)), certified public accountants registered in the PRC.

(d) The statutory financial statements of these entities for the year ended December 31, 2021 prepared in accordance with accepted accounting principles and financial regulations in the PRC were audited by Shanghai Ding Mai Baychine Certified Public Accountants Co., Ltd. (上海鼎邁北勤會計師事務所有限公司), certified public accountants registered in the PRC.

(e) The statutory financial statements of this entity for the years ended December 31, 2020 and 2021 prepared in accordance with accepted accounting principles and financial regulations in the PRC were audited by Shanghai Ding Mai Baychine Certified Public Accountants Co., Ltd. (上海鼎邁北勤會計師事務所有限公司), certified public accountants registered in the PRC.

(f) Pursuant to a share pledge contract between 3D Medicines and Simcere Pharmaceutical Co., Ltd. (先聲藥業有限公司) ("Simcere Pharmaceutical") entered into on December 23, 2019, 100% of 3DMed Beijing's registered share capital held by 3D Medicines was pledged to secure the then investments amounted to RMB210,345,000 in 3D Medicines held by Simcere pharmaceutical. The pledge was discharged on June 29, 2021.

(g) Pursuant to a cooperation agreement between 3D Medicines, 3DMed HK and Simcere Pharmaceutical on September 9, 2019 and a share pledge contract between 3DMed HK and Simcere Pharmaceutical on September 18, 2019, 8.5714% of 3D Medicines' registered share capital held by 3DMed HK was pledged to secure the loan amounted to RMB60,000,000 borrowed from Simcere Pharmaceutical, which was settled in 2019 and the pledge was discharged on August 24, 2020.

(h) Pursuant to an equity transfer agreement on April 29, 2021, 3DMed Beijing transferred 49% equity interest in 3DMed Sichuan to the Jiangsu Alphamab Biopharmaceuticals Co., Ltd. at a nominal consideration. Upon completion of the aforementioned equity transfer on May 6, 2021 and pursuant to the articles of association currently in effect of 3DMed Sichuan, 3DMed Beijing retains 100% voting right at shareholders' meetings and is entitled to 100% economic interests and nomination right of the director(s), supervisor(s) and senior management of 3DMed Sichuan. Accordingly, 3DMed Sichuan remains an indirect subsidiary of the Company. On October 17, 2022, 3DMed Beijing, 3DMed Sichuan and Jiangsu Alphamab Biopharmaceuticals Co., Ltd. had collectively signed a confirmation letter, in which Jiangsu Alphamab Biopharmaceuticals Co., Ltd. agrees to transfer the 49% equity interest in 3DMed Sichuan back to 3DMed Beijing for the original consideration of RMB1 so as to unwind the previous arrangement of transfer of 49% equity interest in 3DMed Sichuan to Alphamab Group under the equity transfer agreement dated April 29, 2021. Such transfer of 49% equity interest in 3DMed Sichuan back to 3DMed Beijing became effective immediately upon the execution of the confirmation letter and all administrative procedures related shall be completed within the next four months.

(i) Pursuant to a capital increase agreement on May 24, 2021, Qingdao Hainuo Investment Development Co., Ltd. (青島海諾投資發展有限公司), an independent third party, subscribed for an increased registered capital of 3D Medicines of US$12,616,807, representing 10.54% equity interest in 3D Medicines at a consideration of RMB332,780,000.

* The English names of these companies represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Restructuring, as more fully explained in the paragraph headed "Corporate Development" in the section headed "History, Development and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on August 7, 2018.

As the Restructuring mainly involved inserting new holding companies and has not resulted in any change of the respective voting, economic substance and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented by applying the principles of pooling of interests as if the Restructuring had been completed at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods and the five months ended May 31, 2021 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where there is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2020 and 2021 and May 31, 2022 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Restructuring.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

Notwithstanding that the Group recorded net liabilities of RMB2,509,829,000 and net current liabilities of RMB2,600,559,000 which mainly included preferred shares of RMB3,233,922,000 being classified as current liabilities as at May 31, 2022 and continually incurred recurring losses from operations, the Historical Financial Information has been prepared on a going concern basis based on the following:

– the directors of the Company do not expect that the preferred shares would be redeemed within the next twelve months from May 31, 2022 as the redemption right associated in the Memorandum and Articles of Association of the Company was postponed upon the Company's submission of the first Application Proof in June 2021; and

– the directors of the Company have considered the additional financial resources available to the Group, the internally generated funds from operations and the ability in adjusting the pace of the research and development projects and capital investments at management's discretion and are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from May 31, 2022.

The Historical 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 the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the five months ended May 31, 2021.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IAS 28 and IFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,4]
Amendments to IFRS 17	*Initial Application of IFRS17 and IFRS9 Comparative Information*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Presentation of Financial Statements*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]

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

2 Effective for annual periods beginning on or after January 1, 2024

3 No mandatory effective date yet determined but available for adoption

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method with restatement of financial information in the consolidated financial statements for periods prior to the completion of the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented, regardless of the actual date of the combination. Under the pooling of interests method, the assets and liabilities of the combining entities are reflected at their existing carrying amounts at the date of combination with no new goodwill recognised. Difference between the consideration transferred and acquired net assets at the date of the combination is recorded in equity.

Fair value measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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 the Relevant Periods.

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

Construction in progress represents 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.

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 amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets are amortized on the straight-line basis over the following useful economic lives, which is 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

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

The Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (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 recognised, 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 the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases and leases of low-value assets

The Group applies 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 recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and FVTPL.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVTPL

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 45-70 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, amounts due to a related party 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 borrowings and amounts due to a related party, are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss 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 recognised 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 derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances, which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. 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 recognised 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.

Revenue recognition

Revenue from contracts with customers

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

(a) Sales of products

Revenue from the sale of products is recognised 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 stores and distributors which are the Group's customers. Jiangsu Simcere acted as a service provider of the Group and the service fees retained by Jiangsu Simcere are recognised as selling expenses.

Other income

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

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

Share-based payments

3D Medicines and its immediate holding company before the Restructuring ("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 the Company adopted a share incentive scheme on June 22, 2021. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured 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. Further details are included in note 30 to the Historical Financial Information.

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

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

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

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

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

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

Other employee benefits

Pension scheme

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

The subsidiary in the USA maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the USA. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the subsidiary in the USA with respect to the retirement benefits plans is to make the specified contributions under the plans.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Research and development expenses

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses 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 the Group has not had sufficient credit loss data. The Group 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 analysed.

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. The Group's 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 the Group's 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. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, 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

The fair value of the preferred shares measured at FVTPL is determined 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.

The fair values of preferred shares at December 31, 2020 and 2021 and May 31, 2022 were RMB1,645,620,000, RMB3,132,791,000 and RMB3,276,433,000, respectively. Further details are included in note 26 to the Historical Financial Information.

Fair value of share-based payment transactions

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the 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 measurement of the fair value of share-based payment transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payments transactions are disclosed in note 30 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

Operating segment information

The Group is engaged in biopharmaceutical research, development and commercialisation, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Geographical information

During the Relevant Periods and the five months ended May 31, 2021, all of the Group's revenue was derived from customers located in Mainland China and almost all of the Group's non-current assets were located in Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue from each major customer, including revenue to a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods and the five months ended May 31, 2021 is set out below:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Customer A	–	21,789	–	72,103
Customer B	–	8,399	–	21,946

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Revenue from contracts with customers				
Sales of products	–	60,260	–	161,062

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Geographical market				
Mainland China	–	60,260	–	161,062
Timing of revenue recognition				
Goods transferred at a point in time	–	60,260	–	161,062

There was no revenue recognised during the Relevant Periods and the five months ended May 31, 2021 that was included in the contract liabilities at the beginning of each of the Relevant Periods and the five months ended May 31, 2021 and recognised from performance obligations satisfied in previous periods.

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of products

The performance obligation is satisfied upon delivery of the products and acceptance by the customers. The credit term granted to the distributors is usually 45-70 days upon acceptance. During the year ended December 31, 2021 and the five months ended May 31, 2022, Jiangsu Simcere reconciles and settles the payments received from the majority customers of the Group on a monthly basis.

An analysis of other income and gains is as follows:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income				
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.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	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	3,699	1,371	–
Research service cost	–	2,538	–	–
Loss on disposal of property, plant and equipment	2	959	–	–
Donations*	–	1,424	–	14,224
Others	–	320	–	–
	5,929	8,940	1,371	14,224

* Donations represented the expenditures incurred in relation to a drug donation program hosted by a charity organization.

7. FINANCE COSTS

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on loans from a related party *(note 34 (b))*	641	–	–	–
Interest on bank loans and other borrowings	7,107	46	46	–
Interest on lease liabilities *(note 16 (c))*	310	1,482	319	740
	8,058	1,528	365	740

8. LOSS BEFORE TAX

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

		Year ended December 31,		Five months ended May 31,	
	Notes	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories sold		–	4,277	–	11,458
Depreciation of property, plant and equipment	*14*	1,153	3,750	1,144	3,331
Depreciation of right-of-use assets	*16*	2,218	8,757	2,132	5,442
Amortisation of intangible assets	*15*	–	84	25	42
[**REDACTED**] expenses		4,187	25,565	8,799	3,541
Loss on disposal of property, plant and equipment	*6*	2	959	–	–
Foreign exchange losses/(gains), net	*5/6*	5,927	3,699	1,371	(17,809)
Donations	*6*	–	1,424	–	14,224
Fair value losses on preferred shares	*26*	319,232	954,742	647,031	143,642
Lease payments in respect of short-term leases	*16(c)*	137	1,263	143	189
Impairment losses on trade receivables	*18*	–	130	–	74
Royalty expenses*		–	7,153	–	17,364
Marketing service fees**		–	38,281	–	94,077
Auditor's remuneration		22	23	9	14
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 9)*)					
– Wages and salaries		55,261	103,682	36,506	77,096
– Pension scheme contributions***		460	7,153	2,489	4,060
– Staff welfare expenses		1,696	2,272	780	739
– Share-based payments expenses		416	87,686	94	25,879
		57,833	200,793	39,869	107,774

* Pursuant to the co-development agreement with Jiangsu Alphamab Biopharmaceuticals Co., Ltd. ("Jiangsu Alphamab"), the Group needs to pay Jiangsu Alphamab royalty fees on a profit-sharing basis as part of the consideration for the exclusive rights acquired from Jiangsu Alphamab to conduct clinical trials and commercialise Envafolimab worldwide. The royalty expenses are recognised at the time when the Group is obligated to pay and the amount is determinable.

** Pursuant to the marketing and promotion agreement with Jiangsu Simcere, the Group needs to pay Jiangsu Simcere marketing service fees for the marketing and promotion services performed by Jiangsu Simcere for the Group's sales of Envafolimab. The marketing service fees are recognised in selling and marketing expenses at the time when the Group is obligated to pay and the amount is determinable.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration as recorded during the Relevant Periods and the five months ended May 31, 2021, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended December 31,		Five months ended May 31,	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Fees	–	–	–	–
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	1,300	2,700	1,125	1,125
Share-based payment expenses	–	76,973	–	29,556
	1,300	79,673	1,125	30,681

(a) Independent non-executive directors

In June 2021, Mr. Liu Xinguang, Mr. Lin Tat Pang, Mr. Li Jin and Mr. Yan Shi were appointed as independent non-executive directors of the Company. Mr. Yan Shi was resigned as an independent non-executive director of the Company with effective from December 2021. There were no fees and other emoluments paid for the independent non-executive directors during the Relevant Periods and the five months ended May 31, 2021.

(b) Directors and the chief executive

Year ended December 31, 2020

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director and chief executive:					
Dr. Gong Zhaolong *(note (i))*	–	1,300	–	–	1,300
Non-executive directors:					
Dr. Xiong Lei *(note (ii))*	–	–	–	–	–
Mr. Chen Lei *(note (iii))*	–	–	–	–	–
Mr. Xiong Minghua *(note (iii))*	–	–	–	–	–
Mr. Zhou Feng *(note (iv))*	–	–	–	–	–
Mr. He Ming *(note (v))*	–	–	–	–	–
Mr. Zhang Liang *(note (v))*	–	–	–	–	–
Mr. Wang Feng *(note (vi))*	–	–	–	–	–
Mr. Tang Renhong *(note (vii))*	–	–	–	–	–
	–	1,300	–	–	1,300

(b) Directors and the chief executive (continued)

Year ended December 31, 2021

	Fees	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director and chief executive:					
Dr. Gong Zhaolong	–	2,700	–	76,973	79,673
Non-executive directors:					
Dr. Xiong Lei	–	–	–	–	–
Mr. Chen Lei	–	–	–	–	–
Mr. Xiong Minghua	–	–	–	–	–
Mr. Zhou Feng	–	–	–	–	–
Mr. Wang Feng	–	–	–	–	–
Mr. Tang Renhong	–	–	–	–	–
Mr. Zhu Pai *(note (viii))*	–	–	–	–	–
Mr. Wu Gang *(note (ix))*	–	–	–	–	–
	–	2,700	–	76,973	79,673

Five months ended May 31, 2022

	Fees	**Salaries, bonuses, allowances and benefits in kind**	**Pension scheme contributions**	**Share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director and chief executive:					
Dr. Gong Zhaolong	–	1,125	–	29,556	30,681
Non-executive directors:					
Mr. Zhou Feng	–	–	–	–	–
Mr. Zhu Pai	–	–	–	–	–
Mr. Wu Gang	–	–	–	–	–
	–	1,125	–	29,556	30,681

Five months ended May 31, 2021 (unaudited)

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director and chief executive:					
Dr. Gong Zhaolong	–	1,125	–	–	1,125
Non-executive directors:					
Dr. Xiong Lei	–	–	–	–	–
Mr. Chen Lei	–	–	–	–	–
Mr. Xiong Minghua	–	–	–	–	–
Mr. Zhou Feng	–	–	–	–	–
Mr. Wang Feng	–	–	–	–	–
Mr. Tang Renhong	–	–	–	–	–
	–	1,125	–	–	1,125

During the Relevant Periods, shares were granted to Dr. Gong Zhaolong through his holding vehicle in respect of his services to the Group and restricted share units were granted to him through trustee entities, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors' remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the five months ended May 31, 2021.

Notes:

(i) Dr. Gong Zhaolong was appointed as a director and the chief executive officer of the Company and the chairman of the Board with effect from October 2019.

(ii) Dr. Xiong Lei was appointed as a director of the Company with effect from March 2018 and resigned as a director of the Company with effect from June 2021.

(iii) Mr. Chen Lei and Mr. Xiong Minghua were appointed as directors of the Company with effect from October 2019 and resigned as directors of the Company with effect from June 2021.

(iv) Mr. Zhou Feng was appointed as a director of the Company with effect from October 2019.

(v) Mr. He Ming and Mr. Zhang Liang were appointed as directors of the Company with effect from October 2019 and resigned as directors of the Company with effect from June 2020.

(vi) Mr. Wang Feng was appointed as a director of the Company with effect from June 2020 and resigned as a director of the Company with effect from June 2021.

(vii) Mr. Tang Renhong was appointed a director of the Company with effect from June 2020 and resigned as a director of the Company with effect from December 2021.

(viii) Mr. Zhu Pai was appointed as a director of the Company with effect from June 2021.

(ix) Mr. Wu Gang was appointed as a director of the Company with effect from June 2021 and resigned as a director of the Company with effect from July 2022.

(x) Ms. Chen Yawen was appointed as a director of the Company with effect from July 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended May 31, 2021 included one director, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining four highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the five months ended May 31, 2021 are as follows:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Salaries, bonuses, allowances and benefits in kind	10,166	7,811	4,810	7,809
Pension scheme contributions	201	294	107	168
Share-based payment expenses	239	60,721	74	8,161
	10,606	68,826	4,991	16,138

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

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	Numbers of employees		*Numbers of employees*	
			(unaudited)	
Nil to HK$1,000,000	–	–	2	–
HK$1,000,001 to HK$1,500,000	1	–	1	–
HK$1,500,001 to HK$2,000,000	1	–	–	1
HK$3,000,001 to HK$3,500,000	1	–	–	2
HK$5,000,001 to HK$5,500,000	–	–	1	–
HK$6,500,001 to HK$7,000,000	1	–	–	–
HK$10,500,001 to HK$11,000,000	–	–	–	1
HK$12,500,001 to HK$13,000,000	–	1	–	–
HK$14,000,001 to HK$14,500,000	–	1	–	–
HK$17,500,001 to HK$18,000,000	–	1	–	–
HK$39,000,001 to HK$39,500,000	–	1	–	–
	4	4	4	4

During the Relevant Periods and the five months ended May 31, 2021, restricted share units were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

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

Cayman Islands/BVI

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and the subsidiaries of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

USA

The subsidiary incorporated in Delaware, USA, is subject to statutory United States 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 Relevant Periods and the five months ended May 31, 2021.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the Relevant Periods and the five months ended May 31, 2021.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008, 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. This qualification is subject to review by the relevant tax authority in the PRC for every three years. The renewed qualification was obtained in November 2022.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss before tax	(635,380)	(1,461,825)	(803,970)	(293,417)
Tax charge at the statutory tax rate of 25%	(158,845)	(365,456)	(200,993)	(73,354)
Effect of different tax rates enacted by local authorities	71,919	272,890	183,067	37,370
Additional deductible allowance for qualified research and development expenses	(8,382)	(28,071)	(6,280)	(13,557)
Deductible temporary difference and tax losses not recognised	89,627	98,799	24,156	38,782
Expenses not deductible for tax	5,681	21,838	50	10,759
Tax charge at the Group's effective rate	–	–	–	–

The Group has accumulated tax losses in Mainland China of RMB897,916,000, RMB1,361,621,000 and RMB1,528,666,000 in aggregate as at December 31, 2020 and 2021 and May 31, 2022, respectively, which will expire in one to ten years for 3DMed Beijing and one to five years for the rest of entities within the Group in Mainland China, to offset against future taxable profits of the companies in which losses were incurred.

The Group also has accumulated tax losses in the USA and Hong Kong of RMB20,456,000, RMB39,186,000 and RMB47,031,000 in aggregate as at December 31, 2020 and 2021 and May 31, 2022, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

Deferred tax assets have not been recognised in respect of these tax losses as they have been incurred in subsidiaries that were loss-making in the past and it is not probable that they will generate sufficient taxable income in the foreseeable future to utilise such tax losses.

12. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods and the five months ended May 31, 2021.

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

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue (excluding shares reserved for share incentive scheme) during the Relevant Periods and the five months ended May 31, 2021. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the implemented share subdivision (note 27).

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods and the five months ended May 31, 2021 in respect of a dilution as the impact of the preferred shares and restricted share units had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
			(unaudited)	
Loss				
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	(635,380)	(1,434,092)	(803,970)	(280,379)
Shares				
Weighted average number of ordinary shares in issue during the year/period, used in the basic loss per share calculation ('000)	45,599	39,051	45,599	36,669
Loss per share (basic and diluted)				
RMB per share	(13.93)	(36.72)	(17.63)	(7.65)

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Office equipment	Laboratory equipment	Transportation equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020						
At January 1, 2020:						
Cost	805	249	1,929	–	–	2,983
Accumulated depreciation	(299)	(131)	(1,056)	–	–	(1,486)
Net carrying amount	506	118	873	–	–	1,497
At January 1, 2020, net of accumulated depreciation	506	118	873	–	–	1,497
Additions	–	520	138	575	9,293	10,526
Transfers	9,293	–	–	–	(9,293)	–
Depreciation provided during the year	(699)	(100)	(318)	(36)	–	(1,153)
Disposals	–	(6)	–	–	–	(6)
At December 31, 2020, net of accumulated depreciation	9,100	532	693	539	–	10,864
At December 31, 2020:						
Cost	10,098	769	2,067	575	–	13,509
Accumulated depreciation	(998)	(237)	(1,374)	(36)	–	(2,645)
Net carrying amount	9,100	532	693	539	–	10,864

	Leasehold improvements *RMB'000*	**Office equipment** *RMB'000*	**Laboratory equipment** *RMB'000*	**Transportation equipment** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
As at December 31, 2021						
At January 1, 2021:						
Cost	10,098	769	2,067	575	–	13,509
Accumulated depreciation	(998)	(237)	(1,374)	(36)	–	(2,645)
Net carrying amount	9,100	532	693	539	–	10,864
At January 1, 2021, net of accumulated depreciation	9,100	532	693	539	–	10,864
Additions	–	1,839	1,532	273	42,447	46,091
Transfers	13,332	–	–	–	(13,332)	–
Depreciation provided during the year	(2,817)	(355)	(384)	(194)	–	(3,750)
Disposals	–	–	–	–	(959)	(959)
At December 31, 2021, net of accumulated depreciation	19,615	2,016	1,841	618	28,156	52,246
At December 31, 2021:						
Cost	23,430	2,608	3,600	848	28,156	58,642
Accumulated depreciation	(3,815)	(592)	(1,759)	(230)	–	(6,396)
Net carrying amount	19,615	2,016	1,841	618	28,156	52,246
As at May 31, 2022						
At January 1, 2022:						
Cost	23,430	2,608	3,600	848	28,156	58,642
Accumulated depreciation	(3,815)	(592)	(1,759)	(230)	–	(6,396)
Net carrying amount	19,615	2,016	1,841	618	28,156	52,246
At January 1, 2022, net of accumulated depreciation	19,615	2,016	1,841	618	28,156	52,246
Additions	–	458	374	–	47,654	48,486
Transfers	8,392	–	–	–	(8,392)	–
Depreciation provided during the period	(2,699)	(342)	(206)	(84)	–	(3,331)
At May 31, 2022, net of accumulated depreciation	25,308	2,132	2,009	534	67,418	97,401
At May 31, 2022:						
Cost	31,822	3,066	3,974	848	68,377	108,087
Accumulated depreciation	(6,514)	(934)	(1,965)	(314)	(959)	(10,686)
Net carrying amount	25,308	2,132	2,009	534	67,418	97,401

15. INTANGIBLE ASSETS

The Group

	Software
	RMB'000
At January 1, 2020 and 2021	–
Cost	–
Accumulated amortisation	–
Net carrying amount	–
At January 1, 2021, net of accumulated amortisation	–
Additions	1,013
Amortisation provided during the year	(84)
At December 31, 2021, net of accumulated amortisation	929
At December 31, 2021	
Cost	1,013
Accumulated amortisation	(84)
Net carrying amount	929
At January 1, 2022	
Cost	1,013
Accumulated amortisation	(84)
Net carrying amount	929
At January 1, 2022, net of accumulated amortisation	929
Amortisation provided during the period	(42)
At May 31, 2022, net of accumulated amortisation	887
At May 31, 2022	
Cost	1,013
Accumulated amortisation	(126)
Net carrying amount	887

16. LEASES

The Group as a lessee

The Group has lease contracts for various items including leasehold land and several buildings used as its office and laboratory. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of office and laboratory premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Office and laboratory	**Leasehold land**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2020	1,203	–	1,203
Additions	16,952	–	16,952
Depreciation charge	(2,218)	–	(2,218)
As at December 31, 2020	15,937	–	15,937
As at January 1, 2021	15,937	–	15,937
Additions	47,621	11,492	59,113
Depreciation charge	(8,470)	(287)	(8,757)
As at December 31, 2021	55,088	11,205	66,293
As at January 1, 2022	55,088	11,205	66,293
Additions	2,238	–	2,238
Lease modification	(756)	–	(756)
Depreciation charge	(5,322)	(120)	(5,442)
As at May 31, 2022	51,248	11,085	62,333

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at January 1	1,117	16,852	58,741
Additions	16,952	47,621	2,238
Lease modification	–	–	(756)
Accretion of interest recognised during the period	310	1,482	740
Lease payment	(1,527)	(7,214)	(5,750)
Carrying amount at December 31/May 31	16,852	58,741	55,213
Analysed into:			
Current portion	3,791	12,754	13,701
Non-current portion	13,061	45,987	41,512
	16,852	58,741	55,213

(c) The amounts recognised in profit or loss in relation to leases are follows:

	Year ended December 31,		Five months ended May 31,	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Lease payments in respect of short-term leases	137	1,263	143	189
Interest on lease liabilities	310	1,482	319	740
Depreciation charge of right-of-use assets	2,218	8,757	2,132	5,442
Total amount recognised in profit or loss	2,665	11,502	2,594	6,371

17. OTHER NON-CURRENT ASSETS

The Group

	As at December 31,		As at May 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Value-added tax recoverable	7,605	12,425	5,495
Deposits	55	3,690	3,959
Prepayments for property, plant and equipment	–	1,063	203
Loan to an employee*	–	1,206	1,221
	7,660	18,384	10,878

* Loan to an employee is unsecured, with an annual interest rate of 3% and period of 24 months.

18. TRADE RECEIVABLES

The Group

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

The Group's trade terms with Jiangsu Simcere and the distributors are payment on credit. The credit period is generally 70 days for Jiangsu Simcere and 45-60 days for the distributors. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The Group has a concentration of credit risk as 100% and 99% of trade receivable was due from Jiangsu Simcere, a service provider of the Group, as at December 31, 2021 and May 31, 2022 respectively.

An ageing analysis of the trade receivables as at the end of each of the Relevant Period, based on the invoice date and net of loss allowance, is as follows:

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

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,		As at May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	–	–	130
Impairment losses	–	130	74
At end of year	–	130	204

The Group performed an impairment analysis as at December 31, 2021 and May 31, 2022 by considering the probability of default of the debtors or comparable companies with published credit ratings. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at December 31, 2021	As at May 31, 2022
	Current	Current
Expected credit loss rate	0.2%	0.2%
Gross carrying amount (RMB'000)	65,134	102,903
Expected credit losses (RMB'000)	130	204

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31,		As at 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

* Included in the prepayment balances as at December 31, 2020, an amount of RMB24,480,000 represented the payments made by the Group for the repurchase of preferred shares, which were unsecured, interest-free and settled in 2021.

The Company

	As at December 31, 2020	2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	–	2	–
Prepayments in relation to preferred share repurchase	24,480	–	–
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	25,876	10,143	11,864

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

Other receivables had no historical default. The financial assets included in the above balances relating to receivables were categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables is minimal.

20. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31, 2020	2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	–	50,178	50,021

The financial assets measured at FVTPL are wealth management products, denominated in RMB, with expected yield rates ranging from 1.48% to 3.49% per annum. The principals and yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarchy.

The movements in the carrying value of the wealth management products classified as financial assets as at FVTPL are as follows:

	RMB'000
At January 1, 2020	6,015
Investment income	156
Disposal	(6,171)
At December 31, 2020 and January 1, 2021	–
Acquisition	100,000
Investment income	424
Disposal	(50,424)
Gain on fair value change	178
At December 31, 2021	50,178

	RMB'000
Acquisition	100,000
Investment income	593
Disposal	(100,771)
Gain on fair value change	21
At May 31, 2022	50,021

21. CASH AND BANK BALANCES, PLEDGED DEPOSITS AND RESTRICTED BANK BALANCES

The Group

	As at December 31,		As at 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
US$	126,506	457,727	437,966
HK$	4	872	204
	420,261	774,378	660,303

* It represents pledged deposits to secure certain bank loans of the Group (note 24). None of these deposits are past due or impaired.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates. The bank balances, pledged deposits and restricted bank balances are deposited with creditworthy banks with no recent history of default.

The Company

	As at December 31,		As at May 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	118,200	15,830	16,573
Denominated in			
RMB	90,165	2,873	15,204
US$	28,035	12,138	1,218
HK$	–	819	151
	118,200	15,830	16,573

22. TRADE PAYABLES

The Group

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

	As at December 31,		As at 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

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 3 months.

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		As at May 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Accrued research and development expenses	60,498	43,087	47,245
Accrued marketing service fees *(note 8)*	–	38,281	60,922
Accrued royalty expenses	–	7,153	6,826
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

The Company

	As at December 31,		As at May 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Accrued research and development expenses	13,050	–	–
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payables for financing services	2,085	710	741
Payables to precedent investors**	1,143	12,692	13,260
Other payables	–	–	64
	18,024	20,762	24,039

Other payables are non-interest-bearing and repayable on demand.

* Payables for property, plant and equipment were mainly procurements and expenses incurred for the construction of manufacturing facilities in Xuzhou.

** It represented the amount withheld by the Group which will be returned to the precedent investors when they confirm the completion of tax filing.

24. INTEREST-BEARING BANK BORROWINGS

	As at December 31, 2020			As at December 31, 2021			As at May 31, 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Secured bank loan*	One-year LPR + 5bp	2021	2,322	–	–	–	–	–	–
Unsecured bank loan	One-year LPR + 65bp	2021	1,200	–	–	–	–	–	–
			3,522			–			–

	As at December 31, 2020	2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable within one year	3,522	–	–
	3,522	–	–

* The bank loan is secured by the Group's deposits of RMB6,000,000 as at December 31, 2020 (note 21).

25. DEFERRED INCOME

	As at December 31, 2020	2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Government grant*	7,579	–	–
Analysed for reporting purposes as:			
Current liabilities	–	–	–
Non-current liabilities	7,579	–	–
	7,579	–	–

* Government grant related to the subsidies received from the local government to support the Group's research and development activities with conditions to fulfill, which was recognised in profit or loss upon the fulfillment of conditions in November 2021 (note 5).

26. PREFERRED SHARES

The Company issued totally 6,027,459 preferred shares to the then existing preferred shareholders of the Predecessor Holdco when the Company was incorporated as the holding company of the Group, which included 267,906 Series Seed Preferred Shares, 322,632 Series A Preferred Shares, 688,719 Series A+ Preferred Shares, 2,059,132 Series B Preferred Shares, 937,254 Series B+ Preferred Shares and 1,751,816 Series C Preferred Shares.

In 2020, the Company issued totally 1,403,565 Series D Preferred Shares with a par value of HK$0.01 at a total consideration of approximately US$26,125,000.

In June 2021, the Company sub-divided each issued and unissued share with a par value of HK$0.01 each into 10 shares with a par value of HK$0.001 each with immediate effect, after that, the Company issued totally 18,921,712 Series E Preferred Shares with a par value of HK$0.001 at a total consideration of approximately US$60,181,000.

From 2019 to 2020, 3D Medicines entered into capital increase agreements with several Series D onshore investors who subscribed for an increased registered capital of 3D Medicines of approximately US$60,310,000 at a total consideration of approximately US$119,129,000. Pursuant to a series of share redemption agreements entered into between Series D onshore investors and 3D Medicines, and share purchase agreements entered into between Series D onshore investors and the Company in 2021, the capital investments from Series D onshore investors into 3D Medicines would be returned to Series D onshore investors and injected into the Company, in exchange for the allotment of a total of 6,555,290 preferred shares of one of offshore entities controlled by the Group. The transaction was settled with 6,555,290 Series D Preferred Shares issued by the Company in 2021.

In 2020, 3D Medicines entered into capital increase agreements with several Series D+ onshore investors who subscribed for an increased registered capital of 3D Medicines of approximately US$9,822,000 at a total consideration of approximately US$24,507,000. Pursuant to a series of share redemption agreements entered into between Series D+ onshore investors and 3D Medicines, and share purchase agreements entered into between Series D+ onshore investors and the Company in 2021, the capital investments from Series D+ onshore investors into 3D Medicines would be returned to Series D+ onshore investors and injected into the Company, in exchange for the allotment of a total of 1,136,305 preferred shares of one of offshore entities controlled by the Group. The transaction was settled with 1,136,305 Series D+ Preferred Shares issued by the Company in 2021.

For illustration purposes, the holders of Series Seed Preferred Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares and Series C Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares and Series E Preferred Shares of the Company are referred to as Series Seed Holders, Series A Holders, Series A+ Holders, Series B Holders, Series B+ Holders, Series C Holders, Series D Holders, Series D+ Holders and Series E Holders, respectively.

For illustration purposes, 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 are collectively referred to as "Preferred Shares".

According to the amended and restated Memorandum and Articles of Association of the Company ("MOA"), the key terms of the Preferred Shares are as follows:

Conversion rights (applicable for Preferred Shares)

Any fully-paid and non-assessable Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares of the Company ("Ordinary Shares") based on the then-effective conversion price ("Conversion Price"). The initial Conversion Price for the Preferred Shares will be the applicable Preferred Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect share dividends, share splits, share combinations, reorganisations, mergers, consolidations, reclassifications, exchanges and substitutions, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

Each Preferred Share shall automatically be converted based on the then-effective Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares upon the closing of Qualified [**REDACTED**] (see definition below) or at such time prior to the Qualified [**REDACTED**] as may be required to give effect to such Qualified [**REDACTED**] pursuant to applicable securities laws or listing rules of the applicable stock exchange.

Qualified [**REDACTED**] means a [**REDACTED**] of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in another jurisdiction which results in the Ordinary Shares trading publicly on a recognised international securities exchange including, without limitations the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange or Nasdaq.

Redemption rights (applicable for Preferred Shares except for Series Seed Preferred Shares)

At the request of any preferred shareholders (except for series seed preferred shareholders), the Company shall redeem all or a portion of the outstanding Preferred Shares (except for Series Seed Preferred Shares) at any time and from time to time on or after the earliest date of the occurrence of any trigger event.

Trigger event mainly means any of the following:

(1) the Qualified [**REDACTED**] has not occurred before October 31, 2022 (applicable for Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares and Series E Preferred Shares);

(2) the Qualified [**REDACTED**] has not been achieved before October 31, 2021 (or October 31, 2022 in the event that the Company has entered the formal process of [**REDACTED**] including, without limitation, submission of [**REDACTED**] application, public release of [**REDACTED**] or [**REDACTED**]) (applicable for Series C Preferred Shares);

(3) any material breach of the transaction documents by the Company or Dr. Gong Zhaolong, which results in material losses to all preferred shareholders (applicable for 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);

(4) any material breach of the preferred share purchase agreements by the Company or Dr. Gong Zhaolong, which results in material losses to all preferred shareholders (applicable for Series D Preferred Shares, Series D+ Preferred Shares and Series E Preferred Shares);

(5) any material breach of the loyal and fiduciary duty by the Company or Dr. Gong Zhaolong, including but not limited to the existence of invisible sale income not accounted in the Company's financial books and records (applicable for Series C Preferred Shares);

(6) the phase II clinical trials of drug named "重組人源化PD-L1單域抗體Fc融合蛋白注射液" conducted in the PRC and the USA have not been completed prior to December 31, 2019 (applicable for Series C Preferred Shares till cancelled in June 2021);

(7) holder of any equity securities of the Company has requested a redemption of their shares (applicable for Series C Preferred Shares); and

(8) any fraud or misappropriation by Dr. Gong Zhaolong including material changes to the use of [**REDACTED**] from the sale of Series D Preferred Shares to Simcere Pharmaceutical Group Limited and intentionally causing dysfunction of the internal control system of the Group (applicable for Series D Preferred Shares).

The redemption price for each Series A Preferred Share and Series A+ Preferred Share shall be an amount equal to applicable Issue Price ("Issue Price" refers to the consideration actually paid to the Company) with a simple rate of eight percent (8%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice.

The redemption price for each Series B Preferred Share and Series B+ Preferred Share shall be the greater of (i) applicable Issue Price with a simple rate of eight percent (8%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice plus all declared but unpaid dividends, and (ii) the fair market value of each redeeming corresponding preferred share, the valuation of which shall be determined by an independent appraiser selected by the members holding two thirds (2/3) of voting powers of outstanding shares.

The redemption price for each Series C Preferred Share shall be an amount equal to applicable Issue Price with a simple rate of twelve percent (12%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice, plus all declared but unpaid dividends thereon.

The redemption price for each Series D Preferred Share shall be an amount equal to applicable Issue Price with a simple rate of twelve percent (12%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice, plus all declared but unpaid dividends thereon.

The redemption price for each Series D+ Preferred Share shall be an amount equal to applicable Issue Price with a simple rate of eight percent (8%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice, plus all declared but unpaid dividends thereon.

The redemption price for each Series E Preferred Share other than certain shareholders shall be an amount equal to applicable Series E Issue Price with a simple rate of six percent (6%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice, plus all declared but unpaid dividends thereon. The redemption price for certain shareholders shall be an amount equal to applicable Series E Issue Price with a simple rate of eight percent (8%) per annum return calculating from the corresponding issue date to the date of applicable redemption notice, plus all declared but unpaid dividends thereon.

If the Company does not have sufficient cash or funds legally available to redeem all of the preferred shares required to be redeemed, those assets or funds which are legally available shall be used to redeem the preferred shares, following the order, firstly to Series E Holders, secondly to Series D+ Holders, thirdly to Series D Holders, fourthly to Series C Holders, fifthly to Series B+ Holders, sixthly to Series B Holders, seventhly to Series A+ Holders, and lastly to Series A Holders.

Liquidation preferences (applicable for Preferred Shares)

In the event of any liquidation, dissolution or winding up of the Company, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the holders of the Preferred Shares in the sequence as follows:

(1) Firstly, Series E Preferred Shares held by certain shareholders, with the amount equal to the applicable Series E Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus a simple rate of eight percent (8%) per annum return of the Series E Issue Price from the Series E Issue Date and all accrued or declared but unpaid dividends; for other Series E Preferred Shares, the amount equal to the applicable Series E Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, and all accrued or declared but unpaid dividends (the "Series E Preference Amount");

(2) Secondly, Series D+ Preferred Shares with the amount equal to the applicable Series D+ Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends (the "Series D+ Preference Amount") and Series D Preferred Shares with the amount equal to the applicable Series D Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus a simple rate of eight percent (8%) per annum return of the Series D Issue Price from the Series D Issue Date and all accrued or declared but unpaid dividends (the "Series D Preference Amount");

(3) Thirdly, Series C Preferred Shares held by certain shareholder with the amount equal to the applicable Series C Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus a simple rate of eight percent (8%) per annum return of the Series C Issue Price from the Series C Issue Date and all accrued or declared but unpaid dividends and Series C Preferred Shares held by other members other than certain shareholder with the amount equal to the applicable Series C Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends (the "Series C Preference Amount");

(4) Fourthly, Series B+ Preferred Shares with the amount equal to the applicable Series B+ Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends (the "Series B+ Preference Amount");

(5) Fifthly, Series B Preferred Shares with the amount equal to the applicable Series B Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends (the "Series B Preference Amount");

(6) Sixthly, Series A+ Preferred Shares with the amount equal to the applicable Series A+ Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends (the "Series A+ Preference Amount");

(7) Seventhly, Series A Preferred Shares with the amount equal to the applicable Series A Issue Price, adjusted for any share splits, share dividends, recapitalisation and events with similar effect, plus all accrued or declared but unpaid dividends (the "Series A Preference Amount"); and

(8) Finally, the remaining assets and funds of the Company available for distribution shall be distributed ratably among all members according to the relative number of Shares held by such member.

Deemed Liquidation Event means any of the following events:

(a) means a transaction in which a person, or a group of related persons, acquires any equity securities of the Company such that, immediately after such transaction, such person or group of related persons hold equity securities of the Company representing more than fifty percent (50%) of the outstanding voting power of the Company;

(b) a sale, transfer, lease, exclusive licensing or other disposition of all or substantially all of the assets of the Company, and the Company proposes to stop substantial business operation.

A Deemed Liquidation Event shall be deemed to be a liquidation, dissolution or winding up of the Company, and any proceeds, whether in cash or properties, resulting from a Deemed Liquidation Event shall be distributed in accordance with the liquidation preference terms, unless waived in writing by the majority preferred holders or in such Deemed Liquidation Event each holder of the Preferred Shares shall be entitled to receive no less than fifty percent (50%) return on the applicable preferred Issue Price for each share of the Preferred Shares on a fully diluted and as-converted basis.

Dividend Rights (applicable for Preferred Shares)

The Company and its subsidiaries shall not take, permit to occur, approve, authorise, or agree or commit to the declaration or payment of a dividend on any shares of the Company, unless with the affirmative vote or consent of the majority of Series E, Series D+ and D Holders (holders of at least fifty percent (50%) of the voting power of the then outstanding Series E, Series D+ and Series D Preferred Shares), certain leading Series B investors and the majority of Series C Holders (holders of at least fifty percent (50%) of the voting power of the then outstanding Series C Preferred Shares). All the dividends shall be distributed *pari passu* on a pro rata basis among the holders of the Preferred Shares and the Ordinary Shares.

Voting Rights (applicable for Preferred Shares)

Each Preferred Share shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares at the record date for determination of the Company's shareholders entitled to vote, or, if no such record date is established, at the date such vote is taken or any written resolution or consent of the Company's shareholders is solicited. The holders of the Preferred Shares and Ordinary Shares shall vote together as a single class, unless otherwise required by the MOA.

Presentation and classification

The Group

	As at December 31, 2020	2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Preferred shares	1,645,620	3,132,791	3,276,433
Analysed for reporting purposes as:			
Current liabilities*	215,237	3,093,968	3,233,922
Non-current liabilities	1,430,383	38,823	42,511
	1,645,620	3,132,791	3,276,433

The Company

	As at December 31,		As at May 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Preferred shares	764,243	3,132,791	3,276,433
Analysed for reporting purposes as:			
Current liabilities*	215,237	3,093,968	3,233,922
Non-current liabilities	549,006	38,823	42,511
	764,243	3,132,791	3,276,433

* As the sixth trigger event in Redemption Rights occurred at December 31, 2019, Series C Preferred Shares were classified as current liabilities as at December 31, 2020.

Due to the first and second trigger events in the Redemption Rights, all Preferred Shares (except for Series Seed Preferred Shares) were classified as current liabilities as at December 31, 2021 and May 31, 2022.

The movements of the Preferred Shares are set out below:

The Group

	Preferred shares
	RMB'000
As at December 31, 2019 and January 1, 2020	542,570
New issue	783,818
Changes in fair value	319,232
As at December 31, 2020 and January 1, 2021	1,645,620
Repurchase	(1,081,981)
New issue	1,614,410
Changes in fair value	954,742
As at December 31, 2021 and January 1, 2022	3,132,791
Changes in fair value	143,642
As at May 31, 2022	3,276,433

The Company

	Preferred shares
	RMB'000
As at December 31, 2019 and January 1, 2020	333,284
New issue	179,283
Changes in fair value	251,676
As at December 31, 2020 and January 1, 2021	764,243
Repurchase	(267,095)
New issue	1,614,410
Changes in fair value	1,021,233
As at December 31, 2021 and January 1, 2022	3,132,791
Changes in fair value	143,642
As at May 31, 2022	3,276,433

The Group has used the back-solve method to determine the underlying equity value of the Group and adopted the equity allocation model to determine the fair value of the Preferred Shares as at December 31, 2020.

The Group used the discounted cash flow method to determine the underlying equity value of the Group and adopted an equity allocation model to determine the fair value of the Preferred Shares as at December 31, 2021 and May 31, 2022.

Key assumptions are set out below:

	As at December 31,		As at May 31,
	2020	2021	2022
Risk-free interest rate	0.12%	0.19%	1.40%
DLOM	12.00%	7.00%	8.00%
Volatility	43.72%	46.23%	56.53%
Discount rate	N/A	13.00%	13.00%

The Group estimated the risk-free interest rate based on the yield of the US Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on recognised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities recognised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs	Increase/ (decrease) in the inputs	(Decrease)/increase in the fair value		
		As at December 31,		As at May 31,
		2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
DLOM	1%/(1%)	(18,644)/18,644	(33,526)/33,526	(35,420)/35,420
Volatility	1%/(1%)	(1,942)/2,455	365/(1,248)	565/(580)

27. SHARE CAPITAL AND TREASURY SHARES

Authorised:

	As at December 31, 2020
	Number of shares
Ordinary shares of HK$0.01 each	22,559,096
Preferred shares of HK$0.01 each	27,440,904
	50,000,000

On June 25, 2021, the Company sub-divided each issued and unissued share with a par value of HK$0.01 each into 10 shares with a par value of HK$0.001 each with immediate effect.

	As at December 31, 2021	**As at May 31, 2022**
	Number of shares	*Number of shares*
Ordinary shares of HK$0.001 each	225,590,960	225,590,960
Preferred shares of HK$0.001 each	274,409,040	274,409,040
	500,000,000	500,000,000

Issued and fully paid:

	As at December 31, 2020		
	Number of shares in issue	**Share capital**	
		HK$'000	*RMB'000*
Ordinary shares of HK$0.01 each	4,559,895	46	37

	As at December 31, 2021		
	Number of shares in issue	**Share capital**	
		HK$'000	*RMB'000*
Ordinary shares of HK$0.001 each*	69,142,320	69	57

	As at May 31, 2022		
	Number of shares in issue	**Share capital**	
		HK$'000	*RMB'000*
Ordinary shares of HK$0.001 each*	69,142,320	69	57

* As at December 31, 2021 and May 31, 2022, the total number of issued ordinary shares included 32,693,837 and 32,314,990 shares held for share incentive scheme, with par values of RMB27,000 and RMB27,000, respectively.

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

	Number of shares in issue	Share capital	
		HK$'000	*RMB'000*
As at January 1, 2020 and 2021	4,559,895	46	37
New issue of ordinary shares of HK$0.01 each *(note 30)*	440,015	4	4
Subdivision	44,999,190	–	–
Repurchase of ordinary shares of HK$0.001 each*	(19,194,540)	(19)	(16)
New issue of ordinary shares of HK$0.001 each**	38,337,760	38	32
As at December 31, 2021	69,142,320	69	57
As at May 31, 2022	69,142,320	69	57

* Pursuant to the share transfer agreements entered into in June 2021 between the Company and Grown Champion Engineering Limited, Gain Champion Development Limited, Dragon Time Development Limited, Charm Point Enterprises Limited, Hopeway Development Limited, respectively, the Company repurchased 4,518,280 ordinary shares owned by employees of the Group under the Share Awards at par value as a result of the termination of the scheme (note 30). 14,676,260 ordinary shares owned by non-employees of the Group were repurchased by the Group at a consideration of RMB32,730,000.

** In order to facilitate the administration of share incentives granted to the employees and for future grant, on June 24, 2021, the Company established three trusts by entering into trust deeds with Kastle Limited (the "Trustee"). Pursuant to the board resolution on June 25, 2021, 38,337,760 ordinary shares were allotted and issued to three BVI entities wholly-owned by the Trustee, namely Immunal Medixin US Limited, Immunal Medixin Cino L. Limited and Immunal Medixin Cino Limited, among which 5,643,923 and 378,847 shares were exercised during the year ended December 31, 2021 and the five months ended May 31, 2022, respectively. Such three trustee entities were considered as an extension of the Company and shares, other than those exercised, held for share incentive scheme were presented as treasury shares in both consolidated and separate financial statements of the Company.

28. DEFICITS

The Group

The amounts of the Group's deficits and the movements therein for the Relevant Periods and the five months ended May 31, 2021 are presented in the consolidated statements of changes in equity.

Share Premium

The share premium of the Group represents (1) the difference between the par value of the shares issued and the consideration received and (2) the amount transferred from equity-settled share-based reserve due to the exercise of restricted share units.

Other reserve

It represented the reserves arising from the following:

(1) Restructuring reserve.

When the Company issued preferred shares to the then existing preferred shareholders of the Predecessor Holdco at par value in the Restructuring, the difference between fair value and par value of the preferred shares on the issuance date was debited to other reserve.

When the Company repurchased ordinary shares from Grown Champion Engineering Limited, Gain Champion Development Limited, Dragon Time Development Limited, Charm Point Enterprises Limited, Hopeway Development Limited, the excess of consideration paid by the Group over the par value of the shares repurchased was debited to other reserve.

(2) Equity-settled share-based reserve. It represents the share-based compensation reserve due to equity-settled share award, details of which were set out in note 30 to the Historical Financial Information.

(3) Reserve arising from equity transactions with non-controlling interests.

The Company

The amounts of the Company's deficits and the movements therein for the Relevant Periods are presented as follows:

Year ended December 31, 2020

	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2020	(145,878)	(22,550)	(168,428)
Total comprehensive loss for the year	–	(265,697)	(265,697)
At December 31, 2020	(145,878)	(288,247)	(434,125)

Year ended December 31, 2021

	Share premium *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2021	–	(145,878)	(288,247)	(434,125)
Total comprehensive loss for the year	–	–	(1,060,411)	(1,060,411)
Repurchase of shares	–	(32,714)	–	(32,714)
Recognition of equity-settled share-based payments *(note 30)*	59,240	105,074	–	164,314
Exercise of restricted share units	75,424	(69,417)	–	6,007
At December 31, 2021	134,664	(142,935)	(1,348,658)	(1,356,929)

Five months ended May 31, 2022

	Share premium *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2022	134,664	(142,935)	(1,348,658)	(1,356,929)
Total comprehensive loss for the period	–	–	(124,170)	(124,170)
Recognition of equity-settled share-based payments *(note 30)*	–	55,435	–	55,435
Exercise of restricted share units	5,138	(4,423)	–	715
At May 31, 2022	139,802	(91,923)	(1,472,828)	(1,424,949)

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at December 31, 2021	As at May 31, 2022
Percentage of equity interest held by non-controlling interests		
3D Medicines and its subsidiaries	10.54%	10.54%

	Year ended December 31, 2021	Five months ended May 31, 2022
Loss for the year/period allocated to non-controlling interests:		
3D Medicines and its subsidiaries	(27,733)	(13,038)

	As at December 31, 2021	As at May 31, 2022
Accumulated balances of non-controlling interests:		
3D Medicines and its subsidiaries	(34,551)	(42,340)

The following tables illustrate the summarised consolidated financial information of the above subsidiaries:

	Year ended December 31, 2021	Five months ended May 31, 2022
Total expense	(371,337)	(275,781)
Total comprehensive loss for the year/period	(299,343)	(123,735)

	As at December 31, 2021	As at May 31, 2022
Current assets	369,395	305,030
Non-current assets	99,460	84,296
Current liabilities	(751,607)	(749,628)
Non-current liabilities	(45,141)	(41,512)

	Year ended December 31, 2021	Five months ended May 31, 2022
Net cash flows used in operating activities	(383,687)	(97,026)
Net cash flows used in investing activities	(61,510)	(828)
Net cash flows from/(used in) financing activities	440,354	(6,002)
Net decrease in cash and bank balances	(4,843)	(103,856)

30. SHARE-BASED PAYMENTS

(a) Shares issuance

Pursuant to the board resolution on June 22, 2021, the Company issued 440,015 ordinary shares with par value of HK$0.01 to Dr. Gong Zhaolong through his holding vehicle, Dragon Prosper Holding Limited, with par value consideration for the contribution of Dr. Gong Zhaolong devoted to the Group in the past.

The aforesaid transactions have been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the issued shares on the issue date and recognised the compensation expenses of nil, RMB59,240,000, nil and nil in the years ended December 31, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively.

The Group applied the back-solve method to determine the fair value of the shares issued at the date of issuance. Key assumptions are set out below:

	As at June 22, 2021
Risk-free interest rate (%)	0.05
DLOM (%)	5.82
Volatility (%)	48.75

(b) Pre-restructuring employee stock incentive

Before the completion of the Restructuring, certain employees (the "Granted Employees") of the Group were granted with restricted shares of the Predecessor Holdco, the immediate holding company of 3D Medicines before the Restructuring, as an incentive to retain and reward the Granted Employees.

On September 1, 2016 and December 31, 2017, a total of 451,828 restricted shares were granted to such Granted Employees. Each restricted share is converted into agreed registered capital of the Predecessor Holdco on exercise.

(c) Onshore employee stock incentive

From October 2018 to April 2019, 3D Medicines granted a total of 111,232 stock options and 95,239 restricted share units to certain Granted Employees.

Employee stock incentive mentioned in (b) and (c) are collectively referred as Share Awards.

The aforesaid transactions have been accounted for as share-based payments transactions as the Grant Employees were providing services to the Group during the vesting periods and hence the Group enjoyed the benefits. Accordingly, the fair value of services received in return for restricted shares and stock options granted is measured by reference to the fair value of the award granted and should be recognised by the Group.

In June 2021, such Share Awards were terminated and the ordinary shares owned by the Granted Employees were repurchased by the Company at par value. The total Share Awards share-based payments expenses recognised in the consolidated statement of profit or loss and other comprehensive income are approximately RMB416,000, RMB345,000, RMB94,000 and nil for the years ended December 31, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively.

(d) 2021 share incentive scheme

Pursuant to the share incentive scheme of the Company approved and adopted on June 22, 2021, 26,068,462 restricted share units had been granted to certain employees of Group on September 30, 2021. 5,643,923 and 378,847 restricted share units have been exercised during the year ended December 31, 2021 and the five months ended May 31, 2022, respectively.

The following restricted share units were outstanding under the scheme during the Relevant Periods:

	Weighted average exercise price *HK$ per share*	**Number of units**
At January 1, 2021	–	–
Granted during the year	1.24	26,068,462
Exercised during the year	1.29	(5,643,923)
At December 31, 2021	1.22	20,424,539
Exercised during the period	2.21	(378,847)
Forfeited during the period	2.21	(115,000)
At May 31, 2022	1.20	19,930,692

The exercise prices and vesting periods of the restricted share units outstanding as at December 31, 2021 and May 31, 2022 are as follows:

As at December 31, 2021

Batch	**Number of restricted share units**	**Exercise price per share**	**Vesting periods**
1	8,463,681	HK$0.001	4 years
2	635,240	HK$0.001	2 years
3	378,847	HK$2.2078	Immediately*
4	5,966,531	HK$2.2078	4 years
5	4,345,000	HK$2.2078	4 years
6	635,240	HK$2.2078	2 years
	20,424,539		

* Batch 3 of 378,847 restricted share units vested immediately were exercised in February 2022.

As at May 31, 2022

Batch	**Number of restricted share units**	**Exercise price per share**	**Vesting periods**
1	8,463,681	HK$0.001	4 years
2	635,240	HK$0.001	2 years
3	5,966,531	HK$2.2078	4 years
4	4,230,000	HK$2.2078	4 years
5	635,240	HK$2.2078	2 years
	19,930,692		

The Group's employees have the option to acquire the granted restricted share units at exercise price when all the vesting conditions are fulfilled, and therefore, the fair values of the restricted share units granted were estimated as at the grant date using binomial method, taking into account the terms and conditions upon which the restricted share units were granted. The following table lists the inputs to the model used to determine the fair value of the restricted share units granted in 2021:

	As at September 30, 2021
Expected volatility (%)	44.4
Risk-free interest rate (%)	1.29
Exercise Multiple	2.2-2.8

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised the total expense of RMB105,074,000, nil and RMB55,435,000 for the year ended December 31, 2021 and the five months ended May 31, 2021 and 2022, respectively, in relation to 2021 share incentive scheme of the Company.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods and the five months ended May 31, 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB16,952,000, RMB47,621,000, RMB2,238,000 and RMB17,047,000 respectively, in respect of lease arrangements for office and laboratory premises.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Preferred shares	Payables to precedent investors	Loan from a related party	Interest bearing bank and other borrowings	Interest payable	Lease liabilities	Accrued [REDACTED] expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020	542,570	–	11,853	124,956	10,116	1,117	–	690,612
Changes from financing cash flow	783,818	1,143	(11,948)	(121,434)	(17,223)	(1,527)	(959)	631,870
Changes from non-financing cash flow	–	–	–	–	–	–	(2,878)	(2,878)
Increase in [**REDACTED**] expenses	–	–	–	–	–	–	4,187	4,187
Increase in deferred [**REDACTED**] expenses	–	–	–	–	–	–	1,396	1,396
Foreign exchange gains	–	–	(546)	–	–	–	–	(546)
Changes in fair value	319,232	–	–	–	–	–	–	319,232
New lease arrangements	–	–	–	–	–	16,952	–	16,952
Accretion of interest	–	–	641	–	7,107	310	–	8,058
At December 31, 2020 and January 1, 2021	1,645,620	1,143	–	3,522	–	16,852	1,746	1,668,883

	Preferred shares	Payables to precedent investors	Interest bearing bank and other borrowings	Interest payable	Lease liabilities	Accrued [REDACTED] expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2020 and January 1, 2021	1,645,620	1,143	3,522	–	16,852	1,746	1,668,883
Changes from financing cash flow	567,229	–	(3,522)	(46)	(7,214)	(7,001)	549,446
Changes from non-financing cash flow	–	(11,727)	–	–	–	(21,695)	(33,422)
Changes from non-cash transactions	(34,800)	23,224	–	–	–	–	(11,576)
Increase in [**REDACTED**] expenses	–	–	–	–	–	25,565	25,565
Increase in deferred [**REDACTED**] expenses	–	–	–	–	–	8,745	8,745
Foreign exchange losses	–	52	–	–	–	–	52
Changes in fair value	954,742	–	–	–	–	–	954,742
New lease arrangements	–	–	–	–	47,621	–	47,621
Accretion of interest	–	–	–	46	1,482	–	1,528
At December 31, 2021	3,132,791	12,692	–	–	58,741	7,360	3,211,584

	Preferred shares	Payables to precedent investors	Lease liabilities	Accrued [REDACTED] expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021 and January 1, 2022	3,132,791	12,692	58,741	7,360	3,211,584
Changes from financing cash flow	–	–	(5,750)	(1,069)	(6,819)
Changes from non-financing cash flow	–	–	–	(1,581)	(1,581)
Changes from non-cash transactions	–	–	(756)	–	(756)
Increase in [**REDACTED**] expenses	–	–	–	3,541	3,541
Increase in deferred [**REDACTED**] expenses	–	–	–	1,723	1,723
Foreign exchange losses	–	567	–	–	567
Changes in fair value	143,642	–	–	–	143,642
New lease arrangements	–	–	2,238	–	2,238
Accretion of interest	–	–	740	–	740
At May 31, 2022	3,276,433	13,259	55,213	9,974	3,354,879

	Preferred shares *RMB'000*	Payables to precedent investors *RMB'000*	Interest bearing bank and other borrowings *RMB'000*	Interest payable *RMB'000*	Lease liabilities *RMB'000*	Accrued [REDACTED] expense *RMB'000*	Total *RMB'000*
At December 31, 2020 and January 1, 2021	1,645,620	1,143	3,522	–	16,852	1,746	1,668,883
Changes from financing cash flow	79,270	–	(3,522)	(46)	(2,914)	(1,184)	71,604
Changes from non-financing cash flow	–	–	–	–	–	(3,554)	(3,554)
Changes from non-cash transactions	–	23,224	–	–	–	–	23,224
Increase in [**REDACTED**] expenses	–	–	–	–	–	8,799	8,799
Increase in deferred [**REDACTED**] expenses	–	–	–	–	–	2,930	2,930
Foreign exchange gains	–	(27)	–	–	–	–	(27)
Changes in fair value	647,031	–	–	–	–	–	647,031
New lease arrangements	–	–	–	–	17,047	–	17,047
Accretion of interest	–	–	–	46	319	–	365
At May 31, 2021 (unaudited)	2,371,921	24,340	–	–	31,304	8,737	2,436,302

(c) Total cash outflow of leases

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

	Year ended December 31, 2020 *RMB'000*	Year ended December 31, 2021 *RMB'000*	Five months ended May 31, 2021 *RMB'000* *(unaudited)*	Five months ended May 31, 2022 *RMB'000*
Within operating activities	137	1,263	143	189
Within investing activities	–	11,492	11,492	–
Within financing activities	1,527	10,997	4,586	5,981
	1,664	23,752	16,221	6,170

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 24 to the Historical Financial Information.

33. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at December 31,		As at 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

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions or balances with the Group during the Relevant Periods and the five months ended May 31, 2021.

(a) Name and relationships of the related parties

Name	Relationship
Simcere Pharmaceutical*	Controlled by a preferred shareholder of the Company
Jiangsu Simcere*	Controlled by Simcere Pharmaceutical
Simcere (Shanghai) Pharmaceutical Co., Ltd. (先聲(上海)醫藥有限公司) ("Simcere Shanghai")*	Controlled by Simcere Pharmaceutical
Aves Capital, LLC	Controlled by a director
Dragon Prosper Holdings Limited	Controlled by an Executive Director
Dr. Gong Zhaolong	Chairman and Executive Director
Dr. Xiong Lei**	Non-executive Director
Dr. Lin Yihui	Key management personnel
Ms. Zhang Jing	Key management personnel

* Simcere Pharmaceutical is formerly known as Nanjing Simcere Dongyuan Pharmaceutical Co., Ltd. (南京先聲東元製藥有限公司).

As at December 31, 2021 and May 31, 2022, Simcere Pharmaceutical, Jiangsu Simcere and Simcere Shanghai are no longer related parties of the Group, as Mr. Tang Renhong assigned by the ultimate parent company of these entities resigned as a director of the Company with effect from December 2021 (note 9). Therefore, the outstanding balances with these entities as at December 31, 2021 and May 31, 2022 were not disclosed as balances with related parties in note (c) below and the transaction amounts with these entities for the year ended December 31, 2021 and five months ended May 31, 2021 disclosed in note (b) only covered the periods when these entities were related parties.

** Since June 2021, Dr. Xiong Lei is no longer a related party of the Group (note 9).

(b) The Group had the following transactions with related parties during the Relevant Periods and the five months ended May 31, 2021:

	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:				
Aves Capital, LLC	11,948	–	–	–
Preferred share issuance:				
Dragon Prosper Holdings Limited*	–	165,920	66,178	–
Expenses for utilities:				
Simcere Shanghai	–	693	269	–
Expenses for research and development:				
Jiangsu Simcere	–	3,660	–	–
Interest income on loans to related parties:				
Key management personnel	–	14	–	40
Interest expenses on loans from a related party:				
Aves Capital, LLC	641	–	–	–

* In January and June 2021, the Company issued 1,363,420 preferred shares with a par value of HK$0.01 each to Dragon Prosper Holdings Limited at total consideration of approximately RMB165,920,000.

(c) Outstanding balances with related parties:

The Group

	As at December 31,		As at May 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Dr. Lin Yihui – *non-trade*	–	2,010	2,035
Ms. Zhang Jing – *non-trade*	–	1,204	1,219
Simcere Shanghai – *trade*	200	–	–
Dr. Gong Zhaolong – *non-trade*	172	–	–
	372	3,214	3,254
Amounts due to a related party:			
Dr. Gong Zhaolong – *non-trade*	1,702	150	150
Lease liabilities arising from rent from a related party:			
Simcere Shanghai	16,198	–	–

Amounts due from/to Dr. Gong Zhaolong are unsecured, interest-free and repayable on demand. Amounts due from Simcere Shanghai are unsecured, interest-free, and receivable when lease period ends. The outstanding balance was settled in September 2022.

Amounts due from Dr. Lin Yihui and Ms. Zhang Jing are unsecured loan, with an annual interest rate of 3% and with period of 36 and 24 months, respectively. 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. The outstanding balances of the loans are expected to be settled by maturity of such loans.

The Group has assessed the expected loss rate for amounts due from related parties by considering the financial position and credit history of these related parties and assessed that the expected credit loss is minimal.

The Company

	As at December 31,		**As at May 31,**
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from subsidiaries:			
3D Medicines	63,796	6,012	6,727
3DMed USA	19,418	28,855	28,855
3DMed Xuzhou	78,656	–	–
Full Goal	–	1	1
	161,870	34,868	35,583
Amounts due to subsidiaries:			
3DMed HK	185,000	33	33
3D Medicines	800	34,381	34,381
	185,800	34,414	34,414

Amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

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

	Year ended December 31,		**Five months ended May 31,**	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Salaries, bonuses, allowances and benefits in kind	9,018	14,763	7,766	9,917
Pension scheme contributions	150	281	110	130
Equity-settled share-based payment expenses	244	108,338	61	38,142
	9,412	123,382	7,937	48,189

Further details of directors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

	As at December 31, 2020	As at December 31, 2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at FVTPL:			
Wealth management products	–	50,178	50,021
Financial assets at amortised cost:			
Trade receivables	–	65,004	101,889
Amounts due from related parties	372	3,214	3,254
Financial assets included in prepayments, other receivables and other assets	1,126	1,294	1,261
Financial assets included in other non-current assets	55	4,896	5,180
Pledged deposits	6,000	–	–
Restricted bank balances	–	72	72
Cash and bank balances	414,261	774,306	660,231
	421,814	848,786	771,887
Financial liabilities			
Financial liabilities at FVTPL:			
Preferred shares	1,645,620	3,132,791	3,276,433
Financial liabilities at amortised cost:			
Trade payables	2,416	3,742	2,650
Financial liabilities included in other payables and accruals	75,609	114,062	175,107
Interest-bearing bank and other borrowings	3,522	–	–
Amounts due to a related party	1,702	150	150
	83,249	117,954	177,907

The Company

	As at December 31, 2020	As at December 31, 2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost:			
Amounts due from subsidiaries	161,870	34,868	35,583
Cash and bank balances	118,200	15,830	16,573
	280,070	50,698	52,156

	As at December 31, 2020	2021	As at May 31, 2022
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Financial liabilities at FVTPL:			
Preferred shares	764,243	3,132,791	3,276,433
Financial liabilities at amortised cost:			
Financial liabilities included in other payables and accruals	18,024	20,762	24,039
Amounts due to subsidiaries	185,800	34,414	34,414
	203,824	55,176	58,453

Management has assessed that the fair values of cash and cash balances, pledged deposits, restricted bank balances, financial assets included in prepayments and other receivables, amounts due from related parties, trade payables, interest-bearing bank and other borrowings, loan from a related party, amounts due to related parties, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

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

The fair values of the financial assets at FVTPL have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial assets at FVTPL:

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	–	50,178	–	50,178

As at May 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	–	50,021	–	50,021

Financial liabilities at FVTPL:

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Preferred shares	–	–	1,645,620	1,645,620

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Preferred shares	–	–	3,132,791	3,132,791

As at May 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Preferred shares	–	–	3,276,433	3,276,433

Assets for which fair values are disclosed

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term deposits	–	55	–	55

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	–	3,214	–	3,214
Amounts due from an employee	–	1,206	–	1,206
Long-term deposits	–	3,690	–	3,690
	–	8,110	–	8,110

As at May 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	–	3,254	–	3,254
Amounts due from an employee	–	1,221	–	1,221
Long-term deposits	–	3,959	–	3,959
	–	8,434	–	8,434

Financial instruments in Level 3

Further details of preferred shares are included in note 26 to the Historical Financial Information.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign exchange	**Increase/ (decrease) in loss before tax**	**(Decrease)/ increase 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
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, 2022			
If RMB weakens against the US$	5	141,923	(141,923)
If RMB strengthens against the US$	(5)	(141,923)	141,923
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

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2020

	12 Month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	372	–	–	–	372
Financial assets included in prepayments, other receivables and other assets*	1,126	–	–	–	1,126
Financial assets included in other non-current assets	55	–	–	–	55
Pledged deposits	6,000	–	–	–	6,000
Cash and cash equivalents	414,261	–	–	–	414,261
Total	421,814	–	–	–	421,814

As at December 31, 2021

	12 Month ECLs	Lifetime ECLs				
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables**	–	–	–	65,134	65,134
Amounts due from related parties	3,214	–	–	–	3,214
Financial assets included in prepayments, other receivables and other assets*	1,294	–	–	–	1,294
Financial assets included in other non-current assets	4,896	–	–	–	4,896
Restricted bank balances	72	–	–	–	72
Cash and bank balances	774,306	–	–	–	774,306
Total	783,782	–	–	65,134	848,916

As at May 31, 2022

	12 Month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables**	–	–	–	102,093	102,093
Amounts due from related parties	3,254	–	–	–	3,254
Financial assets included in prepayments, other receivables and other assets*	1,261	–	–	–	1,261
Financial assets included in other non-current assets	5,180	–	–	–	5,180
Restricted bank balances	72	–	–	–	72
Cash and bank balances	660,231	–	–	–	660,231
Total	669,998	–	–	102,093	772,091

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

** For trade receivables as at December 31, 2021 and May 31, 2022, the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.

At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk with respect to trade receivables, which are disclosed in note 18 to the Historical Financial Information.

Liquidity risk

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

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

As at December 31, 2020

	Less than 12 months or on demand	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,416	–	2,416
Financial liabilities included in other payables and accruals	75,609	–	75,609
Lease liabilities	3,791	15,439	19,230
Amounts due to a related party	1,702	–	1,702
Preferred shares	283,112	1,309,146	1,592,258
Interest-bearing bank and other borrowings	3,522	–	3,522
	370,152	1,324,585	1,694,737

As at December 31, 2021

	Less than 12 months or on demand	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,742	–	3,742
Financial liabilities included in other payables and accruals	114,062	–	114,062
Lease liabilities	14,379	48,681	63,060
Amounts due to a related party	150	–	150
Preferred shares	2,425,646	–	2,425,646
	2,557,979	48,681	2,606,660

As at May 31, 2022

	Less than 12 months or on demand	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,650	–	2,650
Financial liabilities included in other payables and accruals	175,107	–	175,107
Lease liabilities	15,597	43,050	58,647
Amounts due to a related party	150	–	150
Preferred shares	2,512,770	–	2,512,770
	2,706,274	43,050	2,749,324

Capital management

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

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

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at December 31,		**As at May 31,**
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	496,216	1,060,293	1,018,021
Total liabilities	1,766,031	3,332,855	3,527,850
Asset-liability ratio*	356%	314%	347%

* Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

38. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to the resolution in writing passed by the ESOP administration department of share incentive scheme of the Company on October 6, 2022, 13,995,821 restricted share units were granted to the participant.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to May 31, 2022.